

**MINUTES OF THE REGULAR
MEETING OF
THE BOARD OF DIRECTORS
OF
THE INLAND EMPIRE UTILITIES AGENCY*
WEDNESDAY, DECEMBER 15, 2010
10:00 A.M.**

DIRECTORS PRESENT:

John Anderson
Michael Camacho, Secretary
Terry Catlin, President
Gene Koopman
Angel Santiago, Vice President

STAFF PRESENT:

Thomas A. Love, General Manager
Patrick Sheilds, Executive Manager of Operations
Christina Valencia, Chief Financial Officer
Joshua Aguilar, Associate Engineer
Rosemary Alvarado, Supervising Contracts and Programs Administrator
Kathleen Baxter, Supervising Contracts and Programs Administrator
Connie Campbell, Accounting Supervisor
Chris Berch, Manager of Planning & Environmental Compliance
Michael Chung, Manager of Fiscal Management
Gabe DeSaddi, Manager of Construction Management
Lucia Diaz, Senior Site Administrator
Sondra Elrod, Public Information Officer
Jon Florio, Electrical Technician II
Gina Hillary, Manager of Human Resources
Majid Karim, Deputy Manager of Engineering
Wanda Kling, Senior Accountant
Cameron Langner, Manager of Contracts & Procurement
John Laughlin, Senior Accountant
Randy Lee, Manager of Operations
Sylvie Lee, Deputy Manager of Engineering
Alex Lopez, Senior Financial Management Analyst
Suresh Malkani, Accounting Supervisor
Craig Parker, Manager of Engineering
Ryan Shaw, Associate Engineer
Bill Tomlinson, Compliance Accountant
Teresa Velarde, Manager of Internal Audit
Robert Wallin, Contracts and Programs Administrator
Rocky Welborn, Associate Engineer
Ernest Yeboah, Manager of Maintenance
April Woodruff, Board Secretary

OTHERS PRESENT:

Jack Allingham, Retiree
Jean Cihigoyenetché, Cihigoyenetché, Grossberg & Clouse
Steven J. Elie, Director-elect
Jennifer Farr, Mayer Hoffman McCann P.C.
Travis Hickey, Audit Committee Advisor
Chris Lancaster, Inland Valley Daily Bulletin
Gene Pearlman, Inland Valley Daily Bulletin
Frank Pine, Inland Valley Daily Bulletin

Lee Reeder, Santa Ana Watershed Association
Valerie Santiago

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 10:04 a.m., and dispensed 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.

SANTA ANA WATERSHED ASSOCIATION PRESENTATION – SAWA EXECUTIVE DIRECTOR MR. LEE REEDER

Mr. Lee Reeder, SAWA Executive Director, introduced the Santa Ana Watershed Association and its efforts. He highlighted the partnership between the Agency and SAWA, and presented SAWA's plans for the future.

STAR AWARDS PRESENTATIONS

President Catlin stated that the STAR Award is a result of a nomination process where the employees nominate their colleagues for this award. He stated that there were thirteen nominations for this quarter. He stated that STAR award recipients are selected based on their excellence in leadership, creativity, performance, and/or teamwork that goes above and beyond the performance of their normal duties.

President Catlin recognized and presented STAR Awards for the first half of FY 2010/11 to the following employees:

- Mr. Jonathan "Jon" Florio, Electrical Technician II
- Mr. Bill Tomlinson, Compliance Accountant
- Mr. Rocky Welborn, Associate Engineer

President Catlin congratulated the STAR recipients for their accomplishments.

CONSENT CALENDAR

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

Director Santiago requested that Item C, 2011 Los Angeles Newspaper Group (Inland Valley Daily Bulletin) Community Water Education Campaign, be pulled for discussion and separate action.

Director Koopman requested that Item B, Treasurer's Report, be pulled for discussion.

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

M2010-12-1

MOVED, approval of the Consent Calendar.

A. The Board approved the minutes from the November 17, Board meeting.

B. *PULLED.*

Continued...

M2010-12-1, continued.

C. *PULLED*.

D. The Board:

1. Approved the revised Audit Committee Charter; and
2. Directed staff to implement immediately.

E. The Board approved the purchase of a variable frequency drive from Davis Wholesale Electric, Inc. in the amount of \$112,970.94.

F. The Board:

1. Approved the Consulting Engineering and Construction Services Contract Award for the Northwest, 1630 W. Pump Station, and 1630 W. Reservoir Communication Towers, Project Nos. EN11030, EN11048, and EN11409 to Sun Wireless for the not-to-exceed amount of \$561,316; and
2. Authorized the General Manager to finalize and execute the contract.

ACTION ITEMS

2011 LOS ANGELES NEWSPAPER GROUP (INLAND VALLEY DAILY BULLETIN) COMMUNITY WATER EDUCATION CAMPAIGN

Director Santiago stated that historically this action item is presented before the Public, Legislative Affairs & Water Resources and the Finance, Legal & Administration Committees, prior to being presented before the Board of Directors. He requested that historical protocol be followed and that staff present this action item to the Committees and Board in January.

