



**MINUTES OF THE REGULAR
MEETING OF
THE BOARD OF DIRECTORS
OF
THE INLAND EMPIRE UTILITIES AGENCY*
WEDNESDAY, AUGUST 15, 2012
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
Craig Miller, Assistant General Manager
Martha Davis, Executive Manager of Policy Development
Randy Lee, Acting Executive Manager of Operations
Christina Valencia, Chief Executive Officer
Rosemary Alvarado, Supervisor of Contracts & Programs Administrator
Susan Barajas, Staff Internal Auditor II
Andréa Carruthers, Community Outreach & Education Coordinator I
Gabriel DeSaddi, Manager of Construction Management
Lucia Diaz, Senior Site Administrator
Warren Green, Manager of Safety and Risk Management
Gina Hillary, Manager of Human Resources
Andrew Kanzler, Community Outreach & Education Coordinator I
Craig Parker, Manager of Engineering
Ryan Shaw, Associate Engineer
Teresa Velarde, Manager of Internal Audit
Robert Wallin, Contracts and Program Administrator
April Woodruff, Board Secretary

OTHERS PRESENT:

Jean Cihigoyenette, Cihigoyenette Grossberg & Clouse
Lisa Hansen, Cadiz
Chuck Hayes, City of Fontana
R. William Mathis, Ph.D., Mathis Group
Rogelio Matta, City of Fontana
Curtis Paxton, CDA General Manager
Scott Slater, Cadiz
Mike Thornton, TKE Engineering
Arden Wallum, Mission Springs Water District

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 10:03 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. There were no changes/additions/deletions to the agenda.

NEW HIRE PRESENTATION

Acting Executive Manager of Operations Randy Lee introduced the following new hire:

Mr. Omar De Leon Medina – Warehouse & Inventory Technician

The Board of Directors congratulated and welcomed Mr. Omar De Leon Medina.

CADIZ PRESENTATION

Mr. Scott Slater, President of Cadiz, gave a PowerPoint status update on the Cadiz Valley Water Conservation, Recovery and Storage Project.

1. CONSENT CALENDAR

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

Director Elie requested that Consent Calendar Item A. MINUTES be pulled from the agenda for separate action, as he did not attend the August 1 Board meeting. Director Koopman also did not attend the August 1 Board meeting.

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

M2012-8-3

MOVED, to approval of the Consent Calendar.

A. PULLED.

B. The Board approved the following:

1. Check Registers for the period July 20, 2012 to August 2, 2012;
2. Employees' Payroll for July 27, 2012; and
3. Wire Transfers/ACH Payments for the period of July 20, 2012 to August 2, 2012.

C. The Board adopted Resolution No. 2012-8-1, suspending performance awards for work performed in Fiscal Year 2011/12 for all staff classifications.

RESOLUTION NO. 2012-8-1

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, SUSPENDING PERFORMANCE AWARDS FOR WORK PERFORMED IN FISCAL YEAR 2011/12 (For full text, see Resolution Book)

Continued....

M2012-8-3, continued.

D. The Board:

1. Awarded a two-year contract for Lawnscape Systems, Inc. for weed control services at Groundwater Recharge Program sites; and
2. Authorized the General Manager to execute the contract.

E. The Board:

1. Approved the engineering services contract with RMC to provide consulting engineering services for the Montclair Lift Station Upgrades, Project No. EN12026, for the not-to-exceed amount of \$367,389.17; and
2. Authorized the General Manager to execute the consultant contract.

Upon motion by Director Santiago, seconded by Director Camacho, with Director Elie and Director Koopman abstaining from voting, the motion carried:

M2012-8-4

MOVED, to approved the minutes of the June 20, 2012 regular Board of Directors meeting

2. ACTION ITEMS

VULCAN WATER CONSERVATION AND FLOOD CONTROL PROJECT

General Manager Thomas A. Love reported that this item was presented to the Engineering, Operations and Biosolids Management Committee last week (August 8). He stated that in 2005/06, the Agency was approached by Vulcan Materials Corporation who expressed an interest in selling the property located in the City of Fontana. He stated that over the next few months, staff engaged with Chino Basin Watermaster (CBWM) and Chino Basin Conservation District staff regarding due diligence. Mr. Love said that Mr. Mark Wildermuth has conducted some preliminary analysis of the site, including a Phase I investigation for hazardous materials, as well as evaluating potential percolation of the site. Mr. Love stated that in the findings, Mr. Wildermuth did identify that there is some potential areas – one was a diesel fuel tank on the site, which requires further investigation. He stated that in terms of percolation, due to the historic operations on the site and around the site, it is likely that there may be some unconsolidated fill. He stated that there may be construction debris on the site, and will need to be investigated further. In addition, based on Mr. Wildermuth's analysis without the benefit of onsite investigation, the bottom of basin more than likely has a low percolation rate due to concrete dumping and other uses of the site, but there should be sidewall percolation that could occur. Mr. Love stated that the Agency was looking at this site as a potential recharge site with CBWM; however, at that time, staff could not agree to terms with Vulcan. He stated that in fact, staff stalled on the Right of Entry agreement to allow staff to enter the site and conduct additional investigation. He reported that the Conservation District continued dialogue with Vulcan Materials, because the Conservation District had funds allocated for recharge improvements; however, one of the issues was that the site was out of their service area.

