



**MINUTES OF THE REGULAR
MEETING OF
THE BOARD OF DIRECTORS
OF
THE INLAND EMPIRE UTILITIES AGENCY*
WEDNESDAY, SEPTEMBER 17, 2014
10:00 A.M.**

DIRECTORS PRESENT:

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

STAFF PRESENT:

P. Joseph Grindstaff, General Manager
Chris Berch, Executive Manager of Engineering/Assistant General Manager
Christina Valencia, Chief Financial Officer/Assistant General Manager
Ernest Yeboah, Executive Manager of Operations/Assistant General Manager
Adham Almasri, Senior Engineer
Blanca Arambula, Deputy Manager of Human Resources
Kathryn Besser, Manager of External Affairs
Sharmeen Bhojani, Manager of Human Resources
Andy Campbell, Groundwater Recharge Coordinator
Andrea Carruthers, Community Outreach and Education Coordinator II
Tina Cheng, Budget Officer
Warren Green, Manager of Contracts and Facilities Services
Elizabeth Hurst, Water Resources Analyst I
Majid Karim, Acting Manager of Engineering
Sylvie Lee, Manager of Planning and Environmental Compliance
David Mendez, Deputy Manager of Construction Management
Jason Pivovarov, Senior Engineer
Craig Proctor, Pretreatment & Source Control Supervisor
April Woodruff, Board Secretary/Office Manager

OTHERS PRESENT:

Jean Cihigoyenette, Cihigoyenette Grossberg & Clouse
Fabian Villenas, City of Rancho Cucamonga
John Bosler, Cucamonga Valley 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 10:00 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. 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.

1. CONSENT CALENDAR

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

M2014-9-1

MOVED, to approve the Consent Calendar.

- A. The Board approved the minutes from the August 20, 2014 Board meeting.
- B. The Board approved the total disbursements for the month of July 2014, in the amount of \$23,450,803.58.
- C. The Board:
 - 1. Approved enrollment in the County Supervisors' Association of California Excess Insurance Authority (CSAC EIA) pool for dental, life insurance/accidental death and dismemberment, and long-term disability benefits through Delta Dental and Cigna; and
 - 2. Adopted Resolution No. 2014-9-1, to join the CSAC EIA pool.

RESOLUTION NO. 2014-9-1

RESOLUTION OF THE INLAND EMPIRE UTILITIES AGENCY, A MUNICIPAL WATER DISTRICT, SAN BERNARDINO COUNTY, CALIFORNIA, TO JOIN COUNTY SUPERVISORS' ASSOCIATION OF CALIFORNIA EXCESS INSURANCE AUTHORITY (CSAC EIA) POOL

(for full text , see Resolution Book)

- D. The Board approved the carry forward of open encumbrances and related budget in the amount of \$19,353,882 from FY 2013/14 to FY 2014/15.
- E. The Board:
 - 1. Approved the FY 2014/15 Internal Audit Department Annual Audit Plan; and
 - 2. Directed the Manager of Internal Audit to finalize the FY 2014/15 Annual Audit Plan.

Continued...

F. The Board:

1. Adopted an Addendum to the Facilities Master Plan Program Environmental Impact Report; and
2. Authorized the General Manager to file the Notice of Determination with the San Bernardino County Clerk of the Board.

G. The Board:

1. Approved Amendment No. 8 to Agreement No. 49960 Groundwater Storage Program Funding Agreement between the Metropolitan Water District of Southern California, Inland Empire Utilities Agency, Three Valleys Municipal Water District, and Chino Basin Watermaster;
2. Approved the Amendments to the Dry Year Yield Agency Agreements between IEUA and the Operating Parties to revise Exhibit G of the Agreement; and
3. Authorized the General Manager to execute the Amendment to the Dry Year Yield Agreement and the Local Agency Agreements with its Operating Parties.

H. The Board:

1. Awarded the service contract to repair the internal coating of Digester No. 4 for Regional Water Recycling Plant No. 1 (RP-1), to Industrial Coatings and Restoration Services, for a not-to-exceed amount of \$158,390 including sales tax, payment and performance bond, and contingency cost; and
2. Authorized the General Manager to execute the contract.

2. ACTION ITEMS

A. SUPPORT FOR PROPOSED WATER BOND

Manager of External Affairs Kathy Besser noted that in August, towards the end of session, the State legislature passed the 2014 Water Bond. It has become Proposition 1, the Water Quality Supply and Infrastructure Improvement Act of 2014. She stated that staff is recommending that the Board take a support position for Proposition 1. She said that out of the \$7.54 billion, \$7.1 billion is new debt funding, and the rest is repurposed debt funding from prior bonds that will go forward. She stated that Proposition 1 includes a number of projects that will benefit the IEUA region. Ms. Besser listed Metropolitan Water District, Cucamonga Valley Water District, League of California Cities, and ACWA as agencies that have taken a position of support. She further stated that ACWA has circulated an informational piece that shows what the Agency can do in

terms of advocating versus endorsing. It states the Agency can educate and analyze, but cannot actively engage financially in terms of support for the water bond.

