



## AGENDA

### MEETING OF THE BOARD OF DIRECTORS

WEDNESDAY, DECEMBER 17, 2014  
10:00 A.M.

INLAND EMPIRE UTILITIES AGENCY\*  
AGENCY HEADQUARTERS  
6075 KIMBALL AVENUE, BUILDING A  
CHINO, CALIFORNIA 91708

#### CALL TO ORDER OF THE INLAND EMPIRE UTILITIES AGENCY BOARD OF DIRECTORS MEETING

#### FLAG SALUTE

#### PUBLIC COMMENT

Members of the public may address the Board on any item that is within the jurisdiction of the Board; however, no action may be taken on any item not appearing on the agenda unless the action is otherwise authorized by Subdivision (b) of Section 54954.2 of the Government Code. Those persons wishing to address the Board on any matter, whether or not it appears on the agenda, are requested to complete and submit to the Board Secretary a "Request to Speak" form which are available on the table in the Board Room. Comments will be limited to five minutes per speaker. Thank you.

#### ADDITIONS TO THE AGENDA

In accordance with Section 54954.2 of the Government Code (Brown Act), additions to the agenda require two-thirds vote of the legislative body, or, if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action came to the attention of the local agency subsequent to the agenda being posted.

#### 1. NEW HIRE INTRODUCTION

- Mr. Edward Chavez, Collection System Operator, hired on 10/13/14 (Francis Concemino)
- Mr. Larry Lucas, Mechanic II, hired on 10/27/14 (James Buchanan)
- Mr. Nagoro Setyadi, Warehouse & Inventory Technician, hired on 12/08/14 (Francis Concemino)

**2. PUBLIC HEARING AND ADOPTION OF RESOLUTION NO. 2014-12-3, ADOPTING AMENDMENT TO THE IEUA CONFLICT OF INTEREST CODE**

It is recommended that the Board:

1. Hold a Public Hearing to receive public comments for the Board to adopt amendment to the IEUA's Conflict of Interest Code, establishing disclosure categories specifying the types of economic interests that must be reported by designated positions within the Agency; and
2. After closing the Public Hearing, adopt Resolution No. 2014-12-3, Adopting Amendments to the IEUA Conflict of Interest Code.

**3. CONSENT CALENDAR**

NOTICE: All matters listed under the Consent Calendar are considered to be routine and non-controversial and will be acted upon by the Board by one motion in the form listed below. There will be no separate discussion on these items prior to the time the Board votes unless any Board members, staff or the public requests specific items be discussed and/or removed from the Consent Calendar for separate action.

**A. MINUTES**

The Board will be asked to approve the minutes from the November 19, 2014 Board meeting.

**B. TREASURER'S REPORT ON GENERAL DISBURSEMENTS**

It is recommended that the Board approve the total disbursements for the month of October 2014, in the amount of \$13,591,268.64.

**C. ADOPTION OF RESOLUTION NO, 2014-12-2, TO INCLUDE VOLUNTEERS UNDER THE AGENCY'S WORKERS' COMPENSATION PROGRAM**

It is recommended that the Board adopt Resolution No. 2014-12-2, approving the inclusion of volunteers under the Agency's Workers' Compensation Program.

**D. IEUA FISCAL YEAR 2013/14 SINGLE AUDIT REPORT**

It is recommended that the Board:

1. Approve the Single Audit Report for the Fiscal Year 2013/14; 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.

**E. REAL PROPERTY SURPLUS AND SALE AGREEMENT**

It is recommended that the Board:

1. Declare the subject property, APN #1021-551-03, exempt surplus land in accordance with Government Code Section 54221; and

2. Authorize the General Manager to enter into a sales agreement and execute all necessary documents for the subject property sale.

**F. CONSTRUCTION CONTRACT AWARD FOR THE RP-1 FLARE SYSTEM IMPROVEMENTS**

It is recommended that the Board:

1. Approve the construction contract award for the RP-1 Flare System Improvements Project No. EN13046, to W.A. Rasic Construction for the not-to-exceed amount of \$406,600; and
2. Authorize the General Manager to finalize and execute the agreement.

**G. APPROVE THE TASK ORDER NO. 16 FOR PRIMAVERA ENHANCEMENTS**

It is recommended that the Board:

1. Approve Task Order No. 16 for Contract No. 4600001376 to Danrae Inc., for the Primavera Enhancements, Project No. EN15052, for the not-to-exceed amount of \$80,000; and
2. Authorize the General Manager to execute the Task Order.

**H. CONTRACT AWARD FOR GROUNDWATER RECHARGE BASIN WEED ABATEMENT SERVICES**

It is recommended that the Board:

1. Approve the issuance of a five-year contract to Pest Options, Inc. for groundwater recharge basin weed abatement services for a monthly amount of \$5,916, with an effective date of January 1, 2015; and;
2. Authorize the General Manager to execute the contract.

**4. ACTION ITEMS**

**A. WINEVILLE EXTENSION RECYCLED WATER PIPELINE SEGMENT B, PROPOSED VALUE ENGINEERING**

It is recommended that the Board:

1. Approve the Value Engineering Cost Proposal (VECP) for the realignment of the pipeline on the Wineville Extension Recycled Water Pipeline, Segment B, Project No. EN13045;
2. Approve the Supplemental Agreement which includes the timeline requirements and to share the identified cost savings; and
3. Authorize the General Manager to execute the deductive contract change order and the supplemental agreement.

**B. SCADA ENTERPRISE SYSTEM CONTRACT AWARDS**

It is recommended that the Board:

1. Approve the Construction Contract Award to Technical Services, Inc. for the SCADA Enterprise System, Project No. EN13016, for the not-to-exceed amount of \$2,778,771;
2. Approve the Services Contract Award to Royal Wholesale Electric for the Training Program to support the SCADA Enterprise System, Project No. EN13016, for the not-to-exceed amount of \$150,000;
3. Approve the Design-Build Service Contract Award to the lowest responsive bidder for the Carbon Canyon Water Recycling Facility Control and Server Rooms Modification Project No. EN13016.01, for the not-to-exceed amount of \$150,000; and
4. Authorize the General Manager to execute the contracts.

**C. IEUA FISCAL YEAR 2013/14 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

It is recommended that the Board:

1. Approve the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2014; 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.

**D. PURCHASE ORDER WITH THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA FOR IMPORTED WATER**

It is recommended that the Board:

1. Approve a ten-year Purchase Order with the Metropolitan Water District of Southern California (MWD) for imported water;
2. Approve Resolution No. 2014-12-1, establishing allocations for the purchase of imported water within the IEUA service area' and
3. Authorize the General Manager to execute the Purchase Order with MWD.

**5. INFORMATION ITEMS**

**A. MWD UPDATE (ORAL)**

**RECEIVE AND FILE INFORMATION ITEMS**

**B. TREASURER'S REPORT OF FINANCIAL AFFAIRS (WRITTEN/ POWERPOINT)**

- C. FY 2014/15 FIRST QUARTER BUDGET VARIANCE, PERFORMANCE GOALS UPDATES, AND BUDGET TRANSFER (WRITTEN)
- D. PUBLIC OUTREACH AND COMMUNICATION (WRITTEN)
- E. LEGISLATIVE REPORT FROM INNOVATIVE FEDERAL STRATEGIES (WRITTEN)
- F. LEGISLATIVE REPORT FROM THE DOLPHIN GROUP (WRITTEN)
- G. LEGISLATIVE REPORT FROM AGRICULTURAL RESOURCES (WRITTEN)
- H. CALIFORNIA STRATEGIES, LLC MONTHLY ACTIVITY REPORT (WRITTEN)
- I. INTERNAL AUDIT DEPARTMENT STATUS REPORT FOR DECEMBER 2014 (WRITTEN)
- J. REGIONAL CONTRACT REVIEW INTERIM AUDIT REPORTS FOR THE CITY OF CHINO AND CITY OF FONTANA (WRITTEN)
- K. PLANNING & ENVIRONMENTAL COMPLIANCE UPDATE (POWERPOINT)
- L. ENGINEERING AND CONSTRUCTION MANAGEMENT FY 2014/15 MONTHLY UPDATE (POWERPOINT)

Materials related to an item on this agenda submitted to the Agency, after distribution of the agenda packet, are available for public inspection at the Agency's office located at 6075 Kimball Avenue, Chino, California during normal business hours.

- 6. AGENCY REPRESENTATIVES' REPORTS
  - A. SAWPA REPORT (WRITTEN)
  - B. MWD REPORT (WRITTEN)
  - C. REGIONAL SEWERAGE PROGRAM POLICY COMMITTEE REPORT (WRITTEN)
  - D. CHINO BASIN WATERMASTER REPORT (WRITTEN)
- 7. GENERAL MANAGER'S REPORT (WRITTEN)
- 8. BOARD OF DIRECTORS' REQUESTED FUTURE AGENDA ITEMS
- 9. DIRECTORS' COMMENTS
  - A. CONFERENCE REPORTS

This is the time and place for the Members of the Board to report on prescheduled Committee/District Representative Assignment meetings, which were held since the last regular Board meeting, and/or any other items of interest.

**10. CLOSED SESSION**

**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) Mwembu vs. IEUA, Case No. CIVDS 1415762
- 6) Southern California Edison vs. IEUA, Case No. CIVRS 1308595

**B. PURSUANT TO GOVERNMENT CODE SECTION 54956.8 – CONFERENCE WITH REAL PROPERTY NEGOTIATOR**

- 1) Property: Water and Pipeline Capacity/Cadiz  
Negotiating Party: General Counsel Jean Cihigoyenetché
- 2) Property: Land Locked Property in Chino Hills  
Negotiating Party: General Counsel Jean Cihigoyenetché
- 3) Supplemental Water Transfer/Purchase  
Negotiating Parties: General Manager P. Joseph Grindstaff  
Under Negotiation: Price and Terms of Purchase

**C. PURSUANT TO GOVERNMENT CODE SECTION 54956.9 – CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION**

- 1) Three (3) Cases

**D. PURSUANT TO GOVERNMENT CODE SECTION 54957 – PERSONNEL MATTERS**

- 1) Various Positions – Compensation Study

**E. PURSUANT TO GOVERNMENT CODE SECTION 54957 – PERSONNEL MATTERS – PUBLIC EMPLOYEE PERFORMANCE EVALUATION**

- 1) Manager of Internal Audit
- 2) Board Secretary/Office Manager

**11. ADJOURN**

\*A Municipal Water District

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Board Secretary (909) 993-1736, 48 hours prior to the scheduled meeting so that the Agency can make reasonable arrangements.

Proofed by: BR

### Declaration of Posting

I, April Woodruff, Board Secretary/Office Manager of the Inland Empire Utilities Agency\*, A Municipal Water District, hereby certify that a copy of this agenda has been posted by 5:30 p.m. at the Agency's main office, 6075 Kimball Avenue, Building A, Chino, CA on Thursday, December 11, 2014.

for April Woodruff #853  
April Woodruff

INFORMATION  
ITEM


**5D**

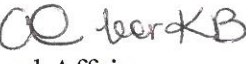


Date: December 17, 2014

To: The Honorable Board of Directors

Through: Public, Legislative Affairs, and Water Resources Committee (12/10/14)

From: for P. Joseph Grindstaff   
General Manager

Submitted by: Kathryn Besser   
Manager of External Affairs

Subject: Public Outreach and Communication

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### **RECOMMENDATION**

This is an informational item for the Board of Directors to receive and file.

### **BACKGROUND**

December 2014

- December 11, MWD “Water is Life” Student Art Poster Contest Recognition Event, MWD Board Room (700 North Alameda Street, Los Angeles), 10:00am-1:00pm
- December 12, Employee Association Holiday Dinner, Coco Palm Restaurant (1600 Fairplex Drive, Pomona, 91768), 7:00pm-12:00am
- December 17, Employee Holiday Luncheon, Los Serranos Country Club (15656 Yorba Avenue, Chino Hills 91709), 11:00am-3:00pm

February 2015

- February 6-7, Director Camacho’s MWD State Water Project Trip

#### **Outreach/Education - Civic Publications Newspaper Campaign**

- IEUA staff ran a print spadea ad for “Sustainability Living” in the *Daily Bulletin* at the end of November. The ad featured drought campaign tips focusing on irrigation tips and ways to reduce water use by 20 percent.
- Online display ads are currently being published featuring tips from the “Save Our Water” campaign, which will be active and link to a micro-site featuring water saving tips. The display ads will follow site visitors throughout IEUA’s service area as they search the web. Once the display ad is clicked on, the ad will no longer follow that specific visitor.

### Media and Outreach

- The drought campaign theater ads are currently running in three theaters: Harkins – 18 screens (Chino Hills), Victoria Gardens – 12 screens (Rancho Cucamonga), and Ontario Palace – 22 screens (Ontario). These ads will run through early January 2015.
- The new Agency website went live at the end of November. Staff is working with departments to ensure that all content is updated and accurate. The External Affairs team will now be responsible for managing all content within the site.
- *Fontana Herald News* and *La Opinion* are featuring the drought campaign message as a digital component on their leaderboards. The banner ad is live and links directly to the [www.conservaternow.info](http://www.conservaternow.info) micro-site.

### Education and Outreach Updates

- Water Discovery Program: 277 Girl Scout troop members, elementary and high school students and have taken part in the park field trip from September 24<sup>th</sup> through November 30<sup>th</sup>. Although December is a notoriously slow month for field trips, staff currently has an additional 105 students scheduled for field trips, with another 180 students currently scheduled through February.
- Three schools have applied for the Garden in Every School® Program: Cal Aero Preserve Academy (Chino), Cypress Elementary School (Fontana), and Country Springs Elementary School (Chino Hills). Currently, staff is working with CBWCD to schedule site evaluations, design finalization and planting days.
- IEUA staff will be attending the “Water is Life” Student Art Poster Contest recognition event on December 11<sup>th</sup> at the Metropolitan Water District of Southern California (MWD). Two student winners from IEUA’s contest will be featured in MWD’s 2015 calendar.

### **PRIOR BOARD ACTION**

None.

### **IMPACT ON BUDGET**

The above-mentioned activities are budgeted in the FY 2014/15 Administrative Service Fund, Public Information Services budget.

**INFORMATION  
ITEM**

**5E**

# *Innovative Federal Strategies* LLC

Comprehensive Government Relations

## MEMORANDUM

**To:** Joe Grindstaff and Kathy Besser, IEUA

**From:** Letitia White and Heather Hennessey

**Date:** November 25, 2014

**Re:** November Monthly Legislative Update

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After the upheaval of the November elections, Congress got back to work during the latter half of the month. With leadership assignments and committee chairmanships mostly decided for the new Congress, the rest of the committee rosters will be filled in the coming weeks. Other than those housekeeping items, not much was resolved during the month of November as Congress focused on the President's immigration announcement and plotted its course for next year.

### ***Spending Resolution Must be Reached During December***

The current Continuing Resolution (CR) that is funding all departments of the federal government will expire on December 11<sup>th</sup>. Congress must either enact a new CR or pass an omnibus spending package by then or risk a government shutdown. During November, there was increased chatter about a possible hybrid approach that would fully fund some of the spending bills while enacting a CR for others. Nicknamed a "CROmbius," such an approach might be the easiest way to put FY 2015 spending issues to bed this year. It would enable Congress to start next year with a clean slate, an idea that holds much appeal for policy makers. The most likely bills to receive full legislative approval are Defense, Military Construction and Veterans Affairs, and Homeland Security. The bills that fund the domestic federal agencies are more likely to be funded under the CR portion.

While we usually argue that a CR is not ideal for federal spending, this year might be the exception to that rule. Funding levels for the domestic federal agencies would remain level, and no policy changes would be enacted for those agencies covered under the CR. This treatment would provide a stable and predictable funding environment for those agencies. On the other hand, if the bills were re-opened in the early months of next year, it is likely that the new Republican majority in the Senate would agree with funding cuts that had been proposed by the House earlier in the bills' negotiations. Given a choice between the certainty of a CR in December and the unpredictability of future actions in 2015, those of us at IFS are inclined to support the CR approach!

Having said all of this, the ultimate end game on federal spending remains very murky. The biggest question is whether Congressional Republicans will try to use the FY 2015 spending bills to force changes to the President's recent Executive Action on immigration. Announced on the day that Congress left DC for the Thanksgiving holiday, the President's actions have infuriated Congressional Republicans. But the fury has not coalesced into any plan. Truly, Republican

## *Innovative Federal Strategies LLC*

options are limited because the office that will carry out the President's new orders is funded by fees generated by applicants rather than by Congressional appropriations. In the absence of a clear path forward, House leadership may instead settle for a CR that would punt the spending debates into early next year. Also, the President has promised to veto any legislation that undoes his Executive Action.

### ***Last Gasp of the California Drought Bill?***

It was a frantic mid-November push to finalize the California drought bill, but the effort ultimately fell short. Truthfully, the negotiations were a long shot from the start, and none of the existing barriers that had prevented its passage for the past several years had been cleared. Environmentalists opposed any efforts to loosen state or national environmental standards, and regional factions had hardened over time in opposition to provisions that would have favored the Central Valley over other parts of the state. Meanwhile, the secrecy surrounding the final negotiations worked to undermine confidence in the process. And rumors that the bill was swelling from a small legislative package to one of 50 or 60 pages left everyone wondering what the negotiators were including that had not seen the light of day. If Senator Feinstein had been successful, the bill likely would have been attached to the FY 2015 appropriations package discussed above. You may recall that the Senator included placeholder report language in her Energy and Water Appropriations bill that was released over the summer.

The question now becomes what is next for California drought legislation in the new Congress? With Republicans taking control of the Senate, they will be able to align with the House to propose major changes to the Endangered Species Act and other laws that they think are contributing to the California drought. Will those national efforts overshadow any California specific bills? Also, the state water bond is now enacted, meaning a very different set of circumstances exist at the state level. At the end of last week, Senator Feinstein promised to renew her efforts next year under "regular order." But regular order on Capitol Hill has been an enemy to the California drought bills up to this point. Press reports that emerged during November indicated a clear division between haves and have-nots, with some large agriculture groups and water agencies included in the negotiations while others were excluded. The secrecy of the negotiations and exclusions of so many stakeholders have left a bad taste in many mouths both in DC and California. It is also important to note that Senator Boxer has taken a very different stance than Senator Feinstein, and Boxer is much less inclined to work with Republicans to try and reach a deal.

### ***Outlook for December***

December will be a short month on Capitol Hill, with the House only scheduled to be in session for two weeks. In addition to the FY 2015 spending resolution, Congress must also pass the FY 2015 National Defense Authorization Act during December. We may also see movement on the Senate's proposal for two additional years of the tax extenders. In addition to those items, Democratic leadership in the Senate will also try to push through more of President Obama's outstanding judicial and executive branch nominations.

INFORMATION  
ITEM

**5F**

**December 1, 2014**

**To:** Inland Empire Utilities Agency  
**From:** Michael Boccadoro  
President  
**RE:** November Legislative Report



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Overview:

November was all about the election. As expected, Proposition 1, the water bond, passed overwhelmingly on Election Day, and Democrats maintained control of all major statewide offices and a majority in both houses of the Legislature, but lost their super-majority. The Legislature will convene in early December for an “Organizational Session” and then return on January 6 to start the 2015-16 Legislative Session.

The Inland Empire saw some new representatives, elected on November 2. Of the nine Senate and Assembly districts that represent IEUA, three will be represented by new members. Joining incumbent Assemblymembers Chris Holden (AD 41-D), Cheryl Brown (AD 47-D) and Freddie Rodriguez (AD 52-D) are Marc Steinorth (AD 40-R) and Ling Ling Chang (AD 55-R). Joining incumbent Senators Carol Liu (SD 23-D), Bob Huff (SD 29-R), and Mike Morrell (SD 25-R) is Connie Leyva (SD 20-D).

After an 11 month wait, the California Public Utilities Commission recently released a Proposed Decision (PD) in the SB 1122/Feed-in Tariff proceeding which created a 250 MW bioenergy procurement program. The PD puts the new procurement program into the same Re-MAT pricing system, with separate categories for each of the three SB 1122 categories. Of note, Southern California Edison will have to procure 55.5WM from Category One, which includes biogas from wastewater treatment plants, municipal organic waste diversion, food manufacturing, and codigestion. The Proposed Decision still has to be approved by the full Commission.

A group of leading environmental organizations released a paper titled “Wetter or Not—Actions to Ease the Current Drought and Prepare for the Next.” The paper outlines actions for state and federal agencies, Congress, the State Legislature and local water agencies to take in drought response and planning. It is assumed that these are the top priorities for these organizations and they will be pushing these ideas in the legislature and at regulatory agencies in the coming year.

# Inland Empire Utilities Agency Status Report – November 2014

## *Water Bond*

As expected, the Proposition 1, water bond, passed by a 67 percent to 31 percent margin on November 4. Now, the attention has turned to implementation of the bond. Agencies and organizations all over the state are working with regulators on how and when different provisions of the bond will be implemented. WateReuse is specifically working on the recycled water and desalination chapter to influence how that pot of money will be split between recycled water and desalination projects. All parties are cooperating and the new funds will likely be administered in a similar fashion to previous recycled water bond funds.

## *Election Results*

With Election Day behind us, analysis of the results has been widely publicized. Turnout in California was at an all-time low, with just 30.3 percent of eligible voters heading to the polls this year. The national turnout was just 36.4 percent.

While Republicans made significant gains in Congress, California bucked the national trend, with all major statewide offices remaining in Democratic hands and the Legislature remaining firmly with the Democrats. Democrats also picked up one additional member in the state's congressional delegation.

In the Senate, the current breakdown is 25 Democrats and 14 Republicans, with one vacancy that will likely be filled by a Democrat. There will be three more vacancies soon, as Senators Mark DeSaulnier-D, Mimi Walters-R and Steve Knight-R won Congressional seats. The Governor will call a special election to fill those seats, but they are not likely to change party hands.

In the Assembly, Democrats hold 52 seats with the Republicans holding 28. Those numbers might change if Assemblymembers run for and win the soon-to-be vacant Senate seats.

Democrats did lose the two-thirds super majority they held on and off the past two years, however most believe that the two-thirds majority unimportant for several reasons. First, the budget no longer requires a two-thirds majority to be passed, just a simple majority. Second, the Governor has stood by his promise that he will not raise taxes without putting it on the ballot for voters to approve, thereby rendering any attempt to raise taxes by two-thirds of the legislature less important. Finally, while the Democrats had previously enjoyed a super majority, there are a significant number of moderate Democrats in both houses that cannot be counted on to vote with the majority party every time. For these reasons, many believe that the Democrats not having a super majority will not have any significant impact on policy making in the 2014-2015 session.

Due to term limits, the IEUA legislative delegation will see two new representatives in the Assembly and one in the Senate.



	Previous Rep.	New Rep	Results
AD 40	Morrell (moved to Senate)	Marc Steinorth: (Republican) Rancho Cucamonga City Council Member	Steinorth got 55% of the vote.
AD 41	Chris Holden	Chris Holden: (Democrat) incumbent	Holden got 59% of the vote.
AD 47	Cheryl Brown	Cheryl Brown: (Democrat) incumbent	Brown got 56.9% of the vote.
AD 52	Freddie Rodriguez	Freddie Rodriguez: (Democrat) incumbent	Rodriguez got 59% of the vote.
AD 55	Curt Hagman (termed out)	Ling-Ling Chang: (Republican) Councilmember and Former Mayor of Diamond Bar	Chang for 64% of the vote.
SD 23	Mike Morrell— not up for reelection		
SD 25	Carol Liu—not up for reelection		
SD 29	Bob Huff—not up for reelection		
SD 20 (former SD 32)	Norma Torres-won Congressional seat	Connie Leyva: (Democrat) Grocery Workers Representative	Leyva got 62.4% of the vote

### ***BDCP Affordability Study***

A study released by the State Treasurer’s office found that financing of the Bay Delta Conservation Plan (BDCP) would be affordable for the 25 million water users and 3 million acres of farmland that stand to benefit from the water supplies the plan would secure.

The study identifies the ability of State Water Project and Central Valley Project water users to pay for the construction and mitigation of the water delivery conveyance system prescribed by the BDCP, which would not rely on any taxpayer funding from the state.

Using illustrative cost ranges for the Metropolitan Water District, Santa Clara Valley Water District, Westlands Water District, and Kern County Water Agency, which have been major funders of the BDCP planning effort thus far, the analysis found that the increased cost of water due to construction and mitigation of the conveyance system is within the range of urban and agricultural users’ capacity to pay for the project.

The BDCP would create a modern conveyance system to deliver water from the Sacramento-San Joaquin Delta to water users in the Bay Area, San Joaquin Valley and Southern California. The current conveyance system leaves these water supplies at constant danger of increased regulatory restrictions and seismic risks.

In 2014, State Water Project customers received only five percent of their annual water supply from the Delta, while customers on the federal Central Valley Project received a zero percent

allocation. The BDCP would create new water intakes on the Sacramento River that would protect water users from these possible catastrophic supply disruptions, while also protecting threatened and endangered fish species in the Delta.

The independent study was commissioned by the California Debt and Investment Advisory Commission at the request of the California Natural Resources Agency.

### ***SB 1122/Feed-in Tariff Proposed Decision Released***

The California Public Utilities Commission (CPUC) has released a Proposed Decision (PD) for implementing SB 1122 (Rubio), which created a 250 MW bioenergy procurement program. The PD puts the new procurement program into the same Re-MAT pricing system, with separate categories for each of the three SB 1122 categories. Southern California Edison's allocations of the megawatts are proposed to be divided as follows:

- Category One: **55.5MW**- Biogas from wastewater treatment plants, municipal organic waste diversion, food manufacturing, and codigestion.
- Category Two: **56.5 MW**- Dairy and agriculture waste.
- Category Three: **2.5MW**- Forest Biomass.

The suggested starting price for SB 1122 categories in the Re-MAT program was increased from the suggested \$124.66/MWh (\$0.125/Kwh) in the staff proposal to \$127.72/MWh (\$0.127/Kwh), which is a significant increase from the \$89/MWh starting price in the regular Re-MAT program. The price will adjust up or down in the same manner as the Re-MAT.

A vote on the PD is expected as early later this month.

### ***Environmental Organizations Release Paper On Drought***

Organizations including The Natural Resources Defense Council, Clean Water Action, Audubon California, Friends of the River, League of Women Voters and others have released a paper titled "Wetter or Not—Actions to Ease the Current Drought and Prepare for the Next." The paper outlines actions for state and federal agencies, Congress and the State Legislature and by local water agencies to take in drought response and also planning for drought. Drought response recommendations include:

- **Efficiency**: Outlines 21 actions that could be taken to make urban and agricultural water use more efficient. Including turf removal rebates, conservation training programs, sub-metering in multi-unit structures, and other measures.
- **Water Recycling and Graywater**: The State Water Resources Control Board (SWRCB) should adopt regulations for indirect potable reuse through the augmentation of surface storage and work to complete studies on direct potable reuse, and other measures.
- **Stormwater**: The SWRCB should establish requirements for municipal stormwater retention for water quality and water supply benefits and other measures.
- **Expand System Capacity**: Specific actions are recommended in the areas of groundwater cleanup and management, natural infrastructure, and smart water storage.

Planning for drought recommendations include:

- **Planning for Drought**: Recommendations include the SWRCB adopting drought standards for the Delta and its tributaries, protect salmon and other fish, develop drought

actions to protect wetland-dependant species, update water rights accounting and enforcement and other recommendations.

- **Financing Sustainable Water Supply Investments**: State funding recommendations include funding green infrastructure, community drinking water needs and a statewide water diversion fee to make ecosystems more drought-resilient. Federal funding recommendations include increasing Title XVI funding for recycled water, water conservation and energy conservation project funding, floodplain restoration and other recommendations. Local funding recommendations include urban agencies adopting budgets and rate structures sufficient to ensure stable funding for new investments in sustainable water sources.

The paper describes the ongoing priorities the environmental community and it is likely we will see some of these priorities in legislation this year.

### ***Legislative Update***

The new Legislature will arrive in Sacramento on December 1 to swear in new members and officially elect leadership in an “Organizational Session.” There is no set date for when committee assignments will be announced, but they are expected sometime between the first of December and the second week of January. Assembly Speaker Toni Atkins (D-San Diego) has announced her leadership team that includes IEUA representative Assemblymember Chris Holden as the Majority Floor Leader. Speaker Atkins will announce the Assembly committee chairs the first week of December. No word on when President Pro Tem Kevin de Leon (D- Los Angeles) will announce leadership and committee assignments in the Senate.

The first year of the 2015-2016 Legislative Session will officially begin January 5, 2015 and the Governor will submit his proposed budget to the Legislature on January 10. The Governor will give his State of the State Address sometime in late January, though a specific date has yet to be announced. Bills will start to be introduced in January, but the majority of legislation is expected to be introduced right before the February 26 bill introduction deadline.

INFORMATION  
ITEM

**5G**

# *Agricultural Resources*

635 Maryland Avenue, N.E.  
Washington, D.C. 20002-5811  
(202) 546-5115  
[agresources@erols.com](mailto:agresources@erols.com)

November 28, 2014

## **Legislative Report**

**TO:** Joe Grindstaff  
General Manager, Inland Empire Utility Agency

**FR:** David M. Weiman  
Agricultural Resources  
LEGISLATIVE REPRESENTATIVE, IEUA

**SU:** Legislative Report, November 2014

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### **Snapshot – Election – US Senate flips, House Rs Gain Seats, Lame Duck Session Underway, Committee leadership changes in the House and Senate. Congress, Immigration Is Now Overwhelming the Congressional Agenda, Foreign Conflicts Are Competing for Legislative Agenda in Congress and California Losing More than a Century of Seniority**

- ***Congress Returned After Election – Lame Duck Session Underway.*** Congress reconvened immediately after the election, but November ended with little resolved and the annual funding bill still pending.
- ***Election Changes Political Equation – Rs Take Over US Senate (Louisiana Still Undecided).*** There are nine new GOP Senators and the Rs now control the US Senate. Every Committee will change leadership. Every subcommittee chair will change. Committee assignments are still being made. Most of the Subcommittee selections and those assignments will not take place (or be finalized) until January.
- ***Rs Increase Members in House.*** In House, Rs gained seats (margin is largest since

Hoover was President – back in 1929). Committee ratios will reflect these margins. Speaker Boehner had a majority in the last Congress, but not a working majority because of the Tea Party. With newly-elected members, it appears that the Speaker now has a working majority within his own Caucus.

- ***Leadership Changing in Senate and House – All Senate Committees and Subcommittees get new leaders.*** In the House, due to retirements and term-limits, Committee and subcommittee chairs are also undergoing considerable change. Additionally, on selected committees, the ranking Ds on them are undergoing considerable turnover, House Transportation and House Resources in particular. In the Senate, every Committee and each subcommittee will get new leadership (and new staff as well).
- ***Annual Funding Bill.*** Appropriations for the current fiscal year expires on December 11. New funding must be put in place by that date. There is a drum-beat for “shut-down” again, but House leadership is working to avoid it. A CR? Unclear. Regular order? Not likely. There is talk of a hybrid funding bill with Defense, Intel, Homeland Security, Military Construction all proceeding (inside one large bill) with regular order, but the domestic funding bills, Ag, Transportation, Health and Human Services, Interior and EPA, Energy and Water and others being advanced as a CR (again, inside the same large bill). Never been done this way before (legislatively, the Congress is moving into unchartered waters). On top of that, a faction within the House GOP wants immigration funding limited to short increments (in order to address, block or overturn the President’s Executive Order on Immigration). As of this Report, nothing is resolved and everything must be finalized by December 11.
- ***Immigration Has Become the New Ebola.*** Two months ago, Congress was overwhelmed by the Ebola crisis. Today, Ebola is receding as a political issue (the fear of an epidemic in the US did not materialize) and now, in its place, the reaction and response to the President’s Executive Order has been fierce, very loud and is hampering the Leadership’s ability to proceed with the legislative process. Some are claiming that the President’s action is not Constitutional. Others are insisting that his actions warrant impeachment. Still others favor shutting down the Federal Government to force the issue.
- ***Foreign Conflicts Continue to Compete for Time, Attention, Money – and Response.*** Syria, Russia, Middle East and ISIS continue to demand enormous time and attention, including a military intervention (against ISIS). I continue to raise these issues, not because they are IEUA agenda items per se, but the demand for funding and priority directly competes with domestic investments. Like it or not, there is linkage between all the above.
- ***California Loses More than Century of Seniority, Key Gavels or Ranking Positions.*** The retirements of Buck McKeon (R-CA), Henry Waxman (D-CA) and George Miller

(D-CA), Gary Miller (R-CA) and John Campbell (R-CA) and others means California loses more than a century of seniority experience and key legislative positions. McKeon chaired Armed Services. Waxman was Ranking on Energy and Commerce. Miller was ranking on Labor (and senior on House Natural Resources and held a leadership position). Gary Miller was senior on T&I. Campbell was senior on Budget. In the Senate, Senator Boxer loses the gavel at Environment and Public Works. Senator Feinstein loses the Intelligence Committee Chair and the Chair, Energy and Water Development Appropriations. California's overall "clout" is reduced.

- Rep. Bishop (R-UT), as expected, becomes Chair, House Natural Resources. In the Senate, Sen. Lisa Murkowski (R-AK) becomes Chair, Senate Energy Committee AND Chair, Senate Interior Appropriations.
- In the House and on the D side of the aisle, Rahall, Ranking on T&I lost as expected. Rep. Peter DeFazio (D-OR) will be ranking on T&I, vacating the same position on Resources. The D leadership selected Raul Grijalva (D-AZ) to serve as Ranking D on the Committee.

**Snapshot on Drought Legislation and Related Matters – Prop. 1 Passes in California.**  
**Long-stalled Drought Bill Embroiled in Controversy and Rancor.**

- ***Drought Bill – Talks Blow Up – Action Uncertain.*** In October and November, talks continued behind closed doors with selected participants. In early November, Senator Feinstein signaled that a bill would be ready shortly and began soliciting letters of support.

ACWA told the Senator's office that they could not support any bill until after it was released, their Member agencies/districts fully reviewed it.

A frenzy ensued – in and out of Congress. Beyond those directly involved in the negotiations, no one had seen the bill. In mid-November, shortly before Thanksgiving week, a draft leaked. The result: a political firestorm.

Media stories began to appear daily. Bits and pieces of the bill began to emerge to a hail of criticism.

Three Northern California Ds, Reps. George Miller, Huffman and Mike Thompson, in a widely reported move, met with Senator Boxer detailing objections to the bill. After, Senator Boxer said that the bill needed a fully airing.

Early in the day on November 20, word circulated in Washington a deal had been reached and the conferenced bill would be released and circulated later in the day. That didn't happen. Instead, several hours later, Senator Feinstein issued a statement saying there was insufficient time to complete negotiations and that the matter would be

considered early in the next Congress.

Predictably, those involved were upset. Those who were excluded welcomed the development.

The bill (reportedly there are six, eight or ten different versions) still has not been released. One environmental group, wrote Senators Boxer and Feinstein asking that all drafts of the bill be released and that the talks be expanded to include the many excluded interests.

