

NOTICE OF MEETING

**OF THE
REGIONAL SEWERAGE PROGRAM
POLICY COMMITTEE**

OF THE



WILL BE HELD ON

THURSDAY, JUNE 2, 2016

4:30 P.M.

**BOARD ROOM
AT THE OFFICE OF THE AGENCY
6075 KIMBALL AVENUE, BUILDING A
CHINO, CA 91710**



Regional Sewerage Program Policy Committee Meeting

AGENDA
Thursday, June 2, 2016
4:30 p.m.

Location

Inland Empire Utilities Agency
6075 Kimball Avenue
Chino, CA 91710

Call to Order and Roll Call

Pledge of Allegiance

Public Comment

1. Technical Committee Report

2. Action Item

- A. Approval of the May 5, 2016 Meeting Minutes
- B. Regional Contract Amendment
- C. FY 2016/17 Budget

3. Informational Items

- A. RP-1/RP5 Expansion PDR
- B. Strategic Grant Planning
- C. Regional Audit Response

4. Receive and File

- A. Building Activity Update
- B. Recycled Water Distribution – Operations Summary
- C. Sewer Fee Evaluation
- D. Recharge Master Plan Update Project Resolutions and Agreements

5. Other Business

- A. IEUA General Manager's Update
- B. Committee Member Requested Agenda Items for Next Meeting
- C. Committee Member Comments
- D. Next Meeting – August 3, 2016

6. Adjournment

DECLARATION OF POSTING

I, Laura Mantilla, Executive 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 Monday, May 30, 2016.


Laura Mantilla

ACTION ITEM

2A



Regional Sewerage Program Policy Committee Meeting

MINUTES OF MAY 5, 2016 MEETING

CALL TO ORDER

A meeting of the IEUA/Regional Sewerage Program – Policy Committee was held on Thursday, May 5, 2016, at the Inland Empire Utilities Agency located at 6075 Kimball Avenue, Chino, California. Jim Bowman, City of Ontario, called the meeting to order at 4:30 p.m.

ATTENDANCE

Committee Members:

| | |
|----------------|---------------------|
| Earl Elrod | City of Chino |
| Peter Rogers | City of Chino Hills |
| Jesse Sandoval | City of Fontana |
| Paul Eaton | City of Montclair |
| Jim Bowman | City of Ontario |
| Debbie Stone | City of Upland |

Absent Committee Members:

| | |
|--------------|---------------------------------|
| Kathy Tiegs | Cucamonga Valley Water District |
| Terry Catlin | Inland Empire Utilities Agency |

Others Present:

| | |
|------------------------|---------------------------------|
| Scott Burton | City of Ontario |
| Jesus Plasencia | City of Chino |
| Braden Yu | Cucamonga Valley Water District |
| Sylvie Lee | Inland Empire Utilities Agency |
| Christina Valencia | Inland Empire Utilities Agency |
| Craig Proctor | Inland Empire Utilities Agency |
| Elizabeth Hurst | Inland Empire Utilities Agency |
| Shaun Stone | Inland Empire Utilities Agency |
| Javier Chagoyen-Lazaro | Inland Empire Utilities Agency |
| Nel Groenveld | Inland Empire Utilities Agency |
| Randy Lee | Inland Empire Utilities Agency |
| Lisa Snider | Inland Empire Utilities Agency |

PLEDGE OF ALLEGIANCE

Committee Member Peter Rogers led those present in the pledge of allegiance to the flag. A quorum was present.

PUBLIC COMMENTS

There were no public comments.

1. TECHNICAL COMMITTEE REPORT

Sylvie Lee/IEUA provided the Committee with the following updates on behalf of Ryan Shaw/City of Ontario:

- The Regional Technical Committee unanimously approved all of the action items presented at the April 28, 2016 meeting.
- Substantial progress has been made between IEUA and member agencies in refining the proposed water rates. It appears that everyone is on board with the proposed rate structure and related rates.
- The member agencies are finalizing their response to the sewer audit and IEUA letter.
- The member agencies are in support of the Recycled Water Policy Principles and implementing by July 1, 2016; however, there are still some minor changes to the amendment language that needs to occur and IEUA has not moved from its position of unilateral authority to amend the contract.

2. ACTION ITEM**A. Approval of Minutes of April 7, 2016 Regional Policy Committee Meeting**

Motion: By Sandoval/City of Fontana and seconded by Debbie Stone/City of Upland to approve the minutes of the April 7, 2016 Regional Policy Committee Meeting.

Motion carried: Unanimously.

B. Fiscal Year 2016/2017 through 2025/2026 Ten-Year Capital Improvement Plan

Elizabeth Hurst/IEUA gave a presentation on the Ten-Year Capital Improvement Plan. She stated that it is mainly driven by the member agencies growth projections and the projects listed come from the regional planning documents. She reviewed the budget estimate by fund and noted that the main changes from the prior plan that was shown last month, are projects being carried over into next year. As a result balances shifted slightly, but there are no substantial changes.

Motion: By Peter Rogers/City of Chino Hills and seconded by Sandoval/City of Fontana to make recommendation to the IEUA Board of Directors to approve the Fiscal Year (FY) 2016/2017-2025/2026 Ten-year Capital Improvement Plan (TYCIP).

Motion carried: Unanimously.

C. Water Quality Laboratory Construction Contract Award

Shaun Stone/IEUA gave a presentation and recommended that the Committee authorize the Agency to award the construction contract for the water quality laboratory project to Kemp Bros. Construction, Inc. He stated that an evaluation and feasibility study was conducted in 2005 and 2006. The results of the study showed that the existing laboratory is nearing the end of its useful life and is limited in meeting current and future needs. The new laboratory will be located at the IEUA headquarters behind building B.

Mr. Stone reviewed the project description, scope and cost. He stated that IEUA received three bids with Kemp Bros. Construction, Inc., being the lowest responsive and responsible bidder with a bid of \$17,460,000. The overall project budget is estimated to be about \$24.7 million. The current budget is \$20.9 million. IEUA will be requesting a project augmentation to the budget of \$3.7 million since project cost have escalated due to the timing of when the project started until now. Mr. Stone requested that the Committee approve the recommendations as submitted in the staff report.

Motion: By Earl Elrod/City of Chino and seconded by Peter Rogers/City of Chino Hills to authorize the IEUA Board of Directors to award the construction contract for the water laboratory to Kemp Bros., Inc.

Motion carried: Unanimously.

D. Regional Connection Request from City of Ontario

This item was an informational item that was approved through the Regional Technical Committee.

3. INFORMATIONAL ITEMS

A. Regional Contract Amendment

Craig Proctor/IEUA reported that the Special Technical Committee met today and had more discussions focusing on the recycled water amendment language - Sections 15 and 16 of the Regional Contract. However, there are a couple items that IEUA and the contracting agencies have not reached consensus on. There is another meeting scheduled to discuss the remaining items.

4. RECEIVE AND FILE

A. Property Tax Use Overview

The Property Tax Use Overview was received and filed by the Committee.

B. Pretreatment Committee Minutes

The Pretreatment Committee Minutes were received and filed by the Committee.

C. Building Activity Report (YTD)

The Building Activity Report (YTD) was received and filed by the Committee.

D. Recycled Water Distribution – Operations Summary

The Recycled Water Distribution Operations Summary was received and filed by the Committee.

1. OTHER BUSINESS

A. IEUA General Manager's Update

None.

B. Committee Member Requested Agenda Items for Next Meeting

None.

C. Committee Member Comments

None.

D. Next Meeting – June 2, 2016

2. ADJOURNMENT – Meeting was adjourned at 4:43 p.m.

Transcribed
by:

Laura Mantilla


Executive Assistant, IEUA

ACTION ITEM

2B

Date: May 26/June 2, 2016

To: Regional Committees

From: Inland Empire Utilities Agency 

Subject: Policy Options for Implementation of Recycled Water Policy Principles

RECOMMENDATION

It is requested that the Regional Committees provide input to the IEUA Board of Directors on the methodology for the implementation of the Recycled Water Policy Principles.

BACKGROUND

The Recycled Water (RW) Policy Principles that were approved by the Regional Committees in January and March 2016, and as adopted by the IEUA Board in March 2016, were developed in response to inequities identified by several Contracting Agencies regarding the use of the recycled water in excess of their respective base entitlement. The proposed recycled water contract amendment language, scheduled action by the IEUA Board of Directors on June 15, 2016, was developed over the last six months based on feedback from all Member Agencies. The proposed contract amendment language was developed to amend Regional Contract Sections 15 and 16 that specifically deal with the topic of recycled water. While meaningful discussion has taken place during workshops with the Regional Technical Committee Members and IEUA, the Contracting Agencies are in fundamental disagreement on the contract amendment language. Contracting Agencies also have differing opinions on Section 30 of the Regional Contract that outlines the process for which the IEUA Board approves Regional Contract amendments.

IEUA is seeking input from the Regional Committees on the three options listed below for consideration for the implementation of the RW Policy Principles.

Option 1: Do Nothing

- The Regional Contract currently provides the base entitlement for each agency, and establishes a process by which an agency can request and use another agency's entitlement. This provision has been in place, but has not addressed use above entitlement.
- Above entitlement use would continue.

Option 2: IEUA Board adopts Resolution to Implement the RW Policy Principles

- Two resolutions consistent with the RW Policy Principles.
 1. Implementation of the RW Policy Principles, and providing the basis for the amount of recycled water use that Chino will be grandfathered for the next seven years, and set the definition for surcharge rate for use over base entitlement.
 2. Establish surcharge rate for use in excess of entitlement.

Option 3: Regional Contract Amendment as Proposed (Current Notice of Intent)

- This option addresses the changes proposed within the RW Policy Principles as developed with Contracting Agency staff for the last six months.
- Proposed amendment language (Section 15 and 16) is not supported by all Contracting Agencies.
- Proposed method of amendment (Section 30.B) is not supported by all Contracting Agencies.

Attachment: Recycled Water Policy Principles

POTENTIAL DRAFT RESOLUTION NO. 2016-6-x

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND
EMPIRE UTILITIES AGENCY* (IEUA), SAN BERNARDINO
COUNTY, CALIFORNIA, ESTABLISHING REGULATIONS FOR THE
PURCHASE OF RECYCLED WATER ABOVE BASE ENTITLEMENT
FOR CONTRACTING AGENCIES**

WHEREAS, the IEUA Board of Directors has adopted Ordinance No. 69, regulating the availability and use of recycled water from the Regional Recycled Water Distribution System; and

WHEREAS, Section 16 A. 2 of the Chino Basin Regional Sewage Service Contract establishes each Contracting Agency's Base Entitlement to recycled water; and

WHEREAS, IEUA and the Contracting Agency's have determined that the purchase of recycled water in excess of a Contracting Agency's Base Entitlement, delivered through the IEUA regional recycled water system, requires the establishment of policies and principles to promote the equitable allocation of recycled water within the IEUA service area; and

WHEREAS, in furtherance thereof, on January 28, 2016 and March 3, 2016 respectively, the Regional Technical and Policy Committees approved the Recycled Water Policy Principles, and on March 16, 2016 the IEUA Board of Directors adopted the Recycled Water Policy Principles; and

WHEREAS, the Recycled Water Policy Principles serve as a guideline to the establishment of these regulations governing the purchase of recycled water in excess of a Contracting Agency's Base Entitlement, delivered through the IEUA regional recycled water system.

NOW, THEREFORE, the Board of Directors of the Inland Empire Utilities Agency* does hereby RESOLVE, DETERMINE, AND ORDER as follows:

Section 1. Definitions

Base Entitlement – Shall mean the total base supply of effluent which is subject to the right of first purchase from IEUA by the Contracting Agencies receiving sewerage service at any regional treatment plant, said portion being in the proportion that the quantity of sewage delivered into the regional sewerage system by the Contracting Agency bears to the total quantity of sewage delivered into the regional sewerage system by all Contracting Agencies, less normal processing losses resulting from the treatment of sewage.

Contracting Agency – Shall mean any sewage collection agency located, in whole or

part, within the boundaries of IEUA which has entered into a service contract with IEUA.

Section 2. That effective July 1, 2016, the use of recycled water above a Contracting Agency's Base Entitlement will require the Contracting Agency to provide replacement water.

1. Any Contracting Agency exceeding entitlement shall provide replacement water by one of the following means:
 - i. Stored water in the Chino Groundwater Basin,
 - ii. Acquisition of another contracting agency's unused entitlement, or
 - iii. Payment of a surcharge rate to IEUA per Section 2.0 below.
2. The annual amount of replacement water will be calculated as a reconciliation on the annual usage and the entitlement once a year, within 90 days following the end of the fiscal year.
3. Replacement water will be purchased by IEUA within 12 months following the Contracting Agency's payment of the surcharge rate.

Section 3. Effective July 1, 2016, the surcharge rate for the purchase of replacement water by IEUA will be calculated by IEUA based on the difference between the IEUA recycled water rate for the fiscal year and the purchase and delivery cost of the replacement water.

Section 4. That effective July 1, 2016 through June 30, 2023, the City of Chino has temporary annual Base Entitlement based on Fiscal Year 2014/15 annual usage for its associated Fiscal Year 2014/15 customers of 8,324 acre-feet. The groundwater recharge allocation for Chino will be curtailed during the temporary period if the use of recycled water exceeds its base entitlement.

ADOPTED this 15th day of June, 2016.

President of the Inland Empire Utilities
Agency* and of the Board of Directors
thereof

POTENTIAL DRAFT RESOLUTION NO. 2016-6-x

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND
EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY,
CALIFORNIA, ESTABLISHING SURCHARGE RATES FOR USE OF
RECYCLED WATER ABOVE ENTITLEMENT OF IEUA'S
REGIONAL WATER SYSTEM FOR FISCAL YEAR 2016/17**

WHEREAS, The Regional Advisory Committees have reviewed and recommended service rates for Fiscal Year 2016/17:

NOW, THEREFORE, the Board of Directors of the Inland Empire Utilities Agency* does hereby RESOLVE, DETERMINE, AND ORDER as follows:

Section 1. That effective July 1, 2016, the surcharge rate for purchase of replacement water by IEUA will be set by the difference between the recycled water rate for the fiscal year and the purchase and delivery cost of the replacement water. Fiscal Year 2016/17 rates are as follows for the various categories:

1. Imported water from Metropolitan Water District rate per IEUA Rate Resolution 2016-6-x less recycled water rate of \$470 per acre foot.
2. Chino Basin Groundwater purchase rate less recycled water rate of \$470 per acre foot.

ADOPTED this 15th day of June, 2016.

President of the Inland Empire Utilities
Agency* and of the Board of Directors
thereof

ATTEST:

Secretary/Treasurer of the Inland Empire
Utilities Agency* and of the Board
of Directors thereof

ACTION ITEM

2C



Date: May 26/June 2, 2016
To: Regional Committees
From: Inland Empire Utilities Agency
Subject: Fiscal Year 2016/17 Amended Budget

RECOMMENDATION

It is requested that the Regional Technical and Policy Committees (Regional Committees) provide recommendation to the IEUA Board of Directors (Board) on the proposed amendments to the Fiscal Year (FY) 2016/17 adopted budget for the Agency's Regional Wastewater Operations and Maintenance (RO) fund, Regional Wastewater Capital Improvement (RC) fund, Recycled Water (WC) fund, and Recharge Water (RW) fund.

BACKGROUND

The Agency's first biennial budget of FYs 2015/16 and 2016/17 was adopted by the Board in June 2015, along with the multi-year rates for the Regional Wastewater Operation and Maintenance (RO), the Regional Wastewater Capital Improvement (RC), Recycled Water (WC), and the Recharge Water (RW) funds.

The proposed changes to the FY 2016/17 adopted operations and maintenance (O&M) budget was provided to the Regional Technical Committee on March 31 and the Regional Policy Committee on April 7, 2016. The overview also included an update of the changes to the Water Resources (WW) fund rate structure and draft rates still under discussion with the water member agencies. No changes to the capital improvement plan (CIP) were presented, as the review of the fiscal years (FYs) 2017- 2026 Ten Year Capital Improvement Plan (TYCIP) was still underway. The final FYs 2016/17 – 2025/16 TYCIP was presented to the Regional Technical Committee on April 28 and Regional Policy Committee on May 5, 2016.

Following is a summary of the proposed changes (amendments) to the FY 2016/17 O&M adopted budget for the Regional Wastewater, Recycled Water and Recharge Water programs.

Amendments to the FY 2016/17 Budget

Regional Wastewater Capital Improvement (RC) Fund

A major revenue source for the RC fund is the fees levied for new connections to its regional wastewater system, referred to as wastewater connections fees. Pursuant to the Regional Sewage

Service Contract (Regional Contract), member agencies collect and hold these funds in a trust account (Capital Construction Reimbursement Accounts) until they are “called” or requested by the Agency to support planned capital expenditures for the regional wastewater system.

Table 1: Wastewater Connection Fee Rates

| | FY 2015/16 | | FY 2016/17 | | FY 2017/18 | FY 2018/19 | FY 2019/20 |
|----------------------------------|------------|---------|------------|----------|------------|------------|------------|
| <i>Effective Date</i> | 7/01/15 | 1/01/16 | 7/01/16 | 01/01/17 | 7/01/17 | 7/01/18 | 7/01/19 |
| Wastewater Connection Fee | \$5,107 | \$5,415 | \$5,415 | \$6,009 | \$6,309 | \$6,624 | \$6,955 |

The projected number of new EDU connections has been reduced as the result of revised data submitted by member agencies in the fall of 2015. The number of new connections for FY 2016/17 was reduced from 4,580 to 3,000 resulting in a decrease of \$9.1 million of related revenue. As reported in Table 4, the cumulative number of new connections through FY 2019/20 was reduced from 19,250 to 16,030 for a cumulative decrease in projected revenue of \$19.8 million. A comparison of member agency forecasts and the IEUA projections are provided in Table 2.

Table 2: Adjustment to New Wastewater Connection Forecasts

| Forecasts | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 | 5 Year Total |
|----------------------------------|------------|------------|------------|------------|------------|--------------|
| Member Agencies Fall 2014 | 5,849 | 6,185 | 5,045 | 4,470 | 4,453 | 26,002 |
| Fall 2015 | 4,693 | 5,277 | 5,187 | 4,063 | 3,470 | 22,690 |
| IEUA Adopted | 4,330 | 4,580 | 3,735 | 3,310 | 3,295 | 19,250 |
| IEUA Amended | 4,330 | 3,000 | 3,000 | 3,000 | 2,700 | 16,030 |

Property tax receipts are another major funding source for the RC fund. Consistent with past practice, approximately 65 percent, or \$29.1 million in FY 2016/17, of property tax is allocated to the RC fund. The 65 percent relates to the portion of Improvement District “C” (IDC) taxes collected prior to the adoption of Proposition 13 in 1978.

An additional 3 percent increase in total property tax receipts is assumed for FY 2016/17 based on the year to date favorable growth of 6 percent. Property tax receipts budgeted in the RC fund is first allocated to support debt service and CIP costs. Debt service costs in FY 2016/17 are budgeted at \$13.5 million. Key changes in the RC fund FY 2016/17 adopted budget total revenue and other funding sources are summarized below in Table 3.

Table 3: RC Fund Major Revenues and Other Funding Sources

| \$Millions | Major Funding Sources | Adopted FY 2016/17 | Amended FY 2016/17 | Change | Key Assumptions |
|----------------------------------|-----------------------------|--------------------|--------------------|----------------|---|
| Regional Wastewater Capital (RC) | Wastewater Connections Fees | \$26.2 | \$17.1 | (\$9.1) | Reduced from 4,580 units to 3,000 units based on revised member agency count. |
| | Interest and Other Revenue | 2.5 | 1.1 | (1.4) | Interest rates lower than anticipated. |
| | SRF Loan | 0.0 | 2.9 | 2.9 | Proceeds for the RP-1 and RP-5 Expansion PDR SRF planning loan. |
| | Property Tax Receipts | 27.6 | 29.1 | 1.5 | An additional 3% increase based on year to date receipts. |
| | Total | \$56.3 | \$50.2 | (\$6.1) | |

Inter-fund transfers from the RC fund support debt service and capital expenditures. The increase over the adopted FY 2016/17 budget is due to operating costs and capital expenditures for the FYs 2017-2026 TYCIP. Table 4 summarizes the key changes to RC fund FY 2016/17 adopted budget total expenses and other uses of funds.

Table 4: RC Fund Major Expenses & Other Uses of Funds

| \$Millions | Major Uses of Funds | Adopted FY 2016/17 | Amended FY 2016/17 | Change | Key Assumptions |
|----------------------------------|--------------------------------|--------------------|--------------------|--------------|--|
| Regional Wastewater Capital (RC) | Capital Improvement Plan (CIP) | 15.3 | 20.0 | 4.7 | See Table 7 for summary of major capital projects. |
| | Operating Expenses | \$6.3 | \$9.5 | \$3.2 | Program costs to support increase of the Regional CIP. |
| | Inter-Fund Transfers | 7.5 | 9.5 | 2.0 | Support GG fund CIP. |
| | Debt Service Costs | 13.7 | 13.5 | (0.2) | Interest rates lower than anticipated. Includes principal & interest for the 2008A, 2008B and 2010A bonds. |
| | Total | \$42.8 | \$51.5 | \$8.7 | |

A total of \$20 million of capital project costs is budgeted in FY 2016/17, an increase of \$4.7 million over the previously adopted budget. The major projects are listed in Table 5 below.

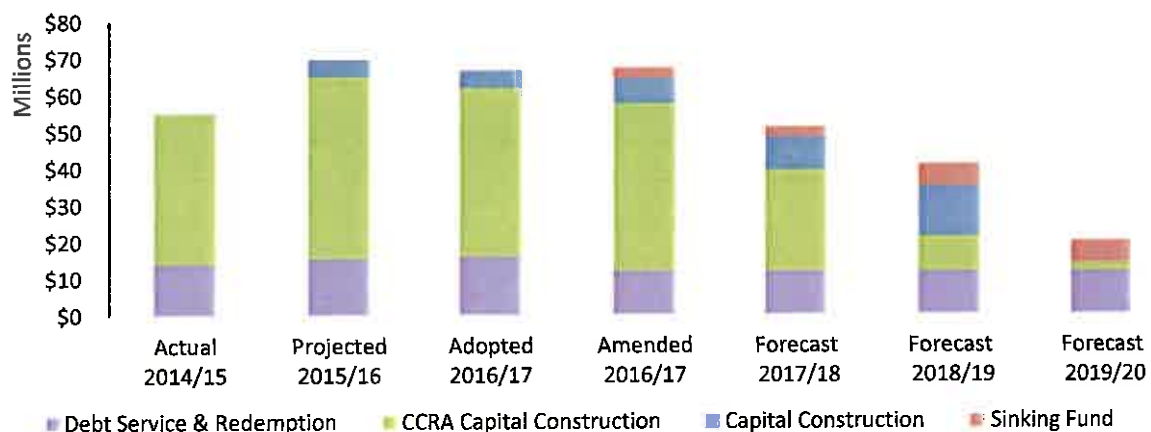
Table 5: RC Fund Major Capital Projects

| \$Millions | Project | Adopted FY 2016/17 | Amended FY 2016/17 |
|------------|--|-----------------------|-----------------------|
| RC Fund | RP-2 Relocation/RP-5 Solids Treatment Facility | \$4.0 | \$3.1 |
| | RP-1 Mixed Liquor Return Pump | 3.0 | 2.4 |
| | RP-1 and RP-5 Expansion PDR | 2.0 | 2.2 |
| | RP-4 Chlorination Facility Retrofit | 1.5 | 1.0 |
| | RP-1 Headworks Primary & Secondary Upgrade | - | 1.5 |
| | San Bernardino Ave. Gravity Sewer | - | 1.3 |
| | RP-5 Expansion to 30 MGD | - | 1.2 |
| | All Other Regional Capital Projects | 4.8 | 7.3 |
| | Major Capital Projects | \$15.3 | \$20.0 |

The RC fund estimated ending fund balance for FY 2016/17 of \$67.5 million is slightly higher than the \$66.7 million projected in the adopted budget. As shown in Figure 1 below, the fund balance is projected to drop over the ensuing three fiscal years. The primary drivers for the anticipated decrease are higher capital expenditures on major plant expansions and the early retirement of the 2008A Bonds beginning in November 2017.

