

**MINUTES OF THE REGULAR  
MEETING OF  
THE BOARD OF DIRECTORS  
OF  
THE INLAND EMPIRE UTILITIES AGENCY\*  
WEDNESDAY, FEBRUARY 16, 2011  
10:00 A.M.**

**DIRECTORS PRESENT:**

Michael Camacho, Vice President  
Terry Catlin, President  
Steven J. Elie, Secretary/Treasurer  
Gene Koopman  
Angel Santiago

**STAFF PRESENT:**

Thomas A. Love, General Manager  
Martha Davis, Executive Manager of Policy Development  
Patrick Sheilds, Executive Manager of Operations  
Christina Valencia, Chief Financial Officer  
Chris Berch, Manager of Planning & Environmental Compliance  
Tina Cheng, Budget Officer  
Michael Chung, Manager of Fiscal Management  
Parivash Dezhm, Manager of Pretreatment and Source Control  
Sondra Elrod, Public Information Officer  
Nel Groenveld, Manager of Laboratories  
Jason Gu, Grants Officer  
LeAnne Hamilton, Senior Engineer  
Gina Hillary, Manager of Human Resources  
Cameron Langner, Manager of Contracts and Procurement  
Randy Lee, Manager of Operations  
Sylvie Lee, Deputy Manager of Engineering  
Beth Olhasso, LT Water Resources Analyst I  
Craig Parker, Manager of Engineering  
Craig Proctor, Pretreatment and Source Control Supervisor  
Ryan Shaw, Associate Engineer  
Teresa Velarde, Manager of Internal Audit  
Robert Wallin, Contracts and Programs Administrator  
Ernest Yeboah, Manager of Maintenance  
April Woodruff, Board Secretary

**OTHERS PRESENT:**

Jack Allingham, Retiree  
John Bosler, CVWD  
Scott Bruckner, City of Fontana  
Jean Cihigoyenette, Cihigoyenette, Grossberg & Clouse  
Anthony La, City of Upland  
Steve Nix, City of Chino Hills  
Susie Spears, Retiree  
Kathy Tiegs, CVWD  
Acquanetta Warren, Fontana Mayor  
Marty Zvirbulis, CVWD

A regular meeting of the Board of Directors of the Inland Empire Utilities Agency\* was held at the office of the Agency, 6075 Kimball Avenue, Bldg. A., Chino, California on the above date.

President Catlin called the meeting to order at 10:00 a.m., and he led the pledge of allegiance to the flag. A quorum was present.

President Catlin stated that members of the public may address the Board; however, he would like to hold all comments regarding Action Item, Fiscal Year 2011/12 Rate Increase for Regional and Recycled Water Program, to the time when the item is presented.

President Catlin asked if there were any changes/additions/deletions to the agenda. There were no changes/additions/deletions to the agenda.

### **CONSENT CALENDAR**

President Catlin asked if anyone wished to remove any item from the Consent Calendar. There was no one desiring to do so

Upon motion by Director Santiago, seconded by Director Elie, and unanimously carried:

#### **M2011-2-2**

MOVED, approval of the Consent Calendar.

A. The Board approved the minutes from the February 2, 2011, regular Board of Directors' meeting.

B. The Board approved the Treasurer's Report as submitted.

C. The Board:

1. Adopted Resolution No. 2011-2-4, authorizing the Agency to submit a grant application and enter into a Financial Assistance Grant Agreement with the United States Department of Interior – Bureau of Reclamation (USBR) under the Development of Feasibility Studies under Title XVI Water Reclamation and Reuse Grant Program (Program); and

#### **RESOLUTION NO. 2011-2-4**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY\*, SAN BERNARDINO COUNTY, CALIFORNIA, AUTHORIZING THE INLAND EMPIRE UTILITIES AGENCY TO ENTER INTO A FINANCIAL ASSISTANCE AGREEMENT UNDER THE WATERSMART: DEVELOPMENT OF FEASIBILITY STUDIES UNDER THE TITLE XVI WATER RECLAMATION AND REUSE PROGRAM WITH THE U.S. DEPARTMENT OF INTERIOR – BUREAU OF RECLAMATION AND DESIGNATING A REPRESENTATIVE TO SIGN THE FINANCIAL ASSISTANCE AGREEMENT, AND ANY (for full text, see Resolution Book)**

2. Authorized the General Manager of in his absence, the Assistant General Manager, Chief Financial Officer, the Executive Manager of Operations, or the Executive Manager of Policy Development to negotiate and execute a financial assistance agreement and any amendments thereto with the USBR.