MWD, according to reports, told its Board a week ago that they were not participating in the negotiations (except to provide technical SWP operational explanations when requested).

What happens next? Everyone assumed that, as Feinstein stated, the matter would be reconsidered in the new Congress (after January). House Republicans, led by Rep. Nunes (R-CA), are considering adding the bill (in a form unseen and unknown) to a must-pass bill (CR, Appropriations, DOD Authorization) and forcing the Senate to “take-it-or-strip-it showdown). As of early December, that possibility is pending.

After the House and Senate both passed drought bills and the informal conference talks began, Rep. Grace Napolitano sent Senators Boxer and Feinstein her drought bill (prepared with Senator Boxer) and asked that it be included in the final bill. Based only on the leaked versions of the bill, it appears that the conferenced bill did not take any provisions or concepts from the Napolitano bill.

Meanwhile, the always-controversial Westlands Water District reported spending more than \$600,000 lobbying (and they had a seat at the behind-closed-doors year-long negotiations). Reportedly, the draft bill would have given them possible entitlement to more than 400,000 af of water (for land they were retiring because of long-time and fully characterized severe salt and irrigability problems).

The drought bill is now highly controversial and, worse, threatens to become partisan – which serves no water district or water user’s interest. No bill has been made public (adding to apprehension). More and more, the bill under consideration appears to be a bill described by some as “Fresno-centric” and is not a statewide bill.

- ***Drought Conditions – California.*** The Drought Monitor for November 25 shows 100% of California in drought – and 75% of the State in either *extreme* or *exceptional* drought, the two highest (or worst) drought categories. With the start of a new water year, severe drought conditions persist. As November came to a close, a series of welcome Winter storms were forming over the Pacific and the first snow in the Sierra Nevada mountains is now expected. These storms are not sufficient to blunt the drought, but are the first real precipitation of the season.



- ***Drought Conditions – Rest of the West.*** The report for November is consistent with the reports for the last several months. Drought conditions are persisting in the Pacific Northwest (OR, WA and ID). Nevada’s situation continues to be as severe as California (almost identical to last month’s report). All – 100% – of Nevada is in drought and most of it, like California, is *extreme* or *exceptional* (the highest categories). Drought continues to extend along the Southern Tier (AZ, NM, TX and OK). Like the report a month ago, Utah continues to experience serious drought conditions as well.
- ***Bond – Prop. 1 Passed.*** The bond passed. Storage proposals will continue to be controversial, but the \$ 750 million for water recycling will have statewide support and no detractors.

**Snapshot on Financial, Tax or Economic Matters hat Impact Water**

- ***House Ways and Means, Gavel to Ryan.*** Rep. Paul Ryan (R-WI) will replace Rep. Dave Camp (current chair, retiring – R-MI) at Ways and Means. That is now settled.
- ***Municipal Bonds for America Coalition.*** Meetings are occurring regularly. The Coalition is preparing for the next session. New materials and analysis are being prepared. Their activities will “ramp up” over the next few months.
- ***State of Tax Reform.*** Incoming Chair, Rep. Paul Ryan, has been generally understated for now, revealing few plans and making fewer pronouncements. How quickly a tax bill could be (or will be) prepared is unclear.

**Quick Takes.** ***Rep. Grace Napolitano – Has Choice – to be Ranking on Water Subcommittee on T&I OR House Resources.*** There are two Water Subcommittees. The T&I Subcommittee has jurisdiction over the US Army Corps of Engineers. The House Natural Resources Subcommittee has jurisdiction over BuRec. Napolitano is senior enough to be able to choose either. This will probably be finalized sometime in January when the various committees organize. ***The Bee, LA Times and Others Have Editorially Criticized the “Secrecy” of the Drought Bill.*** The manner in which the drought bill has been managed – behind closed doors – has been universally criticized by the leading editorial boards in the State. The process has itself become polarizing. ***Appropriations for Fiscal Year 2015.*** The Fiscal Year is underway. A short-term CR will expire on December 11. It was widely expected that a full year (to September 30) appropriations bill would be passed during the Lame Duck session now underway. The House, during the first two weeks of the Lame Duck, was unable to fashion a bill OR CR. That effort remains pending into early December. ***Adjournment?*** Speaker Boehner is adamant that the House will adjourn for the year on December 11 or 12. As of this report, the adjournment target date is unclear as the Senate Majority Leader is saying that they won’t finish their business until Christmas eve. ***Water Recycling in San Diego Advancing.*** According to published reports, the water recycling program in San Diego is expanding. This is especially important given the history of Title XVI. One of the first water recycling projects funded after the 1992 authority was established went to San Diego, but became controversial. A San Diego

program today, therefore, is very positive (for San Diego and for the water recycling program).

***Climate Disruption Reports Continue.*** Reports continue to emerge (nationally and internationally) concluding that the situation is real and that water resources are at risk.

***Outgoing House Water Subcommittee Chair – Rep. Tom McClintock – Says Storage is the Primary Solution.*** Chair McClintock told local papers in his congressional district that he expects new dams and reservoirs are “the” solution for drought. In his six-year chairmanship, he did not support Title XVI. ***The Storage “Distortion.”*** In September, the Fresno Bee ran a story on a proposal for new storage in the San Joaquin Valley called Temperance Flat. The project cost, in a BuRec Report, was projected to be \$2.6 billion and the Bee story described supporters touting 1.26 million AF. That figure – 1.26 million AF – was not the amount of water available, but rather the “pool” to be established. The actual yield from such a project is expected to be only 75,000 AF – or 5.9% of the “pool. The yield, however, is programmatically expected to serve multiple purposes. Actual water available to irrigators – probably around 40,000 AF or about 3.1%. Conversely, the same amount of money invested in water recycling would produce 2+ MAF of new water annually.

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INFORMATION  
ITEM

**5H**



CALIFORNIA STRATEGIES, LLC

Date: December 01, 2014  
To: Inland Empire Utilities Agency  
From: John Withers, Jim Brulte  
Re: November Activity Report

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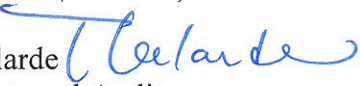
Listed below is the California Strategies, LLC monthly activity report. Please feel free to call us if you have any questions or would like to receive any more information on any of the items mentioned below.

- Met with IEUA Executive staff to review priority issues (11/03)
- Participated in discussions with County of San Bernardino and IEUA to discuss coordination of County and District legislative and public policy issue agendas.
- We continue to monitor Lafco staff on the status and key issues related to the MSR process currently underway for water conservation districts Countywide (Provided Plan of Service consultant referral to staff)
- Support and advise on IEUA/SBVWD transfer transaction on an as needed basis.
- Provided an update on the recent filing of a Sphere of Influence amendment filing by the CVWRD.
- Facilitated contact with CFO and follow up with IRWD regarding facility master planning and fiscal modeling
- Continue to monitor statewide water issues including the BDCP, water bond, and drought relief act activities.
- Outreach to Board Directors as needed on issues of interest
- Monitor Santa Ana Regional Board agenda and issues of interest to IEUA.

**INFORMATION  
ITEM**

**51**



Date: December 17, 2014  
To: The Honorable Board of Directors  
Through: Audit Committee (12/10/14)  
From: Teresa V. Velarde   
Manager of Internal Audit  
Subject: Internal Audit Department Status Report for December 2014

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**RECOMMENDATION**

This is an information item for the Board of Directors to receive and file.

**BACKGROUND**

The Audit Committee Charter requires that a written status report be prepared and submitted each quarter. The Internal Audit Department Status Report includes a summary of significant internal and external audit activities for the reporting period. Attached is the Status Report for December 2014.

**PRIOR BOARD ACTION**

On September 17, 2014 the Board of Directors approved the Annual Audit Plan for Fiscal Year 2014/15.

On March 20, 2013, the Board of Directors reconfirmed the approved Audit Committee Charter.

**IMPACT ON BUDGET**

None.

**Internal Audit Department  
Status Report for December 2014**

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***Projects Completed and in Progress This Period***

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**Audit:     Regional Contract Review**

**Scope:**

The objectives of the Regional Contract review include:

- Evaluation of how the seven agencies apply the Regional Contract provisions
- Determine if comply with the Regional Contract requirements
- Determine opportunities to improve processes and procedures
- Identify opportunities and make recommendations for consideration as part of the Regional Contract renegotiation

The review covers the period from July 1, 2012 through December 31, 2013 and where possible considers events subsequent to that period. IA performed a variety of audit procedures to evaluate:

- Initial Connection Fees
- Public Service Facilities Connection Fees
- Monthly Volumetric Sewerage Charges
- Extra-Territorial Fees
- Reconciliations of fees collected and paid to IEUA
- Overall recordkeeping

The results of the overall Regional Contract review are being documented in three separate sections to segregate the observations and recommendations by subject. The following provides a status on each of the seven Contracting Agencies review/evaluation.

**City of Fontana**

**COMPLETED**

Refer to the final report under separate cover for a complete report of the observations and recommendations. IA noted the following:

- **Connection Fees:** In most cases the calculations made by the City were materially accurate. IA has included multiple recommendations to improve the Connection Fees calculation and collection processes.
- **Public Service Facilities:** The City generally does collect initial connection fees for Public Service Facilities. IA has included a recommendation about the City's process that may be applicable to other Contracting Agencies, as well as a recommendation regarding classification differences used in calculating initial connection fees.
- **Commercial Volumetric Sewerage Accounts:** The City is the only Contracting Agency that bills monthly sewerage based on EDUs purchased through Connection fees rather than through volumetric water usage, since the City does not have access to water usage information from the City's water service providers. The City is also the only Contracting Agency that has contracted with the County of San Bernardino to collect residential sewerage fees through the property tax roll. IA has included multiple recommendations about considering these and other alternatives. Potentially reengineering the billing process between the City and IEUA is also described.

## Internal Audit Department Status Report for December 2014

- In 2013 Kaiser Fontana completed construction of a new seven story hospital and inpatient tower that was originally planned and permitted in 2009. The original hospital building does not appear to be used for hospital beds but is still open as clinics, laboratories, pharmacies and operating rooms. The City of Fontana believes that no Connection fees are due because they view the facility as a declassified significant industrial user (declassified in 2007) with billing and capacity based on flow whereas IEUA believes the provisions of Exhibit J should be applied. No Connection fees have been charged or collected in connection with this hospital tower.

### City of Chino

### COMPLETED

Refer to the final report under separate cover for a complete report of the observations and recommendations. IA noted the following:

- **Connection Fees:** In most cases the calculations made by the City were materially accurate. Prior to the June 19, 2013 revision of Exhibit J guidance about fixture unit counts was limited to the California Plumbing Code. As a result, the City (like all Contracting Agencies) had improvised their own calculation worksheets resulting in fewer categories and varying fixture unit amounts than that shown in the revision to Exhibit J. Even with the guidance of the Exhibit J revision, with changing trends, some types of enterprises have been difficult to categorize, such as fast-casual sit-down restaurants and community centers/swimming pool facilities in private residential communities.
- **Public Service Facilities:** The City does not generally collect connection fees from construction at schools in the community. Recent construction information was obtained from a variety of public records for testing. Per City of Chino staff there is no record of fees being paid for a new classroom wing with restrooms that was recently completed at Howard Cattle Elementary School. There is also no record of fees being paid for the new Chaffey College – Chino Campus that opened in 2008. IA performed a physical observation and determined that connection fees for the college campus would have exceeded \$55,000. IA has included recommendations suggesting enhanced communication and collaboration with the School and Community College Districts in the community as a means of encouraging connection fee payments.
- **Commercial Volumetric Sewerage Accounts:** Several addresses were found that either utilized an inaccurate billing formula or were not being billed for monthly sewerage fees by the City. IA has included multiple recommendations about standardizing and providing additional information as part of the monthly reporting to IEUA, as well as potential process enhancements at the City and potential contract provisions about recourse for under-collection. Potentially reengineering the billing process between the City and IEUA is also described.

### City of Ontario

### IN PROGRESS

IA is in the testing phase of the review. IA has met and discussed all areas with the assigned representatives. IA has made selections of the items needed for additional testing and is in the process of obtaining information requested. In summary:

- **Connection Fees:** Testing of Connection Fees has been substantially completed. The fixture unit values used by the City of Ontario vary from those provided in Exhibit J, in



## Internal Audit Department Status Report for December 2014

most cases leading to calculations made by the City that understated Connection Fees. IA has provided Ontario a list of open questions and/or requests for more information.

- **Public Service Facilities:** Recent construction information was obtained from a variety of public records for testing. No record of fees being paid has been provided for several schools. Fees are reported as having been paid for Kaiser Permanente's Ontario Medical Center
- **Commercial Volumetric Sewerage Accounts:** IA has requested information to perform detailed testing of items from the Connection Fees testing to their inclusion in the regular sewer billing system and ultimately the total EDU amounts provided to IEUA. The City has recently lost several staff members and this short-staffing has led to delays in receiving information.

### **Cucamonga Valley Water District                      IN PROGRESS**

IA is in the beginning of the testing phase of the review. IA has met and discussed all areas with the assigned representatives. IA has made a selection of items for testing and is in the process of obtaining information requested. In summary:

- **Connection fees and Public Service Facilities:** Testing of Connection Fees is currently in process. Additional meetings will be scheduled to begin additional detailed testing procedures.
- **Commercial Volumetric Sewerage Accounts:** IA has been provided some financial information, however, IA is currently waiting for other requested information.

### **City of Chino Hills    IN PROGRESS**

IA has met and discussed all areas with the assigned representatives. Some of the initially requested documents and information have been received. Additional meetings will be scheduled to begin the detailed testing procedures.

### **City of Upland    COMPLETED**

This report was completed and presented to the Audit Committee and the Board of Directors in September 2014. IA was able to evaluate each of the areas planned. Following is a summary of observations noted:

- **Connection Fees:** In most cases the calculations made by the City were materially accurate. IA has included multiple recommendations to improve the Connection Fees calculation and collection processes.
- **Public Service Facilities:** The City generally does collect initial connection fees for Public Service Facilities. IA has included a recommendation about the City's process that may be applicable to other Contracting Agencies, as well as a recommendation regarding classification differences used in calculating initial connection fees.
- **Commercial Volumetric Sewerage Accounts:** Several addresses were found that either utilized an inaccurate billing formula or were not being billed for monthly sewerage fees by the City. IA has included multiple recommendations about standardizing and providing additional information as part of the monthly reporting to IEUA, as well as

## **Internal Audit Department Status Report for December 2014**

potential process enhancements at the City. Potentially reengineering the billing process between the City and IEUA is also described.

### **City of Montclair**

### **COMPLETED**

This report was completed and presented to the Audit Committee and the Board of Directors in September 2014. IA was able to evaluate each of the areas planned. Following is a summary of observations noted:

- **Initial Connection Fees:** In most cases the calculations made by the City were materially accurate. IA included multiple recommendations to improve the Initial Connection Fees calculation and collection processes, including recommendations about fixture unit values and categorization.
- **Public Service Facilities:** The City does not always collect connection fees from construction at schools in the community. IA has included recommendations suggesting enhanced communication and collaboration with the School Districts in the community as a means of encouraging connection fee payments.
- **Commercial Volumetric Sewerage Accounts:** IA was not able to validate the sewer billing for a number of addresses and was unable to determine if the City pays IEUA for these sewer services. IA has included multiple recommendations about standardizing and providing additional information as part of the monthly reporting to IEUA, as well as potential process enhancements at the City. Potentially reengineering the billing process between the City and IEUA is also described.

### **IA also submitted the following audit reports related to the Regional Contract Review:**

- The report titled "Regional Contract Review – Review of the Ten Year Forecast" was completed in June 2014. The scope of the Ten Year Capacity Demand Forecast (TYCDF) review was to evaluate the TYCDF prepared by each of the seven Contracting Agencies and how that information is subsequently compiled and utilized by IEUA to prepare the IEUA Ten Year Capital Improvement Plan (TYCIP). The review considered the requirements of the Regional Contract and how those requirements are met through the TYCDFs prepared by the Contracting Agencies and the TYCIP prepared by IEUA.
- The report titled "Regional Contract Review – Survey of Comparable Agencies" was completed in June 2014. The report compared IEUA's Regional Contract and program with four similar agencies/programs in California. The review evaluated the structure used to bill and collect Connection fees and Sewer Service fees from residential, commercial, industrial and public service users. The review considered whether greater efficiencies could be gained from adopting different applications and methodologies in administering the contract and collecting fees as applied at other agencies.
- The "Survey of Comparative Information" was completed in September 2014. This report provided a comprehensive side-by-side comparison of the preliminary responses received from each Contracting Agency about how the Regional Contract provisions are applied.
- The first "Internal Audit Recommendations" report was completed in September 2014. This report provided a comprehensive list of recommendations and the related relevant

## Internal Audit Department Status Report for December 2014

Contracting Agency. This report was limited to the two Contracting Agencies that had been completed: Upland and Montclair.

- A second "Internal Audit Recommendations" report has now been completed. This report has been updated to include the four completed Contracting Agencies: Upland, Montclair, Fontana and Chino. This report is complete and is presented under separate cover for this agenda. There are three sections of recommendations:
  - Connection Fees Recommendations
  - Public Service Facilities Recommendations
  - Monthly Sewerage Billing Recommendations

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**Project: 2014 CAFR Quality Control Review**

**Scope:**

To perform a quality control review of the financial statements including the Trial Balances for each fund, individual fund statements and consolidated statements. IA reviews for math accuracy, consistency in totals among the narratives and the statements, and professional presentation.

**Status: IN PROGRESS**

In September, Mr. Nitin Patel, partner with White Nelson Diehl Evans, LLC (the Agency's external audit firm), met with the Audit Committee to meet the communication requirements of Statement on Auditing Standards No. 114 (SAS 114). This Statement requires the external auditor to communicate to those charged with governance matters related to the audit approach and any other concerns related to the audit.

In October, the external auditors were on-site conducting final audit work. IA is working with Finance and Accounting Department to perform the quality control review. Items noted are communicated to the Finance and Accounting for their attention. IA will complete its quality control review by December 17<sup>th</sup> before the final draft of the CAFR is published.

As part of IA's Quality Control Review, IA performed the following:

- Recalculated totals across and down spreadsheets provided to verify mathematical accuracy
- Ensured individual fund balances were carried over to combining financial statements accurately
- Read through MD&A and Notes to the financial statements for grammatical and spelling errors
- Ensured that all figures in MD&A, Notes to the financial statements and Statistical sections agree to financial statements and/or applicable support

IA's quality control review did not include tests of transactions, or tests of the reliability of the totals and amounts included in the various categories, accounts, funds, statements, etc. Staff relies on the audit work of the external auditors as to the reliability of the financial information reported. IA's review is one of additional quality control to ensure a professional presentation of the financial statements.

A CAFR is submitted by the Finance and Accounting Department under separate cover.

## Internal Audit Department Status Report for December 2014

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### ***On-Going Projects***

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#### **Project: Management Requests**

#### **Scope:**

Assist Agency Management with requests for analysis, evaluations and verification of information, assist with the interpretation of policies and procedures, or providing review and feedback on new policies or procedures. These services are provided according to the IA Charter, the Annual Audit Plan, and best practices.

The management request projects are short-term projects, typically lasting no more than 60 – 75 hours each where IAD determines it has the necessary staff, skills and resources to provide assistance without having to delay/defer scheduled audits and priority projects. The scope of each review is agreed upon between the department manager requesting the evaluation/review/analysis/assistance and the Manager of IA and when deemed appropriate by Executive Management.

During this quarter, IA included information in the Fontana and Chino reports based upon requests from the Planning and Environmental Compliance Department about Connection Fees. These are included in the reports as Additional Agreed upon Procedures related to the Regional Contract Review and expanded scope of work. Additionally, IA has been requested to serve on the Agency's Steering Committee for Managing Records and Information. Additional requests related to IA's interpretation or recommendations have been responded to and IA participates in various Agency-wide meetings and training sessions.

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### ***Internal Audit Department***

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#### **Internal Audit Department Staffing:**

The Internal Audit Department is staffed as follows:

- 1 Manager of Internal Audit
- 1 Regular/Full-time Senior Internal Auditor
- 1 Contract/Full-time Senior Internal Auditor

#### **Internal Audit Staff Professional Development Activities:**

As required by the *International Standards for the Professional Practice of Internal Auditing*, auditors should continue to enhance their knowledge, skills, and other competencies through continuing professional development.

During the past quarter, IA staff continues to stay abreast of industry developments through review of industry periodicals. The Manager participated in a Comprehensive webinar earning 32 CPE credits. One senior auditor attended a half-day seminar on IT audits and will also participate in 3 webinars during the month of December. Two IA members continue to prepare for the 3-part Certified Internal Audit certification, the only globally-recognized certification for internal audit professionals. One Senior Auditor is a Certified Public Accountant. Additional professional development education will be scheduled in the near future.

#### **Future Audit Committee Meetings:**

- Wednesday, March 11, 2015 – Regularly Scheduled Audit Committee Meeting
- Wednesday, June 10, 2015 – Regularly Scheduled Audit Committee Meeting

INFORMATION  
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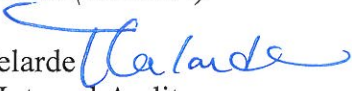
**5J**



Date: December 17, 2014

To: The Honorable Board of Directors

Through: Audit Committee (12/10/14)

From: Teresa V. Velarde   
Manager of Internal Audit

Subject: Regional Contract Review  
Interim Audit Reports for the City of Chino and City of Fontana

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### **RECOMMENDATION**

This is an information item for the Board of Directors.

### **BACKGROUND**

At the request of the Board and Executive Management, Internal Audit (IA) has been performing a review of the Agency's Regional Sewage Service Contract (Regional Contract Review) as implemented with the seven Regional Contracting Agencies (Contracting Agencies). The objectives of the Regional Contract Review include to:

- Evaluate of how each of the seven agencies apply the Regional Contract provisions
- Determine whether processes are in compliance with the Regional Contract requirements
- Determine opportunities to improve processes and procedures
- Identify opportunities and make recommendations for consideration as part of the Regional Contract renegotiation

### **ATTACHMENTS**

Reports for the City of Chino and the City of Fontana have been completed and are attached. IA identified several observations and recommendations to strengthen administrative, accounting, recording, and reporting controls to ensure the intent of the Regional Contract is achieved. Most of the IA recommendations provided could be applied to all Contracting Agencies on a going-forward basis, as part of an amendment and/or as part of the Regional Contract review and renegotiation process; in order to ensure all Regional Contracting agencies apply and administer the Regional Contract in a uniform and consistent manner. A summary of IA's recommendations are listed in Exhibit A for IEUA's Executive Management to consider. Following are summaries of the main observations noted and the attached reports provide additional details.

IA also identified areas where the Contracting Agency should have tighter controls and stronger reconciliation procedures and greater oversight to ensure items are recorded, reported and collected are appropriate, and to ensure the Regional Contract is administered and applied properly. IA's suggestions to the Contracting Agencies can be found in Exhibit B. Because the observations noted impact the fees owed/paid to IEUA, IA recommends the IEUA's Planning and Environmental Compliance Department staff to work closely with the Contracting Agencies to ensure the observations and recommendations provided in these reports are resolved timely.

#### City of Chino

The main observations noted during the City of Chino's review include:

- No connection fees were collected for the Chaffey College – Chino Campus, which opened for services in 2008. IA staff performed a physical observation and estimated that connections fees should have exceeded \$55,000.
- No connection fees were collected for a new classroom building with restrooms at Howard Cattle Elementary in 2012.

In the audit report "Comparison of the Regional Sewage Service Contract and Program with similar contracts and programs" issued in June 2014, IA noted that other similar agencies (for example Los Angeles County Sanitation District) exclude local governments and schools from connection and sewer fees. IA noted that Chino, like several of the other Contracting Agencies did not collect from most local Public Service Facilities.

- A recount of fixture units was performed with a City of Chino plan checker and found differences in two of the five plans randomly selected for testing. Specifically, IA found that in both instances, the City under counted fixture units; therefore under collected Connection Fees, totaling approximately \$15,000.
- Although Exhibit J of the Regional Contract was recently updated, the audit found there still appears to be some room for varying interpretation and application of the contract category types by the different Contracting Agencies. For example, two items tested were newer housing developments that include a community center with a fitness center and swimming pools. The City of Chino classified the centers as a Category Type I: retail, office, motel/hotel and similar. Other possible applications would have been a Category Type III: health spa with pool or a Category Type VI: public facility - community center. The category applied by the City of Chino resulted in the lowest possible connection fees assessed. Had the city selected either Type III or VI, the fees would have increased \$6K to 50K for one center, and approximately \$13K to \$50K for the second center. The varying interpretation of Exhibit J could create differences among the Contracting Agencies.
- Revisions to Exhibit J took effect on July 1, 2013. The City of Chino did not implement the updates to Exhibit J, therefore fixture unit calculations and resulting EDU totals and

CCRA fees were not consistent with the new Exhibit J for the months of July through November of 2013. There is a high likelihood that the City of Chino over collected Connection fees during the four months.

IA recommends that IEUA take the lead to facilitate on-going and regular meetings, tours, and workshops with Contracting Agency staff in the building departments, plan check, utility billing, etc., to discuss items related to the application of the Regional Contract, evolving businesses, new building activity, questionable items and individual situations. The on-going discussion will serve as a means to foster collaboration and maintain on-going dialogue about the application of the Regional Contract and address questions and issues timely.

IA also recommends adding contract provisions for recourse for under collection of fees, currently the Regional Contract does not provide enforcement language for Connection Fees.

Additionally, IA recommends developing standardized calculation worksheets for Connection Fees and requiring more detail to monthly sewerage reporting, to assist in increasing IEUA's oversight and involvement in reviewing information reported by the Contracting Agencies.

Finally, IA recommends IEUA to provide the final sign-off for Connection Fees as part of the permitting and plan check process as an additional verification step to ensure all Contracting Agencies have interpreted and applied the Regional Contract consistently.

#### City of Fontana

The main observations noted during the City of Fontana's review include:

- No connection fees were collected for the Kaiser Permanente new hospital building at the Fontana Medical Campus, which opened for services in 2013. IA staff performed a physical observation and estimated that Connections Fees, for the expansion alone, could have exceeded \$1.3 million, and does not taken into consideration any demolished fixtures units. IA also reviewed aerial photographs before and after the new construction and noted that smaller buildings appear to have been removed. If buildings were removed, the City of Fontana may apply a credit of fixture units. The City of Fontana will need to work with Kaiser to document the number of existing fixture units prior to the expansion and the net increase of fixture units after the expansion and collect Connection Fees according to the Regional Contract requirements.
- A recount of fixture units was performed with a City of Fontana plan checker and found differences in one of the five plans randomly selected for testing. Specifically, IA found that the City over collected and over reported connection fees and fixture units, totaling approximately \$24,000.
- Although Exhibit J of the Regional Contract was recently updated, the audit found there still appears to be some room for varying interpretation and application of the contract category types by the different Contracting Agencies. For example, the two items tested



were Public Service Facilities: a new State building and an expansion for an existing City of Fontana building. The City of Fontana classified both building as a Category Type I: retail, office, motel/hotel and similar. Another possible application would have been a Category Type VI: public facility. The category applied by the City resulted in a lower Connection Fee. Had the City selected Category Type VI: public facility, the Connection Fees would have increased approximately \$25,000 for the State facility and \$6,000 for the City facility.

IA noted that the differences in the categorization are due to the Contracting Agency's staff varying interpretation of the Regional Contract, Exhibit J and Table 1. The Regional Contract does not distinguish or provide guidance for Public Service Facilities that are "publicly owned" versus "publicly used". In this case, the City of Fontana interprets the use of the building as the defining criteria to apply a category type; however, this approach is not documented in the Regional Contract. For example, if the facility is determined to be operated more like a regular "business office" and the public is typically not allowed in the facility, and according to the City of Fontana's interpretation, this appears to be similar to a commercial entity because it is only accessed by employees and therefore operated as a private business, and therefore classified as a Category Type I. The Contract only states that Public Service Facilities should be categorized as a Category Type VI "public facility". IA recommends, IEUA and the Contracting Agencies work together to determine what the intent of the Regional Contract is with respect to Connection Fees for Public Service Facilities and whether the use of the facility determines the type of categorization for the purpose of Connection and Monthly Sewer Fees.

- The City of Fontana is the only Contracting Agency that pays IEUA Sewer Service Fees based on EDUs rather than on water usage for commercial and industrial businesses. The number of EDUs established at the time of connection, are used to apply to and pay for monthly Sewer Service Fees. This methodology is not consistent with the adopted methodology of converting water consumption into EDUs which is applied by the other six Contracting Agencies.

The City of Fontana has adopted this methodology because the City does not have access to water consumption reports since the City is serviced by three separate water companies. IA recommends that IEUA work with the Contracting Agencies to evaluate both methods and determine what the most appropriate methodology for Monthly Sewer Fees should be and ensure all Contracting Agencies are consistent.

- The City of Fontana is the only Contracting Agency that collects residential Sewer Service Fees through the County property tax collection process.

IA recommends IEUA consider the collection of residential monthly sewerage fees for the entire region directly through the County's property tax roll.

IA would like to extend its appreciation to the City of Chino and the City of Fontana staff, as well as the IEUA Planning and Environmental Compliance Department for their cooperation and assistance during this review.

IA continues to work with the remaining three Contracting Agencies to finalize the evaluations:

- City of Chino Hills
- City of Ontario
- Cucamonga Valley Water District

To-date, IA has submitted as an information items the following audit reports:

- Interim Audit Report for the City of Chino (Attached)
- Interim Audit Report for the City of Fontana (Attached)
- Interim Audit Report for the City of Upland (September 2014)
- Interim Audit Report for the City of Montclair (September 2014)
- “Survey of Comparative Information of the Seven Contracting Agencies” (September 2014)
- “Regional Contract Review – Review of the Ten Year Forecast” (June 2014)
- “Regional Contract Review – Survey of Comparable Agencies (June 2014)

### **PRIOR BOARD ACTION**

On July 19, 2013, the Board approved the Fiscal Year 2013/14 Annual Audit Plan.

On November 20, 2013, the Board approved the Fiscal Year 2013/14 Amended Annual Audit Plan. The Regional Contract Review was scheduled in the Plan.

On December 18, 2013, the Board reconfirmed the approved Internal Audit Department Charter.

### **IMPACT ON BUDGET**

None.