A sinking fund is also being established beginning in FY 2016/17 to support the early repayment of the 2008A Bonds. Future capital calls against the Capital Construction Reimbursement Accounts (CCRAs) held by member agencies will be a primary funding source for the sinking fund.

Figure 1: RC Fund Reserve Balance by Type



Regional Wastewater Operations and Maintenance (RO) Fund

The key revenue and funding sources for the RO fund include: equivalent dwelling unit (EDU) volumetric charges, property taxes, and reimbursement from the Inland Empire Regional Composting Authority (IERCA) for labor and operating costs. Major expenses include operating costs for the collection, treatment, and disposal of wastewater, maintenance and capital replacement and rehabilitation (R&R) costs of regional facilities and infrastructure, and organic management activities. The bio-solids recycling budget includes tipping fees paid to the IERCA for processing of bio-solids from all of the Agency's facilities.

Pursuant to the Agency's commitment to have rates that fully recover the cost of service and consistent with the Regional Contract, incremental increases to the monthly EDU volumetric rate were adopted for five fiscal years in FY 2014/15, as reported in Table 6. The initial assumptions of achieving full cost of service, or recovery of O&M, R&R, and debt service costs, was projected to be reached in FY 2018/19. Due to an increase in projected R&R costs; full cost of service may not be achieved until FY 2020/21. No change in the adopted EDU volumetric rates is proposed; however future rates may need to be adjusted higher than the consumer price index (CPI) as previously planned when the multi-year rates were adopted. Property taxes will continue to be used to cover program costs not supported by the adopted rates.

Table 6: Adopted EDU Volumetric Rates FYs 2015/16 – 2019/20

| Rate Description | FY 2014/15 | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| EDU Volumetric Rate | \$14.39 | \$15.89 | \$17.14 | \$18.39 | \$19.59 | \$20.00 |
| Effective Date | | 10/01/15 | 07/01/16 | 07/01/17 | 07/01/18 | 07/01/19 |

The RO fund FY 2016/17 amended revenue and other funding sources are estimated at \$86.8 million, an increase of 2.2 million compared to the adopted budget of \$84.6 million. The primary change is the increase in volumetric EDU revenue due to favorable growth in volumetric units in both FY 2015/16 (0.5 percent) and FY 2014/15 (2.5 percent) compared to the budgeted 0.25 percent annual growth. The higher number of EDUs increased the projected volumetric EDU revenue from \$54.9 million to \$56.2 million in FY 2016/17 with the same 0.25% growth assumption. Table 7 highlights the changes in major revenue and other funding sources.

Table 7: RO Fund Major Revenues and Other Funding Sources

| \$Millions | Major Funding Sources | Adopted FY2016/17 | Amended FY 2016/17 | Change | Key Assumptions |
|---|------------------------|-------------------|--------------------|--------------|--|
| Regional Wastewater Operations and Maintenance (RO) | Volumetric EDU Revenue | \$55.0 | \$56.4 | \$1.4 | Favorable growth in volumetric EDUs in FY 2014/15 and FY 2015/16. Proposed FY 16/17 revenue assumes 0.25% growth |
| | Inter-Fund Transfers | 4.5 | 5.1 | 0.6 | Transfer from RC for LAB project, and from WC for the SCADA system project. |
| | Property Tax Receipts | 9.3 | 9.5 | 0.2 | An additional 3% increase in FY 2016/17 based on year to date receipts. |
| | State Loans | 7.7 | 7.7 | 0.0 | Water Quality Laboratory project. |
| | Grants | 3.5 | 3.5 | 0.0 | USBR grant for the Chino Basin Groundwater Supply Wells and Raw Water Pipeline project. |
| | Other Revenues | 4.6 | 4.6 | 0.0 | Reimbursement of IERCA labor costs |
| | Total | \$84.6 | \$86.8 | \$2.2 | |

The amended RO fund FY 2016/17 total expenses and other uses of funds are estimated at \$89.2 million compared to the adopted budget of \$75.5 million as indicated in Table 8. The increase of \$13.7 million includes a \$3.2 million inter-fund loan to the Water Resources (WW) fund to support purchase of supplemental water supplies, and an increase of \$7.5 million in R&R projects.

Table 8: RO Fund Major Expenses & Other Uses of Funds

| \$Millions | Major Uses of Funds | Adopted FY 2016/17 | Amended FY 2016/17 | Change | Key Assumptions |
|------------------------------|--------------------------------|--------------------|--------------------|--------|---|
| Regional Wastewater O&M (RO) | Capital Improvement Plan (CIP) | 11.8 | 19.3 | 7.5 | New projects for Agency-wide pump efficiency, RP-2 dry bed rehabilitation, etc. |
| | Operating Expenses | \$62.0 | \$66.5 | \$4.5 | New panel replacement project and increase in employment costs due |

| \$Millions | Major Uses of Funds | Adopted FY 2016/17 | Amended FY 2016/17 | Change | Key Assumptions |
|------------|----------------------|--------------------|--------------------|---------------|---|
| | | | | | to reduced vacancy factor. |
| | Debt Service Costs | 0.2 | 3.4 | 3.2 | Inter-fund loan \$3.2 million to WW fund to support purchase of supplemental water |
| | Inter-Fund Transfers | \$1.5 | 0 | (1.5) | RC fund support for RO fund share of the RP-5 solids handling facility project costs. |
| | Total | \$75.5 | \$89.2 | \$13.7 | |

The amended FY 2016/17 total expenses and other uses of funds includes \$26.9 million of project expenses for both capital and operations and maintenance (O&M) projects. The funding sources for these projects include grants, loans, volumetric EDU rates and property tax receipts. The major RO fund projects are listed below in Table 9. The \$3.0 million expense for the Chino Basin Groundwater Supply Wells and Raw Water Pipeline project will be funded by grants and property taxes.

Table 9: RO Fund Major Projects

| \$Millions | Project | Adopted FY 2016/17 | Amended FY 2016/17 |
|--------------------------|---|--------------------|--------------------|
| RO Fund Capital Projects | New Water Quality Laboratory | \$7.0 | \$7.0 |
| | Agency-Wide Lighting Improvements Phase 2 | 0 | 1.4 |
| | Agency-Wide Pump Efficiencies | 0 | 1.3 |
| | SCADA Enterprise System | 1.0 | 1.2 |
| | RP-1 East Primary Effluent Pipe Rehab | 1.4 | 0.5 |
| | Other capital projects | 2.4 | 7.9 |
| | Total Capital Projects | \$11.8 | \$19.3 |
| RO Fund O&M Projects | Chino Basin Groundwater Supply Wells and Raw Water Pipeline | \$3.0 | \$3.0 |
| | Panel Replacement | 0 | 2.4 |
| | RO O&M Emergency Projects | 0.6 | 0.6 |
| | Other O&M projects | 0.5 | 1.6 |
| | Total O&M Projects | \$4.1 | \$7.6 |
| | Total Project Costs | \$15.9 | \$26.9 |

The FY 2016/17 ending fund balance is estimated at \$45.2 million, approximately \$4.6 million higher than the adopted budget's fund balance of \$40.6 million (Figure 2). The estimated increase is primarily due to a higher projected ending fund balance for FY 2015/16 as a result of lower O&M and capital expenditure projections.

Beginning in FY 2016/17 a sinking fund reserve is being established to support the relocation, rehabilitation and decommissioning of wastewater facilities. Based on current assumptions the sinking fund reserve is projected to be \$25 million at the end of FY 2019/20. These funds will be used to support the relocation of the RP-2 solids handling facility to the RP-5 site and rehabilitation of RP-1, the Agency's oldest treatment plant. The use of property taxes to fund the sinking fund reserve over time will help mitigate the impact to future rates.

Figure 2: RO Fund Reserve by Type



Recycled Water (WC) Fund

No change in the budgeted 37,100 acre feet (AF) of recycled water deliveries in FY 2016/17, or the related revenue of \$16.0 million. Additionally, there is no change in the \$2.1 million Local Projects Program (LPP) rebate from the Metropolitan Water District of Southern California (MWD). The LPP rebate will sunset in June 2017.

Other key funding sources for the WC fund include; State Revolving Fund (SRF) low interest loans, grants, and water connection fees. SRF loan proceeds and grant receipts are estimated at \$12.6 million in FY 2016/17, a reduction of \$5.5 million from the adopted budget. The reduction is mainly attributed to timing of expenditures and related receipts for major projects financed by Proposition 1 grant and SRF loans. Additionally the WC fund will be transferring approximately \$1.4 million of SRF loan receipts to the RO fund for costs associated with the SCADA Enterprise System project. Beginning in FY 2017/18 the RO fund will provide annual transfer to support the WC fund for debt service costs related to the SCADA Enterprise System project (Table 10).

Table 10: WC Fund Major Revenue & Other Funding Sources

| \$Millions | Major Funding Sources | Adopted FY 2016/17 | Amended FY 2016/17 | Change | Key Assumptions |
|------------|-------------------------------|--------------------|--------------------|---------|---|
| | Loan and Grant Proceeds | 18.1 | 12.6 | (\$5.5) | SRF loans and grants to support WC fund capital projects. |
| | Connection Fees | 4.5 | 2.9 | (1.6) | 4,167 MEUs reduced to 2,730. |
| | Inter-Fund and Other Revenues | 2.4 | 2.7 | 0.3 | Interest and other reimbursements. |

| \$Millions | Major Funding Sources | Adopted FY 2016/17 | Amended FY 2016/17 | Change | Key Assumptions |
|---------------------|-----------------------|--------------------|--------------------|----------------|--|
| Recycled Water (WC) | Property Tax Receipts | 2.1 | 2.2 | 0.1 | An additional 3% increase in FY 2016/17 based on year to date receipts. |
| | Direct Sales | \$9.7 | \$9.7 | \$0.0 | 24,200 AF in FY 2016/17. |
| | Recharge Sales | 6.0 | 6.0 | 0.0 | 12,900 AF in FY 2016/17. |
| | MWD LPP Rebate | 2.1 | 2.1 | 0.0 | \$134/AF rebate for recycled water sales over 3,500 AFY & up to 13,500 AFY. Rebate expires in June 2017. |
| | Total | \$44.9 | \$38.2 | (\$6.7) | |

Major expenses for the WC fund include capital, debt service and operating costs. Operating costs include labor, pumping, O&M (special) projects and a portion of the ground water recharge operating costs not reimbursed by Watermaster. Groundwater recharge expenses of \$1.1 million are estimated in FY 2016/17. In addition, the Agency's FY 2016/17 pro-rata share is estimated to be \$506,000. The Agency's annual pro rata share is based on the relative proportion of recycled water recharged to the total recharge from all sources in the prior year.

Annual debt service costs are estimated at \$6.7 million in FY 2016/17. Repayment of the \$28.5 million outstanding inter-fund loans (\$13.5 million due to RC fund and \$15 million due to the NC fund) has been deferred from FY 2016/17 to FY 2019/20 with full repayment projected by FY 2025/26. The proposed major expense and other uses of funds are summarized in Table 11.

Table 11: WC Fund Major Expenses & Other Uses of Funds

| \$Millions | Major Uses of Funds | Adopted FY 2016/17 | Amended FY 2016/17 | Change | Key Assumptions |
|------------|--------------------------------|--------------------|--------------------|--------|---|
| | Capital Improvement Plan (CIP) | 18.6 | 11.9 | (6.7) | See Table 13 for summary of major capital projects. |
| | Operating Expense | 7.9 | 9.5 | 1.6 | Includes labor, professional fees and services, materials and supplies, and a portion of the groundwater recharge operations expense and inter-fund transfers to support operating and capital costs. |
| | Inter-Fund Transfers | 1.2 | 2.4 | 1.2 | Capital and operating support to other funds. |

| \$Millions | Major Uses of Funds | Adopted FY 2016/17 | Amended FY 2016/17 | Change | Key Assumptions |
|------------|--------------------------------|--------------------|--------------------|----------------|---|
| | Water Connection Fee Transfers | 0.4 | 0.4 | 0.0 | Connection fees to support projects in GG, RW and WW funds. |
| | Utilities | \$3.0 | \$3.0 | \$0.0 | \$0.12 kWh electricity rate for direct access, renewable energy rates based Purchase Power Agreements (PPAs) melded rate. |
| | Total | \$40.4 | \$33.9 | (\$6.5) | |

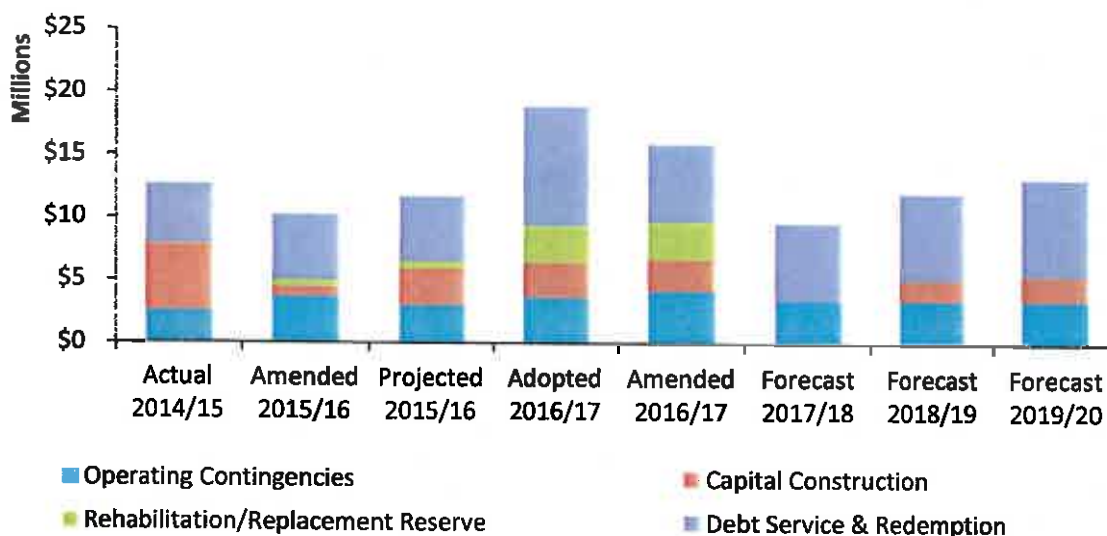
Capital expense is projected to be \$11.9 million as indicated in Table 12, reflects a reduction of \$6.7 million from the previously adopted budget of \$18.6 million. The reduction of projected CIP expenditures is mostly due to changes in the execution of the recycled water regional intertie projects.

Table 12: WC Fund Major Capital Projects

| \$Millions | Project | Adopted FY 2016/17 | Amended FY 2016/17 |
|------------|--|--------------------|--------------------|
| WC Fund | Recycled Water Regional Interties | \$10.0 | \$1.5 |
| | San Seavine Improvements | 3.0 | 3.2 |
| | 1630 West RW Pump Station – Surge Tank Install | - | 1.3 |
| | Napa Lateral/SB Speedway | 1.0 | 0.5 |
| | RP-1 Parallel Outfall Pipeline | 1.0 | 0.2 |
| | 1158 Reservoir Site Cleanup | - | 0.6 |
| | All Other Capital Projects | 3.6 | 4.6 |
| | Major Capital Projects | \$18.6 | \$11.9 |

Fund reserves for FY 2016/17 are projected to be \$15.9 million, a \$3.0 million decrease from the estimated ending balance reported in the adopted FY 2016/17 budget (Figure 3). The decrease is mainly due to a reduction in SRF loan and related grant proceeds. Also contributing to the decrease of reserves is the projected reduction in the number of new MEU connections. Previously budgeted for fiscal years 2015/16 through 2019/20 was 14,562 new MEU connections, this has been reduced to 11,632 new MEU connections. The reduction in the R&R and capital expansion reserves over the next two fiscal years are driven by projected CIP expenditures. Based on current assumptions, capital construction reserves will start to rebuild in FY 2018/19.

Figure 3: WC Fund Reserve Balance by Type



Recharge Water (RW) Fund

The Recharge Water (RW) fund accounts for the revenues and expenses associated with groundwater recharge (GWR) operations and maintenance through joint efforts with Chino Basin Watermaster (Watermaster), Chino Basin Water Conservation District (CBWCD), and the San Bernardino County Flood Control District (SBCFCD). Operating expenses include general basin maintenance and/or restoration, groundwater administration (e.g. labor, tools, and supplies), contracted services (e.g. weeding and vector control), compliance reporting, and environmental documentation for permit compliance.

Total budgeted revenues, other funding sources and inter-fund contributions/support adopted for FY 2016/17 was \$7.4 million and the amended budget shows slight decrease at \$7.1 million. The budget is comprised of reimbursements from Watermaster for groundwater recharge facilities operations and maintenance (O&M), capital/special project support, and debt service costs. The remaining balance will be contributed by IEUA for its portion of capital costs (50/50 shared with Watermaster), debt service, and pro-rata share of O&M cost (Table 13).

Table 13: RW Fund Revenue and Other Funding Sources

| \$Millions | Major Funding Sources | Adopted FY 2016/17 | Amended FY 2016/17 | Change | Description |
|--------------------------|-----------------------|--------------------|--------------------|--------|--|
| Recharge Water (RW) Fund | Watermaster GWR O&M | \$0.8 | \$0.9 | \$0.1 | Watermaster reimbursement of groundwater recharge operations & maintenance (GWR O&M) and facilities. |

| \$Millions | Major Funding Sources | Adopted FY 2016/17 | Amended FY 2016/17 | Change | Description |
|------------|--------------------------------------|--------------------|--------------------|--------------|--|
| | IEUA Operations Support | 1.9 | 1.7 | (0.2) | Operating support for the Agency's pro-rata share for GWR costs and debt service costs. |
| | Watermaster Debt Service | 0.5 | 0.4 | (0.1) | Watermaster reimbursement for its share of the debt service costs, interest rate estimated at 1.5% and 2015/16 interest credit adjustment. |
| | Watermaster Capital and O&M Projects | 4.2 | 4.1 | (0.1) | Capital project cost shared with Watermaster based on Master Cost Sharing Agreement. |
| | Total | \$7.4 | \$7.1 | (0.3) | |

Total RW fund expenses and other uses of funds for FY 2016/17 remain at \$7.3 million. These include debt service costs for bonds issued in 2002 to finance the Chino Basin Facilities Improvement Project (CBFIP); groundwater recharge (GWR) operations and maintenance (O&M) expenses, and capital projects costs.

FY 2016/17 GWR O&M expense budget as shown in Table 14, includes utilities and general groundwater basin maintenance costs for infiltration restoration and slope repairs on various groundwater basins; amongst them Declez, Ely, Hickory, Banana, and Jurupa basins.

Table 14: RW Major Expenses & Other Uses of Funds

| \$Millions | Major Uses of Funds | Adopted FY 2016/17 | Amended FY 2016/17 | Change | Description |
|--------------------------|-----------------------|--------------------|--------------------|--------------|--|
| Recharge Water (RW) Fund | GWR O&M | 1.6 | 1.8 | 0.2 | O&M, specialty O&M, Watermaster and SBCFCD costs, and IEUA pro-rata share. |
| | Debt Service | \$1.0 | \$0.9 | (\$0.1) | Lower projected interest and financial expenses. |
| | Watermaster CIP | 4.7 | 4.6 | (0.1) | See Table 19. |
| | Total Expenses | \$7.3 | \$7.3 | \$0.0 | |

Table 15: Recharge Program Capital Projects

| \$Millions | Capital Projects | Adopted FY 2016/17 | Amended FY 2016/17 |
|--------------------------|--|--------------------|--------------------|
| Recharge Water (RW) Fund | RW15003 Recharge Master Plan Update | \$3.1 | \$3.1 |
| | RW15004 Lower Day RMPU | 1.2 | 1.2 |
| | EN16052 Ely Basin Turnout Remote Control Upgrade | 0.4 | |
| | RW15002 Upper Santa Ana River HCF | 0.1 | 0.3 |
| | Total Capital Projects | \$4.7 | \$4.6 |

In 2014, CBWM and IEUA entered into the Master Cost Sharing Agreement Regarding the Management of the Collaborative Recharge Projects. The purpose of this agreement was to establish a framework for the joint management and allocation of cost for certain collaborative projects within the Chino Basin.

FY 2016/17 RMPU projects total \$6.9 million. Contribution, or cost share, of RMPU capital project from CBWM and the Agency are included in the Recycled Water (WC) and Recharge Water (RW) fund budgets. The combined RMPU total project costs of \$41.5 million consists of \$35.8 million share from CBWM and \$5.7 million from the Agency. The Agency will seek grant and SRF loan funding for the planning, design, and construction of the RMPU projects.

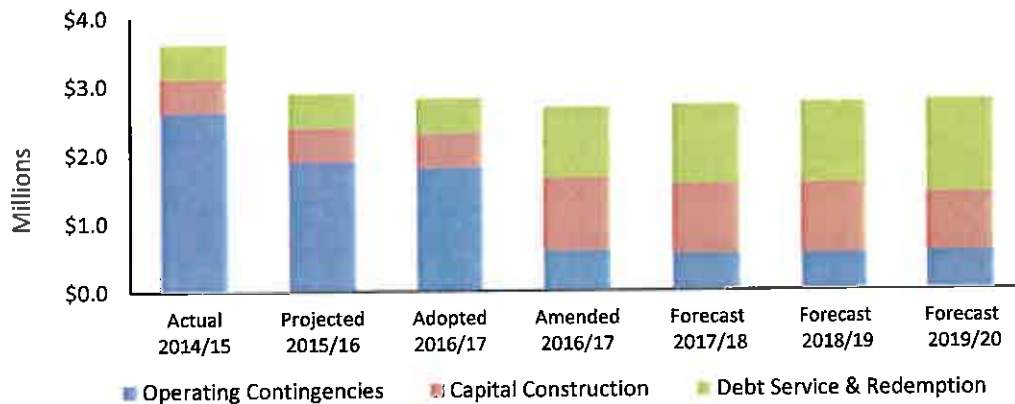
Summary of Capital Projection and Cost Share between IEUA and CBWM

| Project Name | Project Number | Proposed RMPU Budget | CBWM Share | IEUA Share | Current Total Project Budget | FY 2016/17 |
|-----------------------------|----------------|----------------------|---------------------|---------------------|------------------------------|---------------------|
| GWR/RW SCADA Upgrades | EN14047 | \$ 892,000 | \$ 446,000 | \$ 446,000 | \$ 892,000 | \$ 455,263 |
| HCP | RW15002 | \$ 160,000 | \$ 80,000 | \$ 80,000 | \$ 160,000 | \$ 44,452 |
| San Sevaine Improvements | EN13001 | \$ 6,460,000 | \$ 3,230,000 | \$ 3,230,000 | \$ 6,460,000 | \$ 3,250,000 |
| 2013 RMPU Design | RW15003 | \$ 3,825,500 | \$ 3,575,250 | \$ 250,250 | \$ 3,825,500 | \$ 2,000,000 |
| Lower Day Improvements | RW15004 | \$ 2,480,000 | \$ 2,480,000 | \$ - | \$ 2,480,000 | \$ 1,118,014 |
| 2013 RMPU Construction | EN18007 | \$ 24,244,500 | \$24,244,500 | \$ - | \$ 24,244,500 | - |
| Victoria Basin Construction | WR15020 | \$ 130,000 | \$ 65,000 | \$ 65,000 | \$ 130,000 | - |
| RP-3 Construction | WR15019 | \$ 3,300,000 | \$ 1,650,000 | \$ 1,650,000 | \$ 3,300,000 | - |
| | | \$ 41,492,000 | \$35,770,750 | \$ 5,721,250 | \$41,492,000 | \$ 6,867,729 |

The estimated ending fund balances for the amended FY 2016/17 budget is projected to be approximately \$2.7 million, compared to the adopted budget's ending balance of \$2.8 million. The operating contingency reserve is adjusted to reflect 4 months of O&M expenses consistent with

the Agency's Reserve Policy. The ending balance in ensuring fiscal years is projected to average about \$2.8 million (Figure 4).