Mr. Love stated that within the past several months, he has met with the City of Fontana who is having dialogue with the Vulcan Materials, as well as, IEUA staff regarding joint participation on a potential future recharge project. He stated that the City will use the site to percolate stormwater, and IEUA will be able to use the site to percolate recycled water, which is a goal in the Agency's Recycled Water Program. He stated that he would definitely want to expand the recycled water recharge. Mr. Love stated that the other benefit of a project like this, is there are existing flood control issues along the west Fontana Channel. He stated that during severe rainstorms, flooding occurs within the City of Fontana. Mr. Love stated that a basin of this size will be able to alleviate some of the flooding. He noted that due to the nature of the businesses around that operation, which are metal recycling, industrial, and the history of the site itself, which was a gravel pit that has been used from time to time for construction debris disposal. He stated that clearly there is a need for significant due diligence from the standpoint of identifying either within the site or surrounding the site, if there is soil or groundwater contamination that would be mobilized if it were to be operated as a recharge facility. He stated another due diligence effort would be percolation to ensure maximum recharge capacity in the basins. Mr. Love reported that he has had dialogue with the City of Fontana regarding basic terms that would be included in a Memorandum of Understanding. Mr. Love stated that he is asking the Board to authorize the General Manager to enter into negotiations in earnest with the City of Fontana regarding the terms of an MOU. He stated that staff will present the MOU to the Board for approval as some future date.

Director Camacho stated that he is not at all adverse to a partnership with the City of Fontana, as Director Santiago and he both represent the area; however, he fails to see the purpose for a MOU at this time. He noted that it is a little odd that the owners want to sell the property, but won't allow access onto the property. He asked if there are other areas in the City of Fontana that could be substituted for this project that will still have the benefit to the area. Mr. Chuck Hayes from the City of Fontana responded is that there are no other areas in Fontana that pose this opportunity in terms of potential capacity and its proximity to the Fontana Channel.

Director Santiago stated the City of Fontana is asking that if everything works out absolutely perfectly after all the due diligences are conducted, and there are no potential exposures of any sort, that the Agency would be committed to moving forward with the project.

President Catlin noted that a Memorandum of Understanding is a bit premature, until more information regarding the environmental site conditions are completed. He stated that the General Manager already has the discretion by the Board of Directors to discuss with the City of Fontana a partnership and other issues regarding this project, regardless of a MOU.

Director Elie stated that putting the Agency's name on this project at this time, without the due diligence completed, is the wrong message. He noted that he is really concerned about entering into a MOU without any defined scope, especially given that a Phase II has not been conducted, when Phase I has already identified problems. He committed that if the Phase II does not find any fatal flaws, he will support a partnership.

Director Koopman stated that he has concerns with Mr. Love's statement that testing and/or studies that need to be done, over and above what the City of Fontana thought was necessary, would be the obligation of IEUA. Director Koopman stated that if the Agency has any concerns and if any kind of testing is required before the project moves forward will be the obligation of the City of Fontana. He stated that he has no concerns with an MOU that states that the project moves ahead and everything is complete, the Agency will supply recycled water and replenishment water. Director Koopman asked the City of Fontana if they are asking for anything other than recycled water and replenishment water from the Agency. Mr. Hayes stated that what was previously discussed was a financial commitment

basically to build the recycled water line from one of the Agency's connection points and coming out to the site to put recycled water into the site.

General Manager Thomas A. Love recapped by stating that the MOU will provide some confirmation that the City of Fontana will have a potential partner, and the Agency is not committed to move forward with this project with the City, but the Agency will be committed to working with the City in going through the project evaluation.

General Counsel reminded the Board of Directors that the action today is to approve General Manager to negotiate terms for a Memorandum of Understanding with the City of Fontana for joint participation in the development of a groundwater recharge site in the City of Fontana.

General Manager Thomas A. Love noted that the final draft of the MOU will be brought before the Board for approval within a few months.

Upon motion by Director Camacho, seconded by Director Santiago, with Director Catlin and Director Elie voting in the negative; the motion carried (3-2):

M2012-8-5

MOVED, to:

1. Authorized the General Manager to negotiate terms for a Memorandum of Understanding with the City of Fontana for joint participation in the development of a groundwater recharge site in the City of Fontana; and
2. Authorized the General Manager to provide the Board with the Memorandum of Understanding, reviewed by Legal Counsel, for consideration of approval at a future date.