**Exhibit A - Internal Audit Recommendations for IEUA Management and the Contracting Agencies**

No.	Recommendations	Upland	Montclair	Fontana	Chino
	<b>CONNECTION FEES RECOMMENDATIONS and FEES: 2013/2014</b>	<b>\$505,462</b>	<b>\$262,500</b>	<b>\$830,226</b>	<b>\$2,620,202</b>
1.	<p>In addition to the regular meetings of the Regional Technical and Regional Policy Committees, IEUA has already begun to provide ad-hoc meetings and training as needed for things such as the updated excel Building Activity Report and the Exhibit J subcommittee. IA noted that great variability and understanding of IEUA, the Regional Contract and Exhibit J exists amongst Contracting Agencies' staff in departments such as Building, Plan Check and Utility Billing. In order to develop greater consistency and uniformity throughout the region, IEUA should consider taking the lead in holding quarterly or more regular workshops, meetings, plant tours and similar activities as an avenue where Contracting Agencies' staff in departments such as Building, Plan Check and Utility Billing and/or others as well can discuss and ask questions about the application of the Regional Contract and Program. The workshops would provide a forum to discuss questions about category types to apply, definitions, other questionable items and individual situations, and foster cooperation and collaboration among all. A Contracting Agency may encounter questions or situations that could apply to other Contracting Agencies. Frequent and on-going dialogue about the application of the Regional Contract would benefit all Contracting Agencies and the Regional Program to ensure consistent application of the Regional Contract and that issues are addressed on a timely basis.</p>	X	X	X	X
2.	<p>IEUA and the Contracting Agencies should add language to the Regional Contract regarding IEUA's inspection and verification rights for connection fees and the recourse IEUA has when IEUA believes a Contracting Agency has under-collected and/or under-reported connection fees.</p>		X	X	X
3.	<p>IEUA Planning and Pretreatment groups should take the lead to exercise the authority provided under Regional Contract Section 26 Inspection of Facilities, and establish an on-going monitoring program to inspect random facilities or those where there is a suspected discrepancy in order to ensure the intent of the Regional Contract is applied and ensure the integrity of the Regional Program.</p>			X	
4.	<p>IEUA and the Contracting Agencies should consider, as part of the permitting and plan check process, a requirement that an IEUA representative provide final sign-off and approval prior to the Contracting Agency issuing a permit to a nonresidential entity and allowing a connection to the regional system. This added approval step will ensure IEUA agrees with the interpretation of the contract and the appropriate category type and sewage factor have been applied so correct connection fees are assessed and collected.</p>	X	X	X	X
5.	<p>IEUA and the Contracting Agencies should consider developing a standardized calculation worksheet to assist Contracting Agencies in the connection fee calculations. Currently, each Contracting Agency has its own unique calculation worksheet and it is not always consistent with the Regional Contract Exhibit J. A standardized calculation worksheet should mirror the fixture unit types in Exhibit J and provide additional clarification and uniformity to the fixture count process. The worksheet should be flexible enough to allow for multiple components of a business to be calculated at different commercial categories when there is more than one type of business at the same location (for example, a gas station/minimart with a car wash). A standardized calculation worksheet would provide assistance in computing the connection fees so that Contracting Agencies would not each need to develop their own tools, creating a lack of consistency and uniformity. IA noted varying application of fixture counts because the Contracting Agencies' calculation worksheets are not consistent.</p>	X	X		X

**Exhibit A - Internal Audit Recommendations for IEUA Management and the Contracting Agencies**

No.	Recommendations	Upland	Montclair	Fontana	Chino
6.	<p>IEUA should consider developing expertise in fixture count techniques and providing regular and ongoing training at the Building Departments of the Contracting Agencies to develop consistency in the IEUA fixture count process across the region, including obtaining IEUA's guidance on the treatment of commercial enterprises whose business type is unique and does not fall into the categories established in Exhibit J.</p>	X	n/a	X	X
7.	<p>IEUA should require that Contracting Agencies provide copies of the connection calculation worksheets for all nonresidential entities included on their monthly Building Activity Reports. Calculation worksheets would provide additional support for the connections reported and the connection fees collected. This would provide IEUA staff greater visibility and documented support for the application of the category types and fixture counts utilized. IEUA staff would have the necessary information to contact the Contracting Agency if any questions or discrepancies are noted at the time that connections are reported rather than identifying these later on.</p>	X	X		X
8.	<p>Exhibit J was recently updated and now provides detailed definitions for many business types, yet there is still room for varying interpretation and application. Businesses continue to evolve and new types of businesses emerge. Exhibit J should regularly be updated to provide additional language, definitions and guidance to ensure all types of commercial businesses are classified consistently. IEUA should consider documenting additional definitions and descriptions to the classification of businesses in Exhibit J. This would reduce the risk of misclassification of businesses and the potential under-collection of IEUA fees. Examples include fast-casual restaurants (where orders are placed at a register near the entrance but the restaurant provides table service for the food and beverage service), animal hospitals or shelters, community centers at newer residential communities and facilities that provide rehabilitative services. The review also identified a need for additional detailed definitions, clarification and descriptive information for categorizing public service facilities to expand and address the differences between publicly owned and publicly used.</p>	X	X	X	X
9.	<p>IEUA and the Contracting Agencies should develop and provide additional clarification and descriptive information for the various types of appliances, appurtenances or fixtures in the descriptions included in Exhibit J. Examples include defining the nature of an emergency drain, clarifying differences between lavatories, wash fountains, receptors, sinks and mop basins and whether a drinking fountain that includes a separate basin for handicapped access consists of one or two fountains. The review revealed differences in interpretation.</p>	X		X	X
10.	<p>IEUA should consider a two tier process of determining connection fees as part of Exhibit J that distinguishes between common features that are part of any commercial facility such as restroom toilets and sinks and those features that are unique to a specific site, such as a butcher shop drain or a restaurant dishwasher or washing sink, etc. This would create consistency in the treatment of same-type and same-use fixture units.</p>	X			X
13.	<p>Contracting Agencies should consider adopting an internal review process over connection fees calculations as part of preparing the Building Activity Report.</p>			X	

**Exhibit A - Internal Audit Recommendations for IEUA Management and the Contracting Agencies**

No.	Recommendations	Upland	Montclair	Fontana	Chino
<b>PUBLIC SERVICE FACILITIES RECOMMENDATIONS</b>					
<i>Examples of recent Public Service Facilities with NO Connection Fees collected</i>					
1.	<p>IEUA and the Contracting Agencies should consider the exclusion of Public Service Facilities from the charge for Connection Fees and Monthly Sewerage Charges. As documented under the audit report "Comparison of the Regional Sewage Service Contract and Program with similar contracts and programs", IA found that some Agencies (for example, the Los Angeles County Sanitation Districts) exclude local governmental agencies such as public K – 14 schools and City governments from both Connection Fees and Monthly Sewerage Charges.</p>	None noted, per audit sample	Moreno Elem. classroom building (OMSD) Montclair H. S. additions (CJUHSD)	None noted, per audit sample (City made choice not to charge Kaiser Fontana)	Howard Cattie Elem. classroom building (CVUSD) Chaffey College-Chino Campus
2.	<p>Consider the City of Upland's cross-departmental approach to the development review process as a regional model for Contracting Agencies to follow. The City of Upland has formed an inclusive group from all city departments that meets regularly to review new development. The group includes representatives from the Planning, Building, Public Works, and Police and Fire departments. Since planning for fire safety is required for new construction to ensure access and egress, Fire department representatives are often the first to know about new PSF construction. This will trigger Public Works and Building department representatives to be involved resulting in the assessment of connection fees, including those for IEUA in accordance with Exhibit J.</p>	n/a	X	n/a	X
3.	<p>IEUA should add language to the Regional Contract regarding IEUA's inspection and verification rights for Public Service Facilities as to connection and monthly sewer fees and the recourse IEUA has when IEUA believes a Contracting Agency has under-collected and/or under-reported such fees.</p>	n/a	X	n/a	X
<b>MONTHLY SEWERAGE BILLING RECOMMENDATIONS and FEES: 2013/2014</b>		<b>\$4,294,863</b>	<b>\$1,981,117</b>	<b>\$8,196,601</b>	<b>\$4,592,930</b>
1.	<p>IEUA and the Contracting Agencies should consider establishing the collection of monthly sewerage fees directly for the entire region through the County's property tax roll. Collection of sewerage fees through the property tax roll could result in a more efficient process and reduce the administrative resources used by Contracting Agencies in billing and collecting these fees. Residential properties could be transferred initially until consideration is given to ways in which and whether to transition fees from commercial, industrial and other entities.</p>			X	
2.	<p>IEUA should add language to the Regional Contract regarding IEUA's inspection and verification rights as to monthly sewerage fees and the recourse IEUA has when IEUA believes a Contracting Agency has under-collected and/or underreported such fees.</p>		X		X

**Exhibit A - Internal Audit Recommendations for IEUA Management and the Contracting Agencies**

No.	Recommendations	Upland	Montclair	Fontana	Chino
3.	<p>IEUA and the Contracting Agencies should evaluate the methodology used for billing monthly sewerage fees and consider alternatives; either by water consumption or EDUs purchased. Since the adoption of the existing billing methodology in a 1997 memorandum there have been greater efficiencies achieved in water usage, which may have an impact on the type and amount of sewerage discharged and the types of services provided. Another approach to consider as part of the billing methodology would be examining Winter season usage by residential properties to investigate a volumetric rather than an EDU based rate structure. The billing methodology should be presented to the IEUA Board of Directors and formally adopted, since the Regional Contract specifies that the role of the Regional Technical Committee is to make recommendations. As part of this process a Rate and Fee Study would assist in establishing a sustainable and equitable rate structure that recovers the cost of providing services.</p>			X	
4.	<p>Evaluate and consider the relationship between monthly Sewer Service Fees and Connection Fees and determine the need to create a correlation between the two. For example, fast-food restaurants and full-service restaurants are both included in Category 8 for monthly sewerage billing purposes and pay at the same rate. However, for purposes of connection fees fast-food restaurants are grouped with office, retail and similar uses (which are Category 1 for monthly sewerage billing). Therefore, fast-food restaurants incur lower Initial Connection Fees, but pay monthly Sewer Service Fees at the higher rates charged to full-service restaurants.</p>		X		X
5.	<p>IEUA should evaluate the current process used for invoicing each Contracting Agency for monthly sewer fees. By establishing a contract for monthly payment rather than relying on invoices, each Contracting Agency could provide the EDU information and remit the funds to IEUA directly within a reasonable period of time. This contrasts with the current approach whereby Contracting Agencies provide EDU information and then wait for an invoice from IEUA before payment thereby delaying payment for up to 45 days. By reengineering the process, IEUA would receive monthly sewer fees in a more efficient and timely manner.</p>	X	X	X	X
6.	<p>IEUA and the Contracting Agencies should consider standardizing and providing automated and itemized listings of non-residential monthly sewerage charges. This would provide information that could be reviewed and researched for anomalies and reconciled on a regular basis.</p>	X	X	X	X
7.	<p>IEUA and Contracting Agency staff should work together to resolve the identified differences and over/under collected amounts and unreported service fees. The review identified businesses that are not reported to IEUA in the monthly sewer fee report and fees not paid for the services provided by IEUA as well as classification errors and formula mistakes.</p>	X	X		X



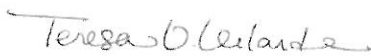
## Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

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DATE: November 24, 2014

TO: Joe Grindstaff  
General Manager

  
FROM: Teresa V. Velarde  
Manager of Internal Audit

**SUBJECT: REGIONAL CONTRACT REVIEW  
Interim Audit Report  
City of Chino**

### **Audit Authority**

The Inland Empire Utilities Agency (IEUA or Agency) Internal Audit Department (IA) performed a review of the Agency's Regional Sewage Service Contract (Regional Contract) as implemented with the Regional Contracting Agencies (RCA or Contracting Agency). The review was performed under the authority given by the IEUA Board of Directors as documented in the Internal Audit Department Charter and according to the Fiscal Year 2013/14 Annual Audit Plan.

### **Audit Objective and Scope**

The objectives of the Regional Contract Review are to evaluate how each of the seven Contracting Agencies apply the Regional Contract provisions, determine whether processes are in compliance with Regional Contract requirements, determine opportunities to improve processes and procedures and make recommendations to consider as part of the Regional Contract renegotiation or amendment. The review covered the period from July 1, 2012 through December 31, 2013 and where possible considered events subsequent to that period.

The review included procedures to evaluate compliance with the Regional Contract, Exhibit J Initial Connection Fees provisions as well as the recurring Sewer Service Fees billing for the various types of land uses (commercial, industrial, residential, public service and extra-territorial). IA performed a variety of review procedures at each Contracting Agency to evaluate:

- Initial Connection Fees
- Public Service Facilities Connection Fees
- Monthly Volumetric Sewerage Charges
- Extra-Territorial Fees
- Reconciliations of fees collected and paid to IEUA
- Overall Recordkeeping

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Secretary/Treasurer

Jasmin A. Hall  
Director

Gene Koopman  
Director

P. Joseph Grindstaff  
General Manager

This report describes the results of the review performed at the City of Chino.

### **City of Chino – Background**

The City of Chino (Contracting Agency, Chino or City) was incorporated on February 28, 1910 and utilizes a Council-Manager form of government. The City has a population of 79,873 and encompasses 29 square miles which is 12% of the 242-square-miles covered by IEUA's service area<sup>1</sup>.

As well as other municipal services, the City provides water, trash and sewer services to residential, commercial and other properties within its boundaries. Statistical and financial information is provided below.

### **City of Chino – Financial Information**

The City of Chino is required to report operational and financial information to IEUA as part of the provisions for the Regional Contract. The financial information reported includes *Initial Connection Fees* and *Sewer Service Fees* and is reported on a monthly basis.

***Initial Connection Fees (Connection Fees)*** are one-time fees levied on new development connecting to the Regional Sewerage System, as well as existing users who expand their number of fixture units. These fees are reported in the monthly Building Activity Reports (BAR) to IEUA Planning and Environmental Compliance Department and are recorded in the Agency's financial system.

The amount of Connection Fees collected varies from year to year depending on the construction activity occurring within the Contracting Agency's boundaries. Equivalent Dwelling Units (EDU's) purchased and fees collected by the City during the last two fiscal years are:

**City of Chino  
Connection Fees**

<b>Fiscal Year</b>	<b>EDU's</b>	<b>Fees collected</b>
2012/13	1,053.456	\$ 5,170,311
2013/14 <sup>(1)</sup>	523.3206	\$ 2,620,202

(1) = Unaudited information as of June 30, 2014.

EDU's and fees collected reflect the amounts reported in the BAR. Fees collected vary from year to year depending on the amount of new development. The fees for FY 2012/13 were substantially higher than the following year from fees for a large senior apartment community, a large multifamily residential complex and new homes in a large residential development.

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<sup>1</sup> Chino statistics from City of Chino Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2013



**CCRA Account:** Connection Fees are collected by the City and held in a Capital Connection Reimbursement Account (CCRA) until called by IEUA. The CCRA balance as reported by the City of Chino in their June 30, 2013 CAFR was \$6,872,100.

**Sewer Service Fees (Volumetric Sewerage Fees):** Sewer Service Fees are recurring fees assessed and collected from users that discharge into the Agency's Regional Sewerage System. According to the Regional Contract, Contracting Agencies must pay IEUA for sewer services each month. The City of Chino reports the number of EDU's to IEUA on a monthly basis. The EDU's reported are comprised of the following: one EDU for residential, 0.7 EDU for multi-family residential, fixed EDU's for schools (based on student enrollment) and industrial (recalculated annually), and variable EDU's for commercial entities (based on water consumption).

As part of reporting Sewer Service Fees, the City of Chino provides EDU information sorted by each of the four weekly billing cycles and by single family residential, multi-family residential and commercial totals. The Regional Contract does not require Contracting Agencies provide supporting documentation to validate the monthly EDU totals reported.

The table below outlines the total number of EDU's reported and Volumetric Sewerage Fees paid to IEUA by the City of Chino for the last two fiscal years. This information is reported in the Agency's accounting system (SAP).

City of Chino: Sewer Service Fees		
Fiscal Year	EDU's <sup>(2)</sup>	Fees
2012/13	338,269	\$ 4,191,152
2013/14 <sup>(1)</sup>	343,012	\$ 4,592,930

(1) = Unaudited information as of June 30, 2014.

(2) = Calculated as Fees divided by Rate.

The City of Chino's total number of EDU's at June 30, 2014 consisted of the following (from the June 2014 monthly billing information provided to IEUA):

Type of Account	Number of EDU's	% of Total
Single Family Residential (1 EDU per dwelling)	17,044	58.55
Multi-Family Residential (.7 EDU per dwelling)	3,536	12.15
Commercial categories (based on water usage)	8,532	29.30
<b>Total</b>	<b>29,112</b>	<b>100%</b>

*This information is reported by the City of Chino. IEUA does not verify these totals.*

### **Initial Connection Fees**

Each Contracting Agency is required to assess, collect, and report Connection Fees for any new development that connects to the Regional Sewerage System, or users who expand their fixture unit count. The fees are to be assessed and collected by the Contracting Agency in accordance with the provisions of Exhibit J in the Regional Contract.

IA selected various businesses to test whether Connection Fees were accurately calculated, collected and reported to IEUA in accordance with Exhibit J of the Regional Contract. IA judgmentally selected 63 different businesses from the following sources to verify the Contracting Agency applied and collected the correct EDU rate according to the Board-approved rates and to determine the accuracy of the categorization type used per Exhibit J of the Regional Sewerage Service Contract:

- The new business license report provided by City staff
- IA conducted physical observations of the City's commercial districts
- Building Activity Reports submitted to IEUA
- Input received from IEUA's Planning & Environmental Compliance Department

The sample period under review extended from July 1, 2012 (and in some cases earlier) through December 31, 2013 (and in some cases later). For the earlier sample items (prior to the June 19, 2013 revision to Exhibit J), Contracting Agencies' guidance for fixture unit counts was limited to the California Plumbing Code. The revision to Exhibit J added additional descriptive examples of Category types and "Table 1 – Fixture Unit (FU) Values" which provided specific unit amounts for assessing Fixture Unit Values.

Chino used an automated tool that interfaces with Permits Plus to perform fixture unit calculations. This calculation worksheet had been developed prior to the revision to Exhibit J and had fewer categories than what is shown in the California Plumbing Code or the revised Exhibit J. After the revision to Exhibit J was approved, Chino revised their automated tool to ensure that it now matches Table 1 of Exhibit J. By November 2013 the updated worksheet was in use; therefore, the City of Chino's calculations from July through November 2013 did not necessarily match Table 1 of Exhibit J.

IA noted the following:

Fixture Unit Values: The first Table below provides a comparison of the instances where Chino's prior spreadsheet used descriptions and/or fixture unit values that differ from what is shown in the revised Table 1 of Exhibit J (and the California Plumbing Code, to the extent it agrees with Table 1 of Exhibit J). The second Table below lists the categories and descriptions in Table 1 of Exhibit J that have no comparable Category in the prior Chino spreadsheet.

The financial impact to IEUA is not quantifiable without reviewing building plans, but it is possible the City over-collected Connection fees. For example, Chino's prior worksheet showed a Water Closet at 6.0 fixture units, but did not include an option for a low-flow (1.6 GPF or less) Water Closet with a Fixture Unit value of 4.0. Chino's prior spreadsheet also did not include an option for an emergency floor drain with 0.0 fixture units and drinking fountains were valued at 1 fixture unit rather than 0.5. The only instance where Chino's value was lower than Exhibit J was Clothes Washers.

**1. Comparison of differences in descriptions and/or fixture unit values**

<b>City of Chino: Engineering Fixture Unit Calculation: Kind of Fixture</b>	<b>Chino Original</b>	<b>Exhibit J category as amended 6/19/13: Appliances, Appurtenances or Fixtures</b>	<b>Exhibit J amended 6/19/13</b>
Drinking Fountains	1	Drinking fountain or water cooler	0.5
Laundry Tubs/Clothes Washer	2	Clothes Washer, domestic, standpipe	3.0
Receptors (Flr sink) refrig, water sta, coffee urns	1	None comparable	n/a
Receptors (Flr sinks) for sinks, dishwasher	3	Receptor, Commercial with food waste (1.5-in Minimum Fixture Branch Size)	3.0
Showers, single stall	2	Shower, single-head trap	2.0
Showers, gang 1 unit per head	1	Multi-head, each additional	1.0
Sinks, commercial or ind	3	Washfountain (2-in Minimum Fixture Branch Size)	3.0
Sinks, and/or dishwashers	2	Kitchen, domestic (with or without food- waste grinder and/or dishwasher)	2.0
Wash Fountain	2	Washfountain (1.5 in Minimum Fixture Branch Size)	2.0
Water Closets, public install	6	Water Closet, greater than 1.6 GPF	6.0
Wash Rack (auto/truck)	3	None comparable	n/a

**2. Exhibit J categories where no matching Chino category available**

<b>Exhibit J Fixture Unit Values with no comparable Chino category (Table 1 of Exhibit J compared to prior Chino Fixture Unit Calculation)</b>	
High Efficiency Clothes washer	2.0
Dishwasher with independent drain	2.0
Food Waste Grinder (Commercial)	3.0
Floor Drain, Emergency	0.0
Lavatory, In sets of two or three	2.0
Receptor, indirect waste Clinical	6.0
Commercial with food waste (2-in Minimum Fixture Branch Size)	4.0
Commercial with food waste (3-in Minimum Fixture Branch Size)	6.0
Kitchen, Laundry (with or without discharge from a clothes washer)	2.0
Kitchen Service, flushing rim	6.0
Kitchen Wash, each set of facets	2.0
Waterless Urinal	1.0
Water Closet, 1.6 GPF	4.0

*IA recommends that calculation worksheets be standardized for all Contracting Agencies to create uniformity in the fixture unit count and connection fee calculations.*

Businesses operating in multiple segments: The City of Chino’s calculation worksheet is linked directly to the City’s permitting system, allowing only one Category type to be selected for each new permit. In the event that one business operates in multiple segments or types of businesses (such as a gas station/minimart with car wash) Chino would not be able to appropriately categorize each segment individually for purposes of calculating connection fees.

*IA recommends that Contracting Agencies be required to prepare separate calculation worksheets for the individual categories when businesses operate in multiple segments, as described in Exhibit J.*

Evolving categories and business types: IA noted instances where new housing developments include a community center with amenities such as fitness centers, swimming pools, meeting rooms and gathering places. This is an instance that can create varying interpretations and applications of Exhibit J of the Regional Contract. This creates differences in the categorization and Connection Fees collected as noted:

Different interpretations for: Residential Community Centers:

**16250 Homecoming Drive**

	Exhibit J	Exhibit J Description	Sewage Factor	Fees
City of Chino application	Category Type I	Retail, office, motel/hotel and similar businesses	0.0444	\$30,732.30
Other possible application	Category Type III	Health spa with pool	0.1780	\$123,206.08
Other possible application	Category Type VI	Public Facility-Community Center	0.0630	\$43,606.65

**6325 Eucalyptus Avenue**

	Exhibit J	Exhibit J Description	Sewage Factor	Fees
City of Chino application	Category Type I	Retail, office, motel/hotel and similar businesses	0.0444	\$16,129.01
Other possible application	Category Type III	Health spa with pool	0.1780	\$64,661.35
Other possible application	Category Type VI	Public Facility-Community Center	0.0630	\$22,885.76

City of Chino staff noted that at the time these projects were approved, the facilities appeared to be commercial in nature (since they provide a good or service) however, they are only for the use of residents of a specific community and not for the general public. The new Exhibit J has a clarifying description of “community centers” under

Public Facility Category VI, but no “private” community center categorization. This is an example of how business and residential communities continue to evolve and why it is important to continually update categories in Exhibit J to match evolving trends.

*It is IA’s observation that although Exhibit J was recently updated and now provides detailed definitions for many business types, there still appears to be some room for varying interpretation and application. Businesses continue to evolve and new types of businesses emerge and the Regional Contract should continually be updated to provide additional language, definitions and guidance to ensure all types of commercial businesses are classified consistently.*

*Additionally, IEUA should consider developing expertise in fixture count techniques and providing regular and ongoing training at the building departments of the Contracting Agencies to develop consistency in the IEUA fixture count process across the region, particularly so that Contracting Agencies can obtain IEUA’s guidance on the treatment of commercial enterprises whose business type is unique and does not fall into the categories established in Exhibit J.*

**Plumbing Plans – Fixture Unit Recount**

IA reviewed the plumbing plans for five of the originally selected 63 businesses to verify the accuracy of the fixture count and the application of the required fees. The recount was performed by the City of Chino’s planning staff and witnessed/verified by IA. The results of the re-count were agreed upon by both parties.

The recount noted differences in two of the five businesses whose plumbing plans were tested. The dollar amount of errors is based upon the fixture unit values used in Chino’s calculation worksheet, which varied from Exhibit J until it was recently revised. Both the total fees collected and the over/under collection would have been modified slightly by the more accurate worksheet.

The results are summarized below:

<b>New Industrial Building on Cypress (Fixture count on permits does not match plans. Permit for Occupancy not yet issued. Chino staff will be contacting developer about additional fees.)</b>						
<b>Audit Results</b>	<b>Category</b>	<b>Type</b>	<b>Fixture Units</b>	<b>Sewage Factor</b>	<b>CCRA</b>	<b>Fees</b>
Contracting Agency Sewer System Connection Fee Worksheet	Industrial	Domestic	35	0.0741	\$ 5,007	\$ 12,987
Internal Audit Exhibit J-Verification	Industrial	Domestic	64	0.0741	\$ 5,007	\$ 23,745
<b>Difference in Connection Fees (under collected)</b>						<b>(\$ 10,758)</b>

Lollicup USA (2 separate permits)							
Audit Results	Category	Type	Fixture Units	Sewage Factor	CCRA	Fees	Over/(Under) Collected
1 <sup>st</sup> Permit: Contracting Agency Sewer System Connection Fee Worksheet	Commercial	Other	76	0.0444	\$ 5,007	\$ 16,896	(\$ 2,223)
Internal Audit Exhibit J-Verification	Commercial	Other	86	0.0444	\$ 5,007	\$ 19,119	
2 <sup>nd</sup> Permit: Contracting Agency Sewer System Connection Fee Worksheet	Industrial	Domestic	45	0.0741	\$ 5,007	\$ 16,696	(\$ 1,855)
Internal Audit Exhibit J-Verification	Industrial	Domestic	50	0.0741	\$ 5,007	\$ 18,551	
<b>Difference in Connection Fees (under collected)</b>							<b>(\$ 4,078)</b>

*IEUA and the Contracting Agency should work together to ensure the calculation of connection fees and fixture units is in compliance with Exhibit J of the Regional Contract in order to prevent over/under collections and to ensure all Contracting Agencies apply the values required under the Regional Contract in a consistent and uniform manner.*

**Public Service Facilities**

Exhibit J includes for purposes of fee calculation: *“All structures designed for the purpose of providing permanent housing for enterprises engaged in exchange of good and services. This shall include, but not be limited to, all private business and service establishments, **schools, churches, and public facilities.**”*

The Division of the State Architect’s Office (DSA) of the State of California provides design and construction oversight for public schools (Kindergarten through 12th grade), community colleges, and various other state-owned and leased facilities. Likewise, the Office of Statewide Health Planning and Development (OSHPD) regulates hospital construction. Entities that fall under the DSA or OSHPD have a permit and plan check process that is separate and includes limited or no coordination with the local jurisdiction. The permitting process under the DSA and OSHPD does not include the collection of connection fees, even though the construction projects reviewed could be new construction or expansions that result in additional discharge into the regional infrastructure. It is the responsibility of each individual local jurisdiction to ensure collection of the connection fees from entities that fall under the DSA or OSHPD and reside within their service area.

For purposes of this review, several approaches were used to determine Public Service Facilities in the City of Chino. Through inquiries with City staff IA was informed that a

new police station had opened. In addition IA reviewed the website for OSHPD for information about hospital and similar construction in the City of Chino. None were found that appeared as if they would have created connection fees. IA also reviewed "Measure M" Bond Measure updates on the website for the Chino Valley Unified School District to look for construction activity in the City of Chino which noted a new classroom building having been constructed at a local elementary school. Finally, IA noted a satellite campus for Chaffey College that looked recently constructed.

IA noted the following:

1. Howard Cattle Elementary School: According to the Chino Valley Unified School District Measure "M" construction update report dated July 19, 2012 a new classroom wing with seven classrooms, staff and student restrooms and offices was set for completion by the end of July 2012. Per City staff: "Our records do not indicate any CCRA ("SFDF") fees for Cattle Elementary School. School districts do not obtain building permits from local municipalities. Those permits are managed through the state. Therefore, we have no knowledge of classroom additions."
2. Chaffey College – Chino Campus: Information about this site was also requested by the IEUA Planning Department. Please see "Additional Agreed Upon Procedures" section.

*IEUA should provide guidance and assistance to the Contracting Agency to adopt a collaborative approach and foster a relationship with the School District and any other PSF to ensure Connection Fees are charged and collected for any future planned projects with new construction or expansion. For example, the City of Chino could consider and adopt the collaborative approach utilized at the City of Upland. The City of Upland has formed an inclusive group from all City departments that meets regularly to review new development. The group includes representatives from the Planning, Building, Public Works, Police and Fire departments. Since planning for fire safety is required for new construction to ensure access and egress, Fire department representatives are often the first to know about new PSF construction. This will trigger Public Works and Building department representatives to be involved resulting in the assessment of connection fees, including those for IEUA in accordance with Exhibit J.*

*In connection with a renegotiation of the Regional Contract, IEUA and the Contracting Agencies should consider the impact of eliminating the requirement for collecting connection fees and monthly sewerage charges from Public Service Facilities. As documented under the audit report "Comparison of the Regional Sewage Service Contract and Program with similar contracts and programs", IA found that some Agencies (for example, the Los Angeles County Sanitation Districts) exclude local governmental agencies such as public schools and City governments from these charges.*

### **Volumetric Sewerage Fees**

Section 18 of the Regional Contract states:

*“Concurrently with the adoption of the Regional Sewerage System budget, the Board of Directors of CBMWD shall fix the service charge rate for the fiscal year. The rate shall be expressed in dollars and cents for each Equivalent Dwelling Unit (EDU) of sewage and shall be computed . . . as set forth in the Regional Sewerage System budget adopted for the fiscal year. The estimated EDU’s of sewage delivered into the Regional Sewerage System shall be determined based on a standard daily measurement or contribution of sewage per EDU agreed to from time to time by CBMWD and the Regional Technical Committee.”*

Thus, the Regional Contract delegates the details of determining monthly sewerage billing to the Regional Technical Committee as agreed to by IEUA. The most recent information about monthly sewerage billing is from a memorandum entitled “Procedures for Establishing a Regional Sewer Billing Formula” which IA has been informed was adopted by the Regional Technical Committee for monthly/bimonthly billing processes in 1997. IA noted that no documents are available indicating that this methodology was approved and/or mandated for the region. The document itself appears to be a draft for presentation purposes, not an approved approach. There is also no documentation that the document was presented to the IEUA Board of Directors and approved. Finally, IA noted that other similar agencies are also examining winter season water usage of residential properties to investigate the possibility of a volumetric rather than EDU based rate structure.

The City of Chino performs monthly meter readings in four weekly cycles during each of the first four weeks of each month for water usage of all customers for billing purposes. All water customers are also billed for the City’s and IEUA’s regular sewerage charges. For IEUA sewerage billing purposes, EDU’s are calculated in accordance the 1997 memorandum.

Customers are billed at the current monthly rate as follows: one EDU for residential, 0.7 EDU for multi-family residential, fixed EDU’s for schools (based on student enrollment) and industrial (recalculated annually), and variable EDU’s for commercial entities (based on water consumption).

For the 63 commercial businesses originally selected, IA tested the monthly sewerage billing system to determine whether monthly billing is in fact taking place and the appropriate categories and rates for monthly volumetric fees are used.

IA noted the following:

1. The billing formulas are based on the memorandum entitled “Procedures for Establishing a Regional Sewer Billing Formula” that was apparently adopted by the Regional Technical Committee in 1997. The formulas are divided into Residential, Commercial and Industrial categories and the Commercial



categories are further divided into 8 Commercial categories and an additional category for schools. Category 8 includes: “Restaurant – full service; Restaurant – Fast food; Market w/ grinder; and Bakery”.

*IA notes that the inclusion of both full service and fast food restaurants in the same classification contradicts the guidance provided for initial connection fees where full service restaurants are charged a significantly higher sewage factor to connect than are fast food restaurants. As part of renegotiating the Regional Contract, IEUA and the Contracting Agencies should evaluate and consider the relationship between monthly Sewer Service Fees and Connection Fees and determine the need to create a correlation between the two.*

*IA notes that documentation approving and mandating the billing methodology is not available. Any revision should be presented to the IEUA Board of Directors and formally adopted, based upon the recommendation of the Regional Technical Committee.*

2. The manner in which the monthly volumetric fees are calculated in the City of Chino’s billing system is based on a several part process that results in rounding of some formula items. This leads to billing amounts that differ slightly (yet largely offset one another) from the amounts that would be obtained from a calculation that utilizes all decimal factors.
3. Chino did not provide information about monthly billing for Public Service Facilities.
4. A majority of the restaurant locations (five of nine) included in the IA sample were being billed at the commercial rather than restaurant rate. Although the findings below were confirmed only for the individual billing period examined (one bimonthly billing only), all of them become magnified over time.

Business	Estimated Monthly Amount Should Have Been	Monthly Amount Actually Billed	Estimated annualized bill (for 12 months)	Estimated annualized actual sewerage fees (for 12 months)	Estimated Amount (under-collected) and (underpaid) IEUA for 12 months
Canabru Coffee	\$ 41.02	\$ 28.05	\$ 492.24	\$ 336.60	(\$ 155.64)
Min’s Dumpling House	\$ 55.79	\$ 48.78	\$ 669.48	\$ 585.36	(\$ 84.12)
McDonald’s	\$ 78.75	\$ 54.88	\$ 945.00	\$ 658.66	(\$ 286.44)
Subway	\$ 21.33	\$ 14.63	\$ 255.96	\$ 175.56	(\$ 80.40)
Mountain Mike’s Pizza	\$ 27.90	\$ 19.51	\$ 334.80	\$ 234.12	(\$ 100.68)
<b>TOTAL ESTIMATED ANNUALIZED DIFFERENCE FOR ITEMS TESTED:</b>					<b>(\$ 707.28)</b>

As a result of the errors noted, Chino staff is making corrections for the specific exceptions and reviewing their billing records to determine whether other similar errors have occurred. The City’s billing department is in conversation with the Business

Licenses department to develop procedures to inform the Billing Department about changes in use or type of business to enhance the Billing Department's ability to correctly classify businesses when water service is requested.

**Total Sewer Service Fee Billings/Revenue**

IA compared the Sewer Billing Revenues recorded by IEUA for agreement to the City of Chino's general ledger information:

IA noted the following variances between the Contracting Agency's general ledger revenues and the revenues recognized by IEUA that are based upon Monthly Sewer Billing Reports submitted to IEUA:

IEUA Revenue compared to Chino Revenue FY 2012/13 (July 1, 2012 through June 30, 2013)		
Sewer Utility Revenue ending balance from IEUA SAP for City of Chino (currently from invoices)	Sewer Utility Revenue ending balance per City of Chino's general ledger	Balance Variance over/(under) paid to IEUA
\$ 4,191,152	\$ 4,349,239	(\$ 158,087)

IEUA Revenue compared to Chino Revenue FY 2013/14 (July 1, 2013 through December 31, 2013)		
Sewer Utility Revenue ending balance from IEUA SAP for City of Chino (currently from invoices)	Sewer Utility Revenue ending balance per City of Chino's general ledger	Balance Variance over/(under) paid to IEUA
\$ 2,310,893	\$ 2,114,414	\$ 196,479

IA was not provided transaction information from the City's general ledgers, but the reversing nature of the variance would most likely be related to an amount being recognized by Chino in FY 2012/13 that belonged to FY 2013/14. Per City of Chino staff the Utility Revenue in the City's general ledger is generally lower than the amount billed by and shown on the IEUA accounts due to uncollectible accounts that reduce the City's revenue but which are paid to IEUA regardless of whether they are collected or not.

Additionally, IA noted the following variance between the Contracting Agency's general ledger expenses and the revenues recognized by IEUA that are based upon Monthly Sewer Billing Reports submitted to IEUA:

IEUA Revenue compared to Chino Expense FY 2012/13 (Jul 1, 2012 through June 30, 2013)		
Sewer Utility Revenue ending balance from IEUA SAP for City of Chino	Sewer Utility Expense ending balance per City of Chino's general ledger	Balance Variance over/(under) paid to IEUA
\$ 4,191,152	\$ 4,162,867	\$ (27,285)

City of Chino is investigating the reason for the discrepancy between the Utility Expense recorded by the City and the amount billed by and shown on the IEUA accounts.

**CAFR Reconciliation**

IA verified that the CCRA amounts reported on the City's CAFR agree to what IEUA reported on its CAFR at June 30, 2013. The balance on both reports was \$6,872,100.

**Extra-Territorial Fees**

The City of Chino has no Extra-Territorial areas and does not charge Extra-Territorial (ET) fees. In recent years the City has annexed some previously unincorporated areas to the west, but these were not ET areas as described in the contract.

**Additional Agreed Upon Procedures**

The IEUA Planning and Environmental Compliance Department requested that IA investigate the initial connection fees collected for two entities since there is no record of them in the IEUA Building Activity Reports: The Chaffey College expansion to a Chino campus and a new strip mall at the corner of Philadelphia and Ramona Avenues. IA reviewed monthly Building Activity Reports submitted by the City of Chino and inquired of City staff and determined:

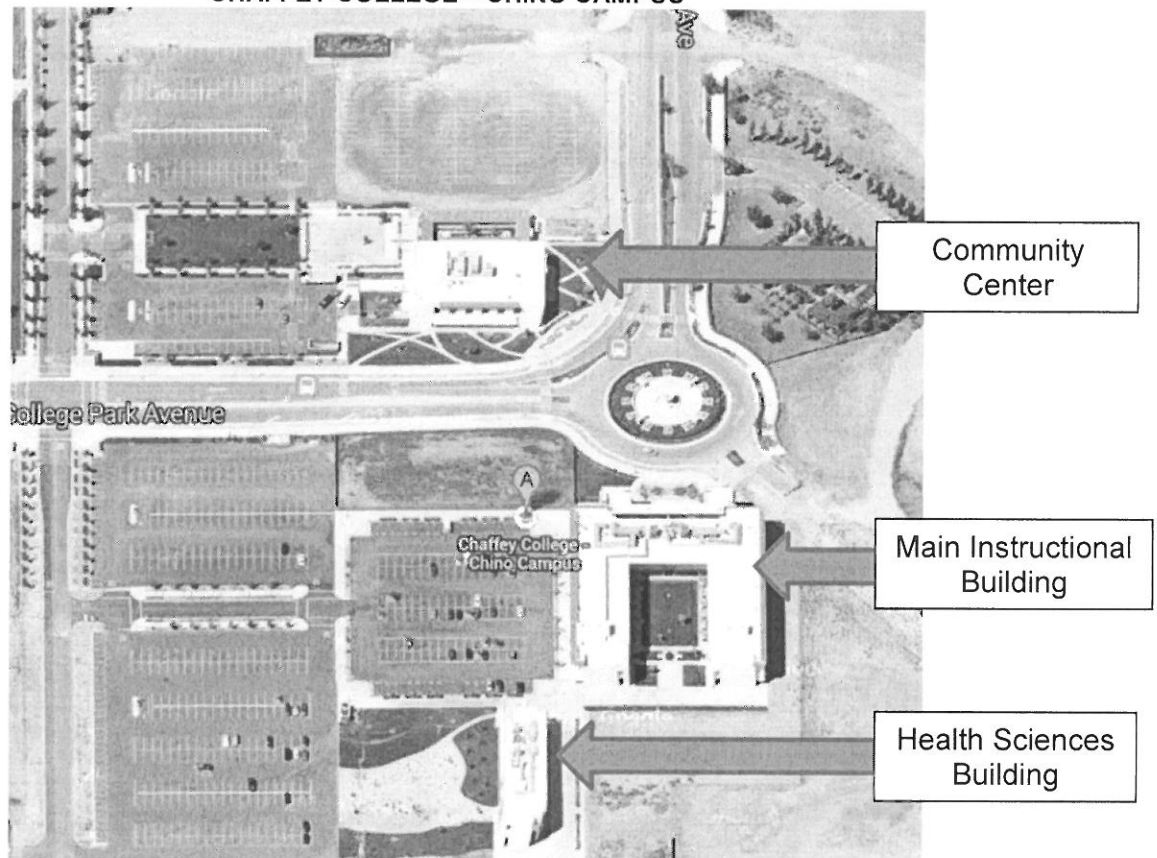
**Chaffey College – Chino Campus:**

The Chaffey College – Chino Campus opened in 2008 and according to the college's website all construction was completed at that time. The website noted other construction projects in other communities that were more recent, but did not mention any additional construction activity in Chino. City staff stated: "Schools do not fall under City regulations for building. There have been cases where we have been lucky to collect connection fees from schools if they pull permits to do some type of work in the public right-of-way. In those cases if we find out they are adding fixtures we will assess CCRA fees. Other than that, any onsite work does not get reviewed or approved by City Building Dept. We do not have a mechanism to track or assess CCRA fees from schools."