Figure 4: RW Fund Reserve Balance by Type



Property Tax Allocation by Fund

Total property tax receipts are projected to increase from \$42.4 million, in the FY 16/17 adopted budget to \$44.7 million. The increase of 6 percent is based on higher than projected year to date receipts. Table 16 provides a summary of property tax allocations by fund.

Table 16: FY 2016/17 Property Tax Allocation by Fund (\$Millions)

| Fund | Allocation % | 2016/17 Adopted | Allocation % | 2016/17 Amended |
|---------|--------------|-----------------|--------------|-----------------|
| RC Fund | 65% | \$27.6 | 65% | \$29.1 |
| RO Fund | 22% | 9.3 | 21.3% | 9.5 |
| WC Fund | 5% | 2.1 | 4.9% | 2.2 |
| GG Fund | 4% | 1.9 | 4.4% | 2.0 |
| WW Fund | 4% | 1.5 | 4.4% | 1.9 |
| Total | 100% | \$42.4 | 100% | \$44.7 |

Consistent with past practice, the annual allocation of total property taxes to the RC fund will continue at 65 percent, including related growth. The 65 percent relates to the portion of Improvement District "C" (IDC) taxes collected prior to the adoption of Proposition 13 in 1978.

Property taxes were first allocated to the WW fund in FY 2014/15 from the Administrative Service (GG) fund to support regional water resource initiatives not supported by the proposed water rates, such as Santa Ana River Conservation and Conjunctive Use Program (SARCCUP), Integrated Resources Plan (IRP) Phase II drought resiliency projects, and supplemental water purchases and storage. In order to adequately finance these regional investments without impacting program rates, beginning in FY 2017/18 all future growth in property tax receipts allocated to the RO, WC and GG funds will be re-allocated to the WW fund. Going forward, property tax receipts for the

RO, WC and GG fund will be “fixed” at the FY 2016/17 amended amount as reported in Table 1.

Conclusion

No changes are proposed for the adopted rates through FY 2019/20 for the Regional Wastewater and Recycled Water Programs. The proposed amendments to the FY 2016/17 Regional Wastewater (RC and RO funds), Recycled Water, and the Recharge Water fund combined total revenues and other funding sources of \$10 million is primarily driven by the reduction in the projected number of new wastewater connections (Table 17).

**Table 17: Proposed Amendments to Total Revenues and Other Funding Sources
 For RC, RO, WC and RW Funds**

| Major Funding Sources (\$Millions) | Adopted FY 2016/17 | Amended FY 2016/17 | Change | Key Assumptions |
|---|--------------------|--------------------|-----------------|---|
| Connection Fees | \$30.6 | \$20.1 | (\$10.5) | New wastewater connections reduced from 4,580 to 3,000 based on updated member agency forecast. |
| Grants and Loans | 29.3 | 26.7 | (2.6) | Delay of SRF loans and grants related to WC fund capital projects. |
| Other Revenues | 11.5 | 11.4 | (0.1) | Includes IERCA and other contract cost reimbursements. |
| Property Taxes | 39.0 | 40.8 | 1.8 | An additional 3% increase based on FY 2015/16 YTD receipts. |
| User Charges | 55.0 | 56.4 | 1.4 | Increase in the projected number of volumetric EDUs based on YTD billings. |
| Recycled Water Sales | 17.8 | 17.8 | 0 | No change in projected deliveries; direct 24,200 Acre Feet (AF) and recharge 12,900 AF. |
| Total Revenues & Other Funding Sources | \$183.2 | \$173.2 | (\$10.0) | |

The combined amendment to total expenses and other uses of funds for the RC, RO, WC and RW funds is summarized in Table 18 below. As indicated, the increase of \$17.2 million is primarily driven by higher CIP costs and related support costs, as well as a reduction in the employment vacancy factor to support the Agency’s succession planning.

Table 18: Proposed Amendments to Total Expenses and Other Uses of Funds

for RC, RO, WC and RW Funds

| Major Uses of Funds (\$Millions) | Adopted FY 2016/17 | Amended FY 2016/17 | Change | Key Assumptions |
|---|--------------------------|--------------------------|---------------|--|
| Operating Expenses | \$80.7 | \$90.3 | \$9.6 | Increase in program costs to support higher CIP and O&M (special) project costs and reduced vacancy factor. |
| Capital Improvement Plan (CIP) | 50.5 | 55.8 | 5.3 | Major projects for FY 2016/17 include New Water Quality Laboratory, RMPU projects, RP-5 Solids Treatment Facility, and RP-5 Expansion account for the \$5.3M change. The Ten Year Capital Improvement Plan totals for these funds are \$664.8 million. |
| Inter-fund Transfers | 1.3 | 3.2 | 1.9 | Transfers to support higher CIP costs. |
| Debt Service | 24.1 | 24.5 | 0.4 | Deferral of WC inter fund loan repayment, offset by \$3.2 million inter-fund loan from RO fund to WW fund. |
| Total Expenses & Uses of Funds | \$156.6 | \$173.8 | \$17.2 | |

Inter Fund Loans

A summary of outstanding inter-fund loans projected at the end of FY 2016/17 is provided in Table 19. Repayment of the inter-fund loans due from the WC fund have been deferred to FY 2019/20 through FY 2025/26. The Water Resources (WW) fund repayment of the \$3.2 million is projected to begin in FY 2024/25. On May 11, 2016, the water member agencies submitted a formal request to the Agency's Board to forgive the \$4.3 million inter-fund loan due to the Administrative Services (GG) fund by the WW fund.

Table 19: Schedule of Outstanding Inter-Fund Loans as of June 30, 2017

| Inter Fund Loans Issued | From | To | Loan Amount (\$Millions) |
|--|--|---------------------------------|-------------------------------------|
| FY 2007/08 | Non-Reclaimable Wastewater (NRW) Fund | Recycled Water (WC) Fund | \$9 |
| FY 2007/08 | Regional Wastewater Capital (RC) Fund | | 3 |
| FY 2009/10 | Non-Reclaimable Wastewater (NRW) Fund | | 6 |
| FY 2014/15 | Regional Wastewater Capital Improvement (RC) Fund | | 10.5 |
| FY 2014/15 | Administrative Services (GG) Fund | Water (WW) Fund | 4.3* |
| FY 2016/17 | Regional Capital O&M (RO) Fund | | 3.2 |
| | Total | | \$36 |

Attachments:

Appendix A: Summary of Major Changes in Fund Budgets

Appendix B: The Sources and Uses of Fund reports for the Regional Wastewater Capital and Operations funds, Recycled Water, and Recharge Water programs

Appendix C: Major Projects in FY 2016/17

Appendix D: Inter-fund Loan and Repayment Schedule

Appendix A: Summary of Major Changes in Fund Budgets

(\$ in Millions)

| | | Adopted FY 2016/17 | Amended FY 2016/17 | Proposed Amendments |
|--------------------|--|-------------------------------|-------------------------------|--------------------------------|
| RC Fund | Total Revenue & Funding Sources | \$55.3 | \$49.2 | (\$6.1) |
| | Total Expense & Uses of Funds | 41.8 | 51.5 | 9.7 |
| | Net Increase (Decrease) | 13.5 | (2.3) | (15.7) |
| | Beginning Fund Balance | 53.3 | 69.8 | 16.5 |
| | Ending Fund Balance | \$66.8 | \$67.5 | \$0.8 |
| RO Fund | Total Revenue & Funding Sources | \$84.2 | \$86.8 | \$2.6 |
| | Total Expense & Uses of Funds | 80.1 | 89.2 | 9.1 |
| | Net Increase (Decrease) | 4.1 | (2.4) | (6.5) |
| | Beginning Fund Balance | 31.9 | 47.6 | 15.7 |
| | Ending Fund Balance | \$36.0 | \$45.2 | \$9.2 |
| WC Fund | Total Revenue & Funding Sources | \$44.9 | \$38.2 | (\$6.8) |
| | Total Expense & Uses of Funds | 40.4 | 34.0 | (6.5) |
| | Net Increase (Decrease) | 4.5 | 4.2 | (0.3) |
| | Beginning Fund Balance | 14.4 | 11.7 | (2.7) |
| | Ending Fund Balance | \$18.9 | \$15.9 | (\$3.0) |
| RW Fund | Total Revenue & Funding Sources | \$7.4 | \$7.1 | (\$0.3) |
| | Total Expense & Uses of Funds | 7.3 | 7.3 | 0.0 |
| | Net Increase (Decrease) | 0.1 | (0.2) | (0.3) |
| | Beginning Fund Balance | 2.7 | 2.9 | 0.1 |
| | Ending Fund Balance | \$2.8 | \$2.7 | (\$0.1) |

Appendix B

INLAND EMPIRE UTILITIES AGENCY
 FISCAL YEAR 2016/17 BUDGET UPDATE
 RC FUND - SOURCES AND USES OF FUNDS (In Thousands)

| | 2014/15 | 2015/2016 | 2015/2016 | 2016/2017 | 2016/2017 |
|---|-----------------|-------------------|---------------------|-------------------|-------------------|
| | ACTUAL | AMENDED BUDGET | PROJECTED ACTUAL | ADOPTED BUDGET | AMENDED BUDGET |
| REVENUES | | | | | |
| Contract Cost reimbursement | \$12 | \$0 | \$0 | \$0 | \$0 |
| Interest Revenue | 94 | 365 | 128 | 545 | 135 |
| TOTAL REVENUES | \$105 | \$365 | \$128 | \$545 | \$135 |
| OTHER FINANCING SOURCES | | | | | |
| Property Tax - Debt and Capital | \$26,414 | \$26,752 | \$28,212 | \$27,554 | \$29,058 |
| Regional System Connection Fees | 15,074 | 22,647 | 22,647 | 26,161 | 17,136 |
| State Loans | 0 | 2,888 | 0 | 0 | 2,888 |
| Grants | 50 | 0 | 0 | 0 | 0 |
| Other Revenues | 0 | 6 | 1 | 6 | 6 |
| TOTAL OTHER FINANCING SOURCES | \$41,538 | \$52,292 | \$50,860 | \$53,721 | \$49,088 |
| EXPENSES | | | | | |
| Employment Expenses | \$3,230 | \$3,535 | \$3,437 | \$3,171 | \$4,021 |
| Contract Work/Special Projects | 1,007 | 908 | 307 | 750 | 2,950 |
| Operating Fees | 233 | 240 | 240 | 247 | 247 |
| Professional Fees and Services | 312 | 321 | 345 | 299 | 399 |
| Other Expenses | 1,457 | 1,605 | 1,310 | 1,790 | 1,899 |
| TOTAL EXPENSES | \$6,239 | \$6,609 | \$5,638 | \$6,258 | \$9,516 |
| CAPITAL PROGRAM | | | | | |
| IERCA Investment | \$0 | \$0 | \$0 | \$500 | \$500 |
| Work In Progress | 4,318 | 14,015 | 9,580 | 14,845 | 19,504 |
| TOTAL CAPITAL PROGRAM | \$4,318 | \$14,015 | \$9,580 | \$15,345 | \$20,004 |
| DEBT SERVICE | | | | | |
| Financial Expenses | \$207 | \$381 | \$45 | \$248 | \$233 |
| Interest | 6,204 | 6,043 | 5,775 | 6,125 | 5,991 |
| Principal | 23,083 | 7,078 | 7,074 | 7,279 | 7,274 |
| Short Term Inter-Fund Loan | 10,500 | 0 | 0 | 0 | 0 |
| TOTAL DEBT SERVICE | \$39,994 | \$13,502 | \$12,894 | \$13,652 | \$13,498 |
| TRANSFERS IN (OUT) | | | | | |
| Capital Contribution | \$207 | (\$1,608) | (\$1,520) | \$1,014 | (\$1,943) |
| Debt Service | 6,204 | (1,925) | (1,925) | (1,964) | (1,937) |
| Operation support | 23,083 | (6,000) | 0 | 0 | 0 |
| Capital - Connection Fees Allocation | 10,500 | (4,318) | (4,780) | (4,600) | (4,600) |
| TOTAL INTERFUND TRANSFERS IN (OUT) | 39,994 | (13,852) | (8,224) | (5,550) | (8,480) |
| FUND BALANCE | | | | | |
| Net Income (Loss) | (\$10,282) | \$4,680 | \$14,652 | \$13,461 | (\$2,276) |
| Beginning Fund Balance July 01 | 65,455 | 55,174 | 55,174 | 53,321 | 69,825 |
| ENDING FUND BALANCE AT JUNE 30 | \$55,174 | \$59,853 | \$69,825 | \$66,782 | \$67,549 |
| RESERVE BALANCE SUMMARY | | | | | |
| Capital Expansion / Construction | \$32 | \$441 | \$4,765 | \$1,724 | \$6,829 |
| CCRA Capital Construction | 41,023 | 43,824 | 49,472 | 45,913 | 45,608 |
| Rehabilitation/Replacement | 0 | 0 | 0 | 3,000 | 0 |
| Debt Service & Redemption | 14,119 | 15,588 | 15,588 | 16,144 | 12,112 |
| Sinking Fund | 0 | 0 | 0 | 0 | 3,000 |
| ENDING BALANCE AT JUNE 30 | \$55,174 | \$59,853 | \$69,825 | \$66,782 | \$67,549 |

INLAND EMPIRE UTILITIES AGENCY
FISCAL YEAR 2016/17 BUDGET UPDATE
RO FUND - SOURCES AND USES OF FUNDS (In Thousands)

| | 2014/2015 | 2015/16 | 2015/16 | 2016/17 | 2016/17 |
|---|------------------|-----------------------|-------------------------|-----------------------|-----------------------|
| | ACTUAL | AMENDED BUDGET | PROJECTED ACTUAL | ADOPTED BUDGET | AMENDED BUDGET |
| REVENUES | | | | | |
| User Charges | \$46,965 | \$49,696 | \$50,921 | \$55,023 | \$56,381 |
| Cost Reimbursement JPA | 3,423 | 3,350 | 3,240 | 3,526 | 3,526 |
| Contract Cost Reimbursement | 123 | 531 | 531 | 93 | 93 |
| Interest Revenue | 195 | 154 | 154 | 150 | 182 |
| TOTAL REVENUES | \$50,706 | \$53,731 | \$54,846 | \$58,792 | \$60,182 |
| OTHER FINANCING SOURCES | | | | | |
| Property Tax Revenues | \$9,140 | \$9,054 | \$9,549 | \$9,326 | \$9,549 |
| State Loans | 0 | 948 | 0 | 7,657 | 7,657 |
| Grants | 332 | 3,525 | 525 | 3,525 | 3,525 |
| Other Revenues | 763 | 738 | 738 | 757 | 757 |
| TOTAL OTHER FINANCING SOURCES | \$10,235 | \$14,265 | \$10,812 | \$21,264 | \$21,487 |
| EXPENSES | | | | | |
| Employment Expenses | \$24,338 | \$27,887 | \$26,973 | \$29,348 | \$29,552 |
| Contract Work/Special Projects | 1,053 | 12,065 | 3,354 | 4,110 | 7,640 |
| Utilities | 6,398 | 7,331 | 6,595 | 7,687 | 7,690 |
| Operating Fees | 1,819 | 2,283 | 1,847 | 2,339 | 2,347 |
| Chemicals | 4,092 | 4,471 | 4,328 | 4,349 | 4,499 |
| Professional Fees and Services | 2,979 | 3,640 | 2,922 | 2,721 | 2,812 |
| Office and Administrative expenses | 20 | 406 | 206 | 406 | 406 |
| Biosolids Recycling | 3,755 | 4,233 | 4,223 | 4,188 | 4,354 |
| Materials & Supplies | 1,621 | 2,096 | 2,113 | 2,020 | 2,028 |
| Other Expenses | 741 | 5,652 | 4,623 | 4,857 | 5,149 |
| TOTAL EXPENSES | \$46,815 | \$70,064 | \$57,183 | \$62,025 | \$66,478 |
| CAPITAL PROGRAM | | | | | |
| Capital Construction & Expansion (WIP) | 9,336 | \$12,588 | \$8,899 | \$11,794 | \$19,281 |
| TOTAL CAPITAL PROGRAM | \$9,336 | \$12,588 | \$8,899 | \$11,794 | \$19,281 |
| DEBT SERVICE | | | | | |
| Financial Expenses | (\$5) | \$2 | \$0 | \$2 | \$0 |
| Interest | 159 | 214 | 214 | 214 | 214 |
| Short Term Inter-Fund Loan | 0 | 0 | 0 | 0 | 3,200 |
| TOTAL DEBT SERVICE | \$154 | \$216 | \$214 | \$216 | \$3,415 |
| TRANSFERS IN (OUT) | | | | | |
| Capital Contribution | \$1,274 | \$82 | \$1,727 | (\$1,545) | \$1,025 |
| Operation support | 0 | 6,000 | 0 | 0 | 0 |
| Capital - Connection Fees Allocation | 0 | 3,440 | 4,249 | 4,111 | 4,111 |
| TOTAL INTERFUND TRANSFERS IN (OUT) | \$1,274 | \$9,522 | \$5,976 | \$2,566 | \$5,136 |
| FUND BALANCE | | | | | |
| Net Income (Loss) | \$5,909 | (\$5,350) | \$5,337 | \$8,589 | (\$2,368) |
| Beginning Fund Balance July 01 | \$36,306 | \$42,215 | \$42,215 | \$32,053 | \$47,553 |
| ENDING FUND BALANCE AT JUNE 30 | \$42,215 | \$36,865 | \$47,553 | \$40,642 | \$45,185 |
| RESERVE BALANCE SUMMARY | | | | | |
| Capital / Operation Contingencies | \$15,605 | \$19,238 | \$17,628 | \$18,500 | \$19,984 |
| Rehabilitation/Replacement | 26,395 | 17,412 | 29,710 | 20,830 | 8,857 |
| Debt Service & Redemption | 216 | 216 | 216 | 1,312 | 1,312 |
| Sinking Fund | 0 | 0 | 0 | 0 | 15,032 |
| ENDING BALANCE AT JUNE 30 | \$42,215 | \$36,865 | \$47,553 | \$40,642 | \$45,185 |

INLAND EMPIRE UTILITIES AGENCY
FISCAL YEAR 2016/17 BUDGET UPDATE
WC FUND - SOURCES AND USES OF FUNDS (In Thousands)

| | 2014/2015 | 2015/2016 | 2015/2016 | 2016/2017 | 2016/2017 |
|---|--------------------|--------------------|---------------------|-------------------|-------------------|
| | ACTUAL | AMENDED BUDGET | PROJECTED ACTUAL | ADOPTED BUDGET | AMENDED BUDGET |
| REVENUES | | | | | |
| Contract Cost reimbursement | \$480 | \$5 | \$0 | \$0 | \$0 |
| Interest Revenue | 0 | 192 | 77 | 216 | 85 |
| Water Sales | 12,047 | 14,022 | 14,022 | 17,814 | 17,814 |
| TOTAL REVENUES | \$12,527 | \$14,219 | \$14,098 | \$18,030 | \$17,899 |
| OTHER FINANCING SOURCES | | | | | |
| Property Tax - Debt/Capital | \$2,063.83 | \$2,057.83 | \$2,170 | \$2,119.57 | \$2,170.10 |
| Connection Fees | 0 | 683 | 417 | 4,475 | 2,932 |
| State Loans | 22,714 | 11,367 | 5,002 | 15,985 | 6,749 |
| Grants | 4,901 | 4,417 | 4,161 | 2,125 | 5,815 |
| Capital Contract Reimbursement | 110 | 1,444 | 138 | 718 | 1,136 |
| Other Revenues | 32 | 0 | 0 | 0 | 0 |
| Loan Transfer from Internal Fund | 10,500 | 0 | 0 | 0 | 0 |
| TOTAL OTHER FINANCING SOURCES | \$40,321 | \$19,969 | \$11,889 | \$25,422 | \$18,802 |
| EXPENSES | | | | | |
| Employment Expenses | \$4,080 | \$3,300 | \$3,462 | \$3,419 | \$3,653 |
| Contract Work/Special Projects | 343 | 2,332 | 1,178 | 2,225 | 3,289 |
| Utilities | 2,033 | 2,877 | 2,231 | 3,010 | 3,026 |
| Operating Fees | 159 | 216 | 215 | 152 | 352 |
| Professional Fees and Services | 737 | 704 | 692 | 654 | 683 |
| Materials & Supplies | 114 | 183 | 168 | 169 | 159 |
| Other Expenses | 197 | 1,356 | 1,119 | 1,283 | 1,357 |
| TOTAL EXPENSES | \$7,662 | \$10,968 | \$9,065 | \$10,911 | \$12,519 |
| CAPITAL PROGRAM | | | | | |
| Work In Progress | \$35,295 | \$19,898 | \$9,949 | \$18,630 | \$11,899 |
| TOTAL CAPITAL PROGRAM | \$35,295 | \$19,898 | \$9,949 | \$18,630 | \$11,899 |
| DEBT SERVICE | | | | | |
| Financial Expenses | (\$31) | \$2 | (\$36) | \$2 | \$1 |
| Interest | 2,773 | 2,816 | 2,816 | 2,822 | 2,803 |
| Principal | 2,815 | 3,412 | 3,962 | 4,433 | 3,919 |
| Short Term Inter-Fund Loan | 0 | 0 | 0 | 2,000 | 0 |
| TOTAL DEBT SERVICE | \$5,557 | \$6,230 | \$6,742 | \$9,257 | \$6,722 |
| TRANSFERS IN (OUT) | | | | | |
| Capital Contribution | (\$1,649) | (\$370) | (\$2,034) | (\$459) | (\$1,941) |
| Debt Service | 0 | 1,465 | 1,465 | 1,465 | 1,465 |
| Operation support | (400,000) | (465,893) | (466) | (791) | (506) |
| One Water | 0 | (130) | (130) | (378) | (378) |
| TOTAL INTERFUND TRANSFERS IN (OUT) | (\$401,649) | (\$464,928) | (\$1,165) | (\$164) | (\$1,361) |
| FUND BALANCE | | | | | |
| Net Income (Loss) | (\$397,315) | (\$467,836) | (\$934) | \$4,490 | \$4,199 |
| Beginning Fund Balance July 01 | 10,351 | 12,636 | 12,636 | 14,391 | 11,702 |
| ENDING BALANCE AT JUNE 30 | (\$386,964) | (\$455,200) | \$11,702 | \$18,881 | \$15,901 |
| RESERVE BALANCE SUMMARY | | | | | |
| Operating Contingencies | \$2,554 | \$3,656 | \$3,022 | \$3,637 | \$4,173 |
| Capital Expansion & Replacement | 5,217 | 813 | 2,923 | 2,751 | 2,538 |
| Rehabilitation/Replacement Reserve | 100 | 500 | 500 | 3,000 | 3,000 |
| Debt Service & Redemption | 4,765 | 5,258 | 5,258 | 9,493 | 6,190 |
| ENDING BALANCE AT JUNE 30 | \$12,636 | \$10,227 | \$11,702 | \$18,881 | \$15,901 |

