

**MINUTES OF THE REGULAR
MEETING OF
THE BOARD OF DIRECTORS
OF
THE INLAND EMPIRE UTILITIES AGENCY*
WEDNESDAY, APRIL 18, 2012
10:00 A.M.**

DIRECTORS PRESENT:

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

DIRECTOR ABSENT:

Angel Santiago

STAFF PRESENT:

Thomas A. Love, General Manager
Craig Miller, Assistant General Manager
Martha Davis, Executive Manager of Human Resources
Joshua Aguilar, Associate Engineer
Rosemary Alvarado, Supervising Contracts and Programs Administrator
Susan Barajas, Staff Internal Auditor II
Kathleen Baxter, Supervising Contracts and Programs Administrator
Chris Berch, Manager of Planning & Environmental Compliance
Tina Cheng, Budget Officer
Michael Chung, Manager of Fiscal Management
Gabriel DeSaddi, Manager of Construction Management
Glenn Edwards, Supervising Management Analyst
Sondra Elrod, Administration and Public Affairs Officer
Juan Flores, Compost Worker
Paige Gulck, Administrative Analyst
Gina Hillary, Manager of Human Resources
Ray Hooshmand, Senior Engineer
Cole Johnson, Groundwater Recharge Operations & Maintenance Assistant
Majid Karim, Deputy Manager of Engineering
Cameron Langner, Manager of Contracts and Procurement
Randy Lee, Acting Executive Manager of Operations
Sylvie Lee, Deputy Manager of Engineering
Paddy Mwembu, Manager of Financial Planning
Craig Proctor, Pretreatment & Source Control Supervisor
Lauramae Recupero, Supervisor of Engineering Administration
Teresa Velarde, Manager of Internal Audit
Robert Wallin, Contracts and Programs Administrator
Jamal Zughbi, Senior Engineer
April Woodruff, Board Secretary

OTHERS PRESENT:

None.

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 10:02 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. There was no one desiring to do so.

President Catlin asked if there were any changes/additions/deletions to the agenda.

General Manager Thomas A. Love requested that Consent Calendar Item 3G, PROJECT ACCEPTANCE FOR THE RP-2 DIGESTER GAS CONDENSATE SUMP IMPROVEMENTS, PROJECT NO. EN11038, be pulled off the Agenda. He stated minor tasks need to be completed prior to this action.

NEW HIRE INTRODUCTIONS

Assistant General Manager Craig Miller introduced the following new hires:

Mr. Juan Flores, Compost Worker
Organics Management Department

Mr. Cole Johnson, Groundwater Recharge Operations & Maintenance Assistant
Groundwater Recharge Department

CALIFORNIA STRATEGIES PRESENTATION – SENATOR JIM BRULTE/ JOHN WITHERS

Senator Jim Brulte (ret.) and Mr. John Withers gave a PowerPoint presentation on the California Strategies activities. Senator Brulte (ret.) reviewed the previous point of discussion of Sacramento's focus in 2012 (budget, redevelopment, pension reform, government reform, and water supply and infrastructure financing).

Mr. John Withers provided an update on the Bay Delta. Mr. Withers also highlighted the MWD/San Diego Water Authority issue.

CONSENT CALENDAR

President Catlin asked if anyone wished to remove any item from the Consent Calendar.

Director Gene Koopman requested that Consent Calendar Item 2B, TREASURER'S REPORT, and Consent Calendar Item 2F, TERMINATION OF CONSTRUCTION CONTRACT AND REJECTION OF BIDS FOR THE CCWRF RECYCLED WATER PUMP STATION EXPANSION, be pulled off the Agenda.

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

M2012-4-1

MOVED, to approval of the Consent Calendar.

A. The Board approved the minutes of the March 5, 2012, Special Board Workshop, the March 21, 2012, regular Board meeting, and the April 4, 2012, Special Board meeting.

B. PULLED.

C. The Board approved the Investment Report for the period of March 9, 2012 to April 5, 2012.

Continued....

M2012-4-1, continued.

D. The Board:

1. Adopted Resolution No. 2012-4-1, declaring its intent to adopt the budgets for the Agency's Regional Wastewater, Recycled Water, Non-Reclaimable Wastewater, and Water Resources Program, and fixing time and place of hearing thereon for Fiscal Year 2012/13; and
2. Set a hearing date, and direct staff to distribute the Resolution to the appropriate agencies in compliance with the Regional Sewage Service Contract.

RESOLUTION NO. 2012-4-1

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, DECLARING ITS INTENT TO ADOPT BUDGETS FOR THE REGIONAL SEWAGE, RECYCLED WATER, NON-RECLAIMABLE WASTEWATER, AND WATER RESOURCES PROGRAMS AND FIXING TIME AND PLACE OF HEARING THEREON (For full text, see Resolution Book)

E. The Board approved a budget amendment of \$723,000 for capitalized interest costs added to the RP-4 Liquid Expansion to 14 MGD, Project No. EN04011 (\$603,000), and the RP-5 Recycled Water Pump Station Expansion, Project No. EN10001 (\$120,000), and increase the total project budget accordingly.