This contrasts with the City of Fontana. The Chaffey College website states: “In 2011 the Fontana Campus dedicated a 30,000 square foot academic center, making it the third building on the Fontana Campus.” On its April 2010 Building Activity Report the City of Fontana reported connection fees of \$52,845.41 for 176 fixture units using the Category VI – Schools sewage factor.

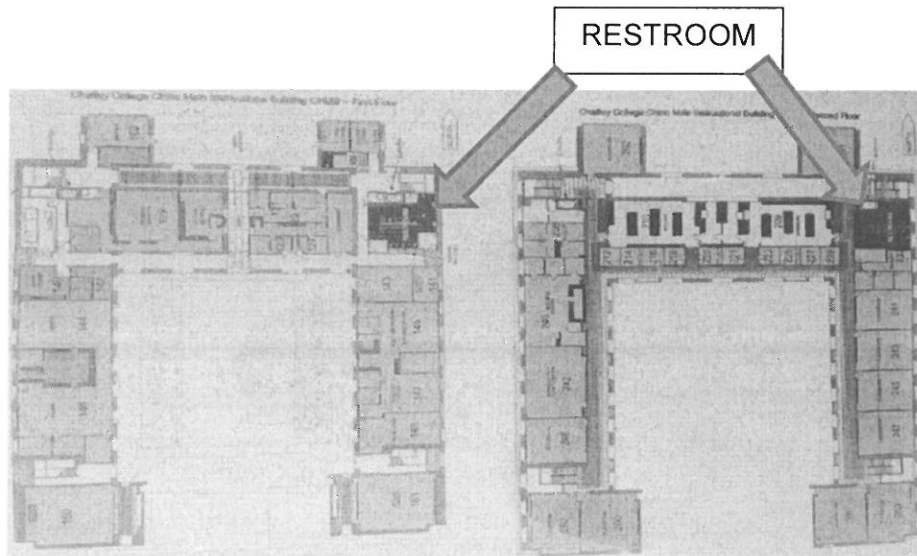
As can be seen from the following 2014 Google Maps image the Chino campus consists of multiple buildings.

Figure 1  
CHAFFEY COLLEGE – CHINO CAMPUS



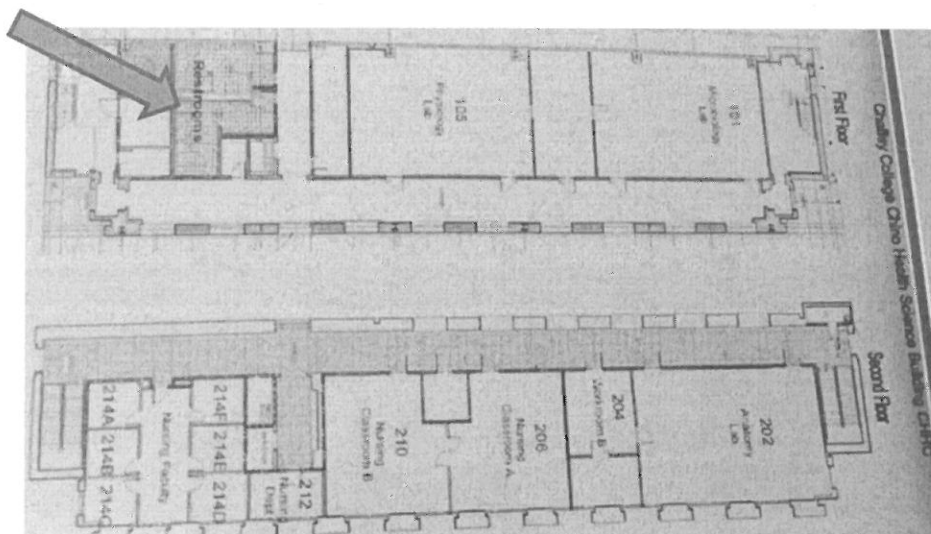
IA performed a site visit and physical observation of the Chaffey College – Chino Campus. The campus consists of three buildings: the Main Instructional Building, the Health Sciences Building and the Community Center. IA had access to most of the facilities other than the banquet room, kitchens and first floor restrooms of the Community Center and the laboratory classrooms in the Health Sciences Building. A student did inform IA that many of the laboratory facilities have plumbing fixtures such as sinks, eye-wash stations, emergency showers, etc.

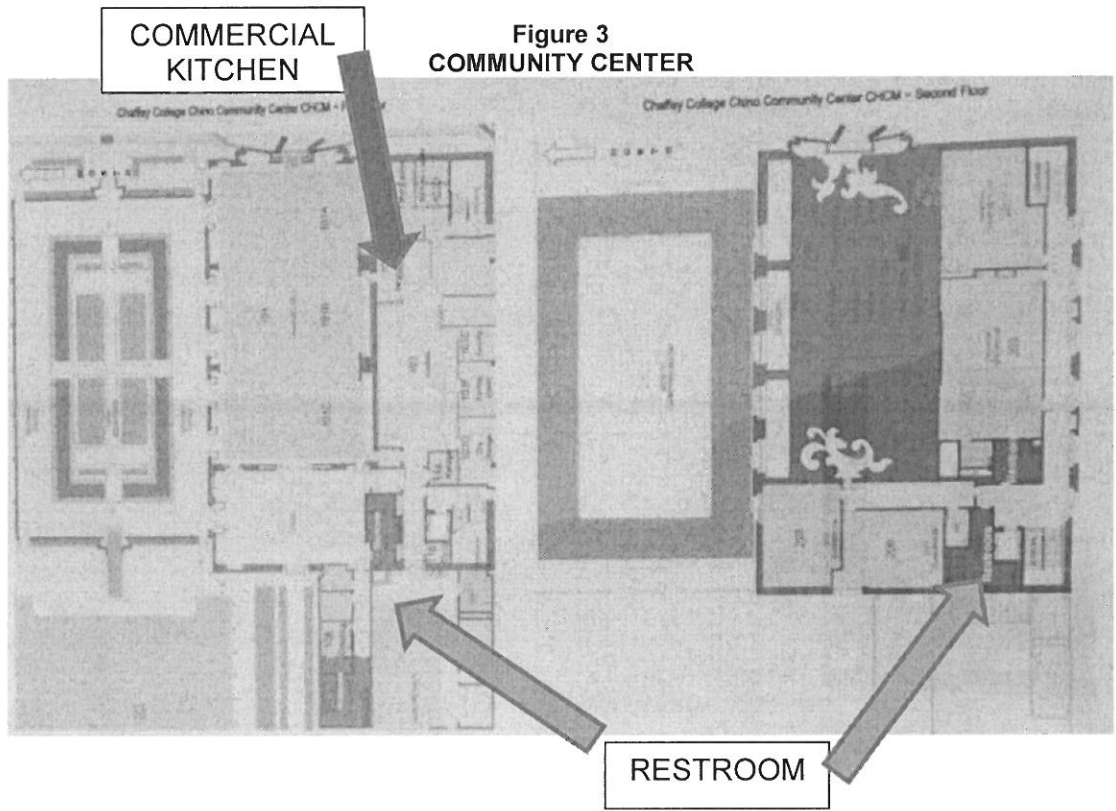
Figure 1  
MAIN INSTRUCTIONAL BUILDING



RESTROOM

Figure 2  
HEALTH SCIENCES BUILDING





IA performed a fixture unit count of the accessible fixtures by examining the restrooms and inspecting the facilities for drinking fountains. Based on this observation the minimum Connection Fees that should have been assessed would have been over \$55,000. This calculation is based on the fixture unit values from Exhibit J (rather than Chino’s simplified calculation worksheet) and the rates in effect in FY 2008-2009. This assumption does not take into consideration any fixture units in the science classrooms, the community center’s banquet facilities and restrooms and any other facilities not accessible to IA.

TOTAL FIXTURE UNITS	PSF RATE	CONNECTION FEE	MINIMUM TOTAL FEES
188	0.0630	\$ 4,673	\$ 55,347

*IEUA should provide guidance and assistance to the Contracting Agency to adopt a collaborative approach and foster a relationship with the Community College District and any other PSF to ensure Connection Fees are charged and collected for any future planned projects with new construction or expansion. For example, the City of Chino could consider and adopt the collaborative approach utilized at the City of Upland. The*

*City of Upland has formed an inclusive group from all city departments that meets regularly to review new development. The group includes representatives from the Planning, Building, Public Works, Police and Fire departments. Since planning for fire safety is required for new construction to ensure access and egress, Fire department representatives are often the first to know about new PSF construction. This will trigger Public Works and Building department representatives to be involved resulting in the assessment of connection fees, including those for IEUA in accordance with Exhibit J.*

*In connection with a renegotiation of the Regional Contract, IEUA and the Contracting Agencies should consider the impact of eliminating the requirement for collecting connection fees and monthly sewerage charges from Public Service Facilities. As documented under the audit report "Comparison of the Regional Sewage Service Contract and Program with similar contracts and programs", IA found that some Agencies (for example, the Los Angeles County Sanitation Districts) exclude local governmental agencies such as public schools and City governments from these charges.*

**Strip Mall at the corner of Philadelphia and Ramona Avenues:**

According to City of Chino staff, the new strip mall at the corner of Philadelphia and Ramona (the Ramona Marketplace) had undergone initial construction activity in 2008 (foundation, framing, minimal plumbing) and the initial connection fees were paid at that time. The developer went bankrupt and all construction activity ceased. In the last few years the exposed framing was demolished and a new developer acquired the project. Since the initial connection fees had been paid in 2008, they were not applied against the new developer. Per the Google street view the site consists of two mirror image pads on a corner lot. A review of Chino's Building Activity Reports noted two equal payments in April 2008. Each payment is for Project Number B07-0167-168 at 4553 Philadelphia Street and each is for 189 fixture units at the Commercial Category I rate resulting in 8.39 EDUs and an initial connection fee of \$37,342.62 or a total of \$74,685.24 for the entire project.

### **Internal Audit Recommendations**

Through this evaluation, IA noted observations and recommendations to strengthen administrative, accounting, recording, and reporting controls to ensure the intent of the Regional Contract is achieved. The recommendations can be applied to all Contracting Agencies on a going-forward basis, as part of an amendment and/or as part of the Regional Contract review and renegotiation process; in order to ensure all Regional Contracting Agencies apply and administer the Regional Contract in a similar and consistent manner. IA's recommendations are for IEUA's Executive Management to consider.

#### ***Recommendations relating to Connection Fees:***

***As part of the review and renegotiation of the Regional Contract, IEUA and the Contracting Agencies should consider:***

- 1. In addition to the regular meetings of the Regional Technical and Regional Policy Committees, IEUA has already begun to provide ad-hoc meetings and training as needed for things such as the updated excel Building Activity Report and the Exhibit J subcommittee. IA noted that great variability and understanding of IEUA, the Regional Contract and Exhibit J exists amongst Contracting Agencies' staff in departments such as Building, Plan Check and Utility Billing. In order to develop greater consistency and uniformity throughout the region, IEUA should consider taking the lead in holding quarterly or more regular workshops, meetings, plant tours and similar activities as an avenue where Contracting Agencies' staff in departments such as Building, Plan Check and Utility Billing and/or others as well can discuss and ask questions about the application of the Regional Contract and Program. The workshops would provide a forum to discuss questions about category types to apply, definitions, other questionable items and individual situations, and foster cooperation and collaboration among all. One Contracting Agency may encounter certain questions or situations that could apply to other Contracting Agencies. Frequent and on-going dialogue about the application of the Regional Contract would benefit all Contracting Agencies and the Regional Program to ensure consistent application of the Regional Contract and that issues are addressed on a timely basis.***
- 2. The exclusion of Public Service Facilities from the charge for Connection Fees and Monthly Sewerage Charges. As documented under the audit report "Comparison of the Regional Sewage Service Contract and Program with similar contracts and programs", IA found that some Agencies (for example, the Los Angeles County Sanitation Districts) exclude local governmental agencies such as public K – 14 schools and City governments from both Connection Fees and Monthly Sewerage Charges.***



3. ***Adding language in the Regional Contract regarding recourse for non-collection and over/under collection of Initial Connection Fees.***
4. ***A standardized calculation worksheet to create uniformity among the Contracting agencies with fixture unit counts and the connection fee calculations. Currently, each Contracting Agency utilizes its own calculation worksheet and it is not always consistent with Regional Contract Exhibit J. The standardized calculation worksheet should mirror the fixture unit types in Exhibit J and provide additional clarification and uniformity to the fixture count process. The worksheet should be flexible enough to allow for multiple components of a business to be calculated at different Commercial categories when there is more than one type of business at the same location (for example, a gas station/minimart with a car wash). The standardized calculation worksheet will facilitate computing the initial Connection Fees in a consistent and uniform manner. The City of Chino has adopted a new calculation worksheet that mirrors the Exhibit J categories, however it does not provide for multiple components of a business.***
5. ***The inclusion of the initial connection calculation worksheets for all nonresidential entities with monthly Building Activity Reports as additional support for the connections reported and the Connection Fees collected. This would provide IEUA staff greater visibility and documented support for the application of the category types and the fixture counts. IEUA staff would have the necessary information to contact the Contracting Agency if any questions or discrepancies are noted at the time that connections are reported rather than identifying these later on.***
6. ***Exhibit J was recently updated and now provides detailed definitions for many business types, yet there is still room for varying interpretation and application. Businesses continue to evolve and new types of businesses emerge. Exhibit J should regularly be updated to provide additional language, definitions and guidance to ensure all types of commercial businesses are classified consistently. This would reduce the risk of misclassification of businesses and the potential under-collection of IEUA fees. Examples include private community centers, swimming facilities and recreation centers in residential communities.***
7. ***Additional clarification and descriptive information for the various types of appliances, appurtenances and/or fixtures in the descriptions included in Exhibit J. Examples include; defining the nature of an emergency drain, clarifying differences between lavatories, wash fountains, receptors, sinks and mop basins and defining whether a drinking fountain that includes a separate basin for handicapped access consists of one or two fountains. The review revealed differences in interpretation.***

- 8. IEUA and the Contracting Agencies agreeing to establish, as part of the permitting and plan check process, the requirement of having an IEUA representative provide a final sign-off and approval, prior to the Contracting Agency issuing a permit to a nonresidential entity and allowing a connection to the system. This added approval step would ensure that IEUA is in agreement with the interpretation of the Contract and that the appropriate category type and sewage factor have been applied so that the correct Connection Fees are assessed and collected.**
- 9. A two tier process of determining connection fees as part of Exhibit J that distinguishes between common features that are part of any commercial facility such as restroom toilets and sinks and those features that are unique to a specific site, such as a butcher shop drain or a restaurant dishwasher or washing sink, etc. This would create consistency in the treatment of same-type and same-use fixture units.**
- 10. Developing significant expertise within IEUA in fixture count techniques and providing regular and ongoing training at the building departments of the individual Contracting Agencies to develop consistency in the IEUA fixture count process across the region.**
- 11. Clarifying language describing the criteria for being classified a "Floor Drain, Emergency" in Exhibit J. The City of Chino charges two Fixture Units for floor drains under the general "Floor Drain" category whereas in the City of Upland all California State Plumbing Code required drains such as in bathrooms are considered "Emergency" and are charged zero Fixture Units.**
- 12. Providing additional detailed definitions, clarification and descriptive information for categorizing Public Service Facilities in Exhibit J to expand and address the differences between publicly owned and publicly used.**

IEUA sewerage revenue from the seven Regional Contracting Agencies totaled over \$39 million for the 2012/2013 fiscal year, yet IEUA relies entirely on one-page self-reported monthly EDU counts from the Contracting Agencies to generate invoices for these revenues with no significant oversight or reconciliation. Once these self-reported EDU totals are provided to IEUA (generally approximately 15 days after the end of the month), IEUA generates invoices that are mailed to each of the Contracting Agencies. The Contracting Agencies then have 45 days to remit their payments. The following recommendations are intended to improve and make this process more efficient:

**Recommendations relating to Sewer Service Fees:**

**As part of the review and renegotiation of the Regional Contract IEUA and the Contracting Agencies should consider:**

- 13. Evaluate and consider the relationship between monthly Sewer Service Fees and Connection Fees and determine the need to create a correlation between the two. For example, fast-food restaurants and full-service restaurants are both included in Category 8 for monthly sewerage billing purposes and pay at the same rate. However, for purposes of connection fees fast-food restaurants are grouped with office, retail and similar uses (which are Category 1 for monthly sewerage billing). Therefore, fast-food restaurants incur lower Initial Connection Fees, but pay monthly Sewer Service Fees at the higher rates charged to full-service restaurants.**
- 14. Ensuring all current customers receiving sewer services are reported on the Monthly Volumetric report and the appropriate rates are paid to IEUA according to the Regional Contract. The review identified businesses that are not reported and fees not paid to IEUA for services provided by IEUA as well as classification errors and formula mistakes.**
- 15. Adding language to the Regional Contract regarding IEUA's inspection and verification rights as to the monthly sewerage fees and the recourse IEUA has when IEUA believes a Contracting Agency has under-collected and/or under-reported such fees.**
- 16. Standardizing and providing automated and itemized listing of non-residential monthly sewerage charges would provide information that could be reviewed and researched for anomalies and reconciled on a regular basis.**
- 17. Evaluating the current process used for invoicing each Contracting Agency for monthly sewer fees collected. By establishing a contract for monthly payment rather than relying on invoices, each Contracting Agency could provide the EDU information and remit the funds collected to IEUA directly within a reasonable period of time. This contrasts with the current approach whereby Contracting Agencies provide EDU information and then wait for an invoice from IEUA before payment thereby delaying payment for up to 45 days. By reengineering the process, IEUA would receive the monthly sewer fees in a more efficient and timely manner.**

Although this is not a financial audit, and IA makes no recommendations to the City of Chino, the following are suggested recommendations for the City's consideration.

**IEUA and the City of Chino should work together:**

- 18. To ensure the City of Chino's calculation worksheet for Initial Connection Fees is flexible enough to consider multiple uses for a single location and to be able to calculate fees at different rates for each of those uses.**

- 19. With Chaffey College to determine and collect any additional connection fees that are due to IEUA as required by the Regional Contract.**
- 20. To perform additional reconciliations and analysis of monthly billing to ensure the accuracy of EDU calculations and monthly billing rates and amounts.**
- 21. Considering the City of Upland's cross-departmental approach to the Development Review Process as a regional model for other Contracting Agencies to follow. This team approach to the Development Review Process (or, alternatively a liaison relationship with the Fire Department (which seems to play a role even with Public Service Facilities)) facilitates obtaining information about new Public Service Facilities construction to ensure fee collection. IEUA should discuss this and other approaches with the Contracting Agencies to find ways to obtain information about new Public Service Facilities construction to facilitate fee collection.**

#### **Acknowledgements**

We would like to extend our appreciation to the City of Chino and the IEUA Planning and Environmental Compliance Department for their cooperation and assistance during this review.

#### **Discussions with City of Chino and Planning & Environmental Compliance**

We provided the results of this audit to Ms. Olga Hart, Billing Manager and Mr. Ruben Valdez, Environmental Coordinator for their review and comments prior to finalizing the report. We also discussed the report with Chris Berch, Executive Manager of Engineering/Assistant General Manager, Sylvie Lee, Manager of Planning and Environmental Compliance, Craig Proctor, Pretreatment and Source Control Supervisor, Pietro Cambiaso, Senior Engineer and Kenneth Tam, Environmental Compliance Officer of the IEUA Planning and Environmental Compliance Department prior to finalizing this report, for their review and comments.

#### **Action Items**

IA will submit a separate report for each of the seven Contracting Agencies as each review is completed. At the conclusion of the audit of all seven Contracting Agencies, IA will provide a comprehensive report summarizing all the identified observations and recommendations and any additional observations and recommendations identified throughout this process. IA anticipates finalizing the seven audit reports and the comprehensive report by March of 2015; in the meantime the recommendations provided in this report should be evaluated and considered at this time.



# Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

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DATE: November 24, 2014

TO: Joe Grindstaff  
General Manager

FROM: Teresa V. Velarde  
Manager of Internal Audit

**SUBJECT: REGIONAL CONTRACT REVIEW  
Interim Audit Report  
City of Fontana**

### **Audit Authority**

The Inland Empire Utilities Agency (IEUA or Agency) Internal Audit Department (IA) performed a review of the Agency's Regional Sewage Service Contract (Regional Contract) as implemented with the Regional Contracting Agencies (Contracting Agency). The review was performed under the authority given by the IEUA Board of Directors as documented in the Internal Audit Department Charter and according to the Fiscal Year 2013/14 Annual Audit Plan.

### **Audit Objective and Scope**

The objectives of the Regional Contract Review are to evaluate how each of the seven Contracting Agencies apply the Regional Contract provisions, determine whether processes are in compliance with Regional Contract requirements, determine opportunities to improve processes and procedures and make recommendations to consider as part of the Regional Contract amendment/renegotiation. The review covered the period from July 1, 2012 through December 31, 2013 and where possible considered events subsequent to that period.

The review included audit procedures to evaluate compliance with the Regional Contract, Exhibit J Connection Fees provisions as well as the recurring Sewer Service Fees billing for the various types of land uses (commercial, industrial, residential, public service and extra-territorial). IA performed a variety of review procedures at each Contracting Agency to evaluate:

- Initial Connection Fees
- Public Service Facilities Connection Fees
- Monthly Volumetric Sewerage Charges
- Extra-Territorial Fees
- Reconciliations of fees collected and held for or paid to IEUA
- Overall Recordkeeping

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Jasmin A. Hall  
Director

Gene Koopman  
Director

P. Joseph Grindstaff  
General Manager

IA did not perform specific audit procedures related to the Extra-Territorial (ET) areas because currently, IEUA and the City of Fontana are working together to determine the appropriate areas, calculation and reporting of ET fees. This report describes the results of the review performed at the City of Fontana.

### **City of Fontana - Background**

The City of Fontana was incorporated on June 25, 1952 and is a general law city governed by a five member City Council under the Council-Manager form of government. The City has a population of 200,974<sup>1</sup> and is located about 50 miles east of Los Angeles. The City spans approximately 42.4<sup>2</sup> square miles, of which, 36<sup>1</sup> square miles are included as part of the 242 square miles covered by IEUA's service area.

The City provides local wastewater and sanitation services to residential, commercial, and industrial properties within its boundaries, while water service is provided by various private water companies and trash through Burrtec Waste Industries. There are sections of Fontana that fall outside of IEUA's service area, but receive regional sewer services from the Agency and are identified as ET areas as described in the Regional Contract. The Contracting Agency also has a small portion in the southeast area of its City limits that is serviced by the City of Rialto for sewer services.

For sewer services, the City assesses residential, commercial, and industrial properties in terms of Equivalent Dwelling Units (EDUs). An EDU is a numerical value designation based on the measurement of sewage flow equivalent in quantity and strength to the daily flow of an average single-family residential household. One EDU equals 270 gallons per day for a residential household per the Regional Contract. The City does not assess sewer services based on water consumption because water services are provided by private water companies and does not provide water flow information to the City (more discussion on this under Section: Volumetric Sewerage Fees).

Residential customers, are billed a flat fee based on one EDU or .7 of an EDU, if a multi-family residence. The City of Fontana bills and collects residential sewer service fees through the County of San Bernardino Property Tax Roll. Commercial and industrial customers are generally billed directly by the City on a bi-monthly basis using purchased EDUs to assess sewer service fees. One commercial user, Kaiser Permanente Hospital, is assessed for sewer services based on wastewater flow monitoring whereby the EDUs are re-assessed annually based on the results of a flow monitoring study (more discussion on this under Section: Additional Agreed Upon Procedures – Regional Sewerage Services). The hospital is then billed for that number of EDUs on the bi-monthly billing basis. Two industrial customers, Cliffstar and California Aseptic Beverages, are billed for sewer services on a monthly basis based on

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<sup>1</sup> IEUA's Fiscal Year 2014/15 Operating and Capital Program Budget Volume – June 2014, Table 5-11.

<sup>2</sup> City of Fontana Comprehensive Annual Financial Report Fiscal Year Ending June 30, 2013.

flow monitoring measured by wastewater meters. The amount billed by the City includes local sewer services fees along with IEUA sewer service fees.

**City of Fontana - Financial Information**

The City of Fontana is required to report operational and financial information to IEUA as part of the provisions of the Regional Contract. The financial information reported includes *Initial Connection Fees* and *Sewer Service Fees* and is reported on a monthly basis.

***Initial Connection Fees (Connection Fees):*** Connection Fees are one-time fees levied on new development connecting to the Regional Sewerage System, as well as existing users who expand their number of fixture units. These connections and corresponding fees are reported in the monthly Building Activity Reports (BAR) to the IEUA Planning & Environmental Compliance Department (Planning) and are recorded in the Agency's financial system.

The number of EDUs and amount of Connection Fees collected varies from year to year depending on the construction activity occurring within the Contracting Agency's boundaries. EDUs purchased and fees reported by the City during the last two fiscal years are:

**City of Fontana  
Connection Fees**

<b>Fiscal Year</b>	<b>EDUs</b>	<b>Fees collected</b>
2012/13	341.1992	\$ 1,675,004
2013/14 <sup>(1)</sup>	165.5529	\$ 830,226

(1) = Unaudited information as of June 30, 2014.

EDUs and fees collected reflect the amounts reported in the BAR to Planning. In Fiscal Year 2012/13, the fees collected are substantially higher due to construction activity occurring for new residential housing tracts.

A flowchart of the process for collection of Initial Connection Fees and the monthly BAR can be found in Attachment 1.

***CCRA Account:*** Connection Fees are collected by the City and held in a Capital Connection Reimbursement Account (CCRA) until "called" by IEUA. The CCRA balance as reported by the City of Fontana in their Comprehensive Annual Financial Report (CAFR) as of June 30, 2013 was \$5,210,858.

***Sewer Service Fees (Volumetric Sewerage Fees):*** Sewer Service Fees are recurring fees assessed and collected from users that discharge into the Agency's Regional Sewage System. According to the Regional Contract, Contracting Agencies must pay

IEUA for sewer services each month. The City of Fontana self-reports the total number of EDUs billed and reports to IEUA on a monthly basis one-twelfth (1/12) of the annual property tax roll for residential units and the recurring cycle of their monthly/bi-monthly sewer billing process that have come due for their commercial and other units. The EDUs reported are comprised of the following: one EDU for single-family residential, 0.7 EDU for multi-family residential, the number of EDUs established at the time of connection for schools, commercial and industrial entities (based on the assessment of fixtures units installed), and variable EDUs for Cliffstar and California Aseptic Beverages with significant flows (based on flow monitoring using a wastewater meter).

**Extra-Territorial Fees (ET fees):** ET fees are additional recurring fees assessed and collected from users that are located outside IEUA’s boundaries, but discharge into the Agency’s regional infrastructure. According to the Regional Contract, the Contracting Agency with ET areas shall pay IEUA a fee (Annual Capital Outlay Charge) for those areas. The purpose of these fees is to ensure users in the ET areas contribute the same proportionate amount of revenue that the Agency would have received in property tax if the areas were located within IEUA’s boundaries from the County of San Bernardino Property Tax Roll. A flowchart of the ET fee process can be found in Attachment 2.

The table below outlines the total number of EDUs reported, Volumetric Sewerage Fees, and ET Fees paid to IEUA by the City of Fontana for the last two fiscal years. This information is reported in the Agency’s financial system.

City of Fontana

Fiscal Year	EDUs	Sewer Service Fees	ET Fees
2012/13	605,834.20	\$ 7,506,285	\$ 1,017,584
2013/14 <sup>(1)</sup>	612,143.47	\$ 8,196,601	\$ 1,025,166

(1) = Unaudited information as of June 30, 2014.

As of March 26, 2014, the City of Fontana’s total number of sewer accounts based on the type of account consisted of the following:

Type of Account	Number of Accounts <sup>(1)</sup>		Percentage of Accounts
	Non-ET	ET	
Single-Family Residential and Mobile Home Park (1 EDU per dwelling)	31,379	5,029	95%
Multi-Family Residential (0.7 EDU per dwelling)	732	13	2%
Municipals, Schools, and Churches	154	1	< 1%
Commercial and Industrial Categories	849	70	2%
<b>Sub Total by Type</b>	<b>33,114</b>	<b>5,113</b>	<b>100%</b>
<b>Total Accounts</b>	<b>38,227</b>		

(1) = Comprised of City and County accounts as reported by the City of Fontana.



### **Initial Connection Fees**

Each Contracting Agency is required to assess, collect, and report Connection Fees for any new development that connects to the Regional Sewerage System, or users who expand their fixture unit count. The fees are to be assessed and collected by the Contracting Agency in accordance with the provisions of Exhibit J in the Regional Contract.

Exhibit J includes for purposes of fee calculation: “***All structures designed for the purpose of providing permanent housing for enterprises engaged in exchange of good and services. This shall include, but not be limited to, all private business and service establishments, schools, churches, and public facilities.***”

IA selected various businesses and Public Service Facilities (PSF) to test whether Connection Fees were accurately calculated, collected and reported to IEUA in accordance with Exhibit J of the Regional Contract. The different businesses and PSF were selected from the following sources to verify the Contracting Agency applied and collected the correct EDU rate according to the Board-approved rates and to determine the accuracy of the categorization type used per Exhibit J of the Regional Contract (for PSF see also detailed description below):

- The new business license report provided by City staff
- IA conducted physical observations of the City’s commercial districts
- Building Activity Reports submitted to IEUA
- Input received from IEUA’s Planning Department.

### **Initial Connection Fees Review**

IA judgmentally selected for review 56 businesses and Public Service Facilities (PSF) in the City of Fontana. The review found that the City of Fontana generally collects Initial Connection Fees for commercial and industrial businesses according to the provisions of Exhibit J.

### **Public Service Facilities Review**

The City of Fontana staff did not have a comprehensive list of Public Service Facilities (PSF); therefore, IA performed research of various websites to ascertain whether there had been any new construction or expansions of PSF’s such as schools, hospitals, and local city or other government facilities. The websites reviewed include School Districts along with the School Accountability Report Cards for schools, Office of Statewide Health Planning and Development (OSHPD) for hospitals, and the Contracting Agency’s for City facilities. IA selected seven PSF to verify the Contracting Agency collected “Connection Fees” as required by Exhibit J of the Regional Contract.

The Division of the State Architect's Office (DSA) of the State of California provides design and construction oversight for public schools (kindergarten through 12th grade), community colleges, and various other state-owned and leased facilities. Likewise, the Office of Statewide Health Planning and Development (OSHPD) regulates hospital construction. Entities that fall under the DSA or OSHPD have a permit and plan check process that is separate and includes limited or no coordination with the local jurisdiction. The permitting process under the DSA and OSHPD does not include the collection of connection fees, even though the construction projects reviewed could be new construction or expansions that result in additional fixture units. It is the responsibility of each individual local jurisdiction to ensure collection of the connection fees from entities that fall under the DSA or OSHPD and reside within their service area.

Fontana's Department of Engineering is the first to be aware of any new construction or expansions by PSF within City's limits. Any new construction or expansion usually requires some type of connection to the local sewer infrastructure, which requires coordination with the Engineering Department. Under the current structure, City staff is engaged and attempts to capture initial connections that come through their plan check and permit process.

IA noted the following:

Public-owned versus Public-used: The **State of California Department of Transportation (Caltrans)** built a new 70,000 sq. ft. facility to house its Southern Regional Laboratory (SRL), which opened in 2013 in the City of Fontana. The SRL facility is used to perform materials testing to ensure construction materials meet specifications for Caltrans projects. In addition to the lab, Caltrans built a separate building for its Independent Assurance unit, which examine the testers to ensure that labs, equipment, and staff meet state standards.

Since schools, hospitals, and state-owned facilities are permitted by separate State Agencies, the building and plumbing plans are not submitted to the City for review and approval. In this case Caltrans did provide a copy of the design plan to the City of Fontana; however, the City found the plans were not practical to determine the fixture units installed. Therefore, the City's staff coordinated with Caltrans to perform an "EDU Survey" with the Caltrans Staff to conduct a physical EDU inspection/count.

Fontana's physical walk-through of the Caltrans facilities was documented on a fixture count worksheet, which required going into each room and counting all fixture units (i.e. drinking fountains, sinks, toilets, floor drains, etc.). The information was used to calculate the initial connection fees. Had the City's staff not taken this proactive approach of conducting an "EDU Survey", it would have resulted in not collecting Connection Fees, or reporting EDUs, and non-compliance with the Regional Contract.