INLAND EMPIRE UTILITIES AGENCY
FISCAL YEAR 2016/17 BUDGET UPDATE
RWFUND - SOURCES AND USES OF FUNDS (In Thousands)

| | 2014/2015 | 2015/16 | 2015/16 | 2016/17 | 2016/17 |
|---|----------------|----------------|------------------|-----------------|----------------|
| | ACTUAL | AMENDED BUDGET | PROJECTED ACTUAL | PROPOSED BUDGET | AMENDED BUDGET |
| REVENUES | | | | | |
| User Charges | | | | | |
| Property Tax - O&M | | | | | |
| Cost Reimbursement from JPA | \$595 | \$742 | \$486 | \$773 | \$915 |
| Contract Cost reimbursement | 0 | 50 | 0 | 0 | 60 |
| Interest Revenue | 13 | 10 | 10 | 10 | 10 |
| TOTAL REVENUES | \$608 | \$802 | \$496 | \$783 | \$985 |
| OTHER FINANCING SOURCES | | | | | |
| Capital Contract Reimbursement | \$604 | \$1,487 | \$1,506 | \$4,701 | \$4,539 |
| Other Revenues | 23 | 0 | 34 | 0 | 0 |
| TOTAL OTHER FINANCING SOURCES | \$697 | \$1,487 | \$1,540 | \$4,761 | \$4,599 |
| EXPENSES | | | | | |
| Employment Expenses | \$398 | \$650 | \$628 | \$684 | \$679 |
| Contract Work/Special Projects | 0 | 140 | 0 | 0 | 120 |
| Utilities | 112 | 122 | 122 | 122 | 104 |
| Operating Fees | 4 | 7 | 7 | 5 | 7 |
| Professional Fees and Services | 183 | 647 | 643 | 593 | 687 |
| Office and Administrative expenses | 8 | 16 | 16 | 16 | 16 |
| Expense Allocation | 0 | 76 | 62 | 61 | 65 |
| Materials & Supplies | 67 | 86 | 86 | 83 | 86 |
| TOTAL EXPENSES | \$772 | \$1,742 | \$1,563 | \$1,564 | \$1,762 |
| CAPITAL PROGRAM | | | | | |
| CSDLAC 4Rs | \$0 | \$0 | \$0 | \$0 | \$0 |
| Capital Expansion/Construction | \$758 | \$1,816 | \$1,521 | \$4,735 | \$4,620 |
| TOTAL CAPITAL PROGRAM | \$758 | \$1,816 | \$1,521 | \$4,735 | \$4,620 |
| DEBT SERVICE | | | | | |
| Financial Expenses | \$86 | \$145 | \$212 | \$78 | \$92 |
| Interest | 7 | 143 | 30 | 273 | 205 |
| Principal | 607 | 632 | 632 | 647 | 647 |
| TOTAL DEBT SERVICE | \$700 | \$920 | \$874 | \$999 | \$945 |
| TRANSFERS IN (OUT) | | | | | |
| Capital Contribution | \$338 | \$315 | \$251 | \$440 | \$457 |
| Debt Service | 350 | 460 | 460 | 499 | 472 |
| Operation support | 400 | 466 | 466 | 791 | 506 |
| Property Tax Transfer | 0 | 62 | 62 | 96 | 96 |
| TOTAL INTERFUND TRANSFERS IN (OUT) | \$1,088 | \$1,302 | \$1,239 | \$1,826 | \$1,531 |
| FUND BALANCE | | | | | |
| Net Income (Loss) | \$162 | (\$887) | (\$684) | \$73 | (\$211) |
| Beginning Fund Balance July 01 | \$3,413 | \$3,575 | \$3,575 | \$2,743 | \$2,890 |
| ENDING FUND BALANCE AT JUNE 30 | \$3,575 | \$2,687 | \$2,890 | \$2,816 | \$2,679 |
| RESERVE BALANCE SUMMARY | | | | | |
| Operating Contingencies | \$2,614 | \$1,688 | \$1,891 | \$1,798 | \$587 |
| Capital Expansion / Construction | 500 | 500 | 500 | 500 | 1,056 |
| Debt Service & Redemption | 460 | 499 | 499 | 518 | 1,036 |
| ENDING BALANCE AT JUNE 30 | \$3,575 | \$2,687 | \$2,890 | \$2,816 | \$2,679 |

Appendix C – FY 2016/17 RC, RO, WC, and RW Major Projects*

| Description | FY 2016/17 Adopted | FY 2016/17 Amended | Total Ten Year Budget |
|---|-----------------------|-----------------------|-----------------------|
| New Water Quality Laboratory-RO | \$7,000,000 | \$7,000,000 | \$25,000,000 |
| Recharge Master Plan Updates | 1,175,000 | 4,655,000 | 8,685,500 |
| San Sevaime Improvements | 3,250,000 | 3,250,000 | 5,740,000 |
| RP-5 Solids Treatment Facility - RC | 4,000,000 | 3,125,000 | 125,000,000 |
| Chino Basin Groundwater Supply Wells and Raw Water Pipeline | 3,000,000 | 3,000,000 | 10,940,000 |
| RP-1 Mixed Liquor Return Pump Improvements | 3,000,000 | 2,850,000 | 5,700,000 |
| Agency Wide Aeration Panel Replacement | 0 | 2,400,000 | 9,600,000 |
| RP-5 Expansion PDR | 500,000 | 1,850,000 | 1,850,000 |
| RP-1 Headworks Primary and Secondary Upgrade | 2,700,000 | 1,500,000 | 4,925,000 |
| RP-5 Flow Equalization and Effluent Monitoring | 1,500,000 | 1,465,000 | 2,975,000 |
| RP-1 East Primary Effluent Pipe Rehab | 1,400,000 | 1,400,000 | 2,000,000 |
| Agency Wide Lighting Improvements | 0 | 1,385,000 | 1,400,000 |
| RP-5 Expansion to 30 MGD | 0 | 1,250,000 | 125,000,000 |
| SCADA Enterprise System | 1,200,000 | 1,200,000 | 11,220,000 |
| Recycled Water Connection to JCSD | 2,500,000 | 1,000,000 | 15,000,000 |
| RP-4 Disinfection Facility Improvements | 1,500,000 | 1,000,000 | 2,215,000 |
| RC Planning Documents | 1,000,000 | 1,000,000 | 2,000,000 |
| Agency Bypass Pumping Project | 1,000,000 | 1,000,000 | 2,000,000 |
| Napa Lateral | 1,000,000 | 500,000 | 5,800,000 |
| Major Facilities Repair and Replacements | 500,000 | 400,000 | 5,800,000 |
| RP-1 Expansion PDR | 500,000 | 350,000 | 350,000 |
| TOTAL MAJOR PROJECTS | \$36,725,000 | \$41,580,000 | \$350,700,500 |

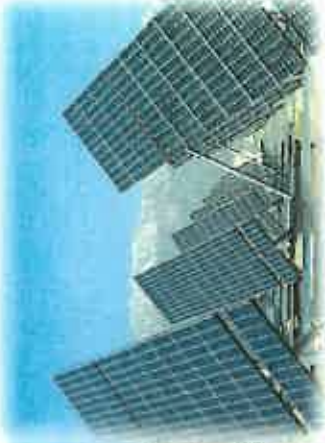
*FY 2016/17 TYCIP for RC, RO, WC and RW funds is \$664.8 million, and TYCIP for all funds is \$732 million.

Appendix D – Inter-Fund Loan Re-payment Schedule

| Inter Fund Loans Issued | From | To | Loan Amount (\$Millions) | Repayment Schedule |
|-------------------------|---|----------------|--------------------------|--|
| FY 2007/08 | Non-Reclaimable Wastewater (NRW) Fund | Recycled Water | \$9 | 2019/20-22/23 \$8.0 2023/24 \$1.0 Total \$9.0 |
| FY 2007/08 | Regional Wastewater Capital (RC) Fund | Recycled Water | \$3 | 2022/23 \$1.0 2023/24 \$1.0 2024/25 \$1.0 Total \$3.0 |
| FY 2009/10 | Non-Reclaimable Wastewater (NRW) Fund | Recycled Water | \$6 | 2023/24 \$1.0 2024/25 \$2.0 2025/26 \$3.0 Total \$6.0 |
| FY 2014/15 | Regional Wastewater Capital Improvement (RC) Fund | Recycled Water | \$10.5 | 2022/23 \$1.0 2023/24 \$5.0 2024/25 \$4.5 Total \$10.5 |
| FY 2014/15 | Administrative Services (GG) Fund | Water Fund | \$4.3* | \$4.3 TBD |
| FY 2016/17 | Regional Wastewater O&M (RO) Fund | Water Fund | \$3.2 | 2024/25 \$0.5 2025/26 \$0.5 2026/27 \$0.5 2027/28 \$0.5 2028/29 \$0.5 2029/30 \$0.5 2030/31 \$0.2 Total \$3.2 |
| | Grand Total | | \$31.7 | \$31.7 |

*Subject to IEUA Board approval of request for loan forgiveness

Overview of FY 2016/17 Budget Amendments



**Regional Committees
May 26/June 2, 2016**



Proposed Amendments to FY 2016/17 Budget

Total Revenue and Other Sources of Funds RC, RO, WC and RW:

| Major Funding Sources (\$Millions) | Adopted FY 2016/17 | Amended FY 2016/17 | Change | Key Assumptions |
|--|--------------------|--------------------|----------|---|
| Connection Fees | \$30.6 | \$20.1 | (\$10.5) | New wastewater connections reduced from 4,580 to 3,000 based on updated member agency forecast. |
| Grants and Loans | 29.3 | 26.7 | (2.6) | Delay of SRF loans and grants related to WC fund capital projects. |
| Other Revenues | 11.5 | 11.4 | (0.1) | Includes IERCA and other contract cost reimbursements. |
| Property Taxes | 39.0 | 40.8 | 1.8 | An additional 3% increase based on FY 2015/16 YTD receipts. |
| User Charges | 55.0 | 56.4 | 1.4 | Increase in the projected number of volumetric EDUs based on YTD billings. |
| Recycled Water Sales | 17.8 | 17.8 | 0 | No change in projected deliveries; direct 24,200 Acre Feet (AF) and recharge 12,900 AF. |
| Total Revenues & Other Funding Sources | \$183.2 | \$173.2 | (\$10.0) | |

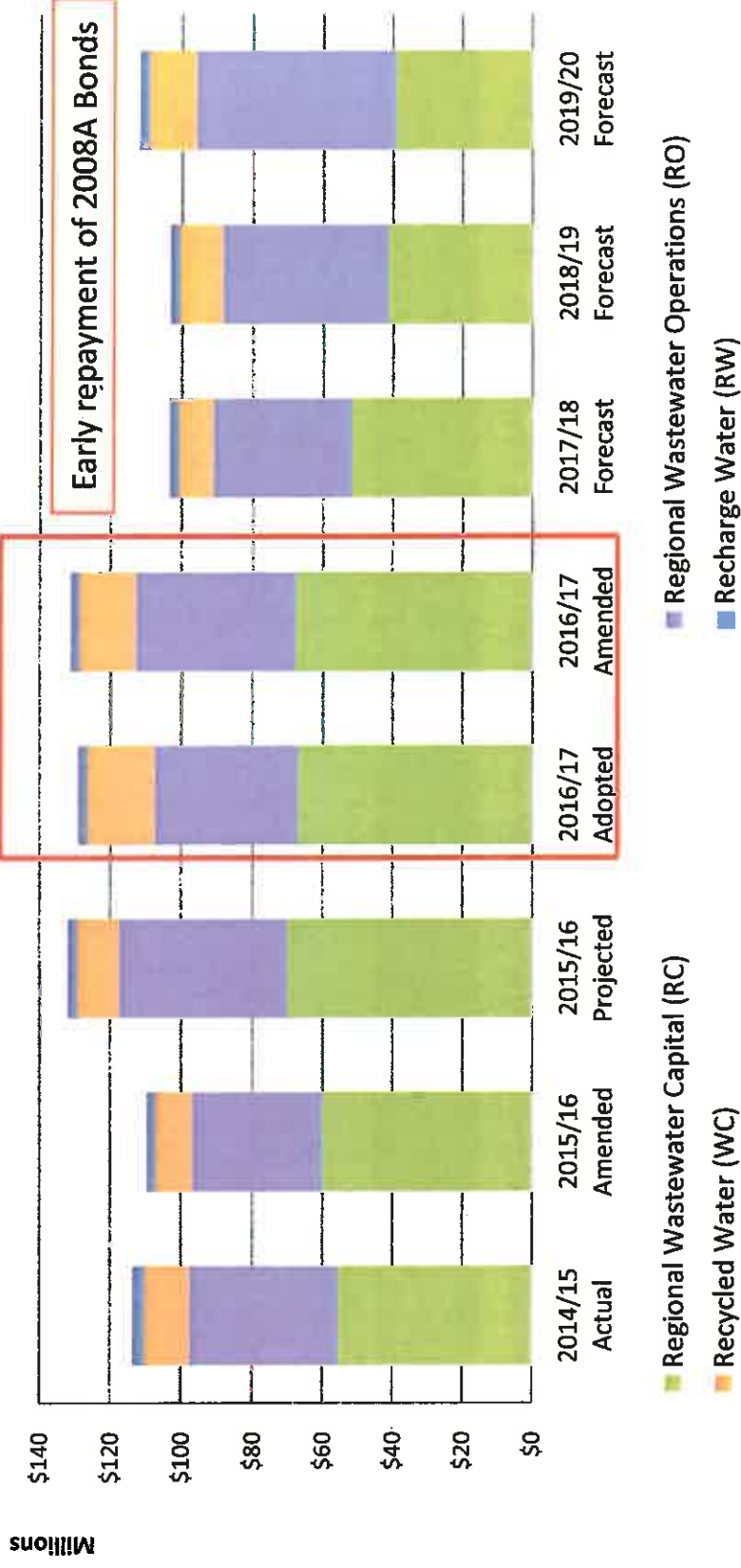
Proposed Amendments to FY 2016/17 Budget

Total Expenses and Other Uses of Funds RC, RO, WC and RW:

| Major Uses of Funds (\$Millions) | Adopted FY 2016/17 | Amended FY 2016/17 | Change | Key Assumptions |
|---|-----------------------|-----------------------|---------------|---|
| Operating Expenses | \$80.7 | \$90.3 | \$9.6 | Increase in program costs to support higher CIP and O&M (special) project costs and reduced vacancy factor. |
| Capital Improvement Plan (CIP) | 50.5 | 55.8 | 5.3 | Major projects for FY 2016/17 include; New Water Quality Laboratory; RMPU projects, RP-5 Solids Treatment Facility, and RP-5 Expansion. |
| Inter-fund Transfers | 1.3 | 3.2 | 1.9 | Transfers to support higher CIP costs. |
| Debt Service | 24.1 | 24.5 | 0.4 | Deferral of WC inter fund loan repayment, offset by \$3.2 million inter-fund loan from RO fund to WW fund. |
| Total Expenses & Uses of Funds | \$156.6 | \$173.8 | \$17.2 | |

Total Estimated Fund Balances - (RC, RO, WC and RW funds

- Projected DCR for FY 2016/17 is 2.6x and averages 2.7 over the next 10 years



Proposed RMPU Projects

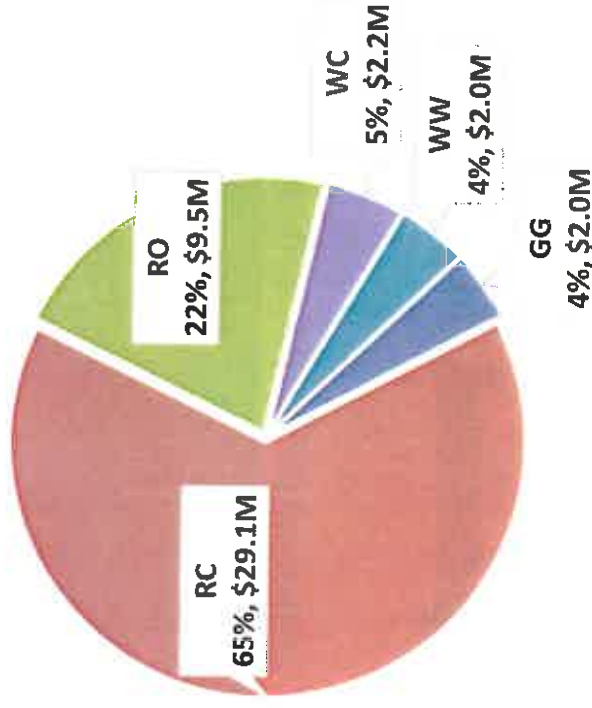
Summary of Capital Projection and Cost Share between IEUA and CBWM

| Project Name | Project Number | Proposed RMPU Budget | CBWM Share | IEUA Share | Current Total Project Budget | FY 2016/17 |
|-----------------------------|----------------|----------------------|---------------|--------------|------------------------------|--------------|
| GWR/RW SCADA Upgrades | EN14047 | \$ 892,000 | \$ 446,000 | \$ 446,000 | \$ 892,000 | \$ 455,263 |
| HCP | RW15002 | \$ 160,000 | \$ 80,000 | \$ 80,000 | \$ 160,000 | \$ 44,452 |
| San Sevaime Improvements | EN13001 | \$ 6,460,000 | \$ 3,230,000 | \$ 3,230,000 | \$ 6,460,000 | \$ 3,250,000 |
| 2013 RMPU Design | RW15003 | \$ 3,825,500 | \$ 3,575,250 | \$ 250,250 | \$ 3,825,500 | \$ 2,000,000 |
| Lower Day Improvements | RW15004 | \$ 2,480,000 | \$ 2,480,000 | \$ - | \$ 2,480,000 | \$ 1,118,014 |
| 2013 RMPU Construction | EN18007 | \$ 24,244,500 | \$ 24,244,500 | \$ - | \$ 24,244,500 | - |
| Victoria Basin Construction | WR15020 | \$ 130,000 | \$ 65,000 | \$ 65,000 | \$ 130,000 | - |
| RP-3 Construction | WR15019 | \$ 3,300,000 | \$ 1,650,000 | \$ 1,650,000 | \$ 3,300,000 | - |
| | | \$ 41,492,000 | \$ 35,770,750 | \$ 5,721,250 | \$ 41,492,000 | \$ 6,867,729 |

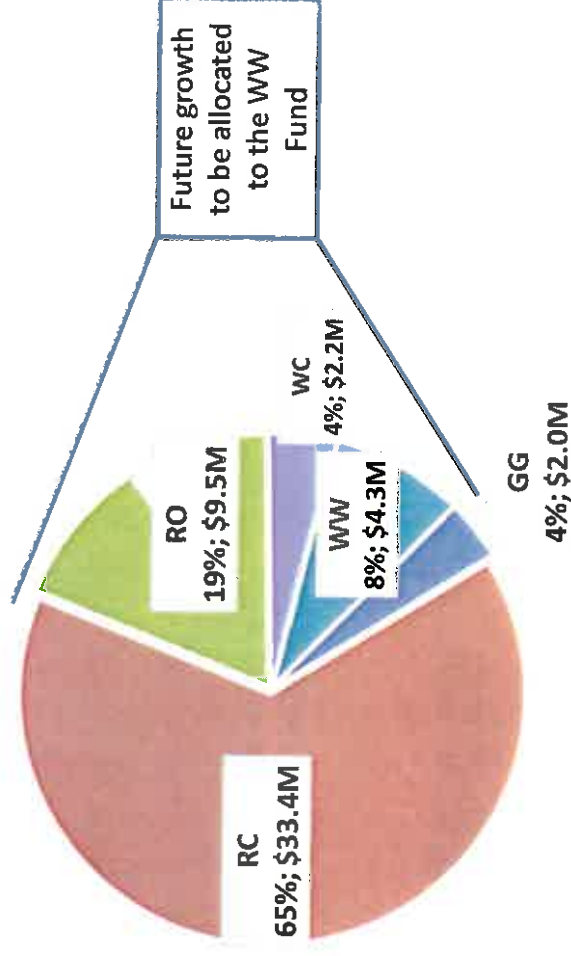
Continue Investment of Property Taxes

- ❖ No change in the 65% allocated to the RC fund.
- ❖ Future growth for the 35% will be assigned to the Water Fund (WW):
 - ✓ Support regional projects not supported by the proposed rates.