*(Continued...)*

**M2011-2-2, continued.**

D. The Board:

1. Approved a two-year agreement for the supply of natural gas with Shell Energy North America (SENA) US, L.P., for a fixed price within the range of \$5.16 to \$5.19 per Decatherm (Dth); and
2. Authorized the General Manager to execute the agreement.

E. The Board:

1. Authorized the General Manager to extend the current agreement with Shell Energy North America (SENA) US, L.P., for a fixed price within the range of \$45.95 to \$48.95 per megawatt hour (MWh), and 2 MW at a variable rate;
2. Authorized the General Manager, during the same two-year period, to enter into an agreement with SENA or an alternate Energy Service Provider (ESP), if dictated by market conditions, and convert up to 2MW from the variable rate to a fixed price for a not-to-exceed cost of \$45.95 per MWh; and
3. Authorized the General Manager to terminate the agreement with SENA US, L.P., if dictated by market changes.

F. The Board:

1. Approved the Local Resources Program (LRP) and Settlement Agreement with the Metropolitan Water District (MWD), subject to non-substantive changes, allowing for payment of \$139/acre foot for each acre foot of desalter product water; and
2. Authorized the General Manager to finalize and execute the Agreement.

G. The Board approved the purchase of replacement Parkson membrane panels for the RP-1 aeration basins, for a total aggregate not-to-exceed amount of \$520,000, including all taxes and freight.

**ACTION ITEMS**

**LOCAL COMMUNITY CONTRIBUTION ACCOUNT**

General Counsel, Jean Cihigoyenette, stated that this matter was brought up at the request of Director Elie. He stated that this account designates \$2,000 per Director for discretionary spending on items which are germane or within the subject matter jurisdiction of the Agency. Mr. Cihigoyenette reported that in April 2003, the Board initiated this process with a Board letter that outlined the restrictions and basic rules by which these funds are to be administered. He stated that, at that time, no formal policy was established for how to manage the funds and how the funds are to be allocated and used. He stated that this matter has been brought to the agenda for discussion to clarify whether the Agency should implement a formal policy on utilization of this account or how to deal with this account at all.

Director Elie commented that he requested that this subject be placed on the agenda because it is important in these days of transparency to ensure that staff doesn't have any questions, if the Director wants to utilize these funds in a certain manner. He moved to direct staff to prepare a draft policy for the use of these funds.

Director Santiago commented that originally this account was created to coincide with the Agency's mission statement. He stated that it was to allow the Agency to be more involved in the community from a "grass roots" perspective, i.e., schools, little leagues, boys clubs, girls clubs, etc. He stated that this was an opportunity, when schools and the like, approached the Agency for help to promote recycling, for the Agency to provide support in educating the community on conservation. He stated that historically, all requests were reviewed and approved by General Counsel, before the Agency moved forward.

Director Koopman commented that the Agency was in a different economic time in 2003, than we are now. He made the motion to discontinue the Local Community Account, which failed due to a lack of a second.

Upon motion by Director Elie, seconded by Director Camacho, with Director Koopman voting in the negative, the motion carried (4-1):

**M2011-2-3**

MOVED, to direct staff to prepare a formal policy establishing guidelines for the allocation of funds relative to the use of the Local Community Account.

**FISCAL YEAR 2011/12 RATE INCREASES FOR REGIONAL AND RECYCLED WATER PROGRAM**

General Manager, Thomas A. Love, gave a PowerPoint presentation on the FY 2011/12 Regional Wastewater and Recycled Water Program Rate Increases. He provided a review of the Agency's mission; an overview of the Regional Committees' presentations and budget workshops, as well as one-on-one meetings with each member agency; Cost Containment on Employment, Staffing, Wage Savings, Operational Performance, and Fiscal Management; Key Rate Drivers: Declining Revenues and Higher Premiums; Key Assumptions for 2011/12; Scenario 1 and 2; Rate Comparison; and Option 1: Staff's Single Year Increase and Option 2: Regional Policy's Recommendation. He noted that the Regional Policy Committee, by majority vote, recommended to the IEUA Board to adopt no rate increase in 2011/12 on the EDU rate. He stated the Agency's projection for the following year is \$1.25. He clarified that the Policy Committee, although the Agency recommended adoption of rates for two years, both the Technical and Policy Committees were unanimous in recommending that the Agency only consider one year at a time. He stated that regarding the recycled water rate, both Committees were unanimous with the same recommendation as the Agency. He also noted that the Policy Committee made a recommendation to the IEUA Board that the connection fees remain the same for the next fiscal year.