Although Connection Fees were collected, IA noted the following different interpretation possibilities of Exhibit J of the Regional Contract. The varying interpretation creates differences in the categorization and Connection Fees collected:

**13970 Victoria (SRL Building)**

Audit Results	Exhibit J	Type of Commercial	Fixture Units	Sewage Factor	CCRA	Fees
City of Fontana Interpretation	Category Type I	Other	219	0.0444	\$ 4,766	\$ 46,342.68
Internal Audit Interpretation	Category Type VI	Public Facility	219	0.0630	\$ 4,766	\$ 65,756.50
Difference in Connection Fees (under collected)						(\$ 19,413.82)

**13970 Victoria (Independent Assurance building)**

Audit Results	Exhibit J	Type of Commercial	Fixture Units	Sewage Factor	CCRA	Fees
City of Fontana Interpretation	Category Type I	Other	67	0.0444	\$ 4,766	\$ 14,177.90
Internal Audit Interpretation	Category Type VI	Public Facility	67	0.0630	\$ 4,766	\$ 20,117.29
Difference in Connection Fees (under collected)						(\$ 5,939.39)

The Caltrans facilities are owned and operated by a governmental entity and were classified as a Commercial Category I at the time of assessment and collection of Connection Fees. They could have been classified as Category VI Public Facility, which would have resulted in a fee calculation that would have been \$19,414 higher for the SRL and \$5,939 higher for the Independent Assurance Building. In discussing the Caltrans buildings with the City of Fontana Environmental Division, Fontana staff noted that these facilities were determined to be operated more like a regular "business office" and the public typically would not be allowed in the facility. It would appear to be similar to a Category 1 commercial entity because it is "used" only by those employed by the public entity and operated more like a private "commercial" business office with no "public access".

The **City of Fontana** also completed expansions of the Police Department. The improvements resulted in an increase in the fixture unit count and were reported to IEUA as part of the monthly BAR. The sewage factor applied at the time of assessment and calculation of the Connection fees is based on Category I Commercial, not the Category VI Public Facility because the expansion of the facility are to areas that are only accessible by City Staff, not the public.

IA noted the following instances of varying interpretation and application of Exhibit J of the Regional Sewerage Service Contract. This can create differences in categorization and Connection Fees collected.

**Fontana Police Department<sup>(1)</sup> – 17005 Upland Ave**

Audit Results	Exhibit J	Type	Fixture Units	Sewage Factor	CCRA	Fees
City of Fontana Interpretation	Category I	Other	70	0.0444	\$ 4,766	\$ 14,812.73
Internal Audit Interpretation	Category VI	Public Facility	70	0.0630	\$ 4,766	\$ 21,018.06
Difference in Connection Fees (under collected)						(\$ 6,205.33)

(1) = Reported to IEUA on the August 2011 BAR.

**Fontana Police Department<sup>(2)</sup> – 17005 Upland Ave**

Audit Results	Exhibit J	Type	Fixture Units	Sewage Factor	CCRA	Fees
City of Fontana Interpretation	Category I	Other	3	0.0444	\$ 4,673	\$ 622.40
Internal Audit Interpretation	Category VI	Public Facility	3	0.0630	\$ 4,673	\$ 883.20
Difference in Connection Fees (under collected)						(\$ 260.80)

(2) = Reported to IEUA on the June 2009 BAR.

**IA Recommendations:**

- 1. Although Exhibit J was recently updated and now provides detailed definitions for many business types, there is still room for varying interpretation and application. Exhibit J of the Regional Contract should be revised to include additional guidance and more specific definitions for Public Facilities including publicly “owned” versus publicly “used.” The current definition suggests that “publicly owned is defined as establishments typically operated by the local city or other government entities.” However, the review noted that the difference in interpretation and the question that should be clarified is not whether the entity is “operated” by the local city or governmental agency, but whether the new construction or expansion is “used” by the public or “available for public use.” IEUA should work to clarify the definition and the intent for the classification of PSF.**
- 2. In addition to the regular meetings of the Regional Technical and Regional Policy Committees, IEUA has already begun to provide ad-hoc meetings and training as needed for things such as the updated excel Building Activity Report and the Exhibit J subcommittee. IA noted that great**

***variability and understanding of IEUA, the Regional Contract and Exhibit J exists amongst Contracting Agencies' staff in departments such as Building, Plan Check and Utility Billing. In order to develop greater consistency and uniformity throughout the region, IEUA should consider taking the lead in holding quarterly or more regular workshops, meetings, plant tours and similar activities as an avenue where Contracting Agencies' staff in departments such as Building, Plan Check and Utility Billing, and or others as well can discuss and ask questions about the application of the Regional Contract and Program. The workshops would provide a forum to discuss questions about category types to apply, definitions, other questionable items and individual situations, and foster cooperation and collaboration among all. One Contracting Agency may encounter questions or situations that could apply to other Contracting Agencies. Frequent and on-going dialogue about the application of the Regional Contract would benefit all Contracting Agencies and the Regional Program to ensure consistent application of the Regional Contract and that issues are addressed on a timely basis.***

#### **Quality Control Review Process**

The City has established an internal review process as an additional check to determine the appropriate collection and remittance of connection fees to IEUA. A Supervisory level staff member with knowledge of the regional sewer collection system has the responsibility to verify all connection fee transactions and prepare the monthly BAR. The review process includes examining each "Fixture Unit Worksheet" (Calculation Worksheet) to verify the correct sewage factor is selected in accordance with Exhibit J of the Regional Contract and the appropriate IEUA Board-approved rate is applied. Each month, the City remits the required BAR along with copies of all Calculation Worksheets, a general ledger report, and other supporting documentation.

IA noted that in other Contracting Agencies reviewed thus far, the BAR process is a routine, month-to-month reporting process that does not involve a detailed examination to verify the correct sewage factor and connection fee rates have been applied. Fontana's internal review process serves as a tool to provide greater oversight to ensure contract compliance and reporting requirements are met in accordance with Exhibit J of the Regional Contract.

#### ***IA Recommendation:***

- 3. The City of Fontana's internal review process over connection fee transactions is a useful quality control review process to ensure compliance with Exhibit J of the Regional Contract. IEUA should consider working with all Contracting Agencies to determine the benefits of establishing an internal review process by knowledgeable staff that have an understanding of the Connection Fees process and any other***

***contractual requirements. The internal review process would provide added assurance that the requirements of the Contract are met and the appropriate fees are collected.***

The City of Fontana is the only Contracting Agency that currently provides IEUA a copy of the "Calculation Worksheet" for nonresidential building permits with their monthly Building Activity Reports. The worksheets support the connections reported and the Connection Fees collected. This also provides the IEUA Planning Department more information, visibility and support for the application of the category types and fixture counts utilized.

***IA Recommendations:***

- 4. IEUA should require that all Contracting Agencies provide copies of the Calculation Worksheet for all nonresidential building permits along with the monthly BAR and other supplementary information to support the connections made and the Connection Fees collected. The calculation worksheets would provide additional support for the connections reported and the Connection Fees collected. This would provide IEUA staff greater visibility and support for the application of the category types and the fixture counts utilized. This process would also provide support for IEUA staff to contact the Contracting Agency if any questions or discrepancies are noted at the time that the connections are reported rather than identifying these later on.***
  
- 5. IEUA should work with the Contracting Agency to establish, as part of the permitting and plan check process, the requirement that an IEUA representative provide a final sign-off and approval, prior to the Contracting Agency issuing a permit to a nonresidential entity and allowing a connection to the system. This added approval step will ensure IEUA is in agreement with the interpretation of the Regional Contract and Exhibit J and that the appropriate category type and sewage factor has been applied so that the correct Connection Fees are assessed and collected.***

**Plumbing Plans – Fixture Unit Recount**

IA reviewed the plumbing plans for five of the originally selected 56 businesses to ascertain the accuracy of the fixture count and the application of the required fees. The recount was performed by the Contracting Agency's Building and Safety Division staff and witnessed/verified by IA. The results of the recount were agreed upon by both parties.

The recount of the fixture units and review of the plumbing plans noted only count and calculation differences in one of the five items selected, resulting in fees being over-collected by \$23,539.64. The results are summarized below:

**National Construction Company (11029 Beech Ave Fontana, CA)**

Results:	Over-Count	Exhibit J	Sewage Factor	Total Fixture Units	CCRA	Connection Fees:
Original Fixture Count per City of Fontana	N/A	Industrial	.0741	151	\$ 4,909	\$ 54,927
BAR submitted to IEUA: City of Fontana Interpretation	Trench Drain: 15 connections at 8 fixture units each	Commercial	.0444	151	\$ 4,909	\$ 32,912
Recount with Internal Audit: City of Fontana - recount	Single 4" trap – 8 fixture units each	Commercial	.0444	43	\$ 4,909	\$ 9,372
Difference in Interpretation for Connection Fees: Reported to IEUA on BAR less the Recount Interpretation						\$ 23,540

At the time the fixture recount was performed, the Building and Safety Division provided IA a copy of the *“Fixture Unit Worksheet”* on file. Per review of the worksheet, the amount of connection fees collected from National Construction Company was much higher than the amount reported through the monthly BAR to IEUA. As described above, the City’s Public Works Environmental staff performs an internal review of each *“Fixture Unit Worksheet”* to ensure the business has been categorized correctly and the appropriate sewage factor has been applied per Exhibit J, along with the applicable Board-approved rate.

According to IA’s discussion with Fontana’s staff, the Building and Safety Division calculated and collected the connection fees based on a sewage factor of 0.0741 for an industrial business (total of \$54,927), however, National Construction Company is a commercial enterprise. During the internal review process, the application of an incorrect sewage factor was noted, the *“Fixture Unit Worksheet”* was revised with the correct sewage factor and the connection fees due were re-calculated and reported on the BAR to IEUA. The revised *“Fixture Unit Worksheet”* was forwarded to the Building and Safety Division for appropriate disposition. At the time of issuance of this report, the City of Fontana was in the process of issuing a credit/refund to the developer for over-collected Connection Fees.

As one of the review procedures, IA observed a fixture re-count by the Building and Safety Division. Fontana staff originally calculated and collected the connection fees based on 15 connections for a trench drain. During the recount, Fontana’s Plan Checker noted that these individual drains are actually part of a single 4” Trap. Instead of 15 connections at 8 fixture units each, the recount resulted in 1 connection at 8 fixture units. This combined with a small count difference on floor drains resulted in a net reduction of 108 fixture units.

*IA noted that the building plans submitted for plan check vary widely in the amount of detail and description that they provide. During the review of the plumbing plans, IA observed that the type of fixture (i.e. floor drain, sink, drinking fountain, etc.) is not always clearly shown/marked in the plans submitted by the developer. Occasionally, a plumbing fixtures summary may be provided. In some cases a separate plumbing plan may not be available, thus requiring performing the fixture counts by relying on other*

*plan documents. The difference in the documents used for fixture counts can create different totals creating inconsistencies in the fees collected.*

*IA noted there are differences of opinion about how the fixture units are counted. One plan checker may count all the drain points in the plans for a Trench Drain and assign them fixture unit values. Another plan checker may interpret that there are several drain points; however, all the wastewater will flow through to only one trench drain to the connection point and into the sewer lines. This difference in interpretation creates inconsistencies in how fixture units are counted and ultimately affects the total EDU connections reported and the amount of connection fees collected.*

**IA Recommendation:**

- 6. IEUA should consider developing significant expertise in fixture count techniques and providing regular and ongoing training at the building departments of the individual Contracting Agencies to develop consistency in the IEUA fixture count process across the region.**

**Volumetric Sewerage Fees**

Section 18 of the Regional Sewerage Service contract as amended on October 19, 1994 states:

*“Concurrently with the adoption of the Regional Sewerage System budget, the Board of Directors of CBMWD shall fix the service charge rate for the fiscal year. The rate shall be expressed in dollars and cents for each Equivalent Dwelling Unit (EDU) of sewage and shall be computed . . . as set forth in the Regional Sewerage System budget adopted for the fiscal year. The estimated EDU’s of sewage delivered into the Regional Sewerage System shall be determined based on a standard daily measurement or contribution of sewage per EDU agreed to from time to time by CBMWD and the Regional Technical Committee.”*

Thus, the Regional Contract delegates the details of determining monthly sewerage billing to the Regional Technical Committee. The most recent information about monthly sewerage billing is from a memorandum entitled “Procedures for Establishing a Regional Sewer Billing Formula” which IA was informed was adopted by the Regional Technical Committee for monthly/bimonthly billing processes in 1997.

The City of Fontana’s residents and businesses receive local and regional sewer services from the City and IEUA, whereas water or trash services are provided by third-party private companies. The City does not receive any water consumption information from the private water company. For sewerage billing purposes, all customers are billed based upon the EDUs established at the time of initial connection to the local sanitary sewer system. The number of EDUs billed is adjusted for any expansions by users who expand their number of fixture units.



Single-family residential customers are billed one EDU and Multi-family residential customers are billed 0.7 EDU for sewerage service fees at the rate of one EDU or 0.7 EDU per month for each month in a fiscal year through the County of San Bernardino Property Tax Roll. Unless it is a new residential property or there is a change in ownership, then the billing for sewer services will be on a bi-monthly basis until the following Property Tax Roll. At this time, the City's ordinance only addresses sewer service fees being collected from residential properties through property taxes.

The City does not collect sewer service fees for Commercial, PSF, City Facilities or light Industrial through the property tax roll. Many times the property owner, who is responsible for the property taxes, and the business owner are not the same entity. The property owners for Commercial and Industrial properties are responsible for the sewer service fees through the bi-monthly billing. To ensure collection for any unpaid bills from Commercial and Industrial properties, the City will file liens and add to their annual property tax information submitted to the County. The City does have two Industrial businesses, Cliffstar and California Aseptic Beverages that are billed on a monthly basis, according to the flow information from wastewater meters that are read by the City of Fontana's Environmental Division staff and converted to EDUs.

For the 56 commercial businesses, PSF, and other City facilities selected, IA tested to determine whether sewer billing is in fact taking place in the Utility Billing System and reported to IEUA. Based on the review, it appears the sewer service accounts reviewed were billed appropriately based on the assigned EDUs and reported to IEUA.

IA noted the City of Fontana is the only Contracting Agency that performs the sewerage billing based on EDUs, rather than water usage. The current methodology applied by the City for sewerage billing charges does not coincide with the formulas and categories established in the "Procedures for Establishing A Regional Sewer Billing Formula" document that IA was informed were presented to the Regional Technical Committee in 1997. IA also noted that no documents appear to be available indicating that this methodology was approved and/or mandated for the region. The document itself appears to be a draft for presentation purposes, not an approved approach. There is also no documentation that the document was presented to the IEUA Board of Directors and approved.

**IA Recommendations:**

- 7. IEUA should determine the most appropriate method the Contracting Agencies should apply when billing for sewer services; either by water consumption or EDUs. Since the adoption of the memorandum by the Regional Technical Committee, there have been greater efficiencies achieved in water usage, which may have an impact on the type and amount of sewerage discharged and the type of services provided to the region as a whole. The billing methodology should be aligned with the services provided. Another approach to consider as part of the billing methodology would be examining winter season usage of residential***

***properties to investigate a volumetric rather than EDU based rate structure. The billing methodology should be presented to the IEUA Board of Directors and formally adopted, since the Regional Contract specifies that the role of the Regional Technical Committee is to make recommendations. As part of this process, a Rate and Fee Study would assist in establishing a sustainable and equitable rate structure that recovers the cost of providing services.***

- 8. IEUA should consider standardizing and providing more detailed regular reporting of the ongoing sewerage charges. In particular an automated item by item detailed listing of non-residential charges would provide information that could be reviewed and researched for anomalies and reconciled on a regular basis. Alternatively, an automated interface between IEUA and the Contracting Agencies would provide similar advantages.***
  
- 9. IEUA should consider establishing the collection of the monthly Sewer Service Fees (Volumetric Fees) directly for the entire region through the County's Property Tax Roll. Collection of the Sewer Service Fees through the property tax roll could result in a more efficient process and reduce the administrative resources used by Contracting Agencies in billing and collecting for these fees. Residential properties could be transferred initially until consideration is given to ways in which and whether to transition fees from commercial, industrial and other entities.***

***IA Recommendation specific to IEUA and the City of Fontana:***

- 10. IEUA and the City of Fontana should work closely with the water companies that service the properties within their boundaries to obtain water consumption reports for its customers. With the water consumption reports, the City can calculate sewer fees in the form dictated by the Regional Contract and using the same method applied by the other six Contracting Agencies. This would create consistency among all Contracting Agencies.***

**Total Sewer Service Fee Billings/Revenue**

IA compared the Sewer Billing Revenues recorded by IEUA for agreement to the City of Fontana's general ledger information to determine if all sewer related collections/billings by the City are paid to (or "passed-through") and reported to IEUA.

IA noted the following variances between the Contracting Agency's general ledger revenues and the revenues recognized by IEUA that are based upon Monthly Sewer Billing Reports submitted to IEUA:

<b>IEUA Revenue compared to Fontana Revenue FY 2012/13 (July 1, 2012 through June 30, 2013)</b>			
	<b>Sewer Utility Revenue ending balance from IEUA Financial System: City of Fontana</b>	<b>Sewer Utility Revenue ending balance per City of Fontana's general ledger</b>	<b>Variance</b>
Sewer Service Fees	\$ 7,506,286	\$ 7,512,295	\$ 6,009
ET Fees	\$ 1,017,584	\$ 1,009,894	\$ (7,690)

Per the City of Fontana staff, the Sewer Revenue in the City's general ledger is slightly higher than and the ET Revenue in the City's general ledger is slightly lower than the amount billed by and shown on the IEUA accounts. The variance is due to a combination of reasons including a posting error, timing, fee rate increases, etc.

For the period of July 1, 2013 through December 31, 2013, IA was unable to reconcile the Sewer Revenue and ET Revenue to the City's general ledger due to the encumbered amount for the fees is for the entire fiscal year and the City had only received the first of two installments for the collection of Sewer Service fees from the County of San Bernardino Property roll at the time IA's review procedure was performed.

Additionally, IA noted the following variance between the Contracting Agency's general ledger expenses and the revenues recognized by IEUA that are based upon Monthly Sewer Billing Reports submitted to IEUA:

<b>IEUA Revenue compared to Fontana Expense FY 2012/13 (Jul 1, 2012 through June 30, 2013)</b>			
	<b>IEUA SAP for City of Fontana</b>	<b>Sewer Utility Expense ending balance per City of Fontana's general ledger</b>	<b>Balance Variance over/(under) paid to IEUA</b>
Sewer Service and ET Revenue	\$ 8,523,870	\$ 8,524,523	\$ (653)

**Extra-Territorial Fees**

City of Fontana has ET areas, which are areas receiving sewer services that fall outside of IEUA's boundaries lines per the Regional Contract. According to the Fontana's Sewer Fee Schedule, the ET areas are located in the north, northeast, south and southeast portions of the City. Connection to the sewer system requires application to and approval by IEUA, along with other fees in addition to the Initial Connection Fees. Additionally, the City has unincorporated areas to the northern portion of the City that are within the Contracting's Agency sphere of influence, which require approval for connection into IEUA's service area.

Planning has been working with the City of Fontana regarding the collection, reporting, and payment of ET fees to the Agency for the designated areas. IA did not perform procedures for the ET areas since these are under review by Planning.

### **CCRA Reconciliation**

IA verified the CCRA account balance recorded in IEUA's records and its CAFR agree to the Contracting Agency's general ledger at June 30, 2013.

Fiscal Year	City's CAFR	IEUA CAFR	Variance
2012/13	\$5,210,856	\$5,210,858	\$ 2

### **Timeliness Testing**

IA tested the timeliness for remittance of the Sewer Service fees (Monthly Volumetric EDU fees) collected by the Contracting Agency and due to IEUA's Fiscal Management and the Building Activity Reports submitted to IEUA's Planning and Environmental Compliance Department for 18 months, covering period July 2012 to December 2013.

The Sewer Service fees (Monthly Volumetric fees) were generally remitted to IEUA on a timely basis. There were a few times that the due date may have fallen on a weekend and fees were processed on the following business day in IEUA's financial system.

There was one instance during the 18 month period that the fees were paid past the due date. According to the Regional Contract, any amount not paid by the due date shall accrue interest on a monthly basis at an annual rate equal to the current federal discount rate plus two percent. IEUA's Fiscal Management assessed and collected interest on Sewer Service Fees that were overdue for the service period, August 2012, in the amount of \$654.11.

Building Activity Reports are submitted to IEUA, ranging between 1 day (lowest) and 29 days late (highest), and an average of **six (6) days late (after the report due date)**.

### ***IA Recommendation:***

***11. IEUA should consider evaluating the current process used for invoicing each Contracting Agency for monthly sewer fees collected. By establishing a contract for monthly payment instead of relying on the invoice process, each Contracting Agency could provide the EDU information and remit the funds collected to IEUA directly within a reasonable period of time; instead of waiting for an invoice that delays payment for up to 45 days. By reengineering the process, IEUA would receive the monthly sewer fees collected by the member agencies in a more efficient and timely manner. This is particularly true for Fontana***

*where the monthly EDU amount is largely an artificially calculated number based on 1/12 of the total residential property tax roll provided to the County for collection.*

### Kaiser Fontana Hospital

#### Additional Agreed Upon Procedures

Planning requested that IA evaluate whether the City of Fontana appropriately reported fixture units and collected connection fees in accordance with the Regional Contract for the new hospital building at the Kaiser Permanente Fontana Medical Center (Kaiser Fontana). IA gathered information related to Kaiser Fontana, met with IEUA and Fontana staff, performed a physical observation and reviewed available records. IA found that the City of Fontana did not report new fixture units nor collect connection fees for the new hospital building.

#### Background/History<sup>3</sup>

Kaiser Permanente is one of the nation's largest not-for-profit health plans with hospitals in eight states and the District of Columbia including California. In Southern California, Kaiser provides healthcare services to over 3.5 million members through 14 medical centers and 198 medical offices. Kaiser Permanente's first medical center is located in the City of Fontana and falls within IEUA's approved grandfathered ET area (per the City of Fontana's map showing sewer service area boundaries). Extra Territorial refers to additional territory outside the boundaries of IEUA and the property tax area known as Improvement District "C". Therefore, Kaiser Fontana is not within Improvement District "C", but is still serviced by Fontana and IEUA for sewerage.

Kaiser Fontana opened in 1943 at the Kaiser Steel Mill. Kaiser Fontana moved to its current site with the construction of a **four-story, 420-bed** hospital building in 1955. Other medical offices and buildings have been added as Kaiser Fontana has grown and expanded. Currently, Kaiser Fontana provides healthcare to over 400,000 members.

In 2009, Kaiser Fontana began construction of the "*Replacement Hospital*" for the Fontana medical campus to conform to the California Seismic Safety Act. At the southern end of the existing Fontana medical campus, a new **seven-story** 490,000 square feet (sq. ft.) hospital and inpatient tower with **314-private-beds** was constructed. In addition to the new hospital building, Kaiser added a 22,775 sq. ft. central utility plant and a 55,000 sq. ft. hospital support building containing medical offices and other services (radiology, pharmacy, etc.). **This new state-of-the-art "*Replacement Hospital*" opened in May 2013.**

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<sup>3</sup> Background/History of Kaiser was obtained from various on-line sources.

Figure 1  
New Hospital Building



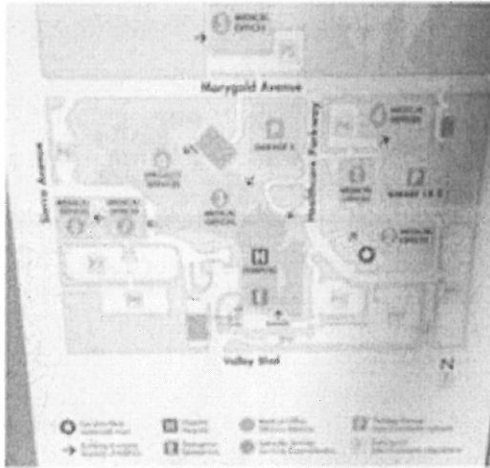
**IA Physical Observation at Kaiser Fontana**

IA performed a physical observation of Kaiser Fontana to determine whether the original and new hospital buildings are operational and in use and whether any of the existing hospital was demolished. IA determined that the original hospital has been subdivided into two structures now called: **Medical Offices 3 (MOB 3)** and **Specialty Services 6 (SS 6)**. MOB 3 has been converted to outpatient use for Medical offices/clinics, while SS 6 is used for Hospital Specialty Services (such as surgeries, etc.). Auditors performed observations on each floor of the new hospital and MOB 3 of the existing hospital and noted that **both the new and the original hospital buildings are operational and in use and the existing hospital building was not demolished.**

IA was not able to determine whether all rooms and areas of the existing main hospital are being used due to access restrictions, auditors were not allowed further than the interior hallways of MOB 3 and the lobby area in SS 6. It was noted that all four floors of MOB 3 appear to be in use and providing medical services (such as Audiology, Endocrinology, Diagnostic Imaging, General Surgery Services, Nephrology, Oncology, etc.) laboratory, pharmacy, and so on. The pictures that follow are of MOB 3.

Figure 2 Pictures

Various Pictures of the existing hospital building that has been converted MOB 3



Map of Fontana Medical Center

This picture is displayed outside the buildings and shows the most current layout of the Kaiser Fontana Campus



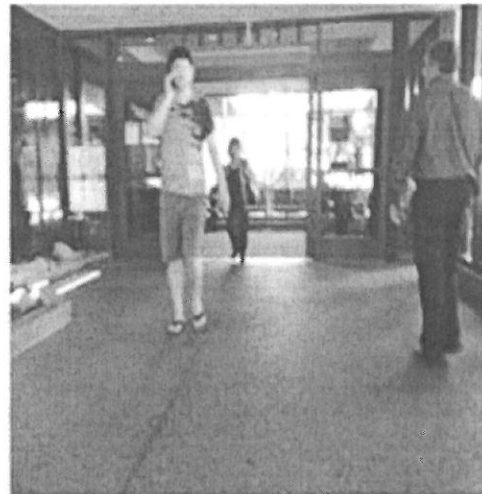
Existing Hospital Building

This picture shows the outside of the Existing (or "old") Hospital



MOB 3 - Signage

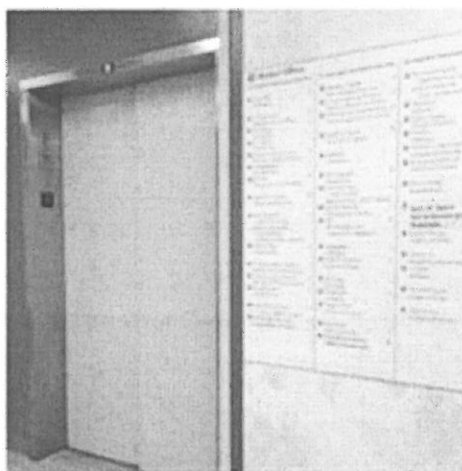
This picture shows the sign welcoming patrons to Building 3  
Building 3 was open and operational



Entrance to MOB 3

This picture captures patrons entering and leaving Building 3

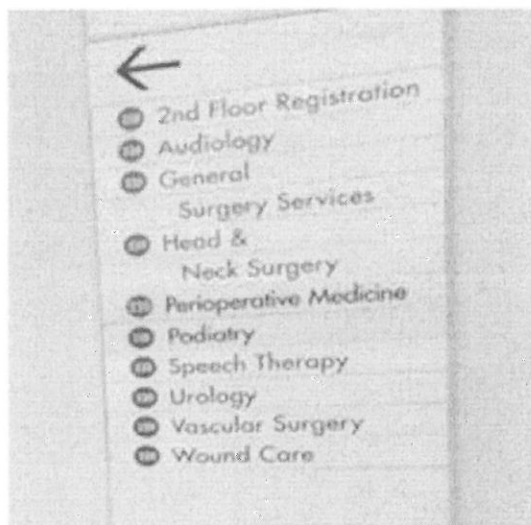
Figure 2 (continued)



**MOB 3 Hospital Directory- 4<sup>th</sup> floor**  
This picture shows the Directory near the elevator in Building 3 (the "old" hospital) which shows that Medical services are offered on each of the floors of the existing hospital, therefore, operational and in use.



**MOB 3 - Pharmacy - 1<sup>st</sup> floor**  
This picture shows the Pharmacy located in Building 3 (the "old" hospital) which is open for service to patrons



**MOB 3 Hospital Directory- 2nd floor**  
Picture showing the directory on the second floor. Demonstrates the various types of services provided.



**MOB 3 - Waiting Room**  
Picture shows patrons in a waiting room in Building 3 (the "old" hospital)  
Demonstrates the building is operational and in use.



***Observation:***

***IA found that the City of Fontana did not report new fixture units (and EDUs) related to the new Kaiser Fontana hospital, offset any demolished fixture units, or collect the corresponding Connection Fees.***

*City of Fontana*

Prior to 2007 Kaiser had been classified as a Significant Industrial User and was permitted to discharge up to 450,000 gallons per day (gpd) in accordance with the Industrial Wastewater Discharge Permit between the City and Kaiser. Fontana's position is that so long as Kaiser Fontana does not discharge in excess of the originally permitted 450,000 gpd the City will not assess connection fees for new construction at Kaiser Fontana.

IA requested, however, the City of Fontana is not able to provide or does not have any documented records that demonstrate or validate how or when the 450,000 gpd limit was approved, determined or purchased and why new Connection Fees should not be assessed. **No evidence has been provided to IA to support the position that Kaiser Fontana is exempt from paying Connection Fees; therefore, without documented support, the City of Fontana should follow the Regional Contract requirements.**

*Chino Basin Regional Sewage Service Contract and Exhibit J*

The Chino Basin Regional Sewage Contract, Section 12.C (page 49) states:

"...the Contracting Agency shall deposit or credit its Capital Capacity Reimbursement Account a Capital Capacity reimbursement Payment for each new Residential Unit which was or is connected to its Community Sewer System within that territory subsequent to July 1, 1979 and for each newly constructed Commercial Unit or Industrial Unit which was or is connected to the Community Sewer System within that territory subsequent to January 1, 1980, the amount of which shall be determined as provided in subpart 2 of part E of Section 9 hereof."

Exhibit "J" of the Regional Contract, under Notes, Section B, Reimbursement Fees to be levied on Pre-1979 Structures Connecting to the Regional system, states:

"The CCRA fees will apply to all commercial and industrial development regardless of when the structure was constructed. When a non-residential use requests to connect to the regional system or modify its use if already connected, the CCRA fee should be based on the current fee in effect at the time the connection or modified use is made."

Exhibit "J" of the Regional Contract, under Notes, Section C, Reimbursement Fees to be Levied on Existing System Users Who Expand or Revise Use, states:

"In some situations existing commercial and industrial users will expand uses to meet increasing demands. As a result, additional fixture units will usually be included within the expanded facility. Under these situations the following criteria will apply:

- a. CCRA fees will only be levied on the fixture unit (FU) count difference between existing FU's and new FU's.
- b. The CCRA fee will be determined based on the fee in effect at the time of the building or sewer permit issuance for the expanding development.
- c. A change in use, placing a commercial development in a different Exhibit "J" category will not result in the recalculation of CCRA obligation for the existing FU's. Only the new added FU's will be levied CCRA fees based on the Exhibit "J" category which best defines the proposed use."

Exhibit "J" of the Regional Contract, under Notes, Section E, Attachment of Sewer Use Rights; Tied to Property or Structure, states:

"Under certain situations an existing discharger may want to relocate or renovate a business. The issue may then arise as to ownership of certain existing discharge rights in the regional system.

All sewer capacity remains with the existing building and should be sold to the building owners rather than tenants.

In cases where an existing building is completely demolished, the transfer or reuse of capacity rights can be permitted provided that:

- a. Proof of building demolition can be documented;
- b. Payment for original system capacity can be documented;
- c. The demolition occurs simultaneously with the transfer; and
- d. The transfer occurs within the Contracting Agency who originally sold the capacity.

Capacity rights would be determined based on fixture unit counts and the Exhibit "J" use category of the demolished structure. Because local collection systems may also be impacted by a relocation, this exception shall be at the

sole discretion of the contracting agency who is accepting the relocated capacity.

Any additional EDUs required shall be purchased per Note C of this Exhibit."

**Aerial Photograph Observations of Kaiser Fontana**

IA obtained aerial photographs from IEUA's GIS staff for Kaiser Fontana from 2004 through 2012. Additionally, IA obtained an aerial photograph from Google maps for 2014. The purpose was to examine whether any original buildings existed prior to the construction of the new hospital building. Based on IA's observations of the aerial photographs, it appears that several smaller buildings were once located on and near the location where the new hospital building now exists.

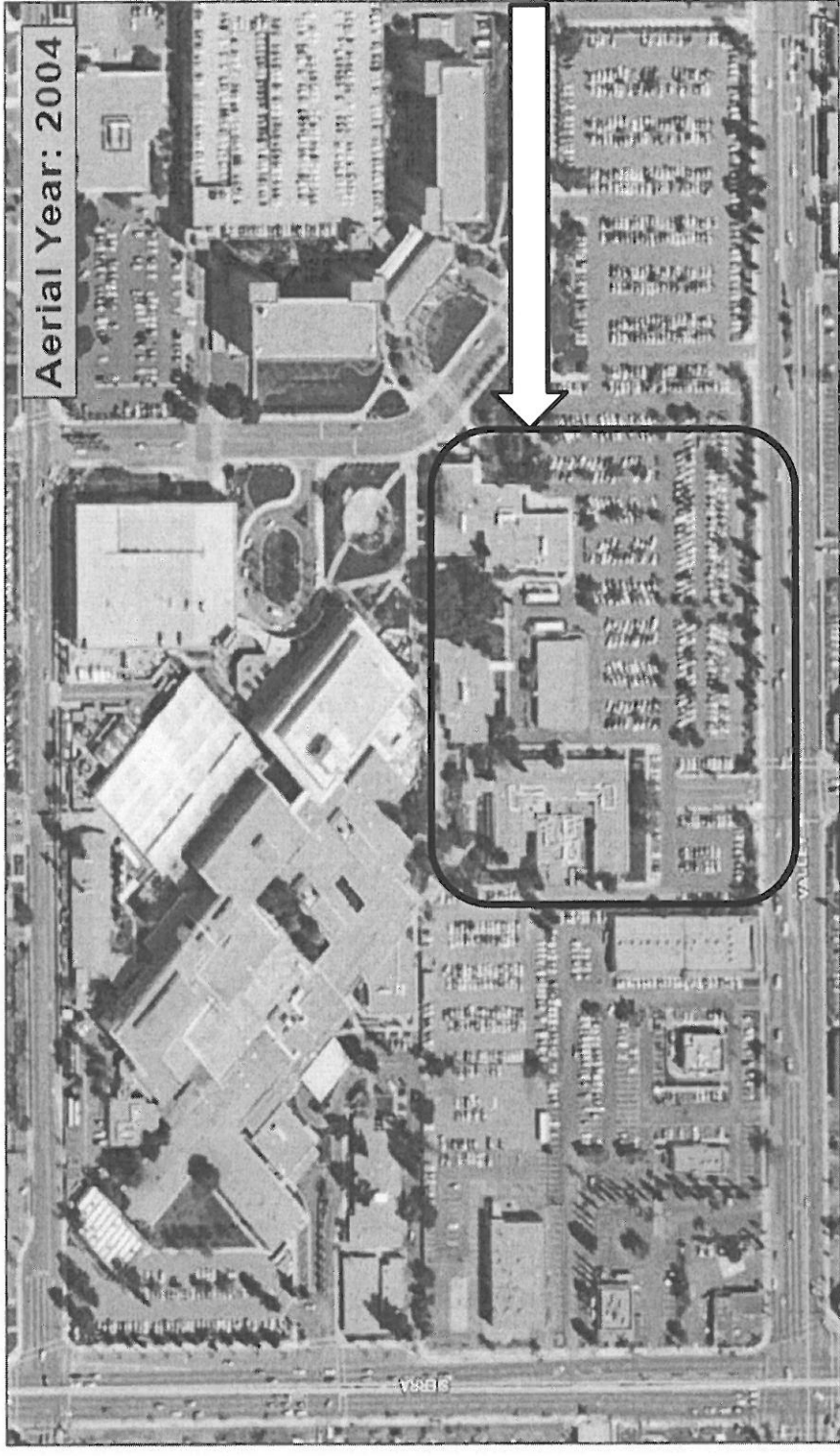
These observations indicate that perhaps smaller Kaiser Fontana Hospital buildings were demolished to make room for the new hospital building. With only the aerial photographs, it is not possible to determine the size of buildings, total number of fixture units, in order to determine if Kaiser Fontana should be given a credit for existing fixture units. IA requested, however the City of Fontana does not have documented information on the type and number of fixture units for Kaiser Fontana prior to or after the construction of the new hospital; therefore, there is no supporting documentation to validate the total number of fixture units at the Kaiser Fontana medical campus. In order to determine the number of fixture units, City of Fontana representatives would need to perform a physical inspection to determine the total new fixture units and obtain supporting documentation for previously existing/demolished fixture units.