FY 2016/17 Property Tax Allocation
\$44.7 Million



FY 2022/23 Property Tax Allocation
\$51.4 Million



Outstanding Inter-Fund Loans (All Funds)



- ❖ WC Inter-Fund loan re-payment begins FY 2019/20 through FY 2025/26
- ❖ WW Inter-Fund loan re-payment begins FY 2024/25 through FY 2030/31

| Inter Fund Loans Issued | From | To | Loan Amount (\$Millions) |
|-------------------------|---|-----------------|--------------------------|
| FY 2007/08 | Non-Reclaimable Wastewater (NRW) Fund | | \$9 |
| FY 2007/08 | Regional Wastewater Capital (RC) Fund | Recycled | 3 |
| FY 2009/10 | Non-Reclaimable Wastewater (NRW) Fund | Water (WC) Fund | 6 |
| FY 2014/15 | Regional Wastewater Capital Improvement (RC) Fund | | 10.5 |
| FY 2014/15 | Administrative Services (GG) Fund | Water (WW) | 4.3* |
| FY 2016/17 | Regional Capital O&M (RO) Fund | Fund | 3.2 |
| | Gr Total | | \$36 |

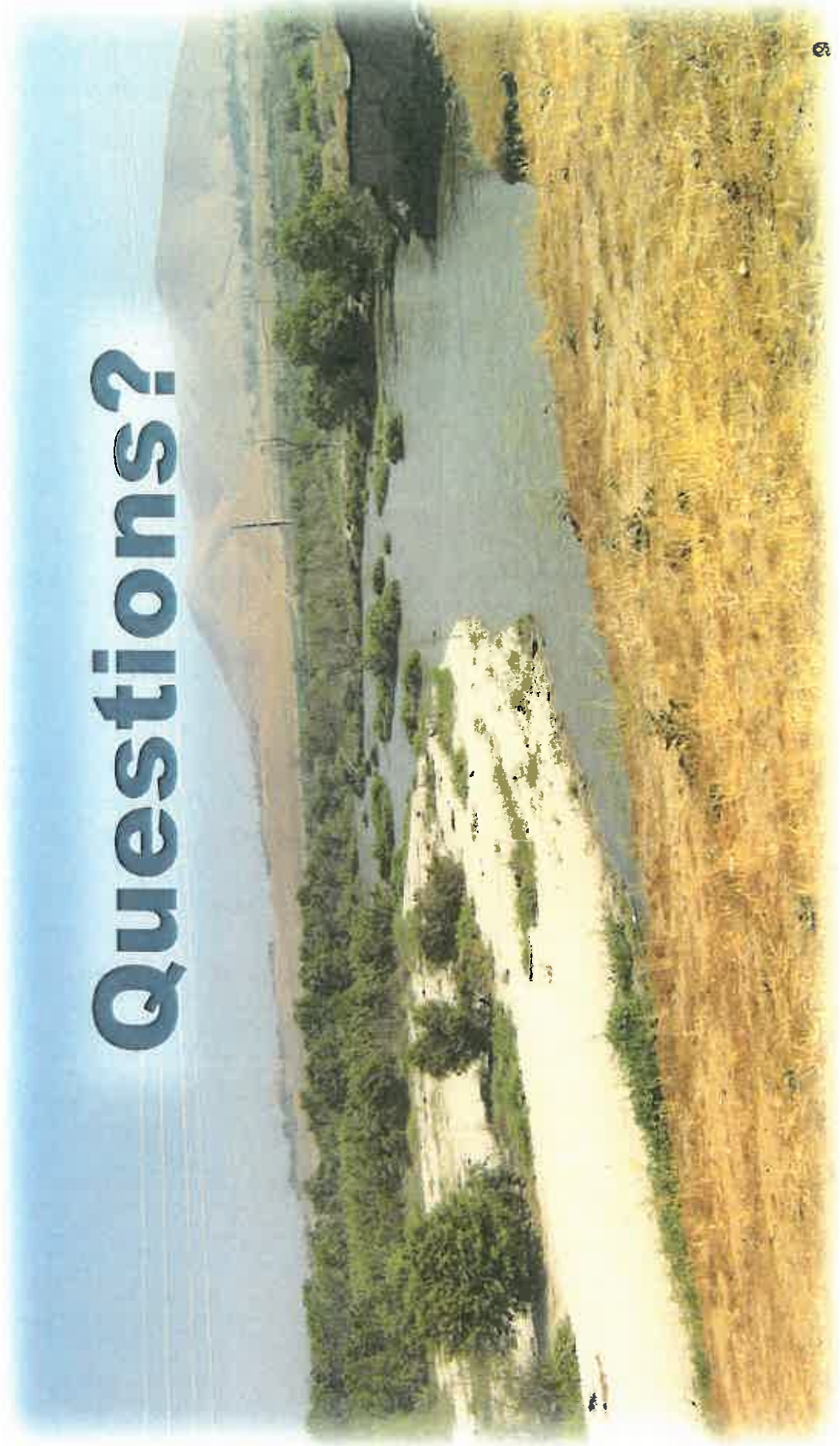
* Debt forgiveness request by member agencies is subject to IEUA Board approval.

Recommendations



- ❖ Provide recommendation to IEUA Board of the proposed amendments to FY 2016/17 budget for the:
 - Regional Wastewater Capital Improvement (RC) fund,
 - Regional Wastewater Operating & Maintenance (RO) fund,
 - Recycled Water (WC) fund, and
 - Recharge Water (RW) fund.

Questions?



**INFORMATION
ITEM**

3A

Date: May 26, 2016/June 2, 2016
To: Regional Committees
From: Inland Empire Utilities Agency
Subject: RP-1/RP-5 Expansion PDR

RECOMMENDATION

This is an information item for the Regional Committees to review.

BACKGROUND

This item was presented at the IEUA Board of Directors Workshop meeting on May 11, 2016.

Attachments:

The following attachments are found in the below link:

https://www.dropbox.com/sh/4ielnij1b7kmdym/AACZd6NjAJAvNM3_wZ-67MAja?dl=0

1. Decommissioning of CCWRF
2. Elimination of Primary Effluent Flow Equalization Draft TM
3. Onsite Centrate Treatment and Offsite Recycle Flow Discharge Draft TM
4. RP-5 Liquids Treatment Alternative Technology, Secondary Treatment Draft TM
5. Ultimate Expansion of RP-5 Draft TM
6. RP-1 & RP-5 Expansion PDR Board Workshop No. 1 PowerPoint
7. RP-1 & RP-5 Expansion PDR Board Workshop No. 1 Board Letter



Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

Date: May 11, 2016

To: The Honorable Board of Directors

From: P. Joseph Grindstaff
General Manager

Submitted by: Chris Berch
Executive Manager of Engineering/Assistant General Manager

Shaun J. Stone
Manager of Engineering

Subject: RP-1/RP-5 Expansion Preliminary Design Report (PDR) Workshop

RECOMMENDATION

This is an informational item for the Board of Directors.

BACKGROUND

Beginning in June 2013, the Inland Empire Utilities Agency (Agency) started a planning initiative to update the Agency's Wastewater Facilities Master Plan (WFMP). As part of the WFMP, the Agency planned existing facility improvements to accommodate for population growth and optimization of the wastewater collection and wastewater treatment systems, as well as the recycled water system. The WFMP incorporated the wastewater flow projections developed by the Integrated Water Resources Plan (IRP) and operational knowledge of the existing treatment systems to develop a comprehensive facilities and operations plan. According to the WFMP, influent wastewater flows are projected to increase as a result of population growth in the service area. By the year 2060, influent flows at RP-1 are projected to increase as much as 20 percent and more than double at RP-5.

In addition, the United States Army Corps of Engineers (USACE) has begun a project to raise the Prado Dam Spillway, which will result in an increased high water service level behind the dam placing the RP-2 Solids Treatment Facility in a flood plain. Therefore, RP-2 must be decommissioned and a new Solids Treatment Facility must be constructed at RP-5 with sufficient capacity to treat existing and future service area flows.

The RP1/RP-5 Expansion PDR project will develop a consolidated PDR for the RP-1 Liquids & Solids Treatment System Expansion, RP-5 Liquids Treatment System Expansion, and RP-5 Solids Treatment Facility to size of the required treatment capacity expansions at each of the facilities,

determine the schedule for design and construction, and estimate the project costs (design, construction, internal labor, & contingency).

Included as attachments are the first five Technical Memorandums (TMs) for the RP-1 and RP-5 Expansion PDR project. Agency staff conducted the first of five major technical workshops on April 25th and April 26th, and will be sharing a summary presentation at the Board Workshop on May 11, 2016. This workshop will focus on the RP-5 Secondary Treatment Alternatives and the Decommissioning of Carbon Canyon Water Recycling Facility.

All five TMs from the first staff workshop are being attached for review and include:

- Decommissioning of CCWRF Preliminary TM 5-1-16
- Elimination of RP-1 Primary Effluent Equalization Preliminary TM 5-1-16
- Onsite Centrate Treatment Preliminary TM 5-1-16
- RP-5 Secondary System Alternatives Preliminary TM 5-1-16
- RP-5 Ultimate Expansion Preliminary TM 5-1-16

The RP-1/RP-5 Expansion PDR project is consistent with the IEUA business goal of *Wastewater Management Capacity*, namely that IEUA will maintain capacity within systems and facilities to meet essential service demands and to protect public health and environment.

PRIOR BOARD ACTION

On January 20, 2016, the Board of Directors approved the consulting engineering services contract award for the RP-1/RP-5 Expansion PDR to Parsons Water & Infrastructure Inc. for the not-to-exceed amount of \$2,431,598.

IMPACT ON BUDGET

None.

Attachments:

1. Decommissioning of CCWRF
<https://dl.dropbox.com/s/r62ad9atwcrdplg/16122%20Attach%201.%20Decommissioning%20of%20CCWRF%20Draft%20TM%204-20-16.pdf?dl=0>
2. Elimination of Primary Effluent Flow Equalization Draft TM
<https://dl.dropbox.com/s/h3ym26zfei8flx2/16122%20Attach%202.%20Elimination%20of%20Primary%20Effluent%20Flow%20Equalization%20Draft%20TM%204-20-16.pdf?dl=0>
3. Onsite Centrate Treatment and Offsite Recycle Flow Discharge Draft TM
<https://dl.dropbox.com/s/ujophz87hhd510r/16122%20Attach%203.%20Onsite%20Centrate%20Treatment%20and%20Offsite%20Recycle%20Flow%20Discharge%20Draft%20TM%204-20-16.pdf?dl=0>

4. RP-5 Liquids Treatment Alternative Technology, Secondary Treatment Draft TM
<https://dl.dropbox.com/s/hlavdo3xr5sikw5/16122%20Attach%204.%20RP-5%20Liquids%20Treatment%20Alternative%20Technology%2C%20Secondary%20Treatment%20Draft%20TM%204-20-16.pdf?dl=0>
5. Ultimate Expansion of RP-5 Draft TM
<https://dl.dropbox.com/s/p2hao0s1fbz4kpn/16122%20Attach%205.%20Ultimate%20Expansion%20of%20RP-5%20Draft%20TM%204-20-16.pdf?dl=0>
6. RP-1 & RP-5 Expansion PDR Board Workshop No. 1
<https://dl.dropbox.com/s/gowmfi72iuoceay/16122%20Attach%206.%20RP-1%20%26%20RP-5%20Expansion%20PDR%20Board%20Workshop%20No.%201.pptx?dl=0>

PJG:CB:SS:jm

RP-1 & RP-5 Expansion PDR Board Workshop No. 1

May 11th, 2016



Jason Murseilles, P.E.,
Senior Engineer

Shaun Stone, P.E.,
Manager of Engineering

Board Workshop No. 1 Objective

Facility Capacities & Expansion Sizing

- Secondary Treatment Alternatives: Conventional Activated Sludge (CAS) versus Membrane Bio-Reactor (MBR)
- Expansion Phasing: RP-1, CCWRF, RP-5
- Impacts to Cost and Budget



Riverside Water Quality Control Plant
MBR System – Online March 2016

Technical Memoranda Relating to Facility Capacities & Expansion Sizing



Facility Flows & Expansion Phasing



Decommissioning of CCWRF

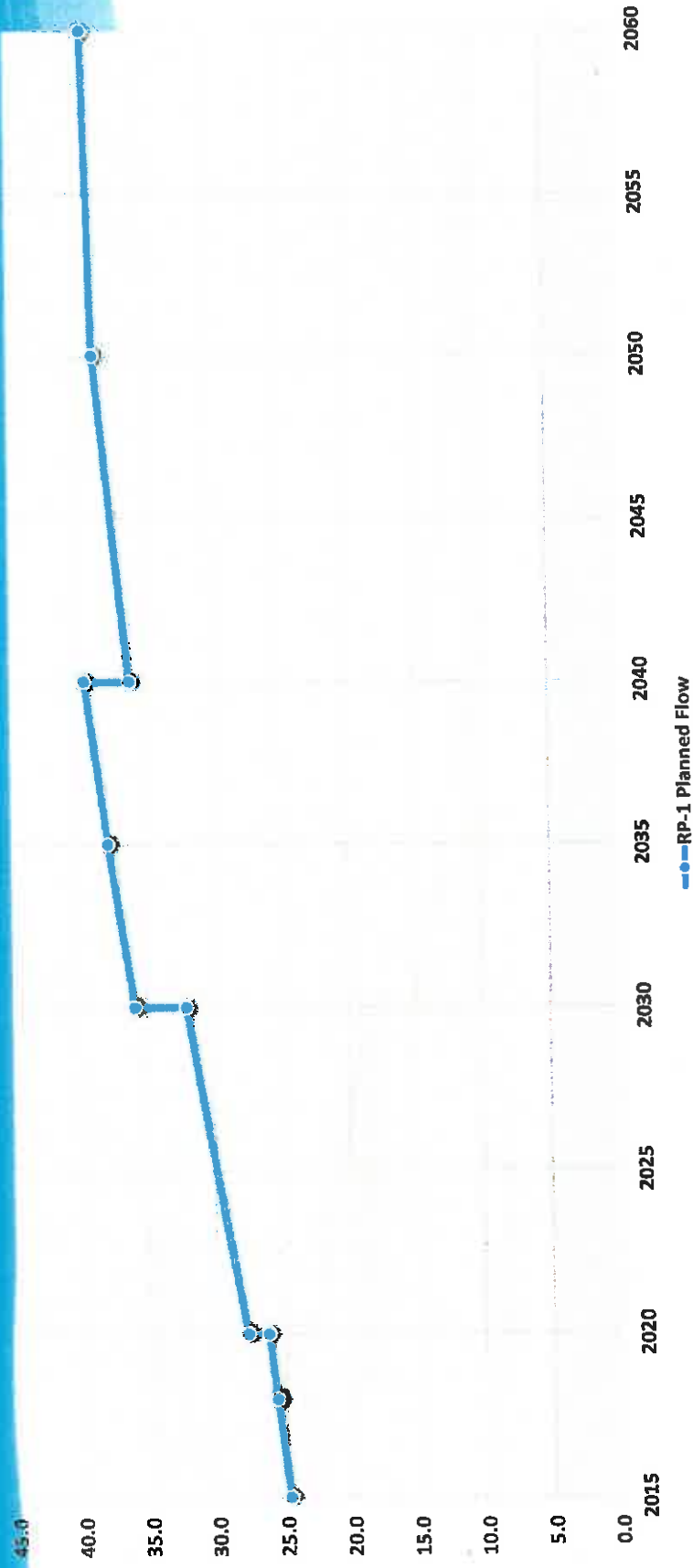


RP-5 Secondary Treatment System Alternatives

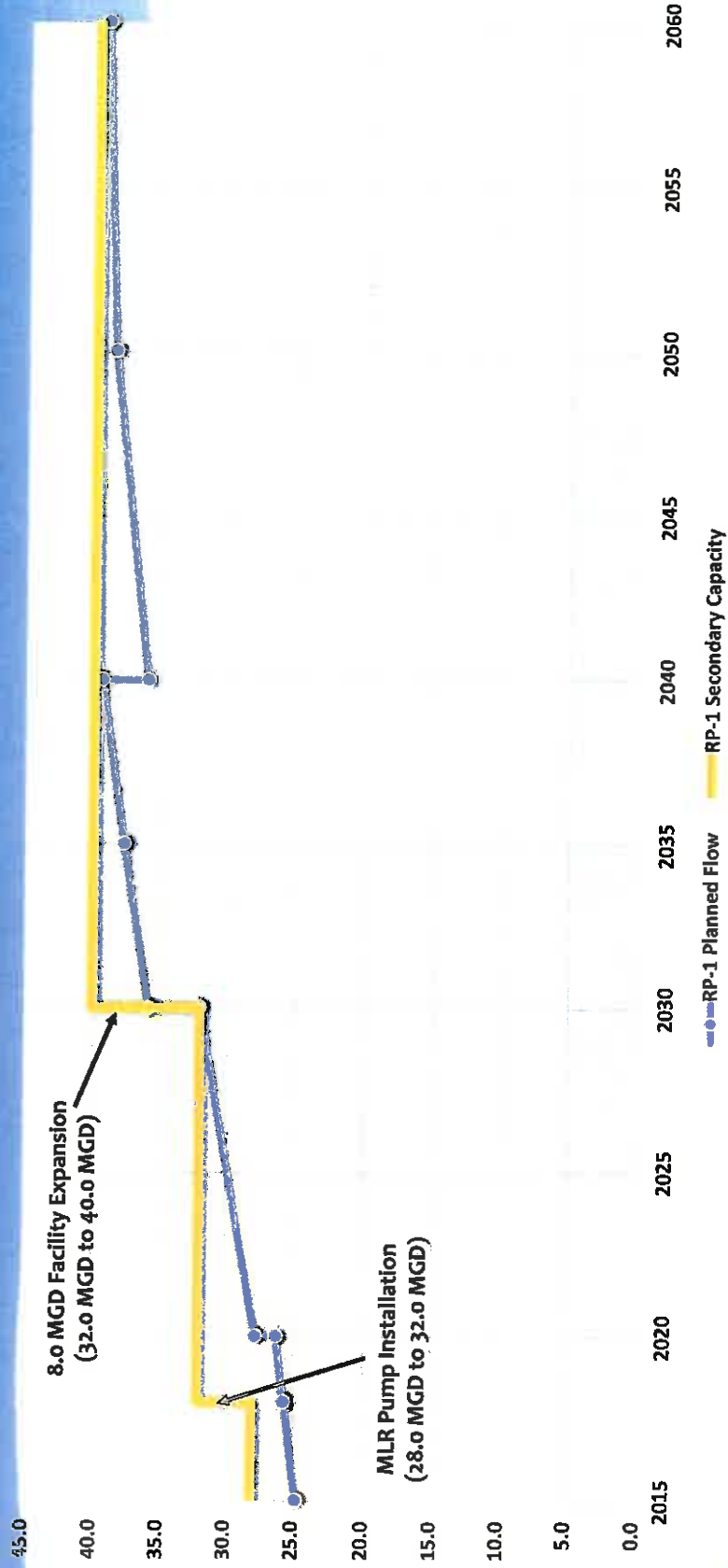
FACILITY FLOWS AND EXPANSION PHASING



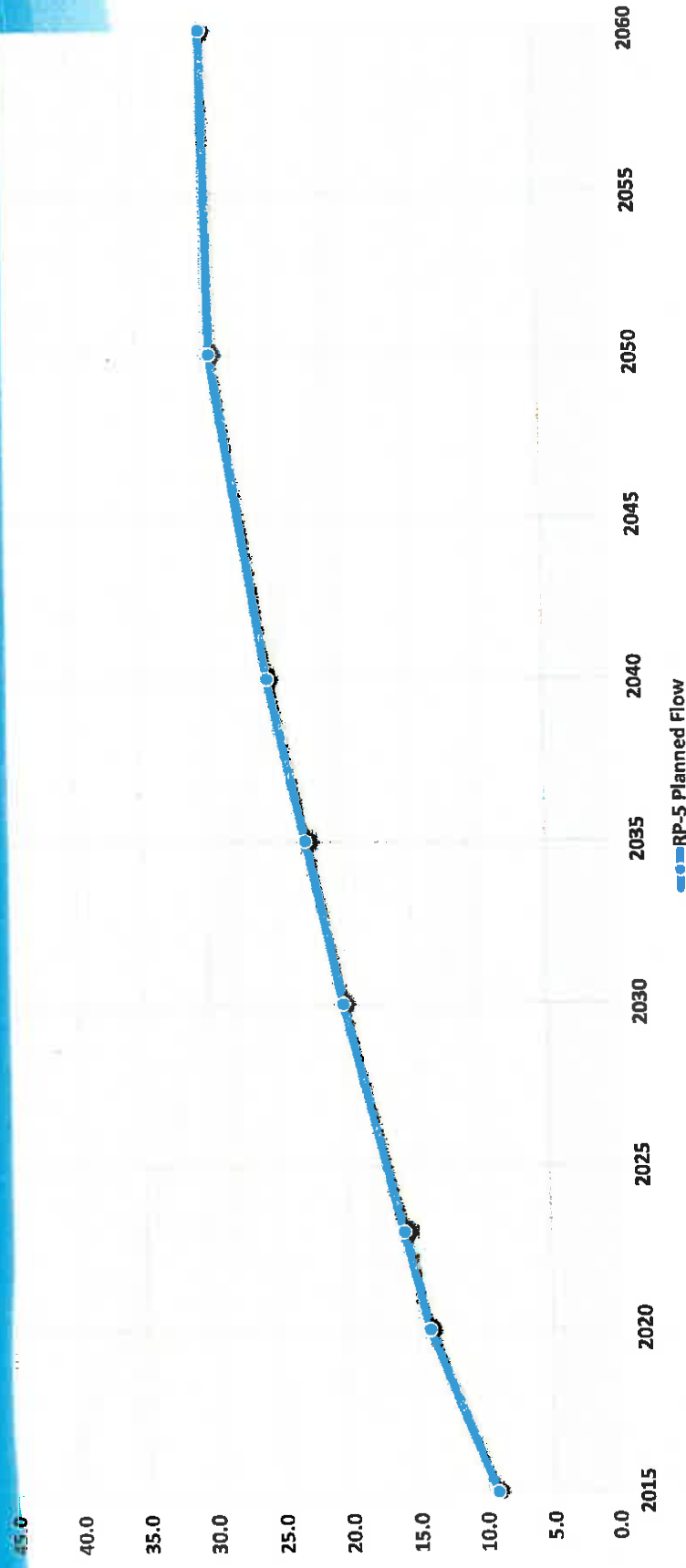
RP-1 Influent Flows & Treatment Capacity



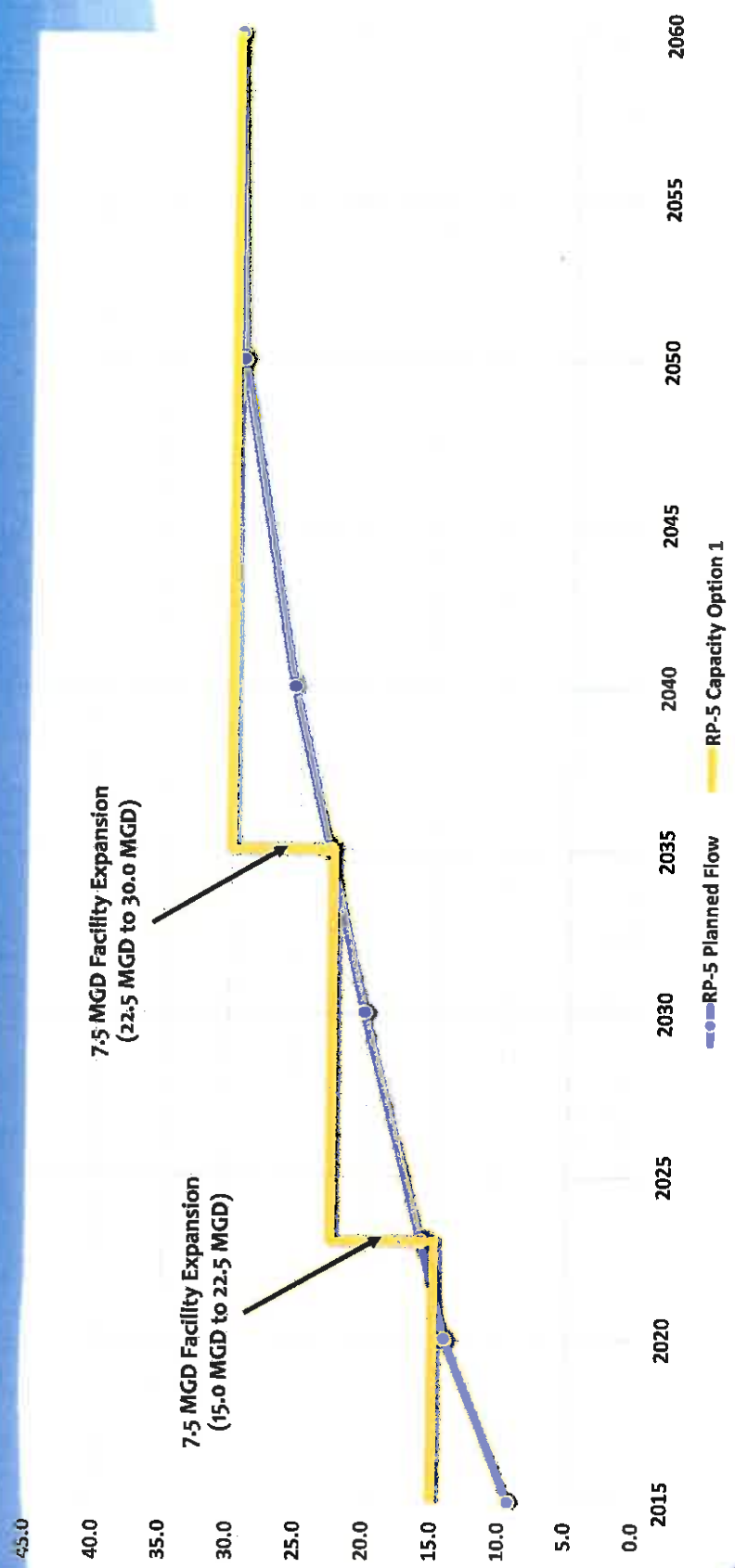
RP-1 Influent Flows & Treatment Capacity