**PUBLIC COMMENTS REGARDING THE FY 2011/12 RATE INCREASES FOR REGIONAL AND RECYCLED WATER PROGRAM**

Ms. Kathy Tiegs, President of the Cucamonga Valley Water District Board of Directors, commented that she was there on behalf of the CVWD Board of Directors and District. She said that as CVWD has stated in the past, she would like to state again, that CVWD is appreciative of IEUA's sensitivity to increasing rates at this time. She said CVWD also appreciates the fact that IEUA began this process 5-6 months ago, which gave the regional agencies time to discuss and consider the proposal presented before them. Ms. Tiegs noted that CVWD is as sensitive as IEUA is to increasing rates in these difficult economic times; however, they also know the negative impacts of not increasing rates at this time would have. She stated that a small incremental rate increase year after year is much more favorable than no increase and then a

larger hit on the ratepayer. She stated that she is here today on behalf of the CVWD Board to encourage and also support Option 1, which is all of the increases as proposed by staff. She thanked the Board.

General Manager, Thomas A. Love, noted that Mr. Marty Zvirbulis, CVWD General Manager/CEO, sent a letter of support addressed to Mr. Love.

Mr. Anthony La, from the City of Upland, thanked staff for their professionalism and responsiveness. He stated that it was a very good process. Mr. La reported that it is a very important subject, with a lot of discussion at the Technical level, as well as the Policy level. He stated that they did not all agree over the last couple of months, but in the end, it was a good example of the public process at work. He reported that there was a good, healthy civilized discussion of transparent decision making. Mr. La stated that early this month, both the Technical and Policy Committees, after much discussion, voted in support to increase recycled water direct delivery by \$20. He reported that both Committees also voted in support of recycled water recharge increase of \$30; however, for the first time in six years, both Committees voted not to increase the EDU rate. Mr. La stated that today, the City of Upland urges the IEUA Board to vote in support of their Committees' recommendation. He concluded that on behalf of their ratepayers, thank you.

Fontana Mayor, Acquanetta Warren, commented that she is representing the City of Fontana, but she is also a member of the Policy Committee. She noted that they have been represented in the past by the great Councilmember John Roberts, and she has been in touch with Councilmember Roberts on every detail, and he made sure that everyone was brought up to date. She stated that, as we are well aware, these times are very bad for the public, as well as commercial and industrial customers. Mayor Warren stated that as we look at the Policy Committee's recommendation, it was very well thought-out, and that they will continue to work with the IEUA Board to ensure that the delivery of services is fair. She stated that she would strongly recommend that the IEUA Board adhere to the Policy Committee's recommendation that there be no increase at this time for EDU rates. She further stated that over the next couple of months that we all work closely together to devise a plan for the upcoming years.

President Catlin thanks those who provided public comments, and opened it up for Board discussion.

Director Koopman commented that he can see both sides of this. He stated that this goes back a few years, when there was discussion at the Technical and Policy Committees about keeping the rates at an even keel, over a period of time, so there would be no big fluctuations where taxpayers would get hit hard in one particular year. He stated that today we are in different times than when that discussion took place. Director Koopman said that his understanding is that the IEUA staff has made abundantly clear to both the Technical and Policy Committees that if we went with Option 2 (Policy's Recommendation), that there is a significant likelihood that we would have to have quite a bit larger increase the following fiscal year. He noted that both Committees are well aware of the ramifications of their recommendation. Director Koopman stated that past history has shown that IEUA has done an excellent job of staying under our budget, and noted that what is important is not what we always like to do - it is what we can afford to do. He stated that there is a huge difference between the two. He made a motion to adopt Option 2. Director Santiago seconded the motion.

Director Elie commented that he agrees with Director Koopman, that we need to do what we can afford to do, but we must also do what we should do. He stated that the struggle in this situation is the competing issues – Ms. Tiegs raised one side, and Mayor Warren and Mr. La raised the other. He noted that he does not want to be here a year from now regretting that we had not taken action in the face of changed economic circumstances – we don't know what is going to happen with the budget – we don't know what is going to happen with the RDA funds – we don't know what is going to happen with the tax base – there is a lot of “we don't know.”