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

M2014-9-2

MOVED, to support Proposition 1, "Water Quality, Supply and Infrastructure Improvement Act of 2014," for the November 2014 ballot.

B. APPROVAL OF COMPENSATION AGREEMENT AND MOU WITH THE CITY OF RANCHO CUCAMONGA AND CVWD

(Director Elie entered the meeting room at 10:05)

Chief Financial Officer Christina Valencia stated that she is presenting two agreements for the Board's consideration. The first is a Compensation Agreement between the City of Rancho Cucamonga and the Inland Empire Utilities Agency for the transfer of real property from the City's Successor Agency to the City for governmental use. She said the second agreement is a MOU between the City, Cucamonga Valley Water District (CVWD), and the Agency to work together to promote water conservation in the region. Ms. Valencia stated that in May 2014 the City of Rancho Cucamonga notified the Agency, as one of the affected 19 taxing entities, of a proposed transfer from the Rancho Cucamonga Successor Agency to the City. She reported that under the California Health and Safety Code, the City has to reach an agreement with each of the affected taxing agencies. The City confirmed that it had reached agreement with all of the affected taxing agencies. She reported that the City would like to move forward with the original intended use of the property, and therefore were not proposing to conduct an appraisal of the property at this time. She stated that the most recent valuation of the property, based on the 2009 tax roll, the land was valued at \$9,080,792. Based on this valuation the Agency's proportionate share for this transfer is an estimated one-time payment of \$400,000. She stated that with the Board's direction, staff worked with the City and CVWD to come up with a plan to offset the \$400,000 one-time property tax receipts, the Agency will forego by approving the transfer. Ms. Valencia reported that staff collaborated with the City and CVWD in drafting a MOU to enhance water use efficiency and conservation measures in support of the IEUA Business Goal of Water Reliability. She noted that included in the Compensation Agreement, it ensures that going forward in the future, should the property be sold, leased, used, or transferred for non-governmental purpose, the Agency reserves the right to collect its proportionate share of the fair market value at that point in time. Ms. Valencia recognized Mr. Fabian Villenas from City of Rancho Cucamonga and John Bosler from CVWD for their collaborative work in creating a plan to quantify the estimated benefits of the water savings going forward. The two projects specified in the MOU, the Automated Meter Infrastructure (AMI) System and Water Watch Program, and the replacement of City owned non-functional turf areas with drought tolerant plants.

Director Koopman inquired how firm the commitment was from the City and CVWD to complete a project for a value of \$400,000. Staff replied the \$400,000 commitment has already been met with the Automated Meter Infrastructure (AMI) System and Water Watch Program and the use of City safety light poles for placement of the AMI radio collectors with a cost savings between \$400,000 to \$600,000. He also asked staff if they felt this is a good deal. Staff confirmed. The long-term benefits of the facilities for public purpose will support the expansion of Victoria Gardens, which is crucial for the community and its economic development.

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

M2014-9-3

MOVED, to:

1. Approve the Compensation Agreement with the City of Rancho Cucamonga (City) approving the transfer of real property from the City's Successor Agency to the City for governmental use;
2. Approve the Memorandum of Understanding (MOU) between the City, Cucamonga Valley Water District (CVWD), and the Agency to work collaboratively to promote and enhance water conservation measures to ensure water sustainability and reliability now and in the future; and
3. Authorize the General Manager to execute the Compensation Agreement and MOU.

C. CONSTRUCTION CONTRACT AWARD FOR THE RP-2 DRYING BEDS REHABILITATION

Acting Manager of Engineering Majid Karim stated that the RP-2 Drying beds are currently being used by Operations to further dry biosolids prior to hauling. He stated that the original drainage system is non-functional, the pavement is damaged, and there is poor containment on the western side, adjacent to the Chino Creek Channel. Mr. Karim reported that the project is to rehabilitate the drying beds by providing proper site drainage and containment. He stated that an RFP was issued for the construction of the drying beds; and the Agency received seven bids with Environmental Construction, Inc. as the lowest responsive bidder. He said that the overall project cost is a little over \$1M. and is estimated to be completed by March 2015.

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

M2014-9-4

MOVED, to:

1. Award the construction contract for the RP-2 Drying Beds Rehabilitation, Project No. EN14012, to Environmental Construction, Inc. for their low bid of \$714,822; and
2. Authorize the General Manager to execute the construction contract.