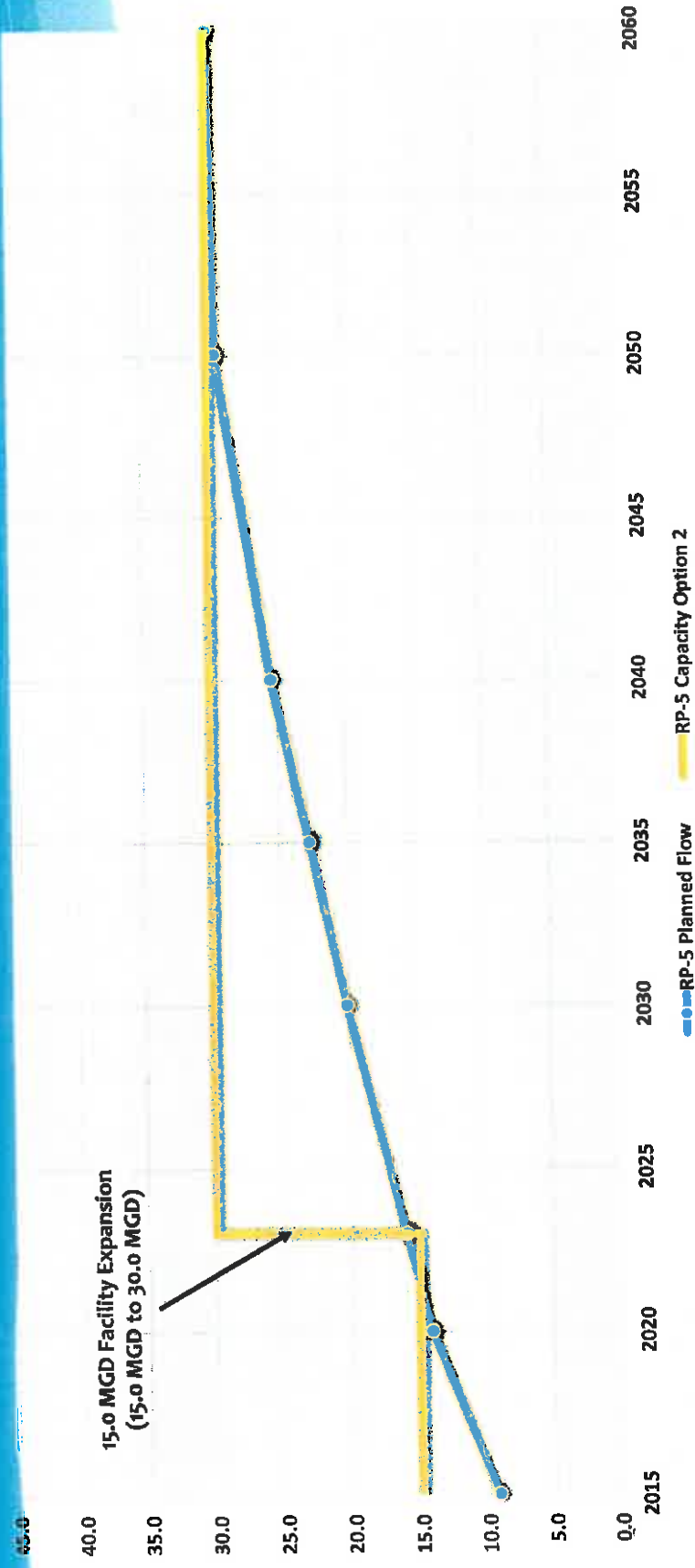
RP-5 Influent Flows & Treatment Capacity



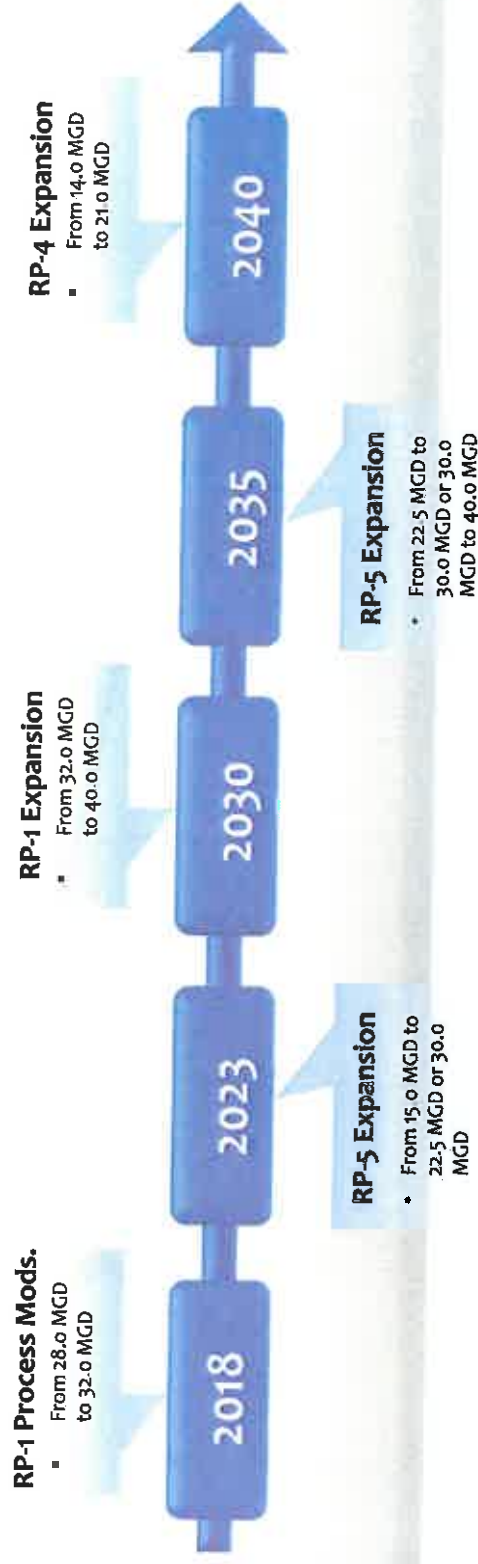
RP-5 Influent Flows & Treatment Capacity



RP-5 Influent Flows & Treatment Capacity



Agency Facility Expansion Phasing



EVALUATION OF THE DECOMMISSIONING OF CCWRF



Decommissioning of CCWRF Alternatives

- Business Case Evaluation Included 3 Alternatives:
 - Alternative 1 – Operate CCWRF Indefinitely
 - Alternative 2 – Operate CCWRF Until 2033
 - Alternative 3 – Shutdown CCWRF after the Expansion of RP-5 (2023)



Decommissioning of CCWRF Alternatives

- Business Case Evaluation Included 3 Alternatives:
 - Alternative 1 – Operate CCWRF Indefinitely
 - Alternative 2 – Operate CCWRF Until 2033
 - Alternative 3 – Shutdown CCWRF after the Expansion of RP-5 (2023)



CCWRF & Surrounding Vicinity

Business Case Evaluation (BCE)

| Alternative | Description | Capital Cost | 30-YR Cost |
|-------------|----------------------------|--------------|------------|
| 1 | Operate CCWRF Indefinitely | \$83M | \$191M |
| 2 | Operate CCWRF Until 2033 | \$145M | \$236M |
| 3 | Operate CCWRF Until 2023 | \$135M | \$209M |

Decommissioning of CCWRF

Benefits versus Drawbacks

| Alternative | Benefits | Drawbacks |
|--|---|---|
| Alternative 1: Operate CCWRF Indefinitely | <ul style="list-style-type: none"> • Lowest capital cost alternative • Facility meets future planned flows | <ul style="list-style-type: none"> • Highest O&M cost |
| Alternative 2: Operate CCWRF Until 2033 | <ul style="list-style-type: none"> • Defers decision to shutdown CCWRF • Centralized facilities • Improved water quality through MBR | <ul style="list-style-type: none"> • Highest 30-yr cost (NPV) • Requires major facility rehab projects prior to shutdown • Congested RP-5 site layout • Sale of property (w/ easements) |
| Alternative 3: Shutdown CCWRF When RP-5 goes On-Line in 2023 | <ul style="list-style-type: none"> • Lowest O&M alternative • Centralized facilities • Improved water quality through MBR | <ul style="list-style-type: none"> • High capital cost alternative • Potential relocation of solar • Congested RP-5 site layout • Sale of property (w/ easements) |

EVALUATION OF SECONDARY TREATMENT ALTERNATIVES



RP-5 Secondary Treatment Alternatives

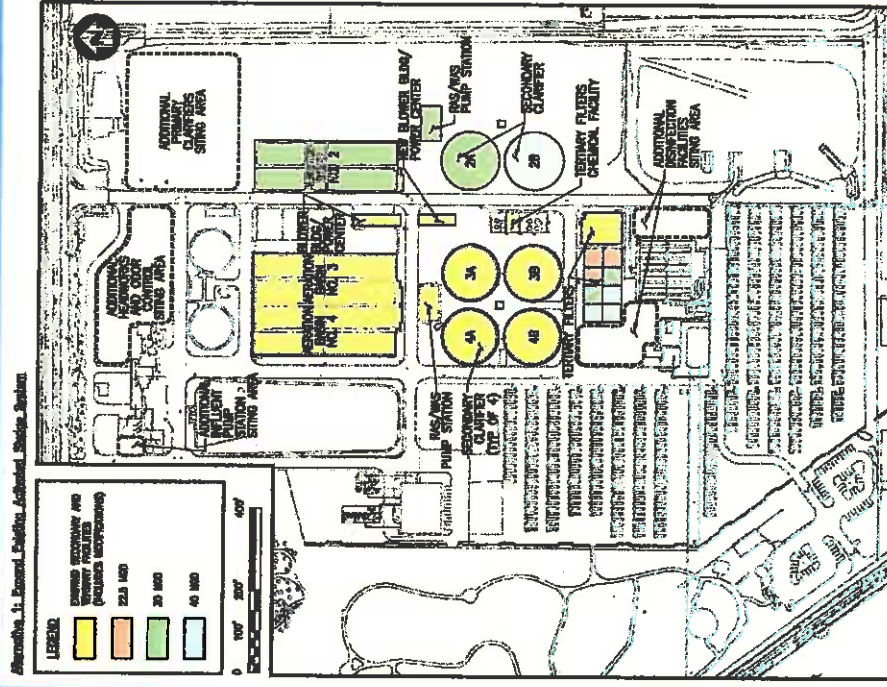
- Alternative 1: Expand Existing Conventional Activated Sludge (CAS) System
- Alternative 2: Conversion of Existing CAS System to MBR System and Expand MBR to Meet Capacity Requirements
- Alternative 3: Maintain Existing CAS System and Construct New MBR Train for Expanded Capacity



RP-5 Liquids Train

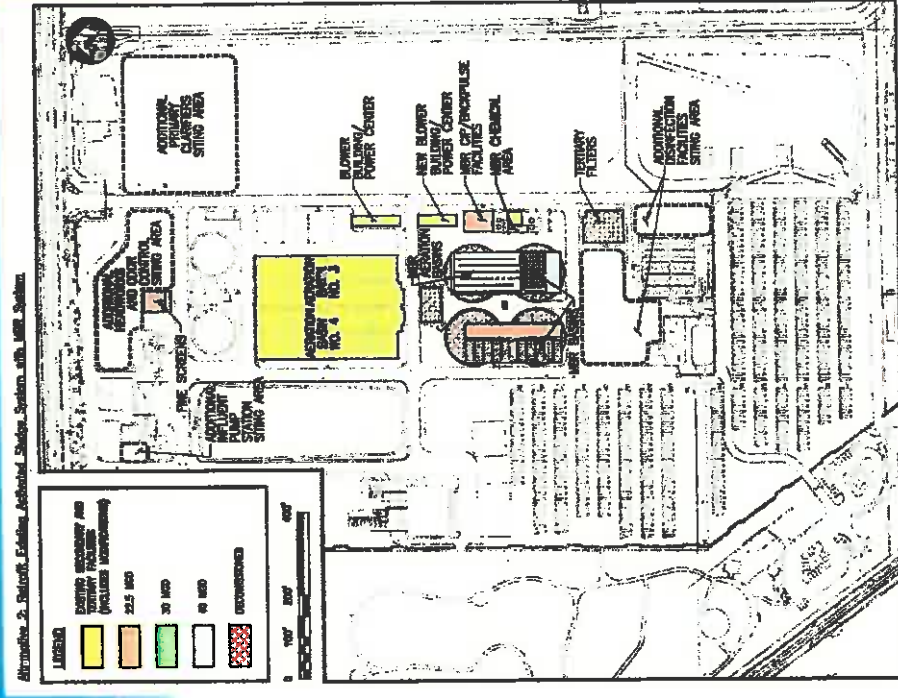
RP-5 Secondary Treatment Alternatives

- Alternative 1: Expand Existing Conventional Activated Sludge (CAS) System



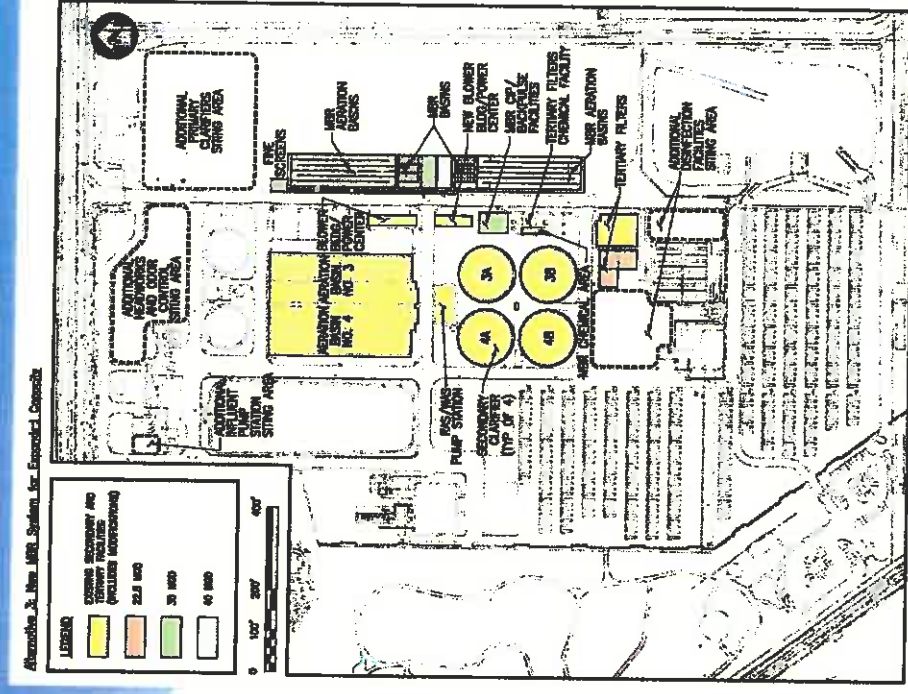
RP-5 Secondary Treatment Alternatives

- ## Alternative 2: Conversion of Existing CAS System to MBR System and Expand MBR to Meet Capacity Requirements



RP-5 Secondary Treatment Alternatives

- Alternative 3: Maintain Existing CAS System and Construct New MBR Train for Expanded Capacity



Secondary Treatment Alternatives

Benefits versus Drawbacks

| Alternative | Benefits | Drawbacks |
|---|--|---|
| Alternative 1: Expand Existing Activated Sludge System | <ul style="list-style-type: none"> Operational consistency – same as existing system | <ul style="list-style-type: none"> Largest footprint RP-5 Solids Treatment Facility location Reduced compatibility with advanced treatment Potential relocation of RP-5 solar |
| Alternative 2: Retrofit Existing Activated Sludge System with MBR | <ul style="list-style-type: none"> Higher quality effluent Smallest footprint Better compatibility with advanced treatment (RO & AWT) Reduced cost for UV disinfection | <ul style="list-style-type: none"> Complex construction sequencing |
| Alternative 3: New MBR System for Expanded Capacity | <ul style="list-style-type: none"> MBR portion of flow would have same benefits associated with Alternative 2 | <ul style="list-style-type: none"> Requires operation of two independent plants |

Total Project Cost Comparison for Secondary Treatment Alternatives

| Option | Phase I - 2023 | Phase II - 2035 | CCWRF Operation |
|----------|------------------------|-------------------------|------------------|
| Option 1 | • 15.0 MGD to 22.5 MGD | • 22.5 MGD to 30 MGD | • Online |
| Option 2 | • 15.0 MGD to 30.0 MGD | • No Required Expansion | • Online |
| Option 3 | • 15.0 MGD to 30.0 MGD | • 30.0 MGD to 40.0 MGD | • Decommissioned |

| Alt. | Description | Option 1 | | Option 2 | | Option 3 | |
|------|---------------------------------------|----------|--------|----------|------|----------|--------|
| | | 2023 | 2035 | 2023 | 2035 | 2023 | 2035 |
| 1 | Expand Existing CAS System | \$88M | \$100M | \$162M | --- | \$162M | \$82M |
| 2 | Conversion to MBR | \$121M | \$54M | \$152M | --- | \$152M | \$142M |
| 3 | Existing CAS System and New MBR Train | \$88M | \$126M | \$167M | --- | \$167M | \$147M |

Total Project Cost Comparison for Secondary Treatment Alternatives

| Option | Phase I - 2023 | Phase II - 2035 | CCWRF Operation |
|----------|------------------------|-------------------------|------------------|
| Option 1 | • 15.0 MGD to 22.5 MGD | • 22.5 MGD to 30 MGD | • Online |
| Option 2 | • 15.0 MGD to 30.0 MGD | • No Required Expansion | • Online |
| Option 3 | • 15.0 MGD to 30.0 MGD | • 30.0 MGD to 40.0 MGD | • Decommissioned |

| Alt. | Description | Option 1 | | Option 2 | | Option 3 | |
|------|---------------------------------------|----------|--------|----------|------|----------|--------|
| | | 2023 | 2035 | 2023 | 2035 | 2023 | 2035 |
| 1 | Expand Existing CAS System | \$88M | \$100M | \$162M | --- | \$162M | \$162M |
| 2 | Conversion to MBR | \$121M | \$54M | \$152M | --- | \$152M | \$152M |
| 3 | Existing CAS System and New MBR Train | \$88M | \$126M | \$167M | --- | \$167M | \$167M |

Business Case Evaluation for Secondary Treatment Alternatives

| Option | Phase I - 2023 | Phase II - 2035 | CCWRF Operation |
|----------|------------------------|-------------------------|------------------|
| Option 1 | • 15.0 MGD to 22.5 MGD | • 22.5 MGD to 30 MGD | • Online |
| Option 2 | • 15.0 MGD to 30.0 MGD | • No Required Expansion | • Online |
| Option 3 | • 15.0 MGD to 30.0 MGD | • 30.0 MGD to 40.0 MGD | • Decommissioned |

| Alt. | Description | Option 1 | | Option 2 | | Option 3 | |
|------|--|---------------|------------|---------------|------------|---------------|------------|
| | | Total Capital | 30-YR Cost | Total Capital | 30-YR Cost | Total Capital | 30-YR Cost |
| 1 | Expand Existing CAS System | \$188M | \$323M | \$162M | \$282M | \$244M | \$399M |
| 2 | Conversion to MBR ² | \$175M | \$275M | \$152M | \$245M | \$204M | \$412M |
| 3 | Existing CAS System and New MBR Train ² | \$214M | \$345M | \$167M | \$278M | \$314M | \$453M |

1. Business Case Evaluation completed at a 3% Escalation Rate and 2% Discount Rate.
2. Benefits included for avoided capital cost of microfiltration systems.

Size of RP-5 Expansion 22.5 MGD versus 30.0 MGD

Benefits of 22.5 MGD Expansion

- Lowest Phase I capital cost
- Consistent with Wastewater Facilities Master Plan
- Delays need for additional debt issuance

Benefits of 30.0 MGD Expansion

- Lowest 30-YR cost (NPV)
- Additional capacity at RP-5 to allow for operational flexibility
 - Flow diversions
 - Emergency Capacity
 - Enhanced effluent quality
- 7.5 MGD expansion at \$4 per gallon of capacity

Points For Discussion



Decommissioning of
CCWRF



RP-5 Secondary
Treatment Alternatives



Size of RP-5 Expansion



**INFORMATION
ITEM**

3B

Date: May 26, 2016/June 2, 2016
To: Regional Committees
From: Inland Empire Utilities Agency
Subject: Strategic Grant Planning

RECOMMENDATION

This is an informational item for the Regional Committees to review.

BACKGROUND

The item was presented in a workshop at the IEUA Board of Directors meeting on April 6, 2016.

