

**MINUTES OF THE REGULAR
MEETING OF
THE BOARD OF DIRECTORS
OF
THE INLAND EMPIRE UTILITIES AGENCY*
WEDNESDAY, DECEMBER 21, 2011
10:00 A.M.**

DIRECTORS PRESENT:

Terry Catlin, President
Michael Camacho, Vice 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
Patrick Sheilds, Executive Manager of Operations
Christina Valencia, Chief Financial Officer
Rosemary Alvarado, Supervising Contracts and Programs Administrator
Kathleen Baxter, Supervising Contracts and Programs Administrator
Chris Berch, Manager of Planning and Environmental Compliance
Pietro Cambiaso, Senior Engineer
Connie Campbell, Accounting Supervisor
Michael Chung, Manager of Fiscal Management
Gabe DeSaddi, Manager of Construction Management
Pari Dezham, Manager of Pretreatment and Source Control
Sondra Elrod, Administration and Public Affairs Officer
Warren Green, Manager of Safety and Risk Management
Jason Gu, Grants Officer
Gina Hillary, Manager of Human Resources
Art Landeros, Staff Internal Auditor I
Cameron Langner, Manager of Contracts and Procurement
Randy Lee, Manager of Operations
Suresh Malkani, Accounting Supervisor
Paddy M. Mwembu, Manager of Financial Planning
Craig Parker, Manager of Engineering
Craig Proctor, Pretreatment and Source Control Supervisor
Ryan Shaw, Associate Engineer
Teresa Velarde, Manager of Internal Audit
Robert Wallen, Contracts and Programs Administrator
Ernest Yeboah, Manager of Maintenance
April Woodruff, Board Secretary

OTHERS PRESENT:

Ed Chaves, Upper San Gabriel Municipal Water District
Jean Cihigoyenetché, Cihigoyenetché, Grossberg & Clouse
Travis Hickey, Audit Committee Advisor
Nitin Patel, White Nelson Diehl Evans LLP

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. President Catlin stated that Information Items, 3B. Draft 2012 Federal and State Legislative Priorities and Strategy and 3C. Going Gridless by 2020 Update, will be move to the Receive and File Information Items on the agenda.

CONSENT CALENDAR

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

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

M2011-12-3

MOVED, to approval of the Consent Calendar.

A. The Board approved the minutes from the December 6, 2011, Special Joint FY 2012/13 Rate Proposal Budget Workshop, and the December 7, 2011, regular Board of Directors meeting.

B. The Board approved:

1. Check registers for the period of November 23, 2011, to December 8, 2011;
2. Employees' Payroll for December 2, 2011; and
3. Wire Transfers/ACH Payments for the period of November 23, 2011 to December 8, 2011.

C. The Board:

1. Approved the Single Audit Report for the Fiscal Year 2010/11; and
2. Directed staff to distribute the report, as appropriate, to the State Controller's Office, the Federal Audit Clearing House, and other interested parties.

D. The Board:

1. Approved a three-year blanket purchase agreement to Downs Energy covering "as needed" purchases and deliveries of diesel fuel to various Agency locations; and
2. Authorized the Manager of Contracts and Procurement to issue said blanket purchase agreement.

Continued...

M2011-12-3 continued.

- E. The Board adopted Resolution No. 2011-12-2, authorizing an amendment to the Agency's contract with CalPERS for employee retirement benefits, to provide a different level of benefits to local miscellaneous members entering membership for the first time after the effective date of this amendment to contract as follows: 2% @ 55 Modified and Full Formula (Section 21354) and Three-Year Final Compensation (Section 20037).

RESOLUTION NO. 2011-12-2

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY, SAN BERNARDINO COUNTY, CALIFORNIA, AMENDMENT TO THE CONTRACT (For full text, see Resolution Book).

F. The Board:

1. Approved the sale of one NRWS capacity unit to Repet, Inc. for \$215,000; and
2. Authorized the General Manager to execute the NRWS Capacity Right Agreement.

- G. The Board adopted Resolution No. 2011-12-3, adopting the Agency's 2011 Hazard Mitigation Plan Update and its inclusion in the County of San Bernardino Multi-Jurisdictional Hazard Mitigation Plan.

RESOLUTION NO. 2011-12-3

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY, SAN BERNARDINO COUNTY, CALIFORNIA, ADOPTING AND AUTHORIZING REVISIONS TO THE COUNTY OF SAN BERNARDINO MULTI-JURISDICTIONAL HAZARD MITIGATION PLAN (For full text, see Resolution Book).