3. INFORMATION ITEMS

A. 2014 STATE LEGISLATIVE TRACKING MATRIX

Manager of External Affairs Kathryn Besser informed the Board that the state legislature adjourned on August 31, and will return for business on January 5. She reported that three groundwater bills that were signed by the Governor yesterday (September 16).

She further reported that of six bills that are now at the Governor's office, the Board took a support position on five of the six. There were a couple of bills that the Board took a support position on that were reauthorized in the budget, and one bill that died. She reported that it was a very good year for the state legislature.

Director Elie asked Kathy to look at AB 1043, which was mentioned in the Governor's signing press release for the groundwater legislation. He stated that it may have something to do with groundwater contamination, which may have an impact to the Agency. He requested that she review and let the Board know.

Ms. Besser stated that on the Federal side, last week when she met with the policy committee it was expected that the continuing resolution would be passed; however, due to last minute changes it was postponed. She stated that there is expectation that it will be passed today. Ms. Besser stated that the funding resolution will continue government funding through December 11. The House and Senate vote is expected to go back in the "Lame Duck" session on December 12. She further stated that leading up to the CR being passed today, there was a hope that the drought bill that Senator Feinstein and others were trying to put together, or part of the package, would be passed. Unfortunately, it looks like it won't happen.

Director Elie noted that Congressman McCarthy will be an important leader in the water issues. He asked that staff arrange a meeting with him or his staff to dialogue on water issues.

B. ENGINEERING AND CONSTRUCTION MANAGEMENT FY 2013/14 MONTHLY UPDATE

Acting Manager of Engineering Majid Karim gave a PowerPoint presentation on Engineering and Construction Management Projects. He provided an update on the progress and challenges of the following projects:

EN06025- Wineville Recycled Water Pipeline Extension Segment A
EN13045 – Wineville Recycled Water Pipeline Extension Segment B
EN13023 – 930 Zone Recycled Water Pipeline
RA11004 – IERCF Conveyance Improvements

C. ANNUAL WATER USE REPORT FOR FISCAL YEAR 2013/14

Manager of Planning and Environmental Compliance Sylvie Lee gave a PowerPoint presentation on the FY 2012/13 Annual Water Use. She provided an update on the water use for the last fiscal year for the overall service area. She reported that the overall water consumption within the IEUA's service area rose 6% since FY 2012/13, it saw an all-time high of recycled and desalter water production, and began to see a decrease in reliance on imported water. She stated that it is believed that the increase in consumption is the result of rebounding growth and development in the region since the FY 2010/11 recession. Ms. Lee stated that although imported water, groundwater, and surface water use increased 39% from December to February 2014, the region slowed demands and ended the year only 4% above FY 2012/13 demands, in response to the Governor's call for voluntary statewide 20% reduction in water use. She reported from March to June 2014, the region was able to decrease the imported water usage by 7% by utilizing 11% more desalter water and recycled water, and 12% more local supplies when compared to the previous fiscal year. Ms. Lee stated that IEUA anticipate a trend of declining usage to counter the drought in California, continuous increased demands due to growth and development could lead to supply challenges. Ms. Lee provided a brief update on the region's major water supply efforts and programs.

D. MWD UPDATE

Executive Manager of Engineering/Assistant General Manager Chris Berch provided an update on MWD's Conservation Programs. He noted that Turf Removal Program has removed millions of square feet of residential and commercial turf, in comparison to prior years, it is 100 times more than what MWD has seen in other areas. He stated that this lines up with member agencies who have also contributed an additional dollar per square foot. Mr. Berch reported that MWD has elected to double their conservation program budget this year. He stated that still the reservation requests nearly double their budget. He stated that the MWD staff will be requesting additional funding for those programs. He updated the Board on the Local Resources Program (LRP). MWD is trying to come up with some alternatives for the LRP that would essentially frontload some of the money so that the benefit could be provided earlier to move water savings programs up front. Mr. Berch also provided a brief follow-up to the Integrated Resources Plan Workshop.

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

E. TREASURER'S REPORT OF FINANCIAL AFFAIRS

F. PUBLIC OUTREACH AND COMMUNICATION

G. LEGISLATIVE REPORT FROM INNOVATIVE FEDERAL STRATEGIES

H. LEGISLATIVE REPORT FROM THE DOLPHIN GROUP

I. LEGISLATIVE REPORT FROM AGRICULTURAL RESOURCES

J. CALIFORNIA STRATEGIES, LLC MONTHLY ACTIVITY REPORT

K. 2014 FEDERAL LEGISLATIVE TRACKING MATRIX

L. RECYCLED WATER UPDATE

M. FY 2013/14 FINANCIAL AUDIT SCOPE OF WORK

N. INTERNAL AUDIT DEPARTMENT STATUS REPORT FOR SEPTEMBER 2014

O. REGIONAL CONTRACT REVIEW UPDATE – INTERIM AUDIT REPORT

4. AGENCY REPRESENTATIVES' REPORTS

A. SAWPA REPORT

Director Hall reported that there was one issue on San Gabriel Mountains' designation as a national monument. Director Hall reminded everyone that the Santa Ana River Watershed 2014 OWOW conference is on Tuesday, October 14, 2014.