Upon motion by Director Santiago, seconded by Director Koopman, with Director Camacho and President Catlin voting in the negative, the motion carried (3/2):

M2010-12-2

MOVED, to defer this item to the January 12, Public, Legislative Affairs & Water Resources and the Finance, Legal & Administration Committees, and the January 19, 2011, Board meeting.

TREASURER'S REPORT ON GENERAL DISBURSEMENTS

Director Koopman requested clarification on the Lincoln Life-Term Life Chicago IL payment for \$93.20. He stated that he was not aware that the Agency did not offer term life insurance policies to employees.

Manager of Human Resources, Gina Hillary, responded that the Agency has several life insurance benefits that the employees can purchase at their expense, which are collected through payroll deductions. She stated that Lincoln is one that offers such benefit. She further stated that these are supplemental life insurance plans apart from what the Agency provides to the employees.

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

M2010-12-3

MOVED, to approve:

1. Check registers for the period of November 5, 2010 to December 2, 2010;
2. Directors' Payroll for November 9, 2010;
3. Employees' Payroll for November 5, 2010, and November 19, 2010;
and
4. Wire Transfers/ACH Payments for the period of November 5, 2010, to December 2, 2010.

FISCAL YEAR 2009/10 SINGLE AUDIT REPORT

Internal Audit Manager, Teresa Velarde, presented both the CAFR and the Single Audit Reports together, as both are under one audit umbrella. She reported that the CAFR was presented to the Audit Committee in draft form on December 8. She stated that the Fiscal Management Department prepared the financial reports, and Mayer Hoffman McCann, the Agency's external auditor, have audited the financials and have issued an unqualified opinion, which is the best type of audit opinion. It indicates that there were no material weaknesses and no issues with the audit. She stated that the role of the internal audit is to provide an additional quality control check for calculations, numbers, statement, and narrative accuracy, as well as consistency.

Ms. Velarde stated that for the Single Audit the government requires that the Agency undergo an annual independent audit if it has received grant monies over \$500,000. She stated that the Single Audit was also performed by Mayer Hoffman McCann. She reported that for FY 2009/10, the Agency was awarded American Recovery and Reinvestment Act grants and SRF loans totaling over \$46 million, which created additional compliance provision audit requirements for the Agency.

Ms. Jennifer Farr, from Mayer Hoffman McCann gave a PowerPoint presentation on the process and results of the audit. She reported that no non-compliances were noted, and no questioned costs were noted.

Manager of Fiscal Management, Michael Chung gave a PowerPoint on the Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2010.

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

M2010-12-4

MOVED, to:

1. Approve the Single Audit Report for the Fiscal Year 2009/10; and
2. Direct staff to distribute the report, as appropriate, to the State Controller's Office, the Federal Audit Clearing House, and other interested parties.

FISCAL YEAR 2009/10 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

M2010-12-5

MOVED, to:

1. Approve the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2010; and
2. Direct staff to distribute the reports, as appropriate, to the various federal, state, and local agencies, financial institutions, bond rating agencies, and to other interested parties.

INFORMATION ITEMS

WATER SOFTENER ORDINANCE UPDATE

General Manager, Thomas A. Love, gave an updated report on the Water Softener Ordinance. He reported that the Water Softener Task Force has met four times since September. The Task Force reviewed the TDS impacts on wastewater flows - What are the causes? What are the sources of those TDS impacts?; evaluated the analytical data to determine impact of current water softeners; and reviewed other sources of TDS, including the use of chemicals in some of the plants, which has been reduce over the years. Mr. Love reported that there has been participation from the Pacific Water Quality Association and representatives from water softener providers regarding current and future alternatives to current salt-based technology, and the use of an exchange tank service. Mr. Love stated that a draft (model) Ordinance, restricting the use of self-regenerating water softeners, for IEUA and contracting agencies has been prepared and will be introduced in an ordinance workshop at a Board meeting in a February/March timeframe.

CONSUMER PRICE INDEX

Manager of Human Resources, Gina Hillary, gave a PowerPoint presentation on the Consumer Price Index. She highlighted the definition of Consumer Price Index, CPI-U, All Items Consumer Price Index for all Urban Consumers as the broadest and most comprehensive CPI; SAWPA CPI Measurement and COLA Calculation; MWD CPI Measurement, IEUA CPI Measurement and COLA Calculation; Increase in Agency's Health Benefit Contribution, and Agency COLA for Retirees.