F. PULLED.

G. PULLED.

H. The Board:

1. Formally accepted the Change Order 50 Settlement Agreement with Mike Bubalo Construction Company, Inc. for \$640,000, to settle final earthwork and overhead costs associated with the project;
2. Accepted the work, as performed by Mike Bubalo Construction Company, Inc. as completed under the construction contract for the Magnolia Channel, Project No. EN06020.03; and
3. Authorized the General Manager to execute the Notice of Completion.

ACTION ITEMS

TREASURER'S REPORT

Director Koopman stated that on page 46, check number 191683, of the Treasurer's Report, a check in the amount of \$1,950 to David Wheeler's Pest Control was issued for "remove rat from generator". He stated that \$1,950 seemed to be rather expensive for the described service, and asked staff for further details. Staff responded that rats were migrating into equipment causing extensive damage and service was called out. Staff stated that the scope of work included inspection of other equipment for damage due to rats.

Upon motion by Director Koopman, seconded by Director Camacho, and unanimously carried:

M2012-4-2

MOVED, to approve:

1. Check registers for the period of March 9, 2012, to April 5, 2012;
2. Directors' Payroll for March 9, 2012, and April 3, 2012;
3. Employees' Payroll for March 9, 2012 and March 23, 2012; and
4. Wire Transfers/ACH Payments for the period of March 9, 2012 to April 5, 2012.

TERMINATION OF CONSTRUCTION CONTRACT AND REJECTION OF BIDS FOR THE CCWRF RECYCLED WATER PUMP STATION EXPANSION

Director Koopman stated that staff is requesting that the Board terminate the construction contract for the CCWRF Recycled Water Pump Station Expansion that was awarded to Norman A. Olsson Construction Inc. and reject all construction bids received. He stated that the reason for the recommendation was that bid requirements for the SWRCB SRF loan and grant were not included in the bid documents. He asked staff if corrective actions have been placed to avoid a repeated oversight, with his concern being that all prior bids are made public, and with a re-bid, it may become less competitive. Director Camacho responded that staff indicated in the Engineering, Operations, and Biosolids Management Committee meeting that steps have been taken to ensure an event does not reoccur. Staff indicated that the project checklist has been updated to include a funding source check. The Project Manager's SOP has also been updated. General Counsel Jean Cihigoyenatche stated that the Agency is obligated to reject all bids when a bidding error is found.

Upon motion by Director Koopman, seconded by Director Camacho, and unanimously carried:

M2012-4-3

MOVED, to:

1. Approve the termination of the construction contract for the CCWRF Recycled Water Pump Station Expansion, Project No. EN07010, to Norman A. Olsson Construction, Inc. for \$2,880,000; and
2. Reject all construction bids received.

APPOINTMENT OF REPRESENTATION TO THE REDEVELOPMENT AGENCY (RDA) OVERSIGHT BOARD

Manager of Fiscal Management Michael Chung stated that due to ABX1 26 and the California Supreme Court decision, which deems the dissolution measure a "property exercise of the legislative power vested in the Legislature by the state Constitution", all RDA's in the state were replaced with Successor Agencies. He stated that the object of the Successor Agencies is to wind down the affairs of the RDA's, including continuing payment of debt obligations and disposing of assets. Mr. Chung stated that an Oversight Board, was established to direct staff, approve actions, and establish the Recognized Obligation Payment Schedules. He noted that one of the Board appointees must be from a Special District based on the highest percentage share of property taxes. The IEUA has the highest share percentage as a Special District in the Cities of Montclair, Ontario, and Upland. The Board appointed Director Catlin as the regular

member for the Cities of Montclair and Upland, and Director Koopman for the City of Ontario, with Chief Financial Officer Christina Valencia as the alternate for all three cities.

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

M2012-4-4

MOVED, to:

1. Appoint Director Terry Catlin as the regular member, and Chief Financial Officer Christina Valencia as the alternate member to serve on the RDA Oversight Board for the City of Montclair;
2. Appoint Director Gene Koopman as the regular member, and Chief Financial Officer Christina Valencia as the alternate member to serve on the RDA Oversight Board for the City of Ontario; and
3. Appoint Director Terry Catlin as the regular member, and Chief Financial Officer as the alternate member to serve on the RDA Oversight Board for the City of Upland.