The following pictures are aerial photographs of the Kaiser Fontana Hospital in 2004, 2012 and a most recent one taken from Google maps on November 12, 2014.

IA obtained from Google Maps, a 2014 picture that shows the site has been completely constructed and the previous hospital building continues to exist along with the other medical offices and buildings at the Kaiser Fontana Medical Center

***IA Recommendation:***

- 12. IEUA and the City of Fontana should work together to determine if there were existing facilities with existing fixture units, and determine if any credit can be applied on the new hospital building or if additional connection fees are due to IEUA as required by the Regional Contract.***

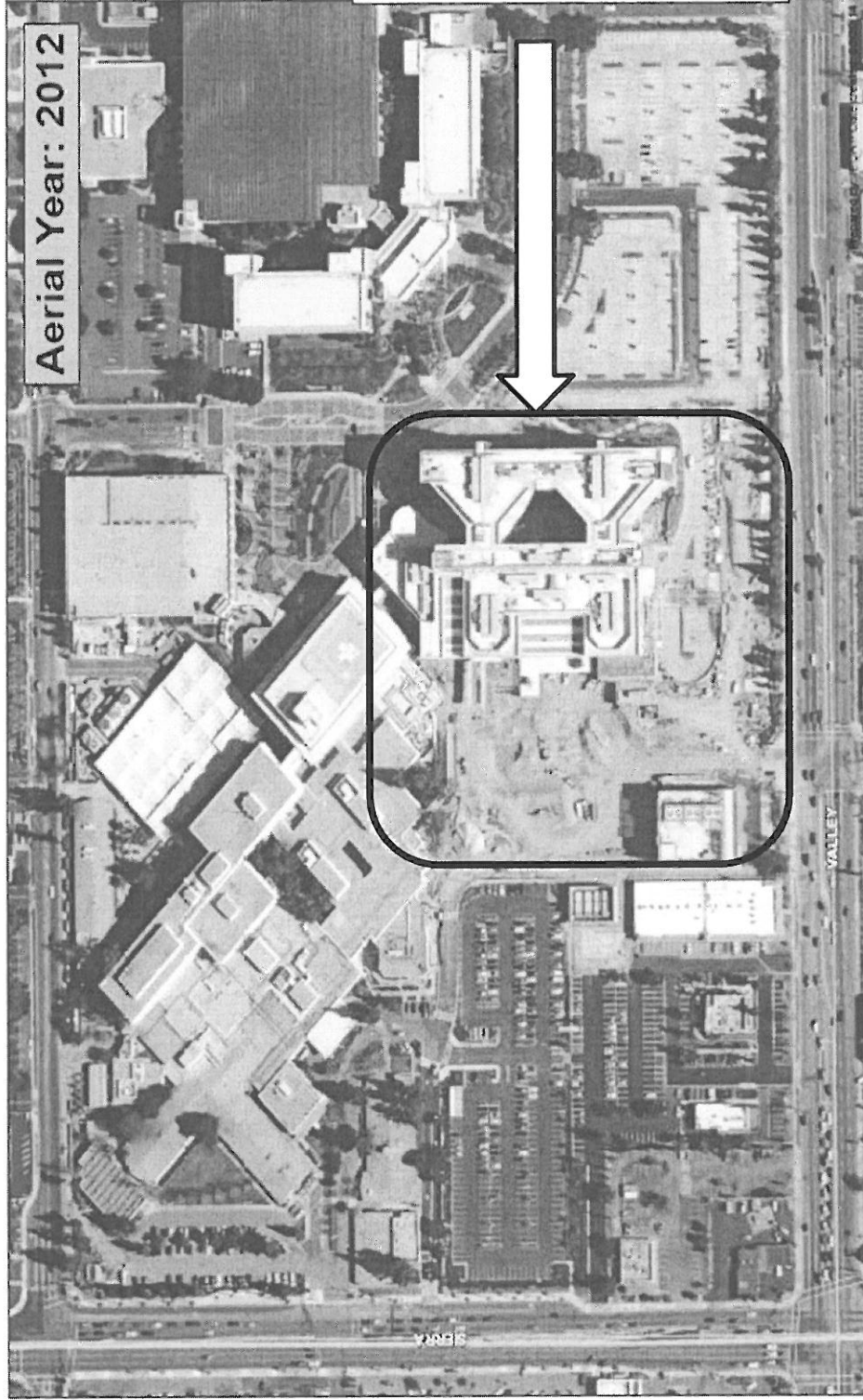


Aerial Year: 2004

2004 aerial photograph shows there are three or four buildings where the new hospital building now stands.



Kaiser Permanente  
8261 Sierra Ave Fontana, CA

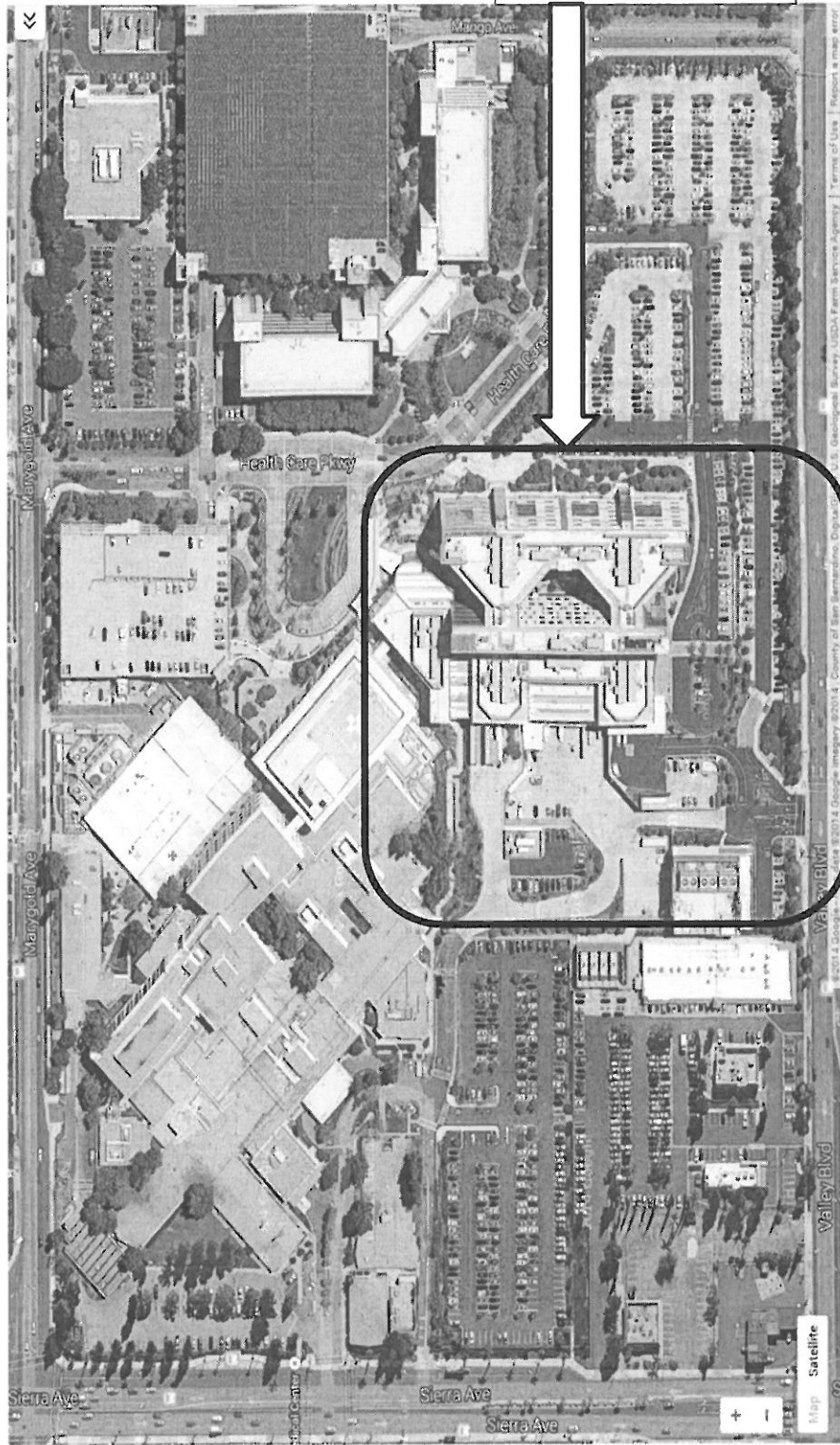


Aerial Year: 2012

2012 aerial photograph shows that the buildings shown in the 2004 aerial photograph have been removed.  
Note: The new hospital building and inpatient tower opened for operation in 2013.

Kaiser Permanente  
6061 Sierra Ave Fontana, CA





2014 aerial photograph from Google Maps shows the completed hospital campus.

**Internal Audit Findings related to Kaiser Fontana:**

- 1. IA found that no evidence is available to support Fontana's discharge capacity description. There are no documented records that approve Fontana's current position; therefore, without documented support, the City of Fontana should follow the Regional Contract requirements.***
  
- 2. IA found that existing structures that appeared to be on Kaiser Fontana's campus, were demolished as part of the renovation based on aerial pictures reviewed; however the City of Fontana has not provided any records to demonstrate which or how many fixture units were demolished in order to apply any type of fixture unit credit to the new hospital building.***

According to the Regional Contract, if there was demolition, the customer would receive credit for the related fixture units. The City of Fontana should have performed a fixture unit count and assessed the appropriate Connection Fees to Kaiser Fontana's hospital expansion for the difference between the new and old fixtures. IA estimates that a minimum of \$1.3M in Connection Fees would have been collected and reported on the CCRA account for the minimum number of new fixtures, although no information has been collected on potentially demolished fixture units. The Comparative Information below explains how the \$1.3M is computed.

**Comparative Information:**

As part of the Regional Contract Review, IA identified two other medical facilities that underwent expansions and Connection Fees were assessed by the Contracting Agency. These two expansions are included as a comparison to Kaiser Fontana to provide additional support for an estimate of the Connection Fees that should have or might have been collected by the City of Fontana:

**San Antonio Community Hospital in Upland, CA:** This is another entity that was declassified as a Significant Industrial User in the July 2, 2007 letter. The hospital currently has construction underway to expand the Emergency Department to 52 beds and add a four-story patient tower with 92 private medical and surgical rooms, including 12 critical care rooms. The Contracting Agency collected Connection Fees in the amount of **\$1,370,197** for this expansion.

**Kaiser Permanente's Ontario Medical Center located in Ontario, CA:** The medical facility is located on a 28-acre master-planned campus and the construction project included a 386,000 sq. ft. Hospital Medical Center with two patient towers that hold 260 beds and a diagnostic and treatment wing, a new three-story 160,000 sq. ft. hospital support building that has medical offices, and major additions to the existing Central Utility Plant. The Contracting Agency collected Connection Fees in the amount of **\$1,409,106** for this expansion.

Had the City of Fontana applied the Regional Contract requirements to the Kaiser Fontana hospital building, the assessed connection fees would have been a minimum of \$1.3M. This calculation is based on the hypothetical assumption that each of the 314-private beds has a bathroom that includes at least one toilet and one sink. This assumption does not take into consideration any demolished fixture units nor the cafeteria and additional “public” bathrooms for staff and visitors observed by IA:

Type of Fixture	Fixture Units	Quantity	Category	Sewage factor	EDU rate (FY 09/10)	Connection Fees
Water Closets (toilet)	4	314	III	0.1780	\$ 4,766	\$ 1,065,525
Lavatory (sink)	1	314	III	0.1780	\$ 4,766	\$ 266,381
<b>Minimum Estimated Connection Fees would be</b>						<b>\$ 1,331,906</b>

**IA Recommendation specific to IEUA and the City of Fontana:**

**12. IEUA and the City of Fontana should work together to appropriately report the fixture units at Kaiser Fontana and appropriately report the corresponding Connection Fees on the BAR. Because Kaiser Fontana has been an unresolved concern since the hospital opened for services in 2013 (and perhaps as far back as 2009 when construction first began) IEUA should also consider presenting the issue to the Technical and Policy Committees, and ultimately the IEUA Board of Directors for evaluation and further direction.**

**IA Recommendations:**

**13. As part of renegotiating the Regional Contract, IEUA should consider adding language to the Regional Contract for inspection and verification rights as to Connection Fees and any recourse IEUA may have when the Contracting Agency under-collected or under-reported the Connection Fees.**

**14. IEUA Planning and Pre-Treatment groups should take the lead to exercise the authority provided under Regional Contract Section 26 Inspection of Facilities, and establish an on-going monitoring program to inspect random facilities or those where there is a suspected discrepancy in order to ensure the intent of the Regional Contract is applied and ensure the integrity of the Regional Program.**



Section 26 of the Regional Contract states:

"Any authorized officer or employee of CBMWD may enter and inspect any part of the Community Sewer System of any Contracting Agency or any member of the Regional Policy Committee or Regional Technical Committee may enter and inspect any part of the Regional Sewerage System. Except during emergencies, such inspections shall be made during normal working hours on regular business days and upon the giving of not less than 24 hours prior notice of the inspection. Any inspecting officer, employee or member of the Regional Policy Committee or Regional Technical Committee shall bear proper credentials of authority and identification. The right of entry and inspection shall be limited to public streets, easements and property within which the systems shall be located. The rights of inspection shall include observation, measurement, sampling and testing."  
(Amended April 12, 1984)

### **Resolution, Policy & Technical Committee & IEUA Board of Directors**

Section 25 of the Regional Contract states:

"...The committee may, and upon request by the Regional Policy Committee or CBMWD shall, review and make recommendations concerning any of the following technical matters: the acquisition, design, construction, maintenance, operation, or financing of the sewer facilities, sewage treatment, reclamation, or disposal facilities, sewage and effluent measuring devices and equipment, Community Sewer System and the **Regional Sewerage Systems; sewer user charges, service charges, quality standards for sewage and any effluent; and any other technical matter related to any of the foregoing.**"

*IA recommends that IEUA and the City of Fontana should work together to resolve the connection fees and treatment of the Kaiser Medical facility. There may be other entities like Kaiser with similar circumstances that reside in IEUA's service area. It may be in the best interest for the region as a whole that IEUA and the City of Fontana establish an agreement regarding charges for future construction/expansions or a*

*baseline amount for the maximum daily discharge amount permitted for the Kaiser Permanente Fontana Medical Center.*

*IEUA and the Contracting Agencies should work together to establish as part of an amendment to the Regional Contract or through contract renegotiations a policy or guidelines on the treatment of entities that pre-date the Regional Contract should there be future expansions.*

Regional Sewerage Services

Kaiser Fontana is currently assessed for bi-monthly sewerage services based on wastewater flow monitoring. On an annual basis, an independent consultant is engaged to conduct a flow analysis for the purpose of measuring the wastewater flow at various points within the medical facility. Temporary wastewater meters are set-up at four connection points at the medical facility for a seven-day period to measure depth, velocity, and quantity flows for the amount of wastewater discharge. The flow monitoring information is provided to the City of Fontana, which converts the information into EDUs for the sewerage fee billing reported to IEUA.

According to the 2014 flow monitoring report, Kaiser Fontana discharged approximately 194,000 gpd amounting to 718 EDUs. The 2014 flow monitoring report was conducted eight months after the new hospital building was complete. IA noted that the flow discharged from Kaiser Fontana has not increased significantly even with the additional hospital building. Below are results from annual flow monitoring reports:

Year	Gallons per Day	Approximate EDUs
2014	194,000	718
2007	180,000	667
1998	379,620	1,406

This analysis shows that systems and businesses have evolved. Businesses and residences are installing/utilizing more water-efficient appliances that reduce the amount of water waste. While the total wastewater flow may be reduced; there is increased concern over the concentration of the wastewater and its impacts on the regional sewage infrastructure. For this reason there should be motivation to review and revise the existing formula currently applied to determine Connection Fees and monthly sewer charges.

**IA Recommendation:**

- 15. IEUA should consider undergoing a Rate and Fee Study to evaluate current rates and cost of service to assist in establishing a sustainable and equitable rate structure that recovers the cost of providing services.**

Other Connection fees for Kaiser

As part of the Regional Contract Review, IA identified that Fontana had collected Connection Fees from Kaiser for additional fixture units; however, the nature of the fixture units has not been determined. These fees were most likely related to expansion, remodeling or improvements to existing buildings. Below is a table showing the connection fees that were identified as collected by Fontana and reported to IEUA:

BAR Report	Fixture Units	EDUs	Category	Sewage factor	Connection Fees collected and reported to IEUA <sup>(1)</sup>	Reason or Area <sup>(2)</sup>
December 2006	3	0.5340	III	0.1780	\$ 2,242.80	Hospital Room WTAGN 2301
December 2006	16	2.8480	III	0.1780	\$ 11,961.60	Hospital
June 2007	2	0.3560	III	0.1780	\$ 1,495.20	Unknown
March 2008	1 (net)	0.0444	I	0.0444	\$ 197.58	MOB 2, 6 <sup>th</sup> floor (Infusion Center relocation)
October 2008	6	0.2664	I	0.0444	\$ 1,244.89	Unknown
March 2009	0.5	0.0222	I	0.0444	\$ 103.74	Unknown
March 2009	45	1.9980	I	0.0444	\$ 9,336.65	MOB 8
<b>Total Connection fees paid</b>					<b>\$ 26,582.46</b>	

(1) = City of Fontana noted Connection fees were also collected for "Temporary Construction Trailers" in the amount of \$17,384.15, which was not reported to IEUA and not included in the table above. According to the Regional Contract, Connection fees are to be collected for "All structures designed for the purpose of providing **permanent** housing enterprises engaged in exchange of goods and services."

(2) As noted per the Fixture Unit Worksheet provided by the City of Fontana.  
MOB = Medical Office Building

The City has stated that according to their discharge capacity methodology these Connection Fees should not have been collected and a refund will be issued to Kaiser Fontana, with an adjustment to be reflected on the CCRA account balance. It is the City's position that because Kaiser Fontana has not reached 450,000 gpd (as permitted when an SIU), no additional connection fees should be assessed for any types of improvements. As of October 30, 2014, the City of Fontana had not issued a refund to Kaiser Fontana.

IEUA's position is that the refund is not warranted and a credit should not be issued. The Regional Contract states that any improvements after the Contract has been established will fall under the contract requirements. The City of Fontana should demonstrate the nature of the fees and treat them as regular connection/expansion fees according to the Regional Contract requirements.

**Acknowledgements**

We would like to extend our appreciation to the City of Fontana and the IEUA Planning and Environmental Compliance Department for their cooperation and assistance during this review.

**Discussions with the City of Fontana**

During the course of the audit and prior to finalizing this report, IA discussed the observations and recommendations noted in this report with Mr. Tony Mata, Environmental Control Supervisor, City of Fontana.

**Discussions with IEUA's Planning and Environmental Compliance Department**

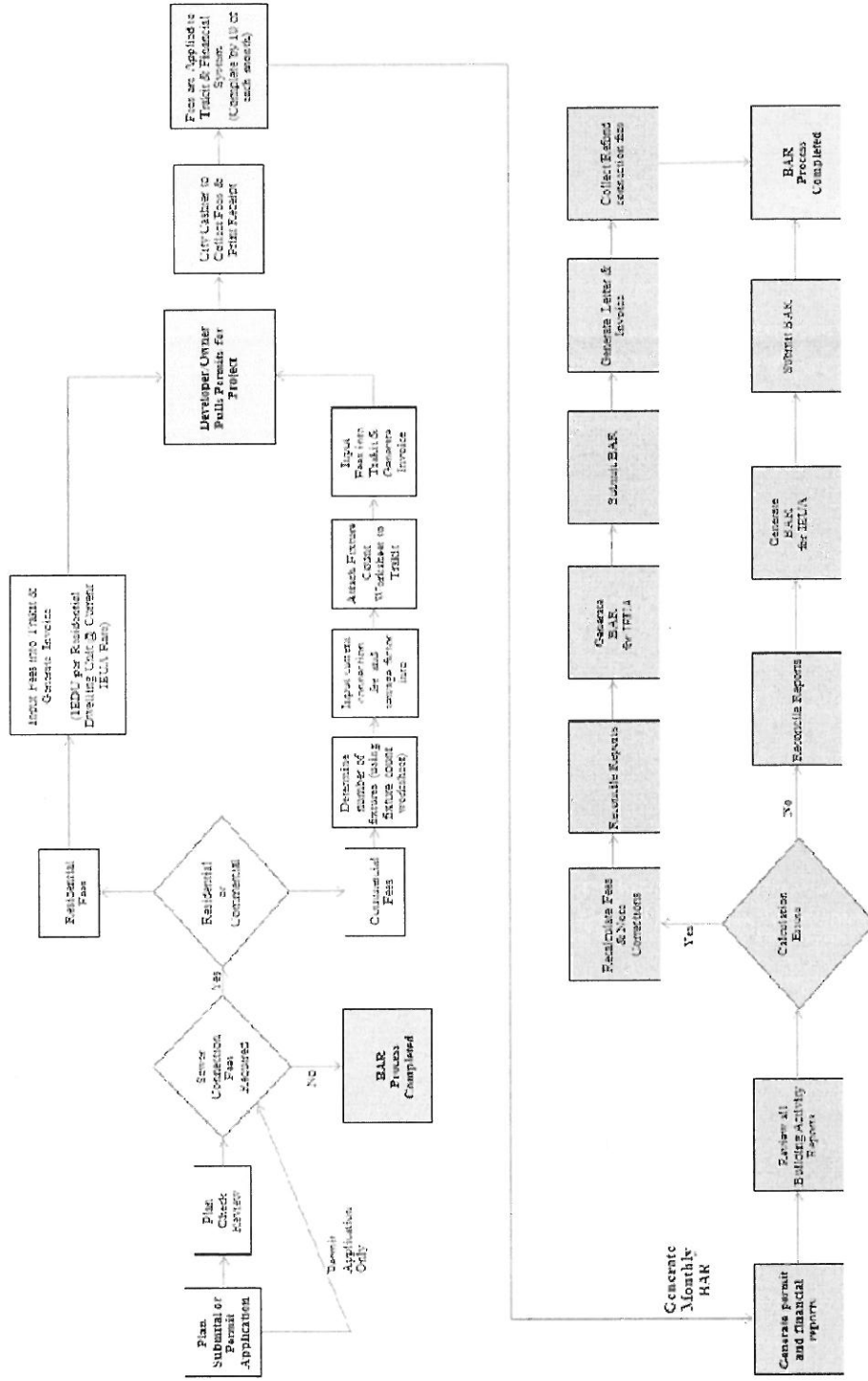
IA has met with Planning to discuss the contents and provide a copy of this report to Chris Berch, Executive Manager of Engineering/Assistant General Manager, Sylvie Lee, Manager of Planning and Environmental Compliance, Andy Campbell, Deputy Manager of Planning and Environmental Compliance, Craig Proctor, Pretreatment and Source Control Supervisor, Pietro Cambiaso, Senior Engineer, and Kenneth Tam, Environmental Compliance Officer of the IEUA's Planning and Environmental Compliance Department prior to finalizing this report, for their review and comments.

**Action Items**

IA will submit a separate report for each of the seven Contracting Agencies as each review is completed. At the conclusion of the audit of all seven Contracting Agencies, IA will provide a comprehensive report summarizing all the identified observations and recommendations and any additional observations and recommendations identified throughout this process. IA anticipates finalizing the seven audit reports and the comprehensive report by March of 2015; in the meantime the recommendations provided in this report should be evaluated and considered at this time.

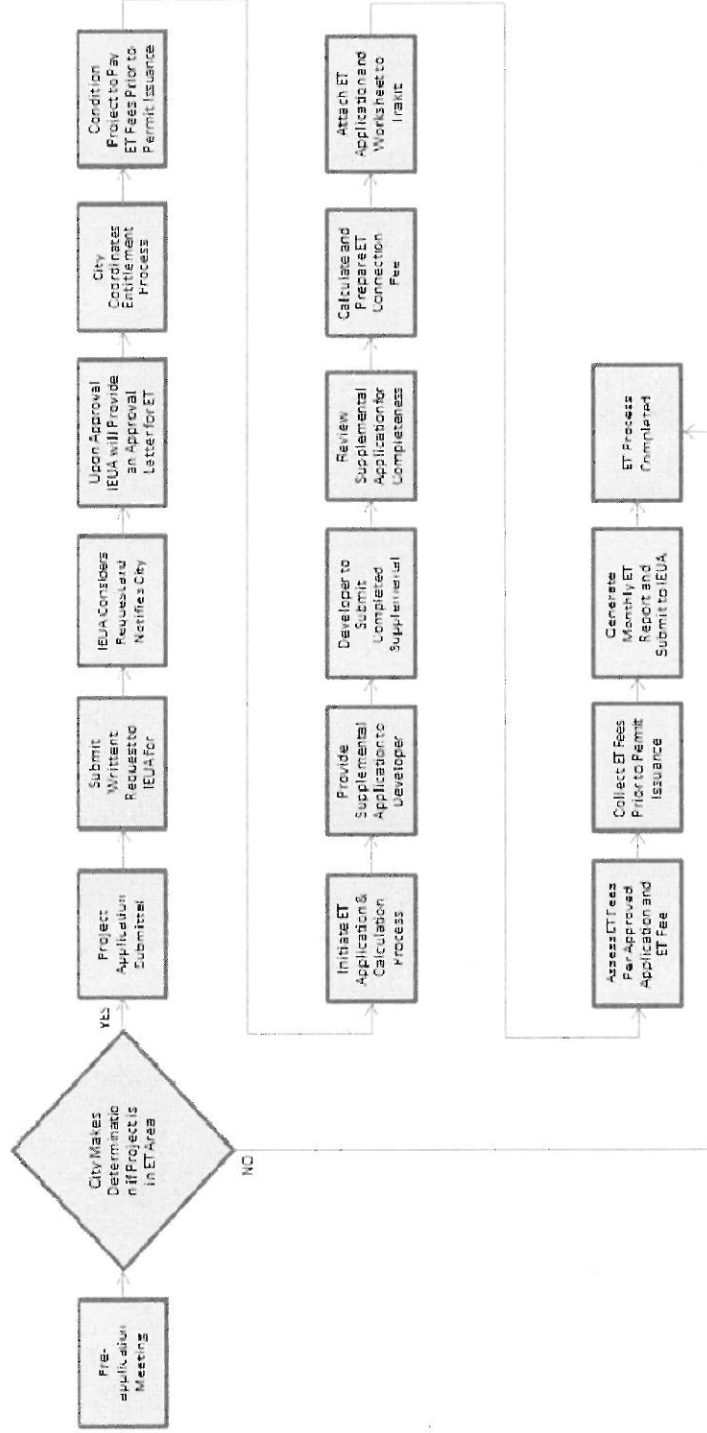
Attachment 1

Building Activity Report (BAR) Process



*This information is provided by the City of Fontana.*

## Attachment 2 Extra-Territorial Fee Process



*This information was provided by the City of Fontana.*

INFORMATION  
ITEM

**5K**

# Planning & Environmental Compliance Update



*Inland Empire Utilities Agency*

**A MUNICIPAL WATER DISTRICT**

December 2014



# Compliance Update

- Treatment Plants – Full Compliance
- Pretreatment Compliance
- Repet Permit Suspension Update

# Planning Update

- Integrated Resources Plan – Spring 2015
- Water Use Efficiency Business Plan – June 2015
- Wastewater Facilities Master Plan – January 2015
- Energy Management Plan – February 2015
- Recycled Water Program Strategy – January 2015
- Regional Contract Update – June 2015
- Connection Fee Study – March 2015

# Regional Contract Update: RW

## **RW Policy Principles**

- Maximize beneficial use of recycled water
- Promote efficient application and use of recycled water
- The regional recycled water system's priorities:
  1. regional discharge obligations
  2. direct uses, and then
  3. groundwater recharge
- Meet peak recycled water demands through demand management

# Regional Contract Update: RW

## RW Policy Principles

- Direct use of recycled water by a member agency shall not reduce the opportunity of another member agency to obtain its relative “base entitlement
- Maintain financially viable recycled water program, achieve cost-of-service
- Maximize the recycled water capital investments of IEUA and its member agencies

# Regional Contract Update: RW

## Schedule:

- Special Technical Committee Workshops: November & December
- Draft Redline: January 2015
- Proposed Action: June 2015

# Connection Fee Study

## Objectives of Study

- Publically and member agency accepted rate structure
- Equitable recovery of capacity costs through connection fees
- Legal compliance
- Capital funding and fiscal policy strategy
- Intertie between water resource and financial planning
- Collaborative study process

# Connection Fee Study Key Study Components

Connection  
Fees  
Water &  
Wastewater

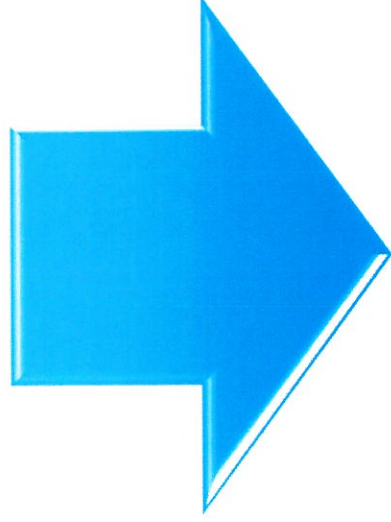
Potable Water  
Rates

Recycled Water  
Rates

Outreach &  
Implementation

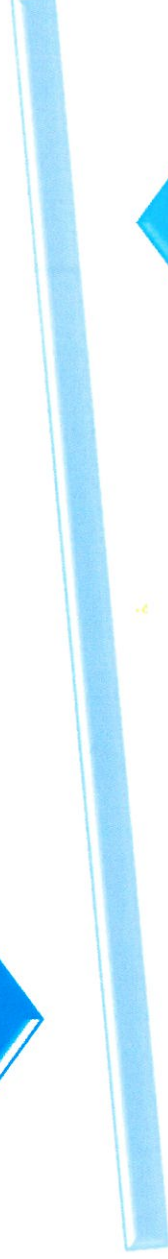
# Connection Fee Study

## Competing Objectives



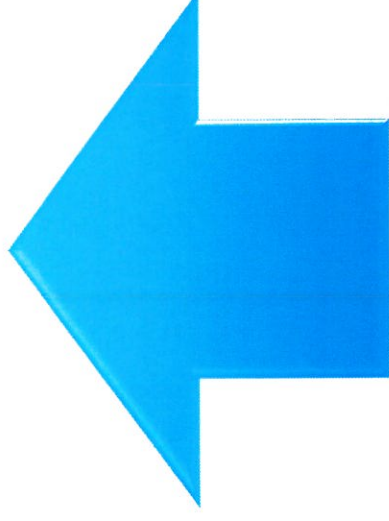
### Rate Design

- Legal Compliance
- Encourage Conservation
- Equity Amongst Agencies



### Financial Stability

- Economic Uncertainty
- Reliable Revenues
- Sufficient Revenue





# Connection Fee Study

## Next Steps

Member  
Agency  
Notification

Initial  
Outreach  
Meeting

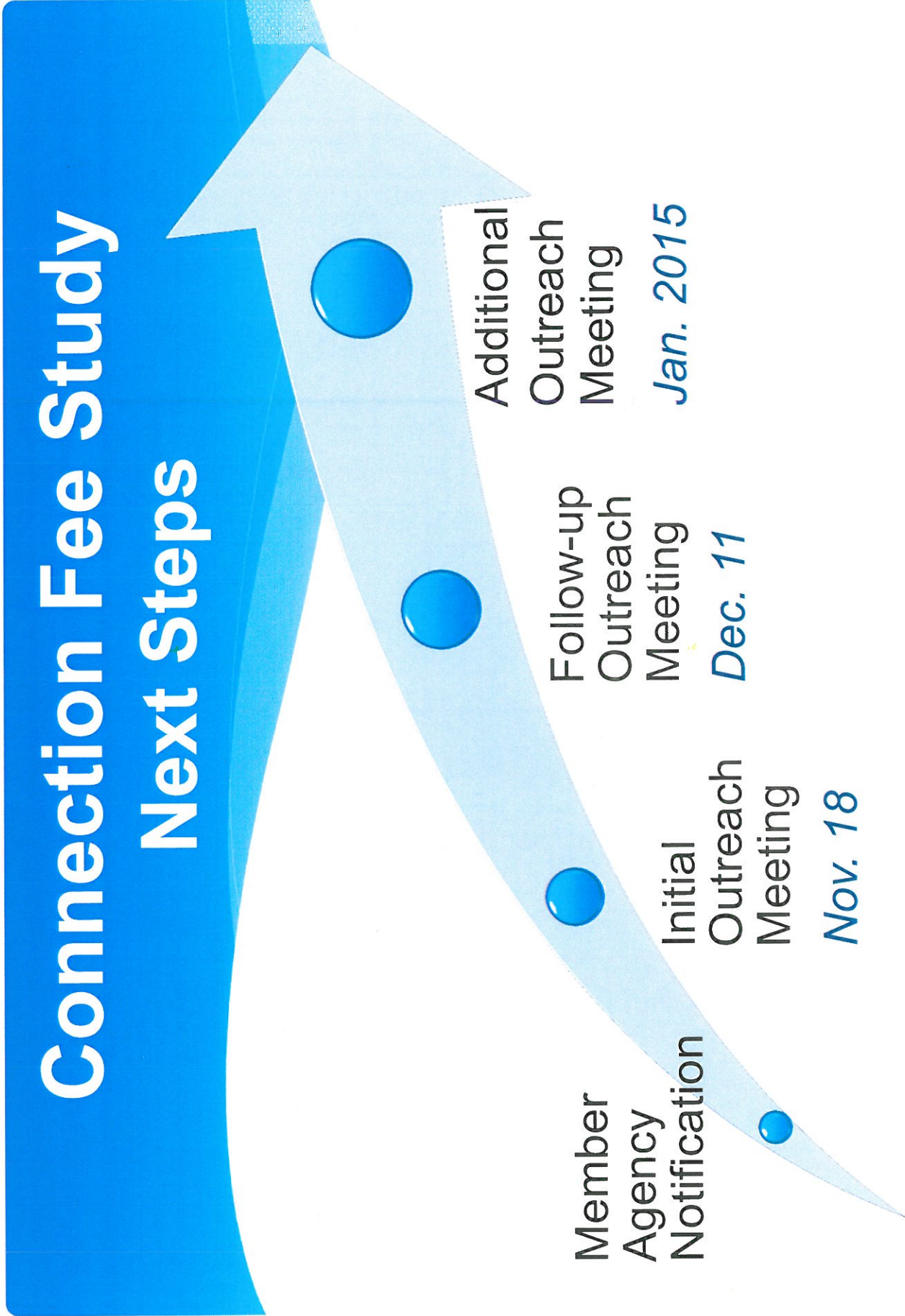
*Nov. 18*

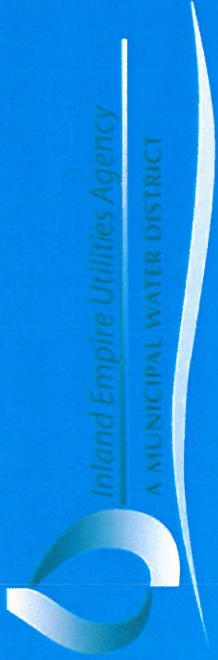
Follow-up  
Outreach  
Meeting

*Dec. 11*

Additional  
Outreach  
Meeting

*Jan. 2015*





*Inland Empire Utilities Agency*

A MUNICIPAL WATER DISTRICT

# Questions?



INFORMATION  
ITEM

**5L**

# Engineering and Construction Management Project Updates

December 2014



*Inland Empire Utilities Agency*

A MUNICIPAL WATER DISTRICT

Majid Karim, P.E.,  
Acting Manager of Engineering

David Mendez,  
Deputy Manager of Construction Management

# EN13054 - Montclair Lift Station Upgrades EN11035 - Philadelphia Pump Station Upgrades

- Contractor: GSE Construction.
- Current Contract : \$3.2 M
- Scope of Work: Upgrade electrical, control system, pump and valve replacement
- Current Activities:
  - Montclair - Preparing for shutdown
  - Philadelphia - Full start-up and transition facility to operations staff
- Contractor Completion: March 2015
- Percent Complete:
  - EN13054 - Montclair Lift Station Upgrades 25%
  - EN11035 - Philadelphia Pump Station Upgrades 73%
- Focus Points:
  - Montclair LS - Redesign Heating, Ventilation, and Air Conditioning (HVAC)