Grant Strategic Plan



Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT

Jason Gu
Grants Officer

Grant Management Cycle

* Pre- Award Activities

- * Identify Grant Opportunities
- * Develop Proposal Concepts
- * Grant Application Teams

* Post-Award Activities

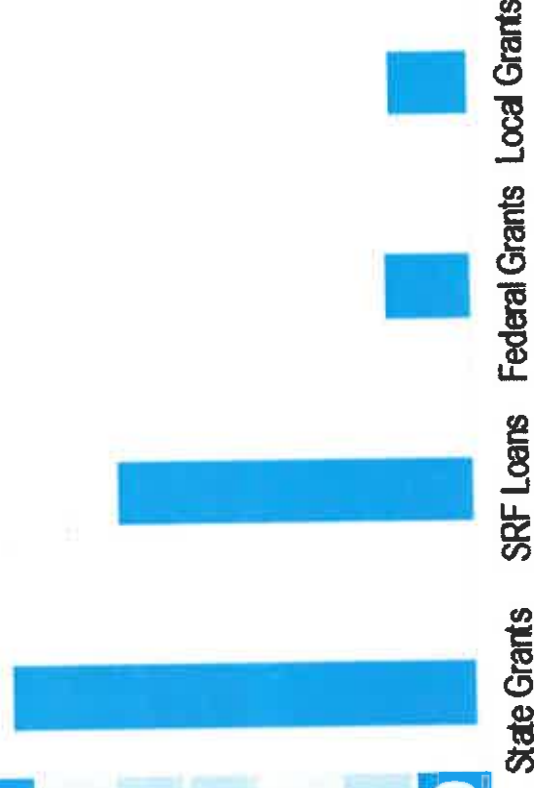
- * Negotiate Grant Contracts
- * Manage Grant Awards
- * Grants Audit & Closeout



Overview IEUA Grant Activities (Year 2000-2015)

* Grants & SRF Loans Secured - \$420 Million

| Government/Type | \$ Million |
|-----------------|---------------|
| State/Grant | 196 |
| Federal/SRF | 125 |
| State/SRF | 26 |
| Federal/Grant | 37 |
| Local/Grant | 36 |
| Total | \$ 420 |



Funding Award Used By Agency

| Agency (Funding Type) | \$ Million |
|-----------------------|------------|
| IEUA (SRF) | 151 |
| IEUA (Grant) | 107 |
| CDA (Grant) | 104 |
| CBWM (Grant) | 30 |
| Member Agency (Grant) | 28 |
| Total | 420 |

Grants \$269 Million Detail

| Agency | Funding Agency Name | Grant Amount |
|--------------------|--|-----------------------|
| SWRCB | State Water Resources Control Board | \$ 153,935,562 |
| USBR | U.S. Bureau of Reclamation | \$ 35,632,329 |
| MWD | Metropolitan Water District | \$ 33,296,889 |
| DWR | Department of Water Resources | \$ 27,239,494 |
| CEC | California Energy Commission | \$ 8,098,700 |
| USDA/NRCS | Natural Resources Conservation Service | \$ 4,900,000 |
| DOE | Department of Energy | \$ 2,326,000 |
| FEMA | Federal Emergency Management Agency | \$ 1,429,546 |
| SCE | Southern California Edison | \$ 672,687 |
| WRF | WaterReuse Foundation | \$ 477,912 |
| DPR | Department of Park and Recreation | \$ 246,400 |
| CPUC | California Public Utilities Commission | \$ 75,000 |
| CIWMB | California Integrated Waste Management Board | \$ 75,000 |
| WURD | Western United Resource Development, Inc. | \$ 45,101 |
| DFF | Department of Forestry and Fire Protection | \$ 41,450 |
| SCG | Southern California Gas | \$ 38,000 |
| CSDA | California Special Districts Association | \$ 9,210 |
| Grand Total | | \$ 268,539,280 |

SRF Loans \$151 Million Detail

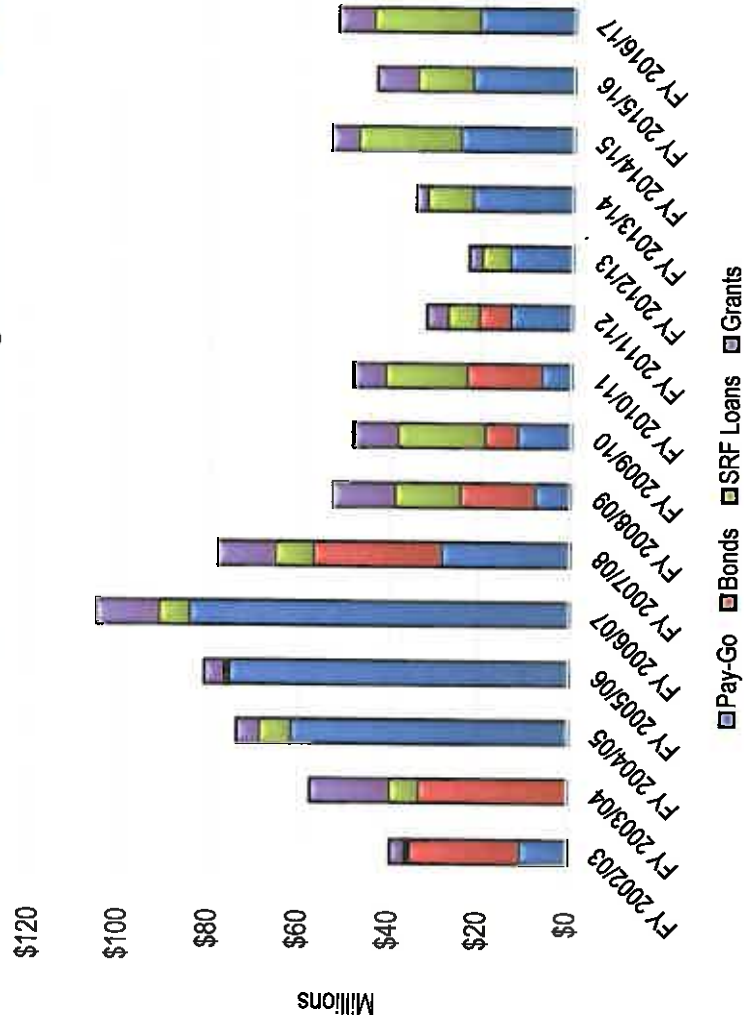
| No. | Year | Project | Interest | Term | Amount |
|--------------------|------|--|----------|---------|-----------------------|
| 1 | 2003 | Etiwanda Avenue Recycled Water Pipeline | 2.50% | 20-Year | \$ 630,689 |
| 2 | 2003 | Wineville Avenue Recycled Water Pipeline | 2.50% | 20-Year | \$ 659,929 |
| 3 | 2003 | RP-1/RP-4 Pump Stations | 0.00% | 20-Year | \$ 5,211,496 |
| 4 | 2004 | North Etiwanda Avenue Pipeline Extension | 2.40% | 20-Year | \$ 1,862,960 |
| 5 | 2004 | Philadelphia Street Pipeline | 2.60% | 20-Year | \$ 1,370,504 |
| 6 | 2005 | RP-4 West Recycled Water Pipeline | 2.40% | 20-Year | \$ 5,406,715 |
| 7 | 2007 | RP-1 S. Pump Station, San Antonio A.B. | 2.20% | 20-Year | \$ 14,752,200 |
| 8 | 2008 | RP-4 Reservoir Project | 0.00% | 20-Year | \$ 3,415,942 |
| 9 | 2008 | RP-4 Pump Station | 0.00% | 20-Year | \$ 6,207,461 |
| 10 | 2008 | RP-4 Pipeline Project | 0.00% | 20-Year | \$ 1,238,794 |
| 11 | 2009 | 1299E Recycled Water Pipeline | 0.11% | 20-Year | \$ 3,493,463 |
| 12 | 2009 | 1630 Pump Station and 1299E Reservoir | 0.14% | 20-Year | \$ 5,789,720 |
| 13 | 2009 | 1630E Recycled Water Pipeline | 0.21% | 20-Year | \$ 5,658,238 |
| 14 | 2009 | Church Street Lateral Project | 0.07% | 20-Year | \$ 1,688,745 |
| 15 | 2009 | Victoria Basin Monitoring Wells | 1.00% | 20-Year | \$ 1,285,987 |
| 16 | 2009 | RP-1 Dewatering Facility Expansion | 0.46% | 20-Year | \$ 27,434,811 |
| 17 | 2011 | Southern Area Recycled Water | 2.60% | 20-Year | \$ 26,608,638 |
| 18 | 2014 | New Laboratory SRF Loan | 2.10% | 30-Year | \$ 16,049,663 |
| 19 | 2014 | Central/Wineville Area Recycled Water | 1.00% | 30-Year | \$ 22,300,000 |
| Grand Total | | | | | \$ 151,065,955 |

\$70M Interest Saving, 20-year SRF Loan (\$151M)

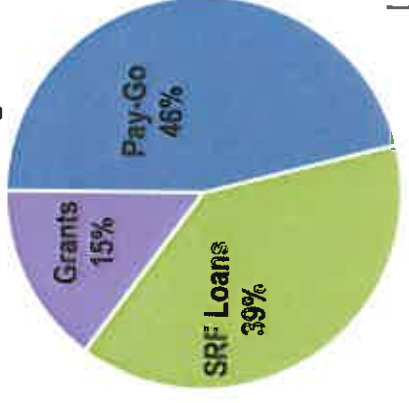
| \$151 million Bond @ 5% | | | | \$151 million SRF Loan @ 1.32% | | | | |
|---|--------------|---------------|-----------|--------------------------------|-----------|--------------|---------------|-----------|
| Principal | Interest PMT | Principal PMT | Total PMT | 20 Year | Principal | Interest PMT | Principal PMT | Total PMT |
| \$151,066 | \$7,553 | \$4,569 | \$12,122 | 1 | \$151,066 | \$1,994 | \$6,650 | \$8,644 |
| \$146,497 | \$7,325 | \$4,797 | \$12,122 | 2 | \$144,416 | \$1,906 | \$6,737 | \$8,644 |
| \$141,700 | \$7,085 | \$5,037 | \$12,122 | 3 | \$137,679 | \$1,817 | \$6,826 | \$8,644 |
| \$136,663 | \$6,833 | \$5,289 | \$12,122 | 4 | \$130,853 | \$1,727 | \$6,916 | \$8,644 |
| \$131,375 | \$6,569 | \$5,553 | \$12,122 | 5 | \$123,937 | \$1,636 | \$7,008 | \$8,644 |
| \$125,821 | \$6,291 | \$5,831 | \$12,122 | 6 | \$116,929 | \$1,543 | \$7,100 | \$8,644 |
| \$119,991 | \$6,000 | \$6,122 | \$12,122 | 7 | \$109,829 | \$1,450 | \$7,194 | \$8,644 |
| \$113,868 | \$5,693 | \$6,429 | \$12,122 | 8 | \$102,635 | \$1,355 | \$7,289 | \$8,644 |
| \$107,440 | \$5,372 | \$6,750 | \$12,122 | 9 | \$95,346 | \$1,259 | \$7,385 | \$8,644 |
| \$100,690 | \$5,034 | \$7,087 | \$12,122 | 10 | \$87,961 | \$1,161 | \$7,483 | \$8,644 |
| \$93,602 | \$4,680 | \$7,442 | \$12,122 | 11 | \$80,478 | \$1,062 | \$7,581 | \$8,644 |
| \$86,160 | \$4,308 | \$7,814 | \$12,122 | 12 | \$72,897 | \$962 | \$7,681 | \$8,644 |
| \$78,347 | \$3,917 | \$8,205 | \$12,122 | 13 | \$65,216 | \$861 | \$7,783 | \$8,644 |
| \$70,142 | \$3,507 | \$8,615 | \$12,122 | 14 | \$57,433 | \$758 | \$7,885 | \$8,644 |
| \$61,527 | \$3,076 | \$9,046 | \$12,122 | 15 | \$49,548 | \$654 | \$7,990 | \$8,644 |
| \$52,482 | \$2,624 | \$9,498 | \$12,122 | 16 | \$41,558 | \$549 | \$8,095 | \$8,644 |
| \$42,984 | \$2,149 | \$9,973 | \$12,122 | 17 | \$33,463 | \$442 | \$8,202 | \$8,644 |
| \$33,011 | \$1,651 | \$10,471 | \$12,122 | 18 | \$25,261 | \$333 | \$8,310 | \$8,644 |
| \$22,540 | \$1,127 | \$10,995 | \$12,122 | 19 | \$16,951 | \$224 | \$8,420 | \$8,644 |
| \$11,545 | \$577 | \$11,545 | \$12,122 | 20 | \$8,531 | \$113 | \$8,531 | \$8,644 |
| | \$91,373 | \$151,066 | \$242,439 | | | \$21,806 | \$151,066 | \$172,872 |
| Interest Cost Saving in 20-years = \$69,566 | | | | | | \$69,566 | PV | \$53,517 |
| Interest Cost Saving Present Value @ 1.32% = \$53,517 | | | | | | \$91,373 | PV | \$26,219 |

Capital Program Funding Sources Years 2002-2017

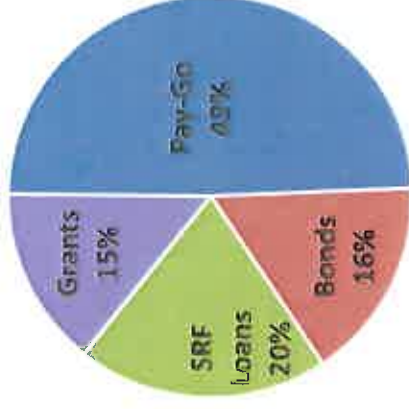
FY 2002-2017 TYCIP Funding Sources



3-Year Average



15-Year Average



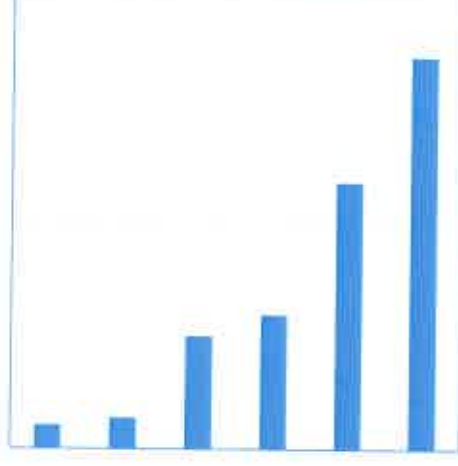
State Propositions for Water Projects

| Year | Proposition | Description | \$ Amount (Million) |
|------|----------------|--|------------------------|
| 2000 | Proposition 13 | The Safe Drinking, Clean Water, Watershed Protection, Flood Protection Act of 2000 | \$ 1,970 |
| 2002 | Proposition 50 | The Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 | \$ 3,440 |
| 2006 | Proposition 84 | The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 | \$ 5,388 |
| 2014 | Proposition 1 | The Water Quality, Supply, and Infrastructure Improvement Act of 2014 | \$ 7,545 |

IEUA & Regional Funding

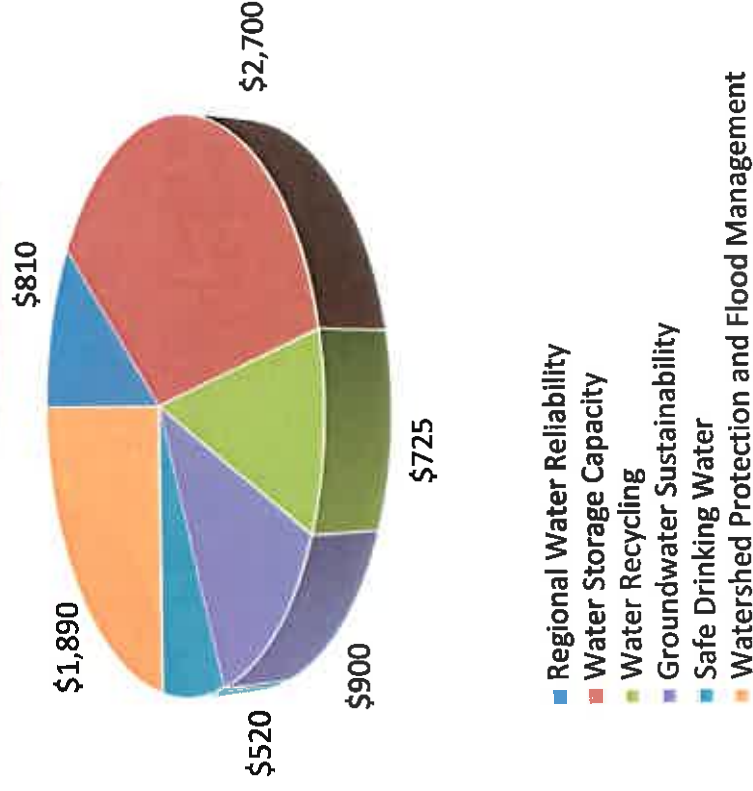
Key Areas

| Key Programs | \$ Million |
|----------------------------|--------------|
| Renewable Energy | \$10 |
| Conservation | \$14 |
| Wastewater Treatment | \$49 |
| Groundwater Sustainability | \$59 |
| Safe Drinking Water | \$117 |
| Recycled Water | \$171 |
| Total | \$420 |



State Prop 1 Funding Areas

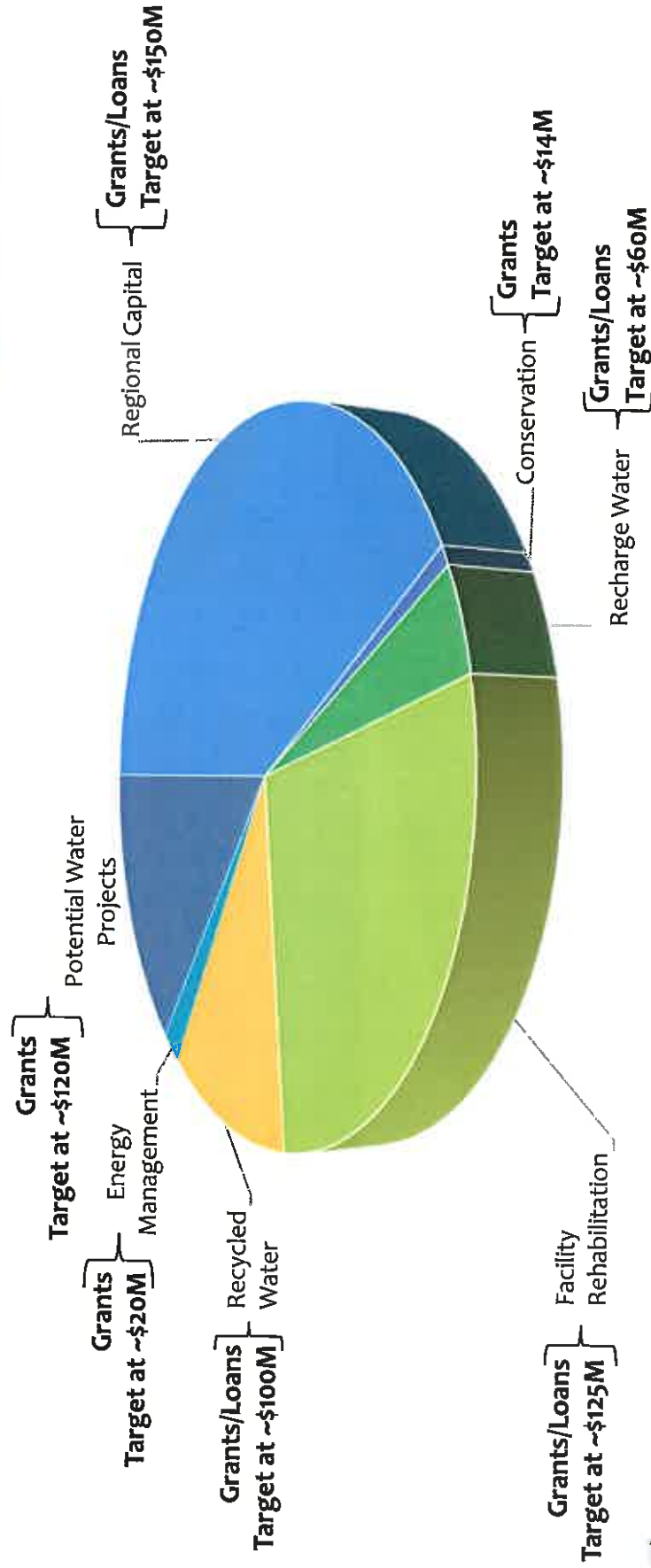
| Proposition 1 | \$ Amount (Million) |
|--|------------------------|
| Regional Water Reliability | \$810 |
| Water Storage Capacity | \$2,700 |
| Water Recycling | \$725 |
| Groundwater Sustainability | \$900 |
| Safe Drinking Water | \$520 |
| Watershed Protection and Flood Management | \$1,890 |
| Total | \$7,545 |



- Regional Water Reliability
- Water Storage Capacity
- Water Recycling
- Groundwater Sustainability
- Safe Drinking Water
- Watershed Protection and Flood Management

Strategic Grant Planning

(Planning the Next 10 Years)



Recycled Water Funding Accomplishments

- * \$250M in Capital Invested to Date
- * \$162M, or 64% Funded by Grants and SRF Loan
- * 80 Miles of Pipeline, 4 Pump Stations and 5 Reservoirs



Recycled Water

Near Term Funding Strategy

* In Progress

| Application Submitted | Grant | SRF Loan | Project Cost |
|--|----------------------|-----------------------|-----------------------|
| 2015 Drought Relief IEUA-Ontario Recycled Water Distribution System Optimization Project | \$ 15,000,000 | \$ 38,871,500 | \$ 53,871,500 |
| Joint IEUA - JCSD Regional Water Recycling Project | \$ 15,000,000 | \$ 37,460,000 | \$ 52,460,000 |
| Pomona-MVWD-IEUA Recycled Water Intertie Project | \$ 15,000,000 | \$ 36,896,000 | \$ 51,896,000 |
| Total | \$ 45,000,000 | \$ 113,227,500 | \$ 158,227,500 |

* Future Funding Opportunities & Projects

- * SWRCB Prop 1 Grants and CWSRF Loan
- * USBR Title XVI Recycled Water Funding for CVWD

Groundwater Recharge Funding Accomplishments

- * \$116M in Grant Related Capital Projects Invested to Date
- * \$58M, or 50% Funded by Prop 13, and Prop 50 Grants
 - * CBFIP GW Recharge Basin Improvements (\$19M)
 - * Dry Year Yield Grant from MWD (\$27.5M)
 - * DWR Chino Basin Groundwater Conjunctive Use (\$10M)



Groundwater Recharge (RMPU)

Near Term Funding Strategy

| Project | RW (AFY) | SW (AFY) | Agency | Funding Program | Grant | SRF Loan | Total |
|--|--------------|--------------|--------|------------------------|----------------------|---------------------|----------------------|
| CSI Storm Water Basin | | 81 | SWRCB | CWSRF Loan | | \$ 440,000 | \$ 440,000 |
| Wineville PS to Jurupa, Jurupa PS to RP3 Basin and RP3 Improvement | 2,905 | 3,186 | SWRCB | Prop 1 Storm Water | \$ 5,000,000 | | |
| | | | | CWSRF Loan | | \$ 16,010,000 | \$ 21,310,000 |
| | | | USBR | Drought Resilient | \$ 300,000 | | |
| East Declez Basin | | 913 | SWRCB | Prop 1 Storm Water | \$ 5,000,000 | | |
| | | | | CWSRF Loan | | \$ 18,470,000 | \$ 23,470,000 |
| Declez Basin | | 241 | SWRCB | Prop 1 Ground Water | \$ 2,035,000 | | |
| | | | | CWSRF Loan | | \$ 2,035,000 | \$ 4,070,000 |
| Victoria Basin | 120 | | | CWSRF Loan | | \$ 150,000 | \$ 150,000 |
| San Sevaine Basin Improvement Project | 4,100 | 642 | SWRCB | Prop 1 Water Recycling | \$ 1,868,300 | | |
| | | | | Prop 84 Safe Drinking | \$ 750,000 | | |
| | | | | CWSRF Loan | | \$ 3,469,700 | \$ 6,463,000 |
| Lower Day Basin | | 789 | USBR | WaterUse Efficiency | \$ 375,000 | | |
| | | | USBR | WaterUse Efficiency | \$ 375,000 | | |
| | | | SWRCB | Prop 84 Safe Drinking | \$ 750,000 | | \$ 2,480,000 |
| Turner Basin | | 66 | SWRCB | CWSRF Loan | | \$ 1,355,000 | |
| Ely Basin | | 221 | SWRCB | CWSRF Loan | | \$ 890,000 | \$ 890,000 |
| Montclair Basin | | 248 | SWRCB | CWSRF Loan | | \$ 3,200,000 | \$ 3,200,000 |
| | | | | CWSRF Loan | | \$ 1,440,000 | \$ 1,440,000 |
| Sub Total | 7,125 | 6,367 | | | \$ 16,453,300 | \$47,459,700 | \$ 63,913,000 |