- H. The Board authorized the General Manager to transfer budgetary amounts in the FY 2011/12 GM Contingency Account, in the Regional Operations and Maintenance (RO) Fund, between funds and expense categories as needed to support unexpected costs during the fiscal year.

ACTION ITEM

APPROVAL OF FISCAL YEAR 2010/11 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

Manager of Fiscal Management Michael Chung stated that this item was presented to the December 14 Audit Committee in detail. He introduced the Agency's External Auditor, Mr. Nitin Patel of White Nelson Diehl Evans LLP, who provided a summary of the audits for FY 2010/11. Mr. Patel reported that in connection with the audit, an Opinion of the Financial Statement of the Agency, an Independent Auditor's Report on the single audit of federal grants, a Report on Internal Control over financial reporting and compliance, and Communication to those in charge of governance under Audit Standards 114 was issued. Mr. Patel stated that an unqualified opinion was issued, which states that the Agency's financial statements fairly present the financial position of the Agency as of June 30, 2011. He further reported that with regards to

the Single Audit of Federal Grants, two reports were issued – a report on internal control over financial reporting, with one significant deficiency; and an Independent Auditor's Report on Compliance with Requirements on A133, with no findings related to the Single Audit. Mr. Patel reported that the Communication under 114 Report, there were no difficulties in performing the audit, but there were audit adjustments, which are detailed in the letter, and there were no disagreements with management.

Chief Financial Officer Christina Valencia gave a PowerPoint presentation of the Comprehensive Annual Financial Report for Fiscal Year-end June 30, 2011. She reported that total revenues and other funding sources for the FY 2010/11 in comparison to the prior FY 2009/10, shows a decrease of approximately \$7.7 million, total expenses increased by \$2.2 million from FY 2009/10, total ending fund balances net decrease of \$3.9 million from FY 2009/10, total working capital net decrease of \$15.6 million from FY 2009/10, and total working capital by fund.

Michael Chung recognized Agency staff for their hard work and dedication in completing the annual audit and the preparation of the CAFR. He also thanked the audit firm, White Nelson Diehl Evans LLP, for a wonderful job.

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

M2011-12-4

MOVED, to:

1. Approve the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2011; and
2. Direct staff to distribute the reports, as appropriate, to the various federal, state, and local agencies, financial institutions, bond rating agencies, and other interested parties.

ADOPTION OF RESOLUTION NO. 2011-12-1, ESTABLISHING REVISED FEES AND CHARGES FOR THE NON-RECLAIMABLE WASTEWATER SYSTEM IN FISCAL YEAR (FY) 2011/12

Executive Manager of Operations Patrick Shields gave a PowerPoint presentation on the Non-Reclaimable Wastewater System (NRWS) Revised Rate Resolution. Mr. Shields explained the NRWS Rate Setting Process, focusing on the North NRWS. He highlighted the Rate Revision Process for the North NRWS, the North NRWS Volumetric Credit Estimates, and the next steps. Mr. Shields reported that at the December 14, Engineering, Operations, and Biosolids Management Committee and the Finance, Legal, and Administration Committee meetings, the Committee requested that a second recommendation be added to issue credits to any affected industries and trucking companies for the period FY 2005/06 through 2010/11. Mr. Shields stated that staff is recommending that the Board adopt Resolution No. 2011-12-1, establishing revised monthly capacity charges, volumetric charges, excess strength charges, application fees, and waste permits application fees for the Non-Reclaimable Wastewater System in FY 2011/12 retroactive to July 1, 2011; and approve the reconciliation of volumetric charges paid by the North NRWS customers and credit any affected industries and trucking companies accordingly for the period FY 2005/06 through 2010/11.

M2011-12-5

MOVED, to:

1. Adopt Resolution No. 2011-12-1, establishing revised monthly capacity charges, volumetric charges, excess strength charges, application fees, and waste permit application fees for the Non-Reclaimable Wastewater System (NRWS) in FY 2011/12, retroactive to July 1, 2011; and
2. Approve the reconciliation of volumetric charges paid by the North NRWS customers and credit any affected industries and trucking companies accordingly for the period FY 2005/06 through 2010/11.