Philadelphia Bypass



# EN06025 – Wineville Recycled Water Pipeline Extension Segment A

- Contractor: CCL Contracting, Inc.
- Current Contract: \$10.2 M
- Scope of Work: Construct 2.5 miles of 36-inch RW Pipeline and 1.0 mile of 24-inch RW Pipeline
- Current Activities:
  - Contractor Mobilization
  - Ameron plant production at new facility
- Contractor Complete: July 2015
- Percent Complete: 8%
- Focus Points :
  - Pipe fabrication Quality Assurance & Quality Control
  - Revise alignment based on pothole results

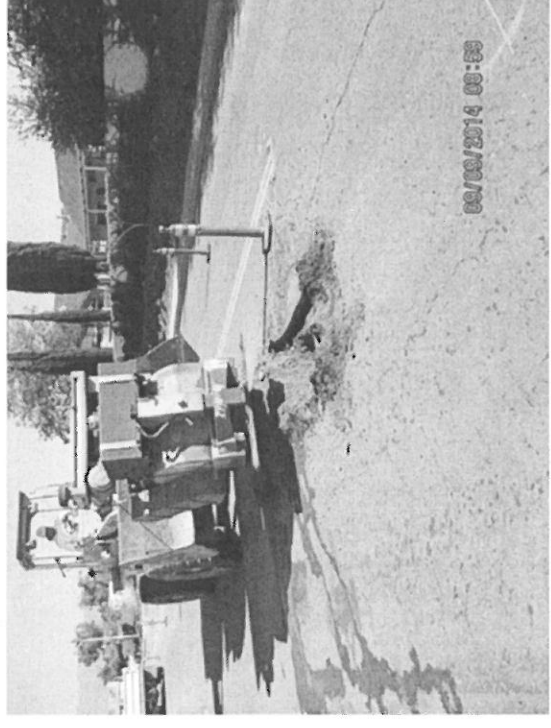
Contractor Mobilization: Electrical Power to Yard



# EN13045 – Wineville Recycled Water Pipeline Extension Segment B

- Contractor: Mike Bubalo Construction
- Current Contract Value: \$8.9 M
- Scope of Work: Construct 2.8 miles of 36-inch RW Pipeline
- Current Activities:
  - Purchase of property easement for proposed realignment
- Contractor Completion: July 2015
- Percent Complete: 5%
- Focus Points :
  - Proposed pipe realignment
  - Pipe fabrication QA/QC
  - Value Engineering Proposal

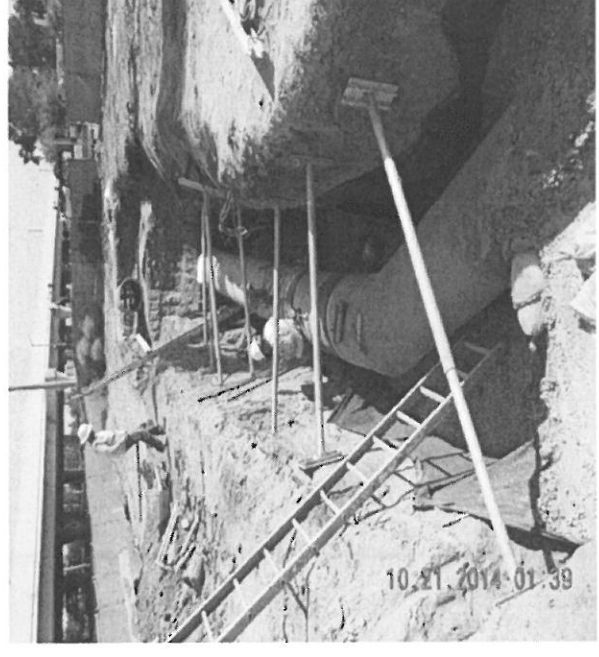
Potholing In City of Fontana – Banana Street



# EN13023 – 930 Zone Recycled Water Pipeline

- Contractor: MNR Construction, Inc.
- Current Contract: \$12.0 M
- Scope of Work: Construct 2.4 miles of 30-inch RW Pipeline
- Current Activities:
  - Placement of pipeline on Caltrans easement
- Contractor Complete: December 2014
- Percent Complete: 93%
- Focus Points:
  - Project closure activities

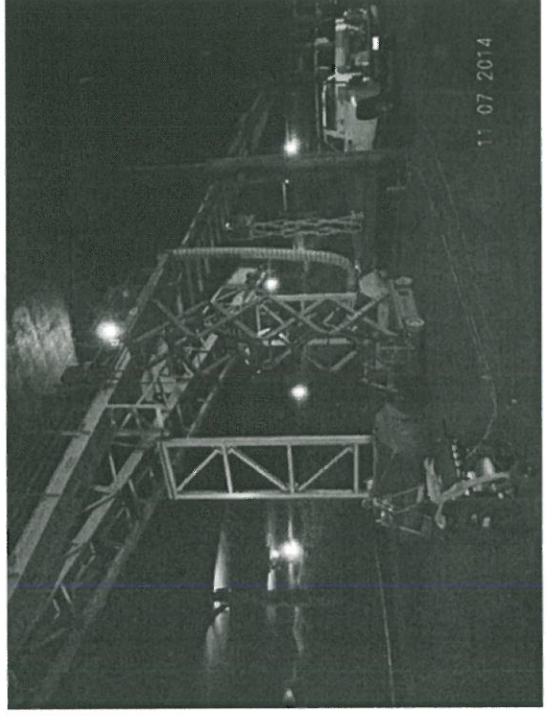
Jack and Bore Pit - Pipe Connection at Eucalyptus and Pipeline





# RA11004 – IERCF Conveyance Improvements

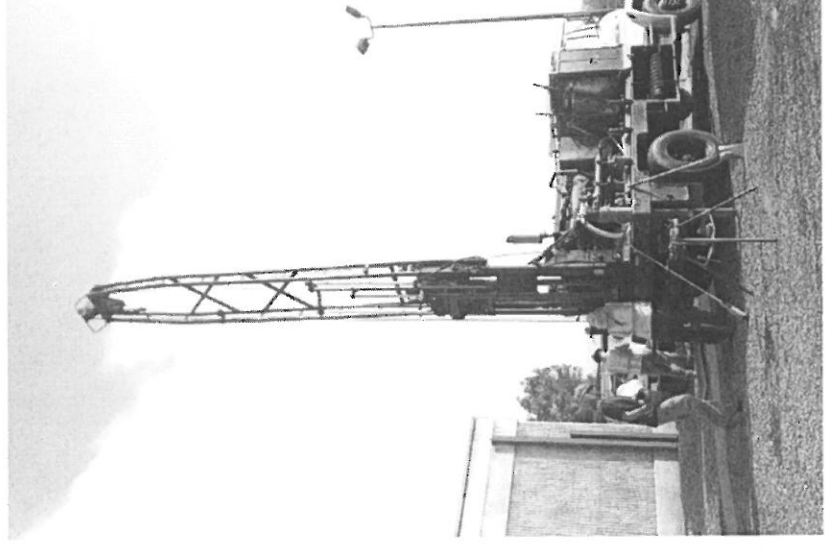
- Contractor: Olsson Construction
- Current Contract Value: \$3.3 M
- Scope of Work: Belt conveyor modifications
- Current Activities:
  - Electrical work resumed
  - Conveyor #27 & 29 catwalk and handrail installation, Conveyor #29 Catwalk & Handrail Installation
  - #24 modifications
- Contractor Complete: March 2015
- Percent Complete: 80%
- Focus Points:
  - Custom Conveyor Corporation
  - Critical remaining electrical work



# EN13040, EN13042, EN13043 – Prado Lake, Philadelphia PS, and Montclair LS Communication Systems

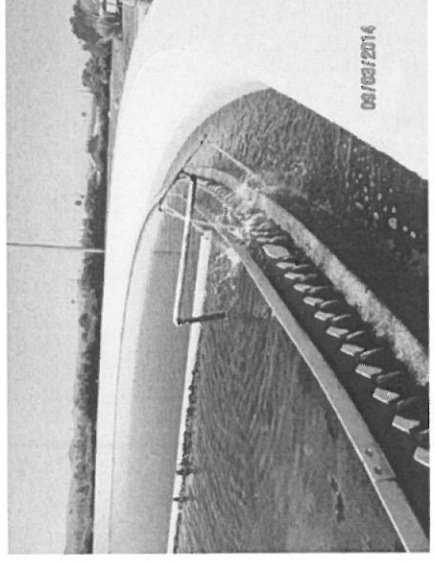
- Contractor: Dahl, Taylor & Associates, Inc. (DT&A)
  - Issued a “Termination Notice “
  - Consultant/Contractor is having bonding & fiscal problems
- Scope of Work: Design and construct communication systems at three critical sites
- Lessons learned:
  - Bonding to include design and construction
- Focus Points:
  - Prequalifying communication system contractor

Geotechnical Boring



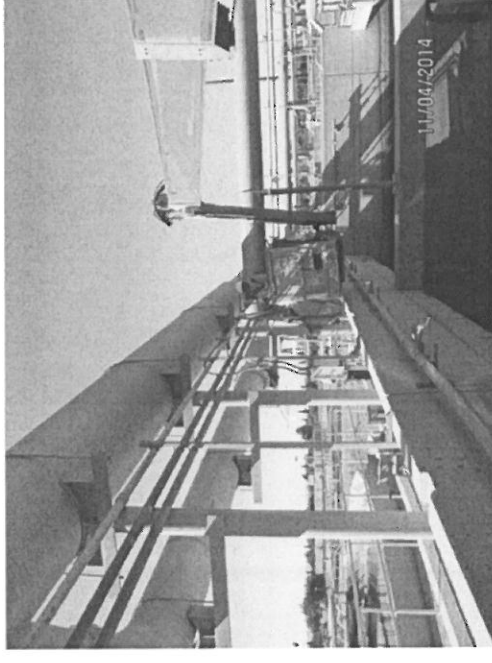
# EN14027 - CCWRF Secondary Clarifier No.3 Rehab

- Contractor: GSE Construction
- Current Contract: \$604,000
- Scope of Work: Rehabilitation of concrete, metal surfaces, installation of automatic weir washer system, miscellaneous valves and minor electrical work
- Current activities:
  - Dewatering Secondary Clarifier No.2 for weir washer installation and testing
- Contractor Completion: May 2015
- Percent Complete: 53%
- Focus Points:
  - Completion of Secondary Clarifier No.2



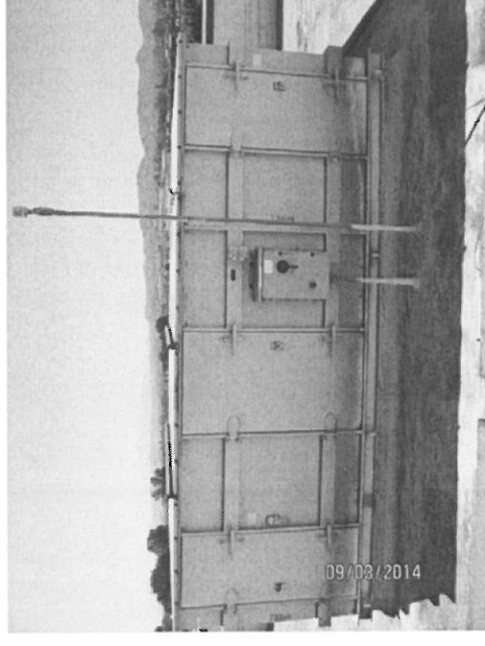
# EN12022 - RP-1 Aeration Ducting Repairs

- Contractor: Humphrey Constructor
- Current Contract: \$984,000
- Scope of Work: Removal and Replacement of leaking butterfly valves, Victaulic couplings and expansion joints
- Current Activities:
  - Installation of butterfly valves, Victaulic couplings and expansion joints that do not require full aeration system shutdown Complete
- Contractor Complete: March 2015
- Percent Complete: 83%
- Focus Points
  - Project has been delayed by construction activities at RP-4 Headworks Improvement projects bypassing of flows to RP-1



# EN13056 - Agency Wide HVAC Improvements Phase 2

- Contractor: Allison Mechanical
- Current Contract: \$571,315
- Scope of Work: HVAC improvements at RP-1, RP-4 and CCWRF facilities
- Current Activities:
  - Show drawing submittals, RFI's, procurement of approved equipment
- Contractor Completion: March 2015
- Percent Complete: 60%
- Focus Point:
  - Contractor will be challenged to complete project on time due to late start



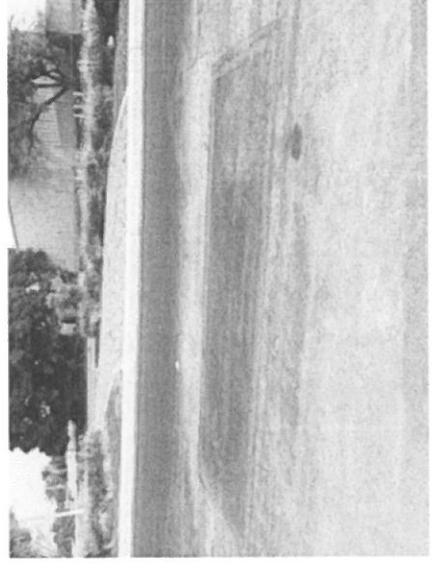
# Emergency Projects

- Mission Blvd Sinkhole, City of Ontario = Estimated Cost \$22,000
- Etiwanda Ave Missing Valve Cover, City of Rancho Cucamonga = Estimated Cost \$7,000
- RP-5 Recycled Water Leak = Estimated Cost \$6,000
- El Prado Rd Missing Valve Cover = Estimated Cost \$8,000
- RP-1 Bio Filter Odor Control = Estimated Cost \$80,000

Mission Blvd Sinkhole - Before

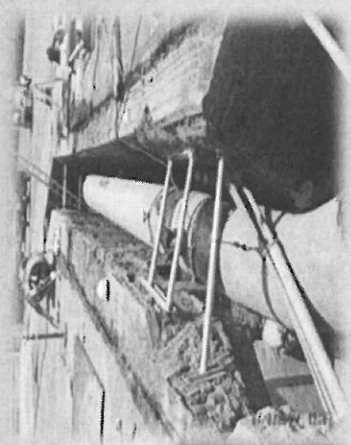
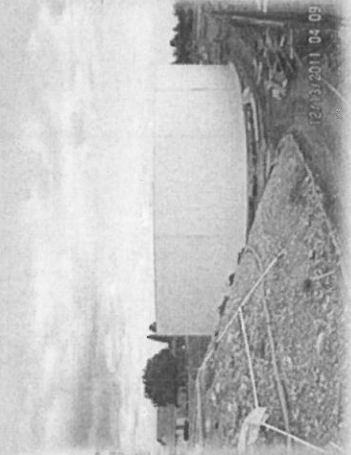
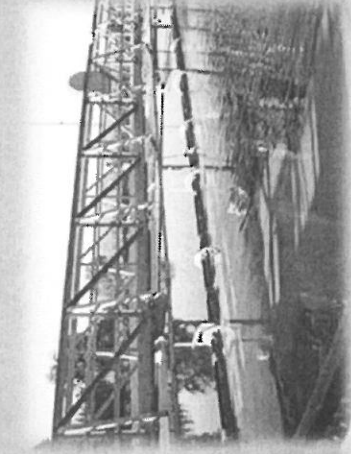
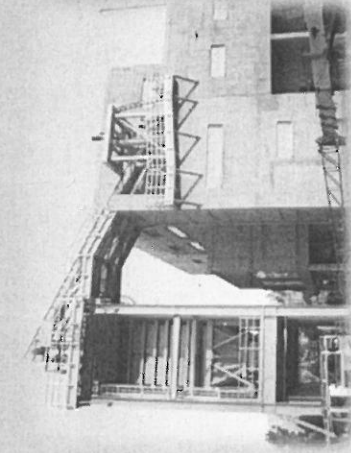


Mission Blvd Sinkhole - After





# Questions?



02/03/2011 04:09

**AGENCY  
REPRESENTATIVES'  
REPORTS**

**6A**





# SAWPA

SANTA ANA WATERSHED PROJECT AUTHORITY  
11615 Sterling Avenue, Riverside, California 92503 • (951) 354-4220

## REGULAR COMMISSION MEETING TUESDAY, DECEMBER 16, 2014 – 9:30 A.M.

### AGENDA

1. CALL TO ORDER/PLEDGE OF ALLEGIANCE (Phil Anthony, Chair)

2. ROLL CALL

3. PUBLIC COMMENTS

Members of the public may address the Commission on items within the jurisdiction of the Commission; however, no action may be taken on an item not appearing on the agenda unless the action is otherwise authorized by Government Code §54954.2(b).

4. CONSENT CALENDAR

All matters listed on the Consent Calendar are considered routine and non-controversial and will be acted upon by the Commission by one motion as listed below.

A. APPROVAL OF MEETING MINUTES: NOVEMBER 18, 2014

**Recommendation:** Approve as posted.

B. TREASURER'S REPORT – NOVEMBER 2014

**Recommendation:** Approve as posted.

5. NEW BUSINESS

A. OWOW 2.0 IMPLEMENTATION FOR THE 2015 GRANT SOLICITATION (CM#8949)

**Presenter:** Mark Norton

**Recommendation:** It is recommended that the Commission ratify the OWOW Steering Committee's approval of the OWOW 2015 Grant Solicitation process, assignment of new Pillar workgroup members and schedule for soliciting system-wide projects to be funded by the Santa Ana River Watershed's 2015 OWOW Proposition 84 grant program.

B. DEPARTMENT OF WATER RESOURCES (DWR) WATER ENERGY GRANT APPLICATION (CM#8950)

**Presenter:** Ian Achimore

**Recommendation:** It is recommended that the Commission approve Resolution No 2014-10 authorizing staff to submit an application for the DWR 2014 Water-Energy Grant, and if selected, that the General Manager enter into a Grant Agreement with DWR.

6. **OLD BUSINESS**

None.

7. **INFORMATIONAL REPORTS**

**Recommendation:** Receive and file the following oral/written reports/updates.

- A. **INLAND EMPIRE BRINE LINE ACTIVITIES REPORT (CM#8951)**  
Presenter: Rich Haller
- B. **STATE LEGISLATIVE REPORT**  
Presenter: Larry McKenney for Celeste Cantú
- C. **CASH TRANSACTIONS REPORT – OCTOBER 2014**  
Presenter: Karen Williams
- D. **INTER-FUND BORROWING – SEPTEMBER 2014 (CM#8952)**  
Presenter: Karen Williams
- E. **PERFORMANCE INDICATORS/FINANCIAL REPORTING – OCTOBER 2014 (CM#8953)**  
Presenter: Karen Williams
- F. **FYE 2015 FIRST QUARTER BUDGET VS. ACTUAL VARIANCE REPORT (CM#8954)**  
Presenter: Karen Williams
- G. **FINANCIAL REPORT FOR THE FIRST QUARTER ENDING SEPTEMBER 30, 2014**
  - Inland Empire Brine Line
  - SAWPAPresenter: Karen Williams
- H. **CHAIR’S COMMENTS/REPORT**
- I. **COMMISSIONERS’ COMMENTS**

8. **CLOSED SESSION**

There were no Closed Session items anticipated at the time of the posting of this agenda.

9. **ADJOURNMENT**

**PLEASE NOTE:**

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Clerk of the Board at (951) 354-4230. Notification at least 48 hours prior to the meeting will enable staff to make reasonable arrangements to ensure accessibility to this meeting.

Materials related to an item on this agenda submitted to the Commission after distribution of the agenda packet are available for public inspection during normal business hours at the SAWPA office, 11615 Sterling Avenue, Riverside, and available at [www.sawpa.org](http://www.sawpa.org), subject to staff's ability to post documents prior to the meeting.

**Declaration of Posting**

I, Kelly Berry, Clerk of the Board of the Santa Ana Watershed Project Authority declare that on Wednesday, December 10, 2014, a copy of this agenda has been uploaded to the SAWPA website at [www.sawpa.org](http://www.sawpa.org) and posted in SAWPA's office at 11615 Sterling Avenue, Riverside, California.

/s/  
\_\_\_\_\_  
Kelly Berry, CMC

**2015 - SAWPA Commission Upcoming Meetings/Events**

(NOTE: Unless otherwise noted, all Commission Workshops/Meetings begin at 9:30 a.m., and are held at SAWPA.)

<b>January</b> 1/6/15 Commission Workshop 1/20/15 Regular Commission Meeting	<b>July</b> 7/7/15 Commission Workshop 7/21/15 Regular Commission Meeting
<b>February</b> 2/3/15 Commission Workshop 2/17/15 Regular Commission Meeting	<b>August</b> 8/4/15 Commission Workshop 8/18/15 Regular Commission Meeting
<b>March</b> 3/3/15 Commission Workshop 3/17/15 Regular Commission Meeting	<b>September</b> 9/1/15 Commission Workshop 9/15/15 Regular Commission Meeting
<b>April</b> 4/7/15 Commission Workshop 4/21/15 Regular Commission Meeting	<b>October</b> 10/6/15 Commission Workshop 10/20/15 Regular Commission Meeting
<b>May</b> 5/5/15 Commission Workshop 5/19/15 Regular Commission Meeting	<b>November</b> 11/3/15 Commission Workshop 11/17/15 Regular Commission Meeting
<b>June</b> 6/2/15 Commission Workshop 6/16/15 Regular Commission Meeting	<b>December</b> 12/1/15 Commission Workshop 12/15/15 Regular Commission Meeting

**AGENCY  
REPRESENTATIVES'  
REPORTS**

**6B**



THE METROPOLITAN WATER DISTRICT  
OF SOUTHERN CALIFORNIA

# MWD MEETING AGENDA

## REVISED AGENDA

### Regular Board Meeting

December 9, 2014

12:00 p.m. -- Board Room

Tuesday, December 9, 2014 Meeting Schedule		
7:00-8:00 a.m.	Rm. 2-413	Dirs. Computer Training
9:00 a.m.	Rm. 2-145	L&C
10:00 a.m.	Rm. 2-456	OP&T
12:00 p.m.	Board Room	Board Meeting

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MWD Headquarters Building

• 700 N. Alameda Street

• Los Angeles, CA 90012

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#### 1. Call to Order

(a) Invocation: Duane Cave, Director, Moulton Niguel Water District

(b) Pledge of Allegiance: Director Don Calkins

#### 2. Roll Call

#### 3. Determination of a Quorum

#### 4. Opportunity for members of the public to address the Board on matters within the Board's jurisdiction. (As required by Gov. Code § 54954.3(a))

#### 5. OTHER MATTERS

A. Approval of the Minutes of the Meeting for November 18, 2014. (A copy has been mailed to each Director)  
Any additions, corrections, or omissions

B. Report on Directors' events attended at Metropolitan expense for month of November

- C. Reappointment of Director Michael Touhey from Upper San Gabriel Valley Municipal Water District
- D. Presentation of five-year service pins to:
  - Director Brett Barbre, representing Municipal Water District of Orange County
  - Laura Friedman, representing city of Glendale
- E. Approve committee assignments
- F. Chairman's Monthly Activity Report

## 6. DEPARTMENT HEADS' REPORTS

- A. General Manager's summary of Metropolitan's activities for the month of November
- B. General Counsel's summary of Legal Department activities for the month of November
- C. General Auditor's summary of activities for the month of November
- D. Ethics Officer's summary of activities for the month of November

## 7. CONSENT CALENDAR ITEMS — ACTION

- 7-1** Adopt final resolution for annexation of the Campus Park West Annexation to San Diego County Water Authority and Metropolitan. (F&I)

### Recommendation:

#### Option #1:

Review and consider information provided in the certified Final Environmental Impact Report and adopt the Lead Agency's findings related to the proposed actions, and

- a. Adopt resolution granting approval for the Campus Park West Annexation concurrently to SDCWA and Metropolitan and establish Metropolitan's terms and conditions for the annexation, conditioned upon approval by San Diego County's Local Agency Formation Commission, and upon receipt of annexation fee of \$454,530.12; and
- b. Approve SDCWA's Statement of Compliance with the current Water Use Efficiency Guidelines.

- 7-2** Appropriate \$880,000; and authorize design of seismic upgrades for 12 structures throughout the distribution system (Approps. 15458 and 15441). (E&O)

**Recommendation:**

**Option #1:**

Adopt the CEQA determination that the proposed action is exempt from CEQA, and

- a. Appropriate \$880,000;
- b. Authorize design of seismic upgrades to the Foothill Hydroelectric Plant and Carbon Creek Pressure Control Structure; and
- c. Authorize design of seismic upgrades to service connection structures on the Allen-McColloch Pipeline.

**(END OF CONSENT CALENDAR)**

**8. OTHER BOARD ITEMS — ACTION**

- 8-1** Authorize: (1) increase of \$40 million for conservation incentives; and (2) increase to the contract authority of the five-year agreement with Electric and Gas Industries Association for administration of Metropolitan's regional conservation rebate program. (WP&S)

**Recommendation:**

**Option #1:**

Adopt the CEQA determination that the proposed action is not defined as a project and is not subject to CEQA, and

- a. Authorize the increase in conservation budget of \$40 million, from \$60 million to \$100 million; and
- b. Authorize the General Manager to amend Agreement No. 129415 with EGIA to increase contract capacity authority from \$90 million to \$290 million to allow for the increased activity in Metropolitan's regional rebate program.

- 8-2** Approve adjustments to Metropolitan's Water Supply Allocation Plan. (WP&S)

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination that the item is categorically and statutorily exempt, and approve adjustments to the Water Supply Allocation Plan.**

- 8-3** Adopt Legislative Priorities for 2015/16 (C&L)

**Added**

**Recommendation:**

**Option #1:**

**Adopt the CEQA determination that the proposed action is not subject to CEQA and is categorically exempt, and adopt the Legislative Strategy for 2015/16.**

**Deferred**

- 8-4** ~~Authorize increase in maximum amount payable under contract with Van Ness Feldman LLP for legal services related to preparation of the Bay Delta Conservation Plan by \$150,000 to an amount not to exceed \$250,000. (L&C)~~

## **9. BOARD INFORMATION ITEMS**

- 9-1** Overview of proposed memorandum of understanding for Colorado River-related pilot drought response actions. (WP&S)

**Added**

- 9-2** Report on Federal Drought Legislation. (C&L)

## **10. FUTURE AGENDA ITEMS**

## **11. ADJOURNMENT**



**NOTE:** At the discretion of the Board, all items appearing on this agenda and all committee agendas, whether or not expressly listed for action, may be deliberated and may be subject to action by the Board.

Each agenda item with a committee designation will be considered and a recommendation may be made by one or more committees prior to consideration and final action by the full Board of Directors. The committee designation appears in parentheses at the end of the description of the agenda item e.g. (E&O, F&I). Committee agendas may be obtained from the Board Executive Secretary.

Writings relating to open session agenda items distributed to Directors less than 72 hours prior to a regular meeting are available for public inspection at Metropolitan's Headquarters Building and on Metropolitan's Web site <http://www.mwdh2o.com>.

Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation

**AGENCY  
REPRESENTATIVES'  
REPORTS**

**6C**



*Inland Empire Utilities Agency*  
A MUNICIPAL WATER DISTRICT

## Regional Sewerage Program Policy Committee Meeting

### AGENDA

Thursday, December 4, 2014

4:30 p.m.

#### Location

Inland Empire Utilities Agency  
6075 Kimball Avenue  
Chino, CA 91710

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**Thursday, December 4, 2014**

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**Call to Order and Roll Call**

**Pledge of Allegiance**

**Public Comment**

- 1. Technical Committee Report – Ryan Shaw (Oral)**
- 2. Approval of Minutes**
  - A. Minutes of November 6, 2014 Meeting
- 3. Action Item**
  - A. SCADA Enterprise System Construction Contract Award (Written)
- 4. Informational Items**
  - A. Proposition 1 (Written)
  - B. Drought Update (Written)
  - C. Recycled Water Principles (Written)
- 5. Receive and File**
  - A. Building Activity Report (YTD)
  - B. Annual Water Use Report (Written)
  - C. Recycled Water Operations Summary
- 6. Other Business**
  - A. IEUA General Manager's Update
  - B. Committee Member Requested Agenda Items for Next Meeting
  - C. Committee Member Comments
  - D. Next Meeting – January 7, 2015 (as a Joint IEUA/Policy Committee Workshop)

## 7. Adjournment

### **DECLARATION OF POSTING**

---

I, Cheyanne Reseck-Francis, Administrative Assistant of the Inland Empire Utilities Agency, A Municipal Water District, hereby certify that a copy of this agenda has been posted by 5:30 p.m. in the foyer at the Agency's main office, 6075 Kimball Avenue, Building A, Chino, CA on Thursday, November 20, 2014.



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Cheyenne Reseck-Francis

**AGENCY  
REPRESENTATIVES'  
REPORTS**

**6D**

**CHINO BASIN WATERMASTER  
WATERMASTER BOARD MEETING**

11:00 a.m. – November 25, 2014

**WITH**

*Mr. Robert "Bob" Craig – Chair*

*Mr. Steve Elie – Vice-Chair*

**At The Offices Of**

**Chino Basin Watermaster**

9641 San Bernardino Road

Rancho Cucamonga, CA 91730

**AGENDA**

**CALL TO ORDER**

**PLEDGE OF ALLEGIANCE**

**PUBLIC COMMENTS**

**AGENDA - ADDITIONS/REORDER**

**I. CONSENT CALENDAR**

**Note: All matters listed under the Consent Calendar are considered to be routine and non-controversial and will be acted upon by one motion in the form listed below. There will be no separate discussion on these items prior to voting unless any members, staff, or the public requests specific items be discussed and/or removed from the Consent Calendar for separate action.**

**A. MINUTES**

1. Minutes of the Watermaster Board meeting held October 23, 2014

**B. FINANCIAL REPORTS**

1. Cash Disbursements for the month of September 2014
2. Watermaster VISA Check Detail for the month of September 2014
3. Combining Schedule for the Period July 1, 2014 through September 30, 2014
4. Treasurer's Report of Financial Affairs for the Period September 1, 2014 through September 30, 2014
5. Budget vs. Actual Report for the Period July 1, 2014 through September 30, 2014

**C. ANNUAL FINDING OF SUBSTANTIAL COMPLIANCE WITH THE RECHARGE MASTER PLAN**

Adopt the finding in the Wildermuth Report that Watermaster is in substantial compliance with the Recharge Master Plan.

**D. BUDGET TRANSFER FORM T-14-10-01**

Approve Budget Transfer Form T-14-10-01 for FY 2014/15 as presented and authorize the Watermaster General Manager to amend the Task Order(s) between IEUA and CBWM as required.

**II. BUSINESS ITEMS**

**A. CHINO BASIN WATERMASTER 2014/2015 ASSESSMENT PACKAGE**

Approve the Fiscal Year 2014-2015 Assessment Package as presented, including no credit for Stormwater New Yield and postponing the assessment of desalter replenishment.

**B. LEVYING REPLENISHMENT AND ADMINISTRATIVE ASSESSMENTS**

Approve Resolution 2014-05 as presented.

**C. WATERMASTER ANNUAL AUDIT PRESENTATION BY CHARLES Z. FEDAK & COMPANY**

Receive and file (1) The Chino Basin Watermaster Annual Financial Report For the Fiscal Years Ended June 30, 2014 and 2013 dated November 20, 2014; and (2) the Chino Basin Watermaster Management Report for June 30, 2014 dated November 20, 2014.

**D. SAFE YIELD RECALCULATION AND RESET – WATERMASTER MOTION**

Consider the Advisory Committee recommendation to initiate a mediation process instead of filing the motion; and/or consider the advice and counsel of the Pools and Advisory Committees and take action on the draft motion.

**III. REPORTS/UPDATES**

**A. LEGAL COUNSEL REPORT**

1. Motion for Approval of Physical Solution Transfer Rate Substitution
2. City of Ontario Request
3. West Venture
4. Basin Boundary – SGMA

**B. CFO REPORT**

1. Assessment Invoicing

**C. ENGINEER REPORT**

1. None

**D. GM REPORT**

1. RMPU Amendment
2. Vulcan Materials Company – Recharge Application
3. December Meeting Schedule and Holiday Office Closure

**IV. INFORMATION**

1. Cash Disbursements for October 2014

**V. BOARD MEMBER COMMENTS**

**VI. OTHER BUSINESS**

**VII. CONFIDENTIAL SESSION - POSSIBLE ACTION**

Pursuant to Article 2.6 of the Watermaster Rules & Regulations, a Confidential Session may be held during the Watermaster committee meeting for the purpose of discussion and possible action.