CEQA AND MOU FOR THE WINEVILLE EXTENSION RECYCLED WATER PIPELINE PROJECT, PROJECT NO. EN06025

Deputy Manager of Engineering Sylvie Lee gave a PowerPoint presentation on the Wineville Extension Recycled Water Pipeline Project. She highlighted the Project Background, Project Description, 2002 Facilities Master Plan Regional and Local Recycled Water System, Proposed Alignment, Memorandum of Understanding which outlines the general terms of agreement with the Cities of Fontana and Ontario, and the Fontana Water Company. Ms. Lee also reviewed the project schedule, with an anticipated construction completion date of December 2013. She concluded her presentation by stating that staff is recommending that the Board adopt an Addendum to the Facilities Master Plan Program Environmental Impact Report; authorize the General Manager to file the Notice of Determination with the San Bernardino County Clerk of the Board; and authorize the General Manager to finalize and execute the MOU with the Cities of Fontana and Ontario, and the Fontana Water Company.

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

M2012-4-5

MOVED, to:

1. Adopt an Addendum to the Facilities Master Pan Program Environmental Impact Report;
2. Authorize the General Manager to file the Notice of Determination with the San Bernardino County Clerk of the Board; and
3. Authorize the General Manager to finalize and execute the Memorandum of Understanding (MOU) with the Cities of Fontana and Ontario, and the Fontana Water Company.

INFORMATION ITEMS

RP-5 SHF AND REEP LEASE UPDATE

Deputy Manager of Engineering Majid Karim gave a PowerPoint presentation on the RP-5 SHF and REEP Lease Update. He provided a brief background of the lease, which was signed in March of 2010, with an 11-year term. Mr. Karim highlighted the RP-5 REEP & SHF General Vicinity Aerial Map, which shows the areas impacted by the lease. He stated that within the RP-5 REEP Facility, there are areas that the Agency will continue to use, which is mainly the TES Tank and the Chilled Water System. Mr. Karim reported that for the RP-5 SHF project, the brineline permit is complete; equipment testing and repair is nearly complete; one of the digesters is operating and bringing in liquid food waste at 1 load per day, and producing 33,000 cfd of gas; and work continues on the SCAQMD permit modification for the system. He reported that for the REEP facility, SCAQMD permit coordination is progressing; ESCI is working with Johnson Power to test the CAT engines; staff is working with SCE on the switchgear commissioning; SCE will also be filing a variance with CPUC for the Biogas Net Energy Metering Agreement; and staff is working on the custody transfer of the facilities to ESCI. Staff noted that General Counsel Jean Cihigoyenette is involved in the review process of the performance bond and the change of the corporate structure/name of ESCI.

ASSET MANAGEMENT

Supervisor of Engineering Administration Lauramae Recupero gave a PowerPoint presentation on the Asset Management Program Update. She reported that the last time staff had met with the Board, staff had developed the levels of service for the Agency. This was a pivotal point in the entire program allowing for the building of the foundation and staff's review of critical assets at the individual facilities. Ms. Recupero stated that in the past year, staff was able, through a systematic approach, to isolate the systems at each of the plants determined to be the most critical and with the highest probability of failure. As a result, staff was able to determine the need for either immediate corrective action or future predictive or preventative maintenance is necessary. She highlighted the Asset Risk Signature (ASR) for RP-2, ASR Supports Project Start Dates, and Future Objectives.

FY 2012/13 REGIONAL WASTEWATER AND RECYCLED WATER PROGRAM PROPOSED BUDGET OVERVIEW

Manager of Financial Planning Paddy Mwembu provided an overview of the FY 2012/13 Regional Wastewater and Recycled Water Program Proposed Budget. He highlighted the significant changes since adopting the multi-year rate increase on February 1, 2012. He reported that there have been cost increases in benefits, higher energy costs, and additional costs to the 10-year Capital Improvement Plan. Mr. Mwembu reported that based on the proposed budget, the Debt Coverage Ratio (DCR) for FY 2013/14 is projected to be 1.63x; higher than the targeted rate of 1.50x. He stated that this is due to the shift of debt service costs related to the Southern Area & Central/Wineville Area from FY 2013/14 to FY 2014/15 based on current project timelines. He noted; however, that higher than previously projected utility and benefit premium costs have reduced the projected DCR for FY 2014/15 slightly below the target from 1.70x to 1.63x. He concluded his presentation with the Budget Timeline, noting that the budget will be presented to the Board for adoption on June 20, 2012.

MWD UPDATE

Assistant General Manager Craig Miller reported that the MWD budget was approved with a 5% rate increase this year, and 5% next year option. He reported that the California Department of Water Resources announced State allocation was increased from 50% to 60% on April 16, 2012. Mr. Miller stated that it was reported that it was the 5th wettest March on record. He noted that the snowpack in Northern Sierra is at 85% of normal.