INFORMATION ITEMS

FY 2012/13 RATE PROPOSAL FOR THE REGIONAL WASTEWATER AND RECYCLED WATER PROGRAMS

Chief Financial Officer Christina Valencia gave a PowerPoint presentation on the Multi-Year Rate Proposals for the Regional Wastewater & Recycled Water Programs – FY 2012/13 through 2014/15. Ms. Valencia provided a brief history of presentations, Key Drivers & Objectives for Proposed Rates, Workshop Recommendations, Updated Key Assumptions, Rate Proposals, and Approval Timeline. Ms. Valencia also updated the Board on the Standard & Poor's recent credit review and their final affirmation of the Agency's AA- long term credit rating. She stated that a key driving factor for Standard & Poor's position review was the Agency's proposal to implement multi-year rates targeted to raise the total debt coverage ratio to 1.70% by FY 2012/15.

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

DRAFT 2012 FEDERAL AND STATE LEGISLATIVE PRIORITIES AND STRATEGY

GOING GRIDLESS BY 2020 UPDATE

TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR OCTOBER 2011

GRANTS AND SRF LOANS UPDATE

INTERNAL AUDIT DEPARTMENT STATUS REPORT FOR DECEMBER 2011

EXERCISE OPTION THREE OF THREE TO EXTEND AUDIT COMMITTEE ADVISORY SERVICES FOR ONE YEAR THROUGH CALENDAR YEAR 2012

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 ACTIVITY REPORT FOR NOVEMBER

IEUA MONTHLY WATER NEWSLETTER

GARDEN IN EVERY SCHOOL PROGRAM UPDATE

EMERGENCY REPAIR WORK ON THE COLUMN AND BEAMS AT IERCF, PROJECT NO. RA12008

IERCF FACILITY ENHANCEMENTS SUMMARY

AGENCY REPRESENTATIVES' REPORTS

SAWPA REPORT

President Catlin reported that on December 15, SAWPA held a workshop on the Delta Plan. He reported that IEUA Executive Manager of Policy Development Martha Davis and Mr. Michael Boccadoro from the Dolphin Group were on the discussion panel. He noted that Mr. Boccadoro commented on the Water Bond that is scheduled to be on the ballot for next year's election, unless there is a 2/3 vote to delay it. He stated that Ms. Davis will provide a more in depth report in the following month.

MWD REPORT

Director Camacho stated that Assistant General Manager Craig Miller will provide a Water Replenishment Program update under General Manager's comments section of the agenda.

REGIONAL SEWERAGE PROGRAM POLICY COMMITTEE REPORT

President Catlin reported that on December 6, there was a Special Joint FY 2012/13 Rate Proposal Budget Workshop with the IEUA, and Regional Technical and Policy Committees.

CHINO BASIN WATERMASTER REPORT

Director Elie reported that at the Board meeting last week, the Board said good-bye to Mr. Ken Willis after six years as Chair, and Mr. Tom Haughy from Chino, another representative is rotating on. He reported that there was discussion on whether or not certain funds should be returned to the agencies. He also reported that the Turner Basin Cost Sharing Agreement was approved.

GENERAL MANAGER'S REPORT

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

Manager of Planning and Environmental Compliance Chris Berch reported on the AQMD inspection regarding an odor complaint at RP-4. He reported that nothing was identified and the Inspector stated that there is no need for follow up.

Assistant General Manager Craig Miller provided an update on the Water Replenishment Program discussions at MWD. He highlighted the program element and the three levels, cost of MWD's storage programs, and the next steps.

BOARD OF DIRECTORS REQUESTED FUTURE AGENDA ITEMS

There were no future agenda items requested by the Board.

BOARD OF DIRECTORS' COMMENTS

Director Camacho welcomed Director Chavez from Upper San Gabriel Valley Municipal Water District, and fellow MWD Director.

Director Santiago extend holiday best wishes to the IEUA staff and thanked staff for their hard work throughout the year.

President Catlin stated that he attended the ACWA conference, which he reported was a very good conference. He stated what he found most interesting was hearing comments from the

audience regarding the forums, and seeing how polarized the parties were regarding the Delta Plan, with a lot of opposition to a bypass structure.

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) 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) Martin vs. IEUA, Case No. CIVRS 1000767; (5) IEUA vs. Ontario Redevelopment Agency, Case No CIVRS1100454; (6) Dezham vs. IEUA, Case No. CIVRS 1109761. B. PURSUANT TO GOVERNMENT CODE SECTION 54956.9 – CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION: Three (3) cases, C. 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

The meeting resumed at 11:34 a.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

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

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

IEUA vs. Ontario Redevelopment Agency, Case No. CIVRS1100454

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 – 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.

Regarding Conference with Property Negotiator

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

The Board took no reportable action.

With no further business, President Catlin adjourned the meeting at 11:35 a.m.

Secretary

APPROVED: JANUARY 18, 2012