1. Alvarez CalPERS Appeal

**VIII. FUTURE MEETINGS AT WATERMASTER**

11/25/14 Tue 11:00 a.m. Watermaster Board

~~11/27/14 Thu 11:00 a.m. Watermaster Board (Rescheduled to 11/25/14)~~

**DECEMBER 2014:**

~~12/04/14 Thu 10:00 a.m. Safe Yield Recalculation and Related Matters (Cancelled)~~

~~12/11/14 Thu 9:00 a.m. Appropriative Pool (Cancelled)~~

~~12/11/14 Thu 11:00 a.m. Non-Agricultural Pool (Cancelled)~~

- ~~12/11/14 Thu 1:30 p.m. Agricultural Pool (Cancelled)~~
- ~~12/18/14 Thu 8:00 a.m. Joint IEUA/CBWM Recharge Improvement Projects (Cancelled)~~
- ~~12/18/14 Thu 9:00 a.m. Advisory Committee (Cancelled)~~
- ~~12/18/14 Thu 10:00 a.m.\* Safe Yield Recalculation and Related Matters (Cancelled)~~
- ~~12/25/14 Thu 11:00 a.m. Watermaster Board (Cancelled)~~


**ADJOURNMENT**

\*This meeting will take place immediately following the Advisory Committee meeting.



Date: December 17, 2014

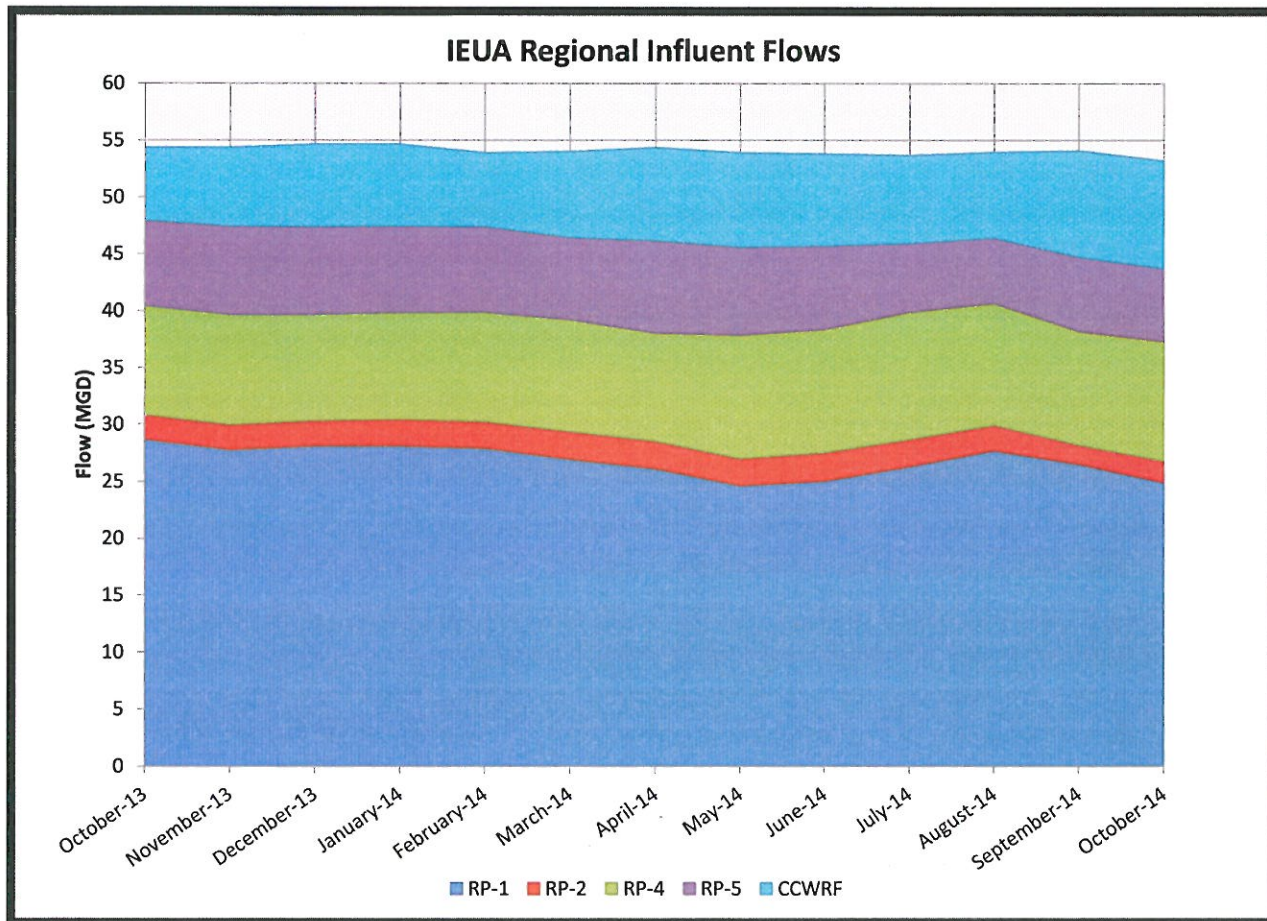
To: The Honorable Board of Directors

From: P. Joseph Grindstaff  
General Manager 

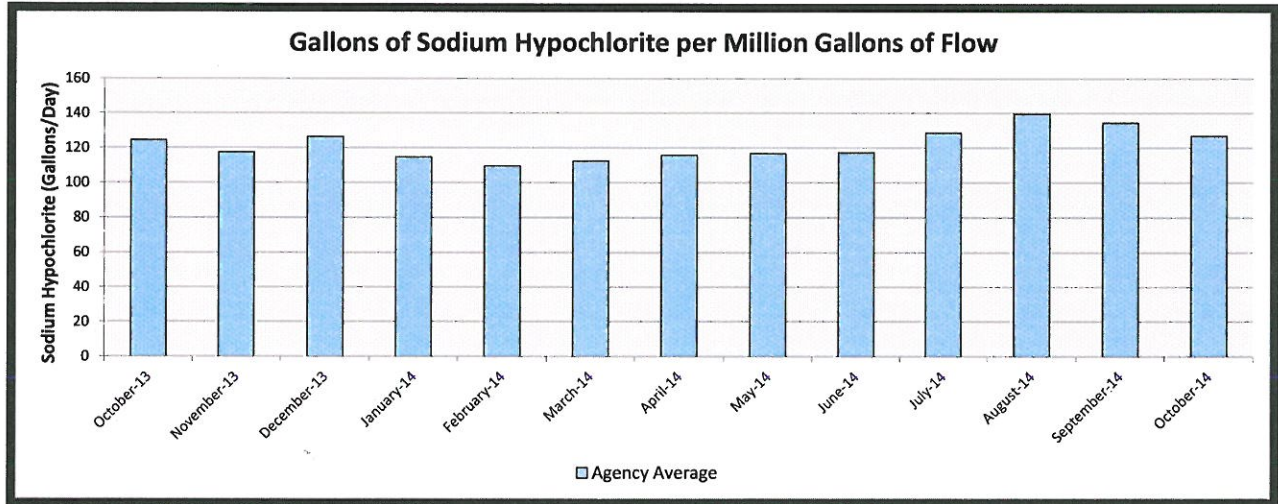
Subject: General Manager's Report Regarding Agency Activities

**OPERATIONS UPDATE**

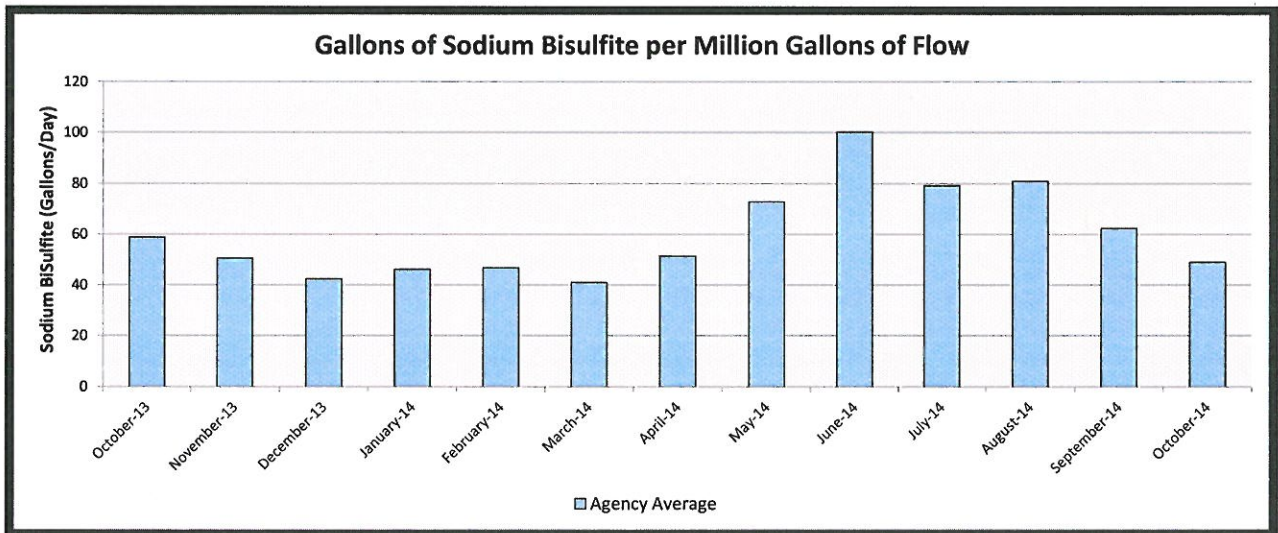
Regional Plant influent flows during the month of October continued to be consistent with the flow received during the previous month. Agency wide average daily influent flow for the month of October was approximately 53 million gallons per day.



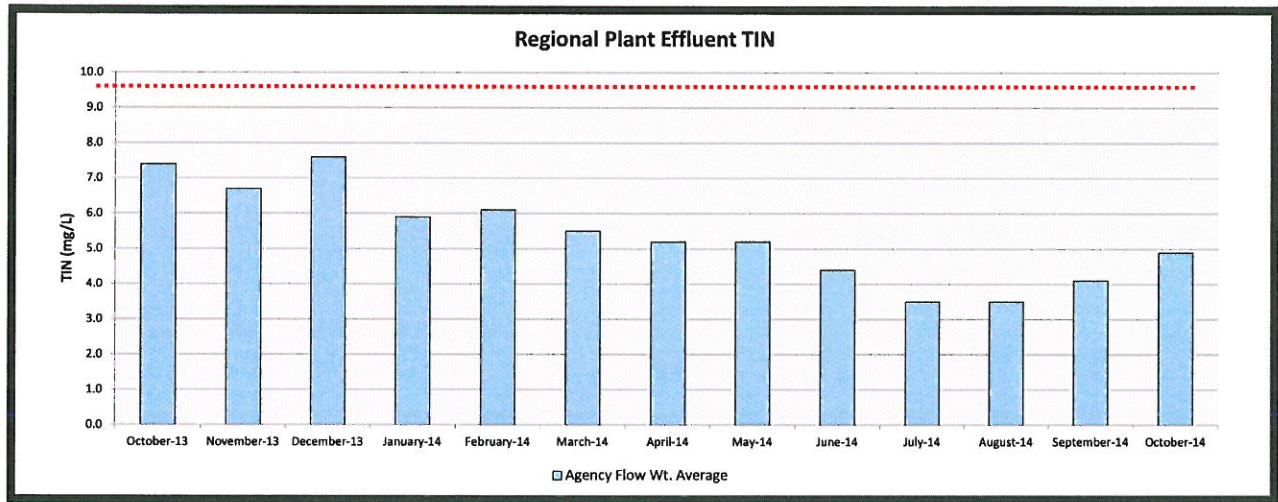
October 2014, Regional Plant sodium hypochlorite consumption averaged 127 gallons per million gallons of treated flows.



October 2014, Regional Plant sodium bisulfite consumption averaged 49 gallons per million gallons of treated creek flows.



October 2014, Agency flow weighted Total Inorganic Nitrogen (TIN) was 4.9 mg/L.



**IERCF UPDATE**

**Operational Comments**

Facility throughput for November averaged approximately 94% of permitted capacity at an average of 415 tons per day of biosolids and 139 tons per day of amendments (based on a 30-day month). The facility is operating well with no violations or lost time incidents.

**Monthly Sales Summary November 2014**

Month	Product	Cyds	Av. \$/cyd	Total \$
November	Premium	11,361.11	\$2.18	\$24,753.37
	Base	10,987.20	\$0.75	\$8,203.65
<b>Total</b>		<b>22,348.31</b>	<b>\$1.46</b>	<b>\$32,957.02</b>

**YTD Sales Summary through November 2014**

<b>Month</b>	<b>Total Cyds 2014/2015</b>	<b>Total Cyds 2013/2014</b>	<b>Total \$ 2014/2015</b>	<b>Total \$ 2013/2014</b>
July	23,882.49	18,501.14	\$39,474.57	\$47,324.52
August	25,621.25	16,818.80	\$27,575.69	\$44,837.97
September	33,184.90	18,837.71	\$37,732.49	\$42,131.44
October	31,487.37	25,034.52	\$31,552.56	\$40,585.79
November	22,348.31	18,056.25	\$32,957.02	\$35,834.18
<b>Total</b>	<b>136,524.32</b>	<b>97,248.42</b>	<b>\$169,292.33</b>	<b>\$210,713.90</b>
<b>Average</b>	<b>27,304.86</b>	<b>19,449.68</b>	<b>\$33,858.47</b>	<b>\$42,142.78</b>

**Compost Sales**

November sales volumes increased by over 4,000 cubic yards compared to last year. One new customer added in November maintaining the number of customers at approximately 110 cubic yards. Compost inventory in the storage facility was reduced to just under 15,000 cubic yards with capacity for an additional 35,000 cubic yards.

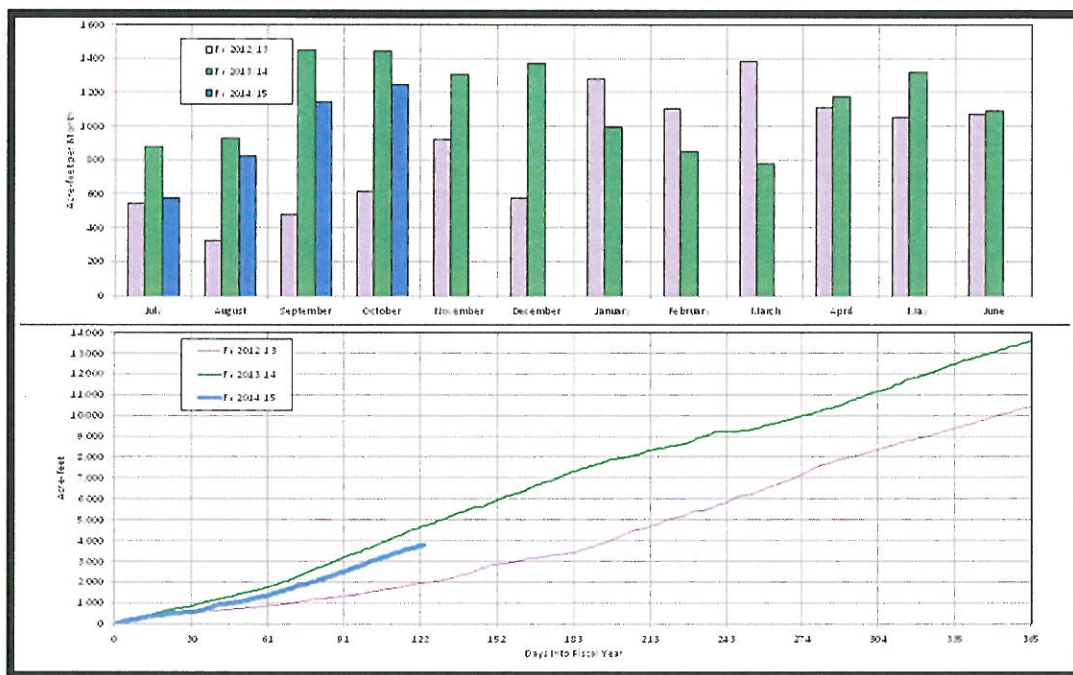
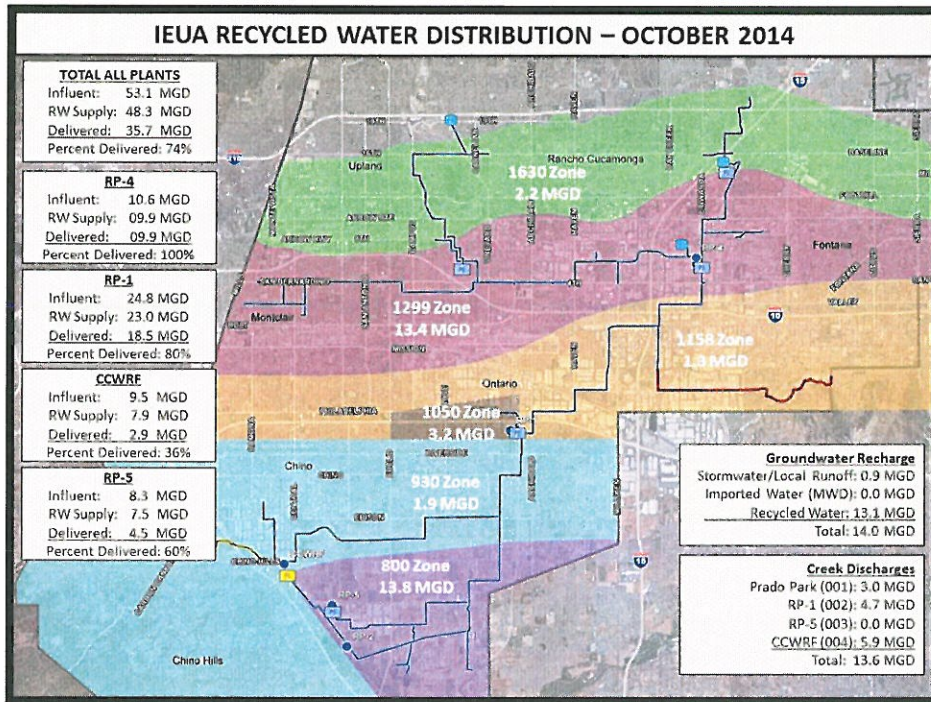
**GROUNDWATER RECHARGE**

During October 2014, recycled water recharge totaled 1,247 acre-feet and there was no imported water delivered. The capture of dry weather creek flows totaled 87 acre-feet. There were no storm events during the month.

<b>SUMMARY OF CHINO BASIN GROUNDWATER RECHARGE OPERATIONS</b>					
October 2014					
Drainage System Basin	Recharge Volume (AF)*			Management Zone Subtotals	
	SW/LR	MW	RW		
<b>San Antonio Channel Drainage System</b>					
College Heights	-	-	N	MZ-1 56 AF**	
Upland	-	-	N		
Montclair 1, 2, 3 & 4	10	-	N		
Brooks	6	-	56		
<b>West Cucamonga Channel Drainage System</b>					
8th Street	-	-	-	MZ-2 709 AF**	
7th Street	-	-	-		
Ely 1, 2, & 3	16	-	286		
<b>Minor Drainage</b>					
Grove	9	N	N	MZ-2 709 AF**	
<b>Cucamonga and Deer Creek Channel Drainage Systems</b>					
Turner 1 & 2	39	-	63		
Turner 3 & 4	-	-	-	MZ-2 709 AF**	
<b>Day Creek Channel Drainage System</b>					
Lower Day	-	-	X		
<b>Etiwanda Channel Drainage System</b>					
Etiwanda Debris	-	-	X	MZ-2 709 AF**	
Victoria	3	-	75		
<b>San Sevaine Channel Drainage System</b>					
San Sevaine 1, 2, 3, & 4	-	-	-	MZ-2 709 AF**	
San Sevaine 5	-	-	-		
<b>West Fontana Channel System</b>					
Hickory	-	-	226	MZ-2 709 AF**	
Banana	-	-	206		
<b>Declez Channel Drainage System</b>					
RP3 Cells 1, 3, & 4	16	-	335	MZ-3 569 AF**	
RP3 Cell 2	9	-	-		
Declez	3	-	-		
<b>Non-Replenishment Recharge Deduct **</b>					
Brooks (MVWD) MZ-1	(6)			MZ-3 569 AF**	
Montclair (MVWD) MZ-1	(10)				
Turner (CVWD) MZ-2	(8)				
Upland	-				
Month Total = 1,334 AF	87	0	1,247	October 2014	
<b>Fiscal Year to Date Total</b>					
Since July 1, 2014 = 4,303 AF	512	0	3,791	Fiscal Year to Date	
<b>Calendar Year to Date Total</b>					
Since Jan. 1, 2014 = 13,408 AF	2,600	0	10,808	Calendar Year to Date	
SW : Storm Water, LR : Local Runoff (and GE, MVWD), MW : MWD Imported Water, RW : Recycled Water - : No stormwater/local runoff, or basin not in use due to maintenance or testing. X : Turnouts not available - to be installed during future projects. N : No turnout planned for installation. * : Data are preliminary based on the data available at the time of this report preparation. ** : Management Zone Subtotals have deducted from them any Non-Replenishment Recharge, which is recharge originating from pumped groundwater and is not new water.					

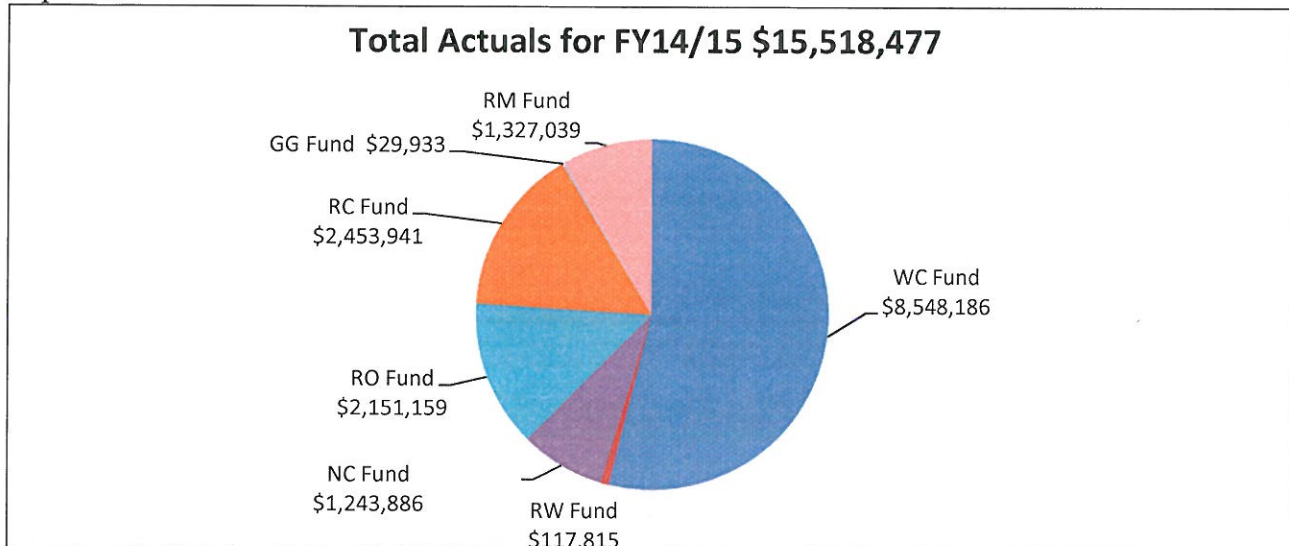
**RW Distribution**

During October 2014, 74% (35.7 MGD) of IEUA recycled water supply (48.3 MGD) was delivered into the distribution system for both direct use customers (21.7 MGD) and groundwater recharge (14.0 MGD). Plant discharge to creeks feeding the Santa Ana River averaged 13.6 MGD.



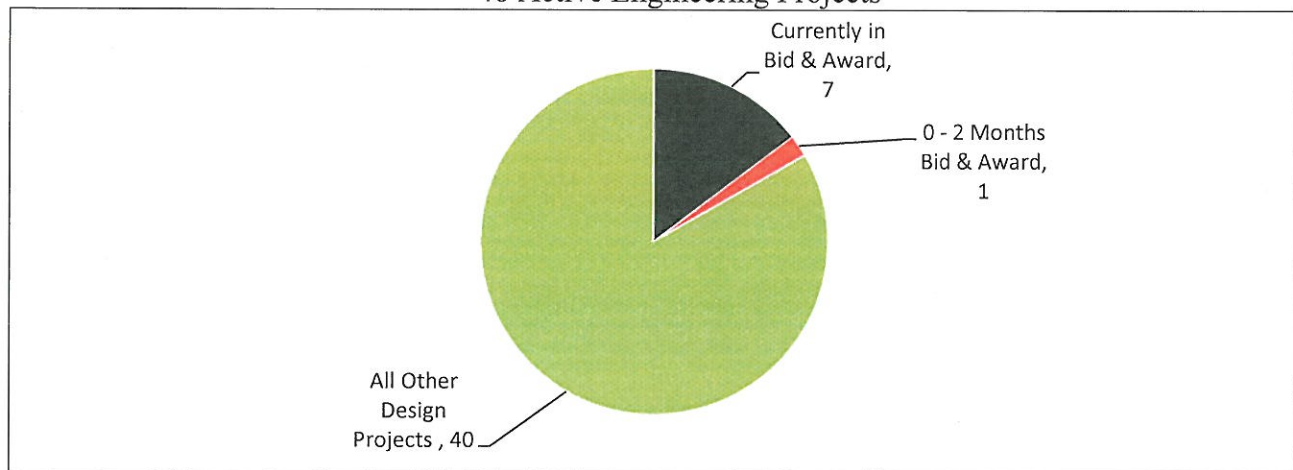
**ENGINEERING AND CONSTRUCTION MANAGEMENT**

Engineering and Construction Management's FY14/15 budget is \$50,612,599. Staff has projected to spend \$38,883,134 during FY14/15 of which \$15,518,477 has been expended. The following charts summarize the Engineering and Construction Management project status update.



**Engineering Project Status**

48 Active Engineering Projects



**7 Project Currently in Bid & Award**

- RA14004.00 IERCF Harmonic Filters Air Conditioning
- EN13016.00 SCADA Enterprise System
- EN13046.00 RP1 Flare System Improvements
- EN13040.00 Prado Dechlor Communication System
- EN13042.00 Philly Pump Station Communication System
- EN13043.00 Montclair Lift Station Communication System
- EN15047.00 1630W.RWPS Check Valves Replacement

**1 Projects Currently in 0-2 Months Bid & Award**

- EN13051.00 1630 E RW Pipeline Surge Tank Replacement

Active Construction Projects

Project ID	Project Title	Description	Total Project Budget (\$)	Total Cost to Date (\$)	FY Budget (\$) 2015	FY Cost to Date 2015 (\$)	CO's Processed thru October (\$)	Total Project CO's (%)	% Project Complete	Original Operational Date	Estimated Operational Date
EN06025	Wineville Ext Recy Wtr Pipeline Seg A	Construct RWP along Wineville to RP-3, Decluez and two turnout	17,965,518	3,409,931	3,236,749	1,106,897	0	-	48.29%	23-Sep-15	16-Oct-15
EN09021	RP-4 Headworks Retrofit	Improve access @ Headworks for Ops and Maint & replace gates	2,185,900	1,264,157	1,030,075	398,685	10,613	0.94%	70.59%	31-Mar-15	15-Apr-15
EN11035	Philadelphia Pump Station Upgrades	Upgrade Force Main to 12-inch and replace surge protection pipe	2,381,100	1,462,084	1,410,742	894,901	11,164	0.81%	31.57%	16-Feb-15	8-Jan-15
EN12014	East Avenue 1630 E RWP Relocation	Relocation of 200 LF of 36 inch RW PL on East Avenue in Rancho	650,108	164,101	405,182	3,111	0	-	49.20%	2-Jul-15	6-Oct-15
EN12019	GWR and RW Comm. Sys. Upgrades	Upgraded the existing SCADA server system to provide monitoring of the GWR & RW SCADA	1,594,400	185,640	650,000	9,982	0	-	29.01%	25-May-14	2-Jan-15
EN12022	RP-1 Aeration Ducting	Replacement of leaking air pipe coupling for the RP-1 Aeration Basin	1,256,000	671,608	793,546	209,155	-138,210	-14.05%	69.66%	1-Jul-14	12-Feb-15
EN13023	930 Zone RW Pipeline Construction	13,000 linear feet of 30-inch Recycled Water Pipeline	15,228,329	13,077,158	7,529,744	5,059,969	5,965,777	99.31%	89.51%	1-Jul-14	4-Sep-14
EN13029	Turner 1 Turnout & Deer Creek Drop-Inlet Mods	Turnout within Basin 1 of approx. 200 LF of 16-inch steel pipe	925,000	522,352	424,801	22,154	0	-	99.98%	1-Jul-14	15-Jun-15
EN13038	RP-1 Outfall Relocation & Upsizing	Construct 72" PL along the flood control channel right-of-way	5,200,000	3,596	5,200,000	3,596	0	-	31.68%	29-May-15	15-Jun-15
EN13045	Wineville RW Extension Segment B	Install 2.8 miles of 30" RWP & to the associated appurtenances	11,880,300	244,902	3,000,000	144,454	0	-	36.34%	15-Oct-15	3-Sep-15
EN13047	RP-5 Standby Generators Control Mods	Design, procure & install new control components, programming	417,000	179,923	306,162	94,086	0	-	80.16%	15-Jan-15	30-Jan-15
EN13053	RP-2 GT Splitter Box Gates Replacement	Replacement of existing slide gates and frames	175,000	134,527	127,250	106,684	69,236	77.16%	100.00%	-	19-Mar-14
EN13054	Montclair Lift Station Upgrades	Eliminate the ragging problem due to diverted flows from RP1	3,591,600	1,060,444	2,577,831	402,617	30,949	0.98%	82.35%	1-May-15	13-Mar-15
EN13056	Agency-Wide HVAC Improvements- Pckg No. 2	design, procurement and installation of all necessary HVAC equipment	1,086,500	78,108	750,023	41,632	0	-	44.90%	14-Jun-15	1-Apr-15
EN14012	RP-2 Drying Beds Rehabilitation	Evaluate drying beds, and implementing various improvements to allow usage of the drying beds.	1,818,400	65,172	1,278,279	17,444	0	-	15.42%	21-Jun-15	21-May-15
EN14027	CCWRP Secondary Clarifier No. 3 Rehab	Rehab Secondary Clarifier at CCWRP	1,540,600	373,376	864,964	338,340	17,129	2.84%	53.67%	20-Jul-15	29-May-15
EN14035	NRW Collection System Repair Phase 4 - Rehab	Lower the existing 22 NRW manholes from 5 ft. above grade so the rim will be 12" above grade.	762,900	166,049	478,882	39,918	0	-	61.34%	15-Mar-15	27-Mar-15
EN14037	Sewer Collection System Manhole Rehab	Rehabilitation of 40 manholes within the Regional Sewer System	1,712,000	93,222	546,544	27,766	0	-	59.06%	15-Mar-15	10-Mar-15
EN14040	Jurupa Pump Station HVAC Improvements	Design, procure and install new conditioning sys at Electrical Room	185,200	77,562	164,081	56,443	0	-	100.00%	16-Oct-14	25-Jul-14
EN14050	Collection System Repairs Phase V	Repair 960lf of PL & secure permits and easements, control traffic and bypass the flow of the WW	561,800	407,827	407,868	348,234	65,000	21.14%	99.63%	16-Oct-14	24-Oct-14
EN14051	RP1 Centrifuge Stair and Catwalk Installation	New stairway access, catwalk, connecting bridge and portable lift	532,000	315,158	461,083	244,241	0	-	85.48%	30-May-14	4-Feb-15
EN14052	RP1 Primary Clarifier West Effluent PL Rplmt	Replace effluent pipeline w/ vitrified clay pipe and extend life	970,000	908,270	470,502	408,773	0	-	80.59%	30-May-14	4-Feb-15
EN15037	NRW Manhole Upgrades	Rotating Contractor will be hired to repair the manhole frames & covers and bring them to grade	37,100	31,906	37,100	31,906	0	-	93.82%	15-Jan-15	5-Jan-15
EN15038	Collection System Manhole Upgrades	Rotating Contractor will be hired to repair the manhole frames & covers and bring them to grade	63,000	57,410	63,000	57,410	0	-	93.05%	15-Jan-15	1-Dec-14
EN15040	RP-1 North Lagoon Water Line Repair	Sawcutting concrete lagoon to expose 4" water main, repair leak, and slurry backfilling the trench.	14,000	1,570	14,000	1,570	0	-	100.00%	8-Jul-14	30-Jul-14
EN15049	AV Replacement on SACP- Seg B	Replacement of existing air vacuum/release valves (AVs)	90,000	420	90,000	420	0	-	21.34%	19-May-15	19-May-15
EN15051	CCWRP Chlorine Contact Basin Splitter Box Mod	Remove the existing overflow structure to the Equalization Basin	50,000	2,812	50,000	2,812	0	-	29.00%	15-Dec-14	17-Nov-14
RA11004	IERCF Process Improvements	Upgrading the conveyor belts at IERCF	4,800,000	3,963,803	2,020,885	565,316	139,858	4.41%	90.26%	26-Nov-14	29-May-15
RA14002	IERCF Locker Room A/C System Upgrade	Ducting installation, electrical, and A/C	92,300	83,799	7,009	3,542	3,118	9.62%	100.00%	8-Jul-14	18-Jun-14
WR11017	Turner Basin Recharge Improvements	Recharge improvements	1,623,550	940,018	395,610	39,222	63,526	5.80%	99.96%	8-Jul-14	31-Jul-14
			79,389,605	29,946,906	34,791,914	10,680,278	6,238,160				

● Total construction contract payments for October 2014: \$2,009,626.95



Completed Construction Projects - Notice of Completion Filed in November 2014

- None

Emergency Projects

Project ID	Contractor	Task Order Description	TO #	Amount	Date
1 EN15026.01	VCI Construction	Valve Box Repair - El Prado Rd	TO-001	7,000	10/22/2014
2 EN15026.04	WA, Rasic	Sinkhole on Mission Ave (Ontario)	TO-006	22,000	10/29/2014
3 EN15034.03	WA, Rasic	Etiwanda Ave Damaged Valve Cover	TO-007	7,000	11/6/2014
4 EN15034.04	WA, Rasic	RP-5 Chlorine Contact Basin RW Leak	TO-008	5,000	11/11/2014
5 EN15034.05	WA, Rasic	18" PVC on Kimball	TO-009	50,250	11/24/2014
				91,250	

High Level Construction Activities/Information

- On November 24, 2014, an 18-inch recycled water line break occurred on Kimball Ave. It was repaired and returned to service through Minor Construction Emergency Contractor, WA Rasic for \$50,250.
- The Soil Remediation and Sulfuric Acid Line Replacement emergency job to replace dual containment acid line and restore the site due to an acid spill at the CDA is complete and is now functioning.