B. MWD REPORT

Director Camacho reported that he had no additional comments.

C. REGIONAL SEWERAGE PROGRAM POLICY COMMITTEE REPORT

The September 4 meeting was cancelled. The next meeting is scheduled for October 2.

D. CHINO BASIN WATERMASTER REPORT

Director Elie reported that yesterday (September 16), he, President Catlin, and Sylvie Lee participated in the Safe Yield Board Workshop. He stated that the big issue is, not

the setting of the safe yield, but the question of what do we do about the drawdown that has happened beyond what was planned, and how it will be resolved.

5. GENERAL MANAGER'S REPORT

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

General Manager P. Joseph Grindstaff reported that he met with Paul Jones, General Manager of Eastern Municipal Water District and Board Chair Felicia Marcus, State Water Resource Control Board (SWRCB) on Friday, September 12, 2014. Mr. Grindstaff stated that he expects that they will be asking Metropolitan Water District (MWD) to impose their water supply allocation plan in January of 2015. This would impose mandatory reductions. Mr. Grindstaff continued on to provide an overview of the discussions held regarding the next steps in water conservation over the next year. Mr. Grindstaff stated that MWD has agreed creating a working group to develop alternatives to submit to the SWRCB. The SWRCB requested that lidar mapping of the metropolitan area be completed to determine future standards of water and accurate conservation. Mr. Grindstaff stated that the Agency is following the renewal of MWD purchase orders closely, they are set to expire in December, 2014. He closed by emphasizing that the Agency needs to plan on mandatory restrictions in January 2015 and plan for the SWRCB taking other actions intended for water conservation.

6. BOARD OF DIRECTORS REQUESTED FUTURE AGENDA ITEMS

The Board had no requested future agenda items.

7. BOARD OF DIRECTORS' COMMENTS

Director Koopman asked Mr. Grindstaff that if the State Resources Board feels that we are not doing good job with the adjudication, could the State take over the management of the basin. Mr. Grindstaff replied that the State could not take over the management of the basin.

Director Hall reported that she attended the MWD State Water Project Tour with Cucamonga Valley Water District. She mentioned that it was very informative to actually visit the areas where the drought had a severe impact, and to learn of issues the farmers have to deal with.

8. CLOSED SESSION

The Board went into Closed Session at 10:55 a.m., A. PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a) – CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION: (1) Chino Basin Municipal Water District vs. City of Chino, Case No. RCV51010; (2) Martin vs. IEUA, Case No. CIVRS 1000767; (3) Sheilds vs. IEUA, Case No. CIVRS 1301638; (4) Desaddi vs. IEUA, Case No. CIVRS 1304617; (5) Kaveh Engineering and Construction Inc. Corp vs. IEUA, Case No. CIVRS 1402048 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: 117.509036, 34.076044 (Prologis Lagoon), Negotiating Parties: General Manager P. Joseph Grindstaff, Under Negotiation: Price and Terms of Purchase; (2) Supplemental Water Transfer/Purchase; Negotiating Parties: General Manager P. Joseph Grindstaff, Under Negotiation: Price and Terms of Purchase; D. PURSUANT TO GOVERNMENT CODE SECTION 54957 – PERSONNEL MATTERS – PUBLIC EMPLOYEE PERFORMANCE EVALUATION: General Manager

The meeting resumed at 12:00 p.m. and General Counsel Jean Cihigoyenetché 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:

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

Sheilds vs. IEUA, Case No. CIVRS 1301638

Martin vs. IEUA, Case No. CIVRS 1000767

Desaddi vs. IEUA, Case No. CIVRS 1304617

Kaveh Engineering and Construction Inc. Corp. vs. IEUA, Case No. CIVRS 1402048

The Board took no reportable action.

Regarding Conference with Legal Counsel – Anticipated Litigation:

Case No. 1

The Board took no reportable action.

Regarding Conference with Real Property Negotiator:

Property: 117.509036, 34.076044 (Prologis Lagoon)

Supplemental Water Transfer/Purchase

The Board took no reportable action.

Regarding Personnel Matters – Public Employee Performance Evaluation

General Manager

The Board took no reportable action.

With no further business, President Catlin adjourned the meeting at 12:00 p.m.

Steven J. Elie, Secretary/Treasurer

APPROVED: OCTOBER 15, 2014