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

PUBLIC OUTREACH AND COMMUNICATIONS

LEGISLATIVE REPORT FROM INNOVATIVE FEDERAL STRATEGIES, LLC

LEGISLATIVE REPORT FROM THE DOLPHIN GROUP

LEGISLATIVE REPORT FROM AGRICULTURAL RESOURCES

CALIFORNIA STRATEGIES, LLC MONTHLY ACTIVITY REPORT

IEUA MONTHLY WATER NEWSLETTER

TREASURER'S REPORT OF FINANCIAL AFFAIRS

CHINO CREEK PARK DEDICATION AND EVENTS UPDATE

CHANGE IN SCOPE FOR THE CCWRF REHABILITATION OF SECONDARY CLARIFIER PHASE I, PROJECT NO. EN11045

RECYCLED WATER PROGRAM

PRETREATMENT & SOURCE CONTROL (PTSC) DEPARTMENT SEMIANNUAL UPDATE

3RD QUARTER PLANNING & ENVIRONMENTAL COMPLIANCE UPDATE

AGENCY REPRESENTATIVES' REPORTS

SAWPA REPORT

President Catlin reported that at the April 17 SAWPA Commission meeting, the commission ratified the list of 14 "watershed-wide concepts" that was developed through the OWOW process plan; considered creating a proposed project selection criteria for Prop. 84, IRWM funding in the second round; conducted a Public Hearing on the Proposed Inland Empire Brine Line Ordinance No. 6, which was continued to May 15, to allow the Regional Board to review; and approved the revision of the Inland Empire Brine Line TSS Formation Billing Formula to reflect recent information from recent studies of discharge at the Orange County line.

MWD REPORT

Director Camacho stated that Assistant General Manager Craig Miller provided an update during his MWD Update Report.

REGIONAL SEWERAGE PROGRAM POLICY COMMITTEE REPORT

The Regional Sewerage Program Policy Committee meeting was cancelled due to lack of quorum. President Catlin noted that the next Policy Committee meeting will be a special meeting on May 17, wherein Agency staff will present the recommended budget for FY 2012/13 for the Regional Wastewater and Recycled Water Programs and the FY 2012/13 – 2021/22 TYCIP.

CHINO BASIN WATERMASTER REPORT

President Catlin reported that there was a special Watermaster meeting last week to discuss the CEO recruitment search. He reported that Watermaster retained the services of Norm Roberts to perform the recruitment process.

GENERAL MANAGER'S REPORT

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

General Manager Thomas A. Love reported that approximately two weeks ago, there was a failure at the San Bernardino Lift Station that resulted in a spill. He reported that the spill entered a channel but did not make it to a line channel; therefore, staff was able to contain the spill. He stated that staff responded and the failure was related to the failure of the computer control system and communication. He stated one piece of the communication goes through a single programmable logic control (PLC), and so staff had identified that weakness in the redundant system and it will be corrected. Mr. Love noted that the Regional Board was notified within 24 hours. Manager of Planning & Environmental Compliance Chris Berch reported that Operations staff has implemented measures to ensure that this incident will not be repeated.

Mr. Love reminded the Board of the Earth Day event scheduled for April 19 at the Chino Creek Park.

BOARD OF DIRECTORS REQUESTED FUTURE AGENDA ITEMS

There were no future agenda items requested by the Board.

BOARD OF DIRECTORS' COMMENTS

Director Elie inquired on an update on the AR with the City of Chino dealing with the Magnolia Channel Project. Staff responded that they have been working with the City of Chino on documentation, and payment has not yet been received.

CLOSED SESSION

The Board went into Closed Session at 11:07 a.m., A. PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a) – CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION: (1) IEUA vs. Mr. Anthony Maglica, Case No. RCV098354; (2) Chino Basin Municipal Water District vs. City of Chino, Case No. RCV51010; (3) Martin vs. IEUA, Case No. CIVRS 1000767; (4) Dezham vs. IEUA, Case No. CIVRS 1109761; B. PURSUANT TO GOVERNMENT CODE SECTION 54956.9 – CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION: Three (3) cases.

The meeting resumed at 12:37 p.m. and General Counsel Jean Cihigoyenette stated that the below-mentioned matters were discussed in Closed Session, and the Board took the following actions:

Regarding Conference with Legal Counsel – Existing Litigation:

IEUA vs. Mr. Anthony Maglica, Case No. RCV098354

Martin vs. IEUA, Case No. CIVRS 1000767

Dezham vs. IEUA, Case No. CIVRS 1109761

The Board took no reportable action.

Regarding Conference with Legal Counsel – Existing Litigation:

Chino Basin Municipal Water District vs. City of Chino, Case No. RCV51010

The Board did not discuss this item.

Regarding Conference with Legal Counsel – Anticipated Litigation:

Two (2) cases

The Board took no reportable action.

Regarding Conference with Legal Counsel – Anticipated Litigation:

One (1) case

The Board did not discuss this item.

With no further business, President Catlin adjourned the meeting at 12:40 p.m.

Secretary

APPROVED: MAY 2, 2012