President Catlin noted that it is very important to maintain the relationship with the City of Fontana and his "No" vote was not to disparage the partnership; however, he has some concerns and thinks a MOU is premature until more information is known.

3. INFORMATION ITEMS

MWD UPDATE

Assistant General Manager Craig Miller reported that he, Chief Financial Officer Christina Valencia, and Associate Engineer Ryan Shaw attended the third Rate Refinement Workshop on Monday (August 14). He reported that they are making significant progress in formulating some of the ideas/suggestions. He also reported that a meeting of all the stakeholders (Chino Basin users of MWD water) was also facilitated to provide a briefing on the workshops and to ensure adequate time to receive their comments to pass on the MWD.

Associate Engineer Ryan Shaw gave a PowerPoint update on the MWD Workgroup. He highlighted the Rate Refinement Workgroup Goal - "Link Rate Structure and Water Management Actions", purchase orders, and Tier I Limit Options. He defined when Tier II is applicable and, explained the yes/no answer to if there is replenishment water.

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

LONG RANGE PLAN OF FINANCE MODEL UPDATE

TECHNICAL SERVICES UPDATE

PROCUREMENT ORDINANCE REVISIONS

TREASURER’S REPORT OF FINANCIAL AFFAIRS

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

LABORATORY SEMI-ANNUAL STATUS REPORT

CONSTRUCTION MANAGEMENT EXECUTIVE SUMMARY PRESENTATION

IEUA MONTHLY WATER NEWSLETTER

HUMAN RESOURCES FOLLOW-UP AUDIT

CONTRACTS AND PROCUREMENT QUARTERLY DEPARTMENT UPDATE

4. AGENCY REPRESENTATIVES’ REPORTS

SAWPA REPORT

No meeting in August.

MWD REPORT

Director Camacho stated that Associate Engineer Ryan Shaw provided an update during his MWD Update Report, and he had nothing more to add.

REGIONAL SEWERAGE PROGRAM POLICY COMMITTEE REPORT

No meeting in August.

CHINO BASIN WATERMASTER REPORT

President Catlin reported that the Chino Basin Watermaster has hired Mr. Peter Kavounas as the new General Manager. He reported that the Recharge Master Plan Update meeting is scheduled for tomorrow (August 16), and there is no Chino Basin Watermaster Board Meeting in August.

5. GENERAL MANAGER’S REPORT

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

General Manager Thomas A. Love reported peak recycled water demands. He also reported that there will be a call on the Agency’s demand response for electrical supply. He stated that staff is working hard to prevent interrupted recycled water service. Mr. Love stated that the Agency received a letter yesterday (August 14) from SAWPA – they have received notice from Orange County Sanitation District that they will be conducting an audit of the treatment program of each SAWPA’s member agencies service areas.

Mr. Love stated that he moderated a panel on the value of water at the San Bernardino County Water Conference. He stated that the panel consisted of Mr. Charlie Wilson from the Edison Company, Mr. Ed Means, and Mr. Tim Quinn from ACWA. He reported it went very well.

6. BOARD OF DIRECTORS REQUESTED FUTURE AGENDA ITEMS

There were no future agenda items requested by the Board.

7. BOARD OF DIRECTORS' COMMENTS

There were no Board of Directors' comments.

8. CLOSED SESSION

The Board went into Closed Session at 11:15 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. RCV118354; (2) Martin vs. IEUA, Case No. CIVRS 1000767; (3) Dezhm vs. IEUA, Case No. CIVRS 1109761; B. PURSUANT TO GOVERNMENT CODE SECTION 54956.9 – CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION: One (1) Case; C. PURSUANT TO GOVERNMENT CODE SECTION 54956.8 – CONFERENCE WITH REAL PROPERTY NEGOTIATOR: (1) Property: Water and Pipeline Capacity/Cadiz; Negotiating Party: General Manager Thomas A. Love; D. PURSUANT TO GOVERNMENT CODE SECTION 54957 – PERSONNEL MATTERS: Various Positions – Agency Restructure

The meeting resumed at 1:10 p.m. and General Counsel Jean Cihigoyenatche 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. RCV118354
Martin vs. IEUA, Case No. CIVRS 1000767
Dezhm vs. IEUA, Case No. CIVRS 1109761

The Board did not discuss these items.

Regarding Conference with Legal Counsel – Anticipated Litigation:

One (1) case

The Board took no reportable action.

Regarding Conference with Real Property Negotiator:

Property: Water and Pipeline Capacity/Cadiz
Negotiating Party: General Manager Thomas A. Love

The Board took no reportable action.

Regarding Personnel Matters:

Various Positions – Agency Restructure

The Board took no reportable action.

With no further business, President Catlin adjourned the meeting at 1:11 p.m.

Steven J. Elie, Secretary/Treasurer

APPROVED: SEPTEMBER 5, 2012