Director Elie said it was a good idea to split it up into two separate years and not do a two-year at this time. He stated that the biggest concern that he has is that we will all be sitting here twelve months from now having said, “we really should have done an incremental increase of \$0.41”, which translates to \$5 per year, so that we don’t hit people with a \$2 rate increase next year, because of changed circumstance or things that we can’t even predict today. He stated that having said that, he is supportive of the motion, with one exception. He stated that we are not tied to either recommendation as a Board, and he would recommend that we actually increase the EDU connection rate that staff has recommended. Director Elie stated that it is a wise decision to do it this way because it is not going to impact people that can’t pay - it’s going to bring us closer to being in parity, so we don’t have to have a large increase on that as well. Director Elie concluded by stating that staff has spent literally hundreds of hours on this rate issue, just within the short time he has served on the IEUA Board. He expressed that this is a very important issue and that nobody wants to raise rates. He was surprised at how low the rates are, given the cost of service. Director Elie noted that the IEUA staff has done a fabulous job. He also stated that the prior Board members have done a great job of maintaining costs and doing it in a smart way and being progressive about it. He asked that everyone stay positive and continue to work hard on maintaining costs.

Director Koopman noted that a motion has already been made by the Board, and seconded. He further commented that regarding the rate increase on new connections fees there has been no “call” in 18 months, and there is no indication that there will be a “call” in the near future; therefore, the change would not impact the budget.

President Catlin commented that he understands both sides on the issue. He noted that his constituents have strongly opposed increasing the rate on the EDU connection fee. He stated that he is concerned about potential increases in the future; however, he knows that the IEUA staff is committed to continue “looking under every rock possible” in their efforts to contain costs. President Catlin commended staff, under the leadership of General Manager, Thomas A. Love and Chief Financial Officer, Christina Valencia, for providing constituents the opportunity to review and scrutinize the numbers, fielding questions, and providing responses.

Director Camacho thanked Cucamonga Valley Water District’s Board President, Ms. Kathy Tiegs, for expressing support, as well as Mr. Anthony La and Mayor Warren for their comments. He acknowledged the IEUA staff for their time and commitment in reviewing, researching and examining this sensitive issue. Director Camacho stated that it was very apparent that this was a struggle for all, as small as this potential increase may or may not go. He noted that we might be putting off the inevitable. He stated at some point there will be an increase – what that increase will be, is unknown – and that is where the struggle is.

Director Koopman requested a roll call vote.

Upon motion by Director Koopman, seconded by Director Santiago, and the motion carried (5-0):

**M2011-2-4**

MOVED, to approve:

Option 2: Regional Policy Committee’s Recommendation:

1. No adjustment to the EDU connection fee rate of \$4,766 per EDU effective July 1, 2011;

*(Continued...)*

**M2011-2-4, continued.**

2. No adjustment to the monthly EDU (Equivalent Dwelling Unit) volumetric rate to the current rate of \$11.14 per EDU effective July 1, 2011;
3. An adjustment of \$20 per acre foot (AF) to the Recycled Water Direct Sale rate for \$95 per AF to \$115 per AF effective July 1, 2011;
4. An adjustment of \$30 per AF to Recycled Water Recharge Sale rate from \$115 per AF to \$145 per AF effective July 1, 2011; and
5. Adopt Rate Resolution Nos. 2011-2-1 through 2011-2-3 establishing the Capital Capacity Reimbursement Payment, EDU Volumetric, and Recycled Water rates for Fiscal Year 2011/12.

with the following roll call vote:

Ayes:	Santiago, Elie, Camacho, Koopman, Catlin
Noes:	None
Absent:	None
Abstain:	None

**INFORMATION ITEMS**

**PRELIMINARY TEN-YEAR CAPITAL IMPROVEMENT PLAN**

Manager of Planning and Environmental Compliance, Chris Berch, gave a PowerPoint presentation on the Preliminary Ten-Year Capital Improvement Plan (TYCIP) for FY 2011/12-2020/21. He highlighted the TYCIP Driving Factors, Capital Plan Summary, Ten-Year Growth Forecast, Member Agency Growth Forecast, Wastewater Flow Forecast, Water Use & Wastewater Flow, Notable Changes in the TYCIP, Current and Preliminary TYCIP, Current and Preliminary TYCIP by Fund, Preliminary TYCIP Summary, Preliminary TYCIP Funding Sources, and the TYCIP Schedule.