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

FISCAL YEAR 2011/12 PROPOSED RATE INCREASES FOR REGIONAL WASTEWATER AND RECYCLED WATER PROGRAMS

TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR OCTOBER 2010

IERCA ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2010

CONSTRUCTION MANAGEMENT FOLLOW-UP AUDIT RESPONSE

EXERCISING OPTION NO. 2 OF 3 TO EXTEND AUDIT COMMITTEE ADVISORY SERVICES CONTRACT THROUGH CALENDAR YEAR 2011

INTERNAL AUDIT DEPARTMENT STATUS REPORT FOR DECEMBER 2010

PUBLIC OUTREACH AND COMMUNICATIONS

LEGISLATIVE REPORT FROM INNOVATIVE FEDERAL STRATEGIES, LLC

LEGISLATIVE REPORT FROM THE DOLPHIN GROUP

IERCF CAPITAL PROJECT UPDATE

CONSULTING ENGINEERING SERVICES CONTRACT FOR EQUIPMENT PRE-PURCHASE AND CONSTRUCTION FOR THE INLAND EMPIRE REGIONAL COMPOSTING FACILITY PROCESS IMPROVEMENTS, PROJECT NO. RA11004

IEUA MONTHLY WATER NEWSLETTER

AGENCY REPRESENTATIVES' REPORTS

SAWPA REPORT

President Catlin reported that he attended the Strategic Planning Workshop to begin developing a vision and mission statement. He noted that the next SAWPA Commission meeting is scheduled for December 21, 2010.

MWD REPORT

Director Santiago reported Brian Thomas, Assistant General Manager and Chief Financial Officer, will leave Metropolitan at the end of January to join Public Financial Management, Inc. (PFM), a leading provider of independent financial and investment advisory services to state and local governments throughout the country. Brian will serve as a Managing Director in PFM's Los Angeles office. Director Santiago reported that the MWD Committee assignments have been distributed. He stated that he has been assigned to six Committees.

REGIONAL SEWERAGE PROGRAM POLICY COMMITTEE REPORT

The December meeting was cancelled.

CHINO BASIN WATERMASTER REPORT

Director Camacho reported that a hearing is scheduled on January 21 regarding the Paragraph 31 appeal. He also reported that a meeting is scheduled for December 16 to discuss the Ontario plume.

GENERAL MANAGER'S REPORT

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

General Manager, Thomas A. Love, reported that Congressman Dreier will chair the Rules Committee; however, Jerry Lewis did not get a rule waiver, so will no longer serve as Chair of the Appropriations Committee.

Mr. Love reported that he will be interviewing for the Assistant General Manager position on December 17 (Friday). He stated that there will be a Board member orientation at the January 19, Board meeting.

BOARD OF DIRECTORS REQUESTED FUTURE AGENDA ITEMS

Director Santiago requested that staff provide an information report on the cost analysis for the Board of Directors' use of iPads, for the Committee and Board meetings.

DIRECTORS' COMMENTS

Director Anderson thanked the IEUA staff for making the IEUA a stellar agency, and a leader for other agencies. He stated that many major projects have been accomplished while he has served on the Board, and he thanked the entire staff for their efforts.

Director Santiago extended his farewell and best wishes to Director Anderson. He expressed his appreciation for Director Anderson's advice and guidance, when he first was elected to the Board.

President Catlin reported that he attended the ACWA Fall Conference from December 1-3. He stated that he attended several interesting sessions. President Catlin extended best wishes to Director Anderson, and thanked him for his many contributions to the Agency over his 32 year tenure on the Board.

Director Koopman stated that he has served on the IEUA Board for 12 years and it has been an honor to serve with Director Anderson. He stated that this is an end of an era – no Board member will serve as long as Director Anderson. Director Koopman thanked Director Anderson for his service and stated that he will be greatly missed.

CLOSED SESSION

The Board went into closed session at 11:31 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) Taisei-T&K Joint Venture vs. IEUA. Case No. CIVRS 914130 (4) Westco vs. IEUA, Case No. 37-2009-00108161-CU-BC-NC; (5) Martin vs. IEUA, Case No. CIVRS 1000767; B. PURSUANT TO GOVERNMENT CODE SECTION 54956.8 – CONFERENCE WITH REAL PROPERTY NEGOTIATOR: (1) Property: 4 acres on El Prado Road, Negotiating Parties: Carson Companies, Under Negotiation: Price and Terms of Purchase; (2) Property: 8100 Chino-Corona Road, Negotiating Parties: Lewis Operating Corporation, Under Negotiation: Price and Terms of Purchase

The meeting resumed at 12:07 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

Taisei-T&K Joint Venture vs. IEUA, Case No. CIVRS 914130

Westco vs. IEUA, Case No. 37-2009-00108161-CU-BC-NC

Martin vs. IEUA, Case No. CIVRS 1000767

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 Real Property Negotiator

Property: 4 acres on El Prado Road
Negotiating Parties: Carson Companies
Under Negotiation: Price and Terms of Purchase

Property: 8100 Chino-Corona Road
Negotiating Parties: Lewis Operating Corporation
Under Negotiation: Price and Terms of Purchase

The Board took no reportable action.

With no further business, President Catlin adjourned the meeting at 12:07 p.m.

Secretary

APPROVED: JANUARY 5, 2011