**THE FOLLOWING INFORMATION ITEMS WERE RECEIVED AND FILED BY THE BOARD:**

**TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR DECEMBER 2010**

**FY 2010/11 SECOND QUARTER BUDGET VARIANCE AND PERFORMANCE GOALS UPDATES**

**PUBLIC OUTREACH AND COMMUNICATIONS**

**LEGISLATIVE REPORT FROM INNOVATIVE FEDERAL STRATEGIES, LLC**

**LEGISLATIVE REPORT FROM THE DOLPHIN GROUP**

**FY 2010/11 IN-HOUSE DESIGN SAVINGS**

**CONSTRUCTION MANAGEMENT EXECUTIVE SUMMARY PRESENTATION**

**IEUA MONTHLY WATER NEWSLETTER**

## **CHINO CREEK WETLANDS AND EDUCATION PARK UPDATE**

### **QUARTERLY MAINTENANCE UPDATE**

### **PRETREATMENT AND SOURCE CONTROL DEPARTMENT SEMIANNUAL UPDATE**

### **AGENCY REPRESENTATIVES' REPORTS**

#### **SAWPA REPORT**

President Catlin reported that at the February 15, Commission meeting one of the main issues discussed was the recommendations made by the recently formed Project Agreement 21 Committee, comprised of IEBL (Inland Empire Brine Line) users. Their recommendation was to increase the maximum contract amount to \$125,000 for legal services from Brownstein, Hyatt, Farber and Schreck, LLP, and establish an escrow account for payment of certain IEBL invoices. He also reported that the Commission directed staff to revise the IEBL billing formula, lowering the monthly target TSS.

#### **MWD REPORT**

General Manager, Thomas A. Love, reported that there has been a lot of discussion regarding on whether or not to lift the water supply allocation plan, or set the allocation level at zero. He stated that staff has been working with several other agencies to create a public message regarding respecting the value of water and being water smart and water use efficiency versus the message of conserving water. Mr. Love reported that the State Water Project allocation was set at 60% by DWR, although their data supported an allocation of 65%. He stated that since that time, within this week, snow pack levels have flattened out, and precipitation has flat-lined. Mr. Love noted that the overall MWD supply's projection for the end of the year in terms of storage is at 2 million acre feet, significantly higher than last year.

#### **REGIONAL SEWERAGE PROGRAM POLICY COMMITTEE REPORT**

President Catlin reported that the main issue at the Regional Policy Committee was the IEUA rate increase. He stated that the Committee also discussed the Water Softener Control Program.

#### **CHINO BASIN WATERMASTER REPORT**

Director Elie reported that at the Chino Basin Watermaster meeting the 2011 Officers were elected with the following results: Mr. Ken Willis remains as Watermaster Board Chair, Mr. Bob Kuhn is Watermaster Board Vice Chair, and Mr. Tom Haughey is Watermaster Board Secretary/Treasurer. He further reported that he will be attending the ABGL Presentation at 2:00 p.m. today at Watermaster.

#### **GENERAL MANAGER'S REPORT**

The General Manager's Report was received and filed by the Board.

General Manager, Thomas A. Love, reported that on Friday at the Member Agency Managers' meeting, there was a presentation on the CDA LRP settlement agreement, and with the efforts of Mr. John Rossi and Mr. Love, a meeting was scheduled earlier this week with the MWD General Manager Jeff Kightlinger. He stated that they have worked through MWD staff's issues with provisions of the Dry Year Yield agreement, to the satisfaction of the MWD General Manager. He noted that two of the larger agencies indicated their willingness to support moving forward with the agreement.

Mr. Love reported that beginning Monday night through Tuesday morning, e-mails were circulated regarding a proposal on a Resolution by Congressman Tom McClintock to suspend all funding for Bureau of Reclamation Title XVI, including current commitments made, which would impact the Agency. He reported that of the \$14 million stimulus funds that the Agency



received through the program, \$6-7 million has been received, and the Northwest Project in Upland and some of the Southern area projects require completion to receive the matching funds. Mr. Love stated that through Martha's efforts, and many others, it appears that Congressman McClintock pulled the proposal. He stated that staff will monitor this carefully.

**BOARD OF DIRECTORS REQUESTED FUTURE AGENDA ITEMS**

Director Koopman requested that staff submit a recommendation on how the Agency will trim the budget by \$1.2 million to the next Finance, Legal and Administration Committee meeting.

Director Elie requested that staff provide a report on the financial services professionals, i.e. bonds, accountants, that the Agency uses and the process of selection to the next Finance, Legal and Administration Committee meeting.

**DIRECTORS' COMMENTS**

President Catlin reported that on February 7, he attended the Association of Ground Water Agencies (AGWA) conference on Water Resources Issues in Southern California. He reported that an important focus from the State was the recharging of water into the groundwater aquifer, and how to better manage out groundwater resources. Also discussed at the conference were updates on Judge Wanger's criticism of some of the biological opinions.

**CLOSED SESSION**

General Counsel Jean Cihigoyenatche reported that there will be no Closed Session

With no further business, President Catlin adjourned the meeting at 11:20 a.m.

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Secretary

**APPROVED: MARCH 16, 2011**