2013 RMPU Financing Plan

| | |
|---|---|
| <p> 100% Satisfaction Guaranteed or your money back </p> | <p> 100% Satisfaction Guaranteed or your money back </p> |
|---|---|



Drinking Water Program

Funding Accomplishments

- * **\$300M in Capital Invested to Date**
- * **\$117M, or 39%, Managed by IEUA**
 - * Prop 13 \$39 million CDA I Construction
 - * Prop 50 \$52 million CDA II Construction
 - * Prop 84 \$10 million CDA II Construction
 - * Federal Title XVI \$14 million CDA II Construction



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Drinking Water

Near Term Funding Strategy

* In Progress

| Application Submitted | Grant | Project Cost |
|---|----------------------|----------------------|
| USBR Title XVI Grant for CDA II Phase 3 Expansion | \$ 12,000,000 | \$ 48,000,000 |
| Prop 1 Groundwater Quality TCE Plume Cleanup | \$ 11,000,000 | \$ 25,000,000 |
| Total | \$ 23,000,000 | \$ 73,000,000 |

* Future Grant Funding Opportunities & Projects

- * SWRCB Prop 1 DWSRF Loan Program
- * SWRCB Prop 1 Groundwater Quality Grant
- * CDA II Expansion Project
- * CVWD Biological Water Treatment Project
- * TCE Plume Cleanup



Water Conservation Funding Accomplishments

- * \$19 Million invested by IEUA for the Water Use Efficiency Demand Reduction Program (10 years)
- * \$13.6 Million, or 72%, funded by Federal and State Grants including \$4 Million funding contributed by MWD



Water Conservation

Near Term Funding Strategy

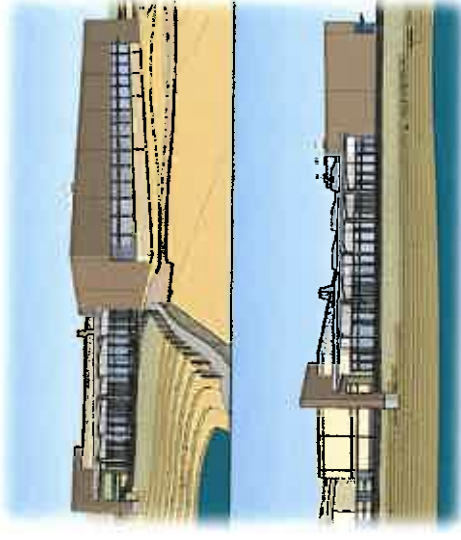
| Future Applications | Grant application | Total Project |
|---|-------------------|---------------------|
| USBR Drought Contingency Planning-IRP Chapter 2 | \$ 200,000 | \$ 400,000 |
| USBR Drought Resiliency Implementation Grant | \$ 300,000 | \$ 600,000 |
| Total | \$ 500,000 | \$ 1,000,000 |

- * USBR WaterSMART Water Use Efficiency Grant
- * DWR Prop 1 Regional Water Reliability Grant
- * MWD Conservation Grant Program
- * USBR Agricultural Water Use Efficiency Grant

Wastewater Treatment Facility

Funding Accomplishments

- * \$27M ARRA 0% ARRA SRF loan - RP-1 Dewatering Facility
- * \$17.1M SRF Loan & Grant – Water Quality Laboratory



Wastewater Treatment

Funding Strategy

| Applications | Grant | SRF Loan | Project Cost |
|---|---------------------|----------------------|----------------------|
| Small Community Wastewater Grant | \$500,000 | | \$500,000 |
| RP-1/RP-5 Preliminary Design Report | \$0 | \$3,000,000 | \$3,000,000 |
| RP-5 Solids Treatment Design/Construction | \$8,000,000 | \$128,000,000 | \$136,000,000 |
| RP-5 Liquids Treatment Design/Construction | \$8,000,000 | \$117,000,000 | \$125,000,000 |
| RP-1 Liquids & Solids Treatment Design/Construction | \$8,000,000 | \$104,000,000 | \$112,000,000 |
| Total | \$24,500,000 | \$352,000,000 | \$376,500,000 |

*** SWRCB Prop 1 Grant & Clean Water SRF loan Program**

Energy & Renewable Energy Funding Accomplishments

- * \$10M in Energy/Renewable Energy Grant
- * \$2.7 Renewable Energy Efficiency Program
- * \$4.9M Food Waste Digesters



Inland Empire Utilities Agency
A MUNICIPAL WATER DISTRICT



24 of 30



IEUA Board Workshop
April 2016

Energy & Renewable Energy Funding Strategy

- * DOE – Micro-Turbines \$3 Million
- * EPA - Lighting and HVAC upgrades \$0.5 Million
- * CEC – Energy Storage \$1.5 Million
- * EPA – Mitigating Greenhouse Gas Impact
- * Organic Food Waste Diversion to Wastewater Treatment Plants – Funding Programs TBD

Post-Grant Award Activities

- * Post-Grant Award Activities
 - * Negotiate Grant Agreements
 - * Manage Grants Compliance & Oversight
 - * Grant Audit and Close out

* Nature of Grant Life Cycle

- * Routine Deadlines & Compliance
- * Dealing with “Strings” attached to Grants
- * Cumulative, Asynchronous, & Non-repetitive



Grants Department Organizational Chart

Executive Manager of Engineering/Assistant General Manager

Grants Officer

Deputy Grants Officer
(Vacant)

Administrative
Assistant II

Intern
(Vacant)

Grant Acquisition

Grants Administrator

Grants Administrator (LT)

Grants Administrator (LT)

Grant Compliance

Senior Accountant

Accountant I (LT)

Accountant II
(LT)

Grants Compliance

* Grants Compliance & Internal Control

- * Federal Grant Single Audit Requirement
- * Buy American Act & Buy American Iron & Steel
- * Labor Compliance & Davis-Bacon Act
- * Disadvantaged Business Enterprise (DBE)
- * Streamline CEQA processes in grant application
- * Construction Bid Process, Schedule and Grant Synchronization

* Federal Uniform Grant Guidance

- * Close communication with Contract and Procurement Department
- * Improve Grant Reporting and Fully Utilize Grant Funding
- * Grant Reimbursement & Match Share Use Oversight

Grants Department

Administration Priorities

- * Grant Strategic Plan & Updates
- * Develop Grant Policies
- * Enhance Centralized Grant Management
- * SAP Grant Management Module
- * Grant Management Database
- * Enhance Grant Seeking Collaborative Efforts
- * Staff Development & Succession Plan

Feedback & Next Steps

* **Reaffirm Agency Goals**

- * IEUA will continue to pursue funding for regional partners
- * SRF funding shall be primary funding mechanism for debt
- * IEUA planning/environmental documents developed to strategically set course for future grant funding priorities

* **Pursue Immediate Funding Needs**

- * RMPU Plan Applications - \$63M
- * Water Recycling Applications - \$158M
- * TCE Plume Cleanup Applications - \$12M
- * RP-1/RP-5 Facilities Upgrades - \$250M
- * Coordination with SAWPA - \$60M

RECEIVE AND
FILE

4A

Building Activity Report - YTD Fiscal Year 2015/16



Legend

- Service Area
- Unincorporated

EDU (YTD)

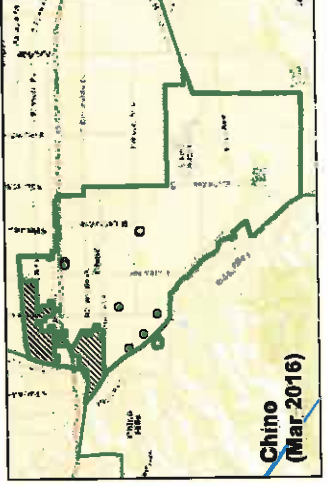
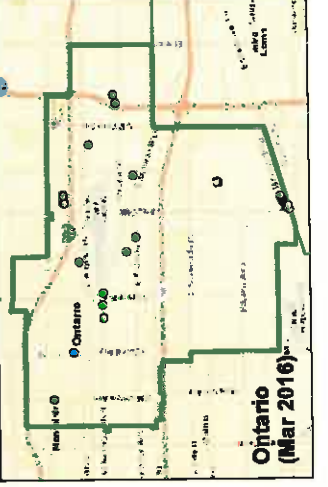
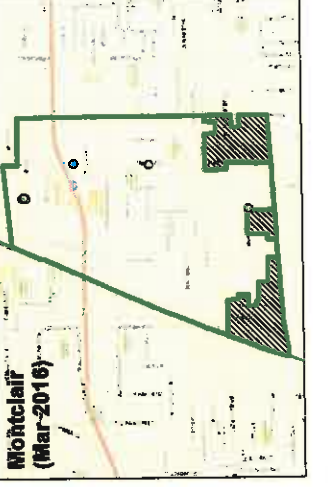
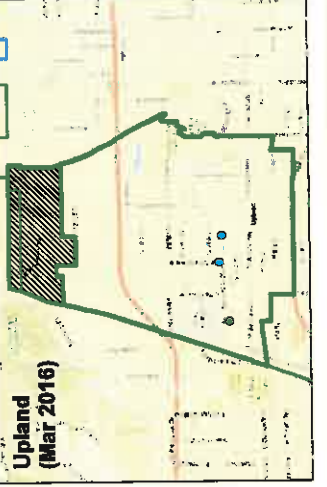
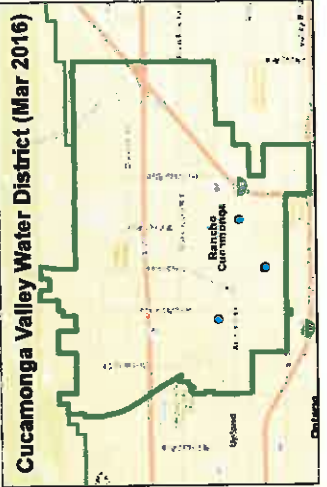
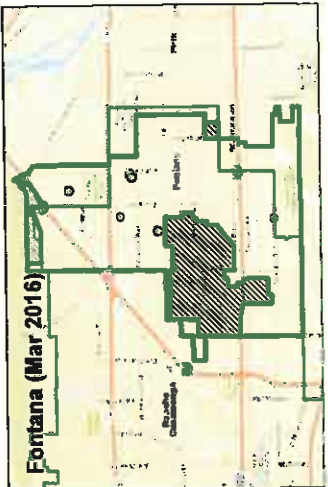
- Residential
 - ≤ 1.0
 - 1.0 - 10.0
 - > 10.0
- Commercial
 - ≤ 1.0
 - 1.0 - 10.0
 - > 10.0
- Industrial
 - ≤ 1.0
 - 1.0 - 10.0
 - > 10.0

HALF MILE GRID: TOTAL EDU's (YTD)



TOTAL EDU BY CONNECTION TYPE (YTD)

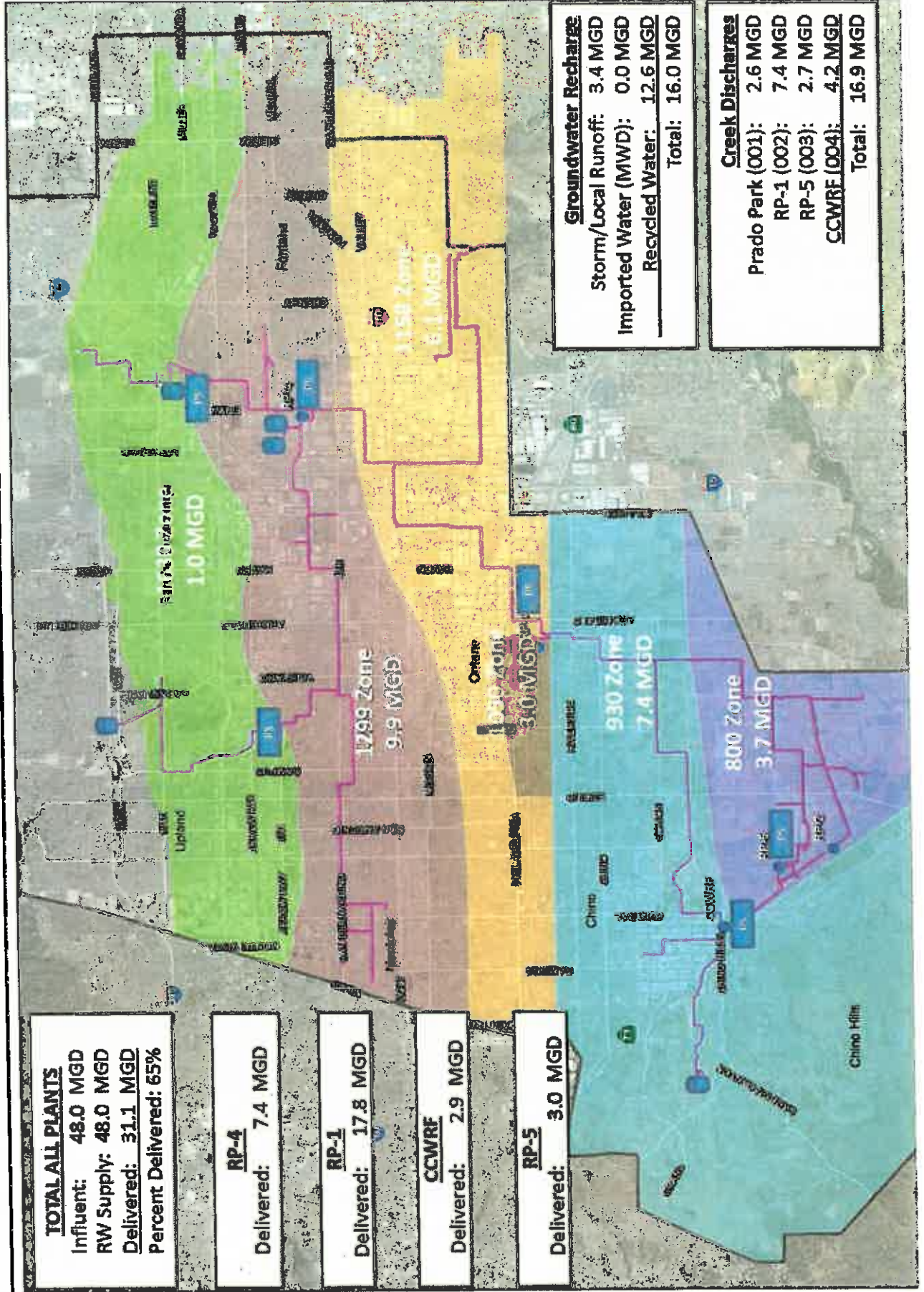
| Contributing Agency | YTD Actual | | | PROJECTED | |
|---------------------|-------------------|------------------|------------------|-------------|-------------|
| | Residential (EDU) | Commercial (EDU) | Industrial (EDU) | Total (EDU) | Total (EDU) |
| Chino | 410 | 47 | 0 | 457 | 942 |
| Chino Hills | 416 | 83 | 0 | 500 | 691 |
| CWD | 346 | 174 | 648 | 1168 | 364 |
| Fontana | 555 | 57 | 15 | 627 | 445 |
| Montclair | 42 | 17 | 0 | 59 | 354 |
| Ontario | 284 | 95 | 95 | 474 | 3000 |
| Upland | 137 | 36 | 0 | 173 | 333 |
| Total | 2190 | 508 | 758 | 3457 | 5849 |



RECEIVE AND
FILE

4B

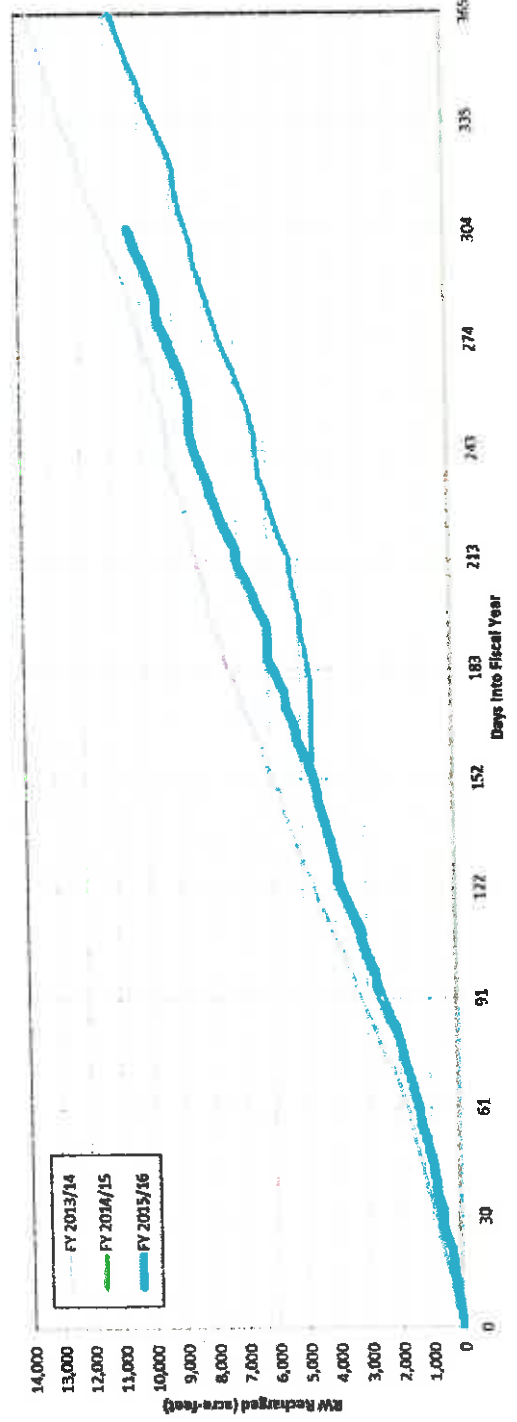
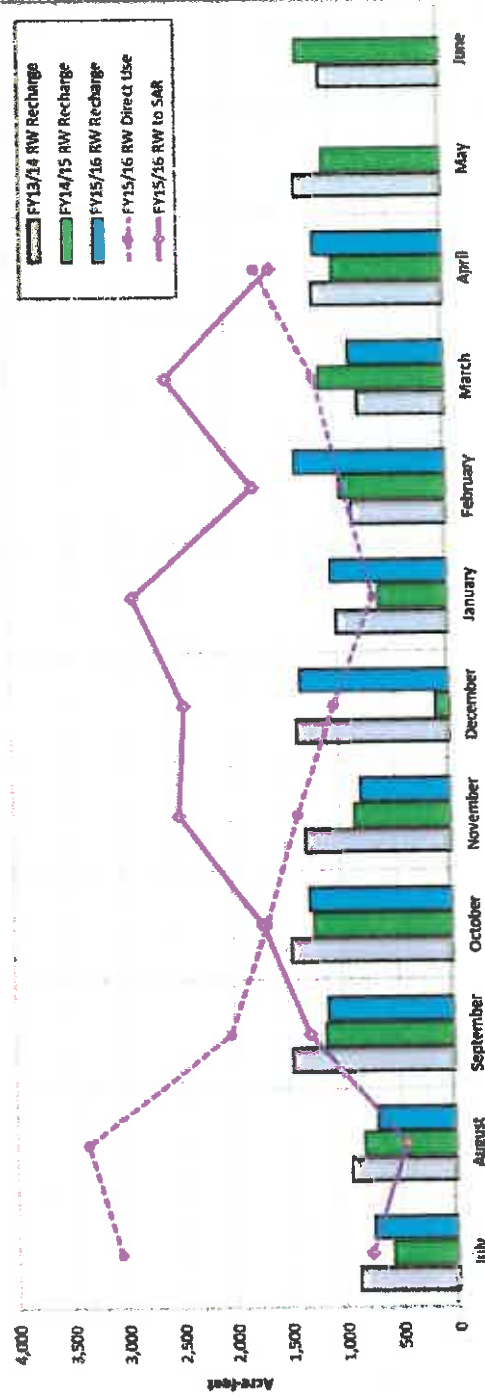
IEUA RECYCLED WATER DISTRIBUTION – APRIL 2016



Deliveries are draft until reported as final.

Recycled Water Recharge Deliveries / Plan - April 2016 (Acre-Feet)

| Basin | 4/1-4/6 | 4/7-4/13 | 4/14-4/20 | 4/21-4/27 | 4/28-4/30 | Month | | FY To Date | |
|--------------|---------|----------|-----------|-----------|-----------|---------|------|------------|--|
| | | | | | | Actual | Plan | Actual | Actual |
| Ely | 26.7 | 2.8 | 17.2 | 51.1 | 28.7 | 126.6 | 150 | 683 | On 2 to 8 cfs |
| Banana | 33.9 | 19.8 | 15.1 | 23.1 | 5.2 | 97.1 | 0 | 1836 | On 3 cfs |
| Hickory | 0.0 | 0.0 | 15.1 | 23.1 | 5.2 | 43.4 | 120 | 505 | On asbasin capacity allows |
| Turner 1 & 2 | 46.6 | 2.4 | 15.3 | 40.0 | 24.3 | 128.5 | 0 | 1643 | On 5 cfs |
| Turner 3 & 4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 970 | Off - no basin capacity, infiltration slow |
| 8th Street | 46.7 | 23.6 | 51.1 | 49.6 | 23.6 | 194.7 | 150 | 937 | On 5 cfs |
| Brooks | 35.6 | 28.0 | 66.0 | 43.6 | 18.9 | 192.0 | 150 | 2662 | On 6 to 10 cfs |
| RP3 | 47.1 | 31.6 | 77.0 | 65.2 | 26.6 | 247.5 | 250 | 540 | On 3 to 6 cfs |
| Declez | 21.4 | 11.4 | 50.5 | 27.9 | 21.4 | 132.5 | 0 | 635 | RW stopped for maintenance |
| Victoria | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 30 | 0 | Off for midge fly management |
| San Seavine | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 900 | 10,411 | AF, Previous FY End of Month Actual |
| Total | 258.0 | 119.6 | 307.2 | 323.5 | 153.9 | 1,162.2 | 900 | 8,475 | |



RECEIVE AND
FILE

4C

Date: May 26/June 2, 2016
To: Regional Committees
From: Inland Empire Utilities Agency
Subject: Sewer Fee Evaluation



RECOMMENDATION

This is an informational item for the Regional Committees to receive and file regarding the IEUA Sewer Fee Evaluation.

BACKGROUND

The Inland Empire Utilities Agency (IEUA) and the Regional Contracting Agencies (Contracting Agencies) are currently governed by the Regional Sewage Service Contract (the Contract). As part of the Contract, the collection of connection fees is defined in the section referred to as "Exhibit J". Exhibit J was first adopted with the Contract amendment in 1984 with subsequent amendments occurring in 1994, 2005 and 2013, respectively.

During the initial adoption of Exhibit J, the flows for one Equivalent Dwelling Unit (EDU) were set at 270 gallons per day. Over time, with the advent of water conservation efforts and water efficient fixtures, it has been generally accepted that wastewater flows have declined since the EDU was initially defined in Exhibit J and is no longer representative of current water usage. Additionally, the Contracting Agencies and IEUA have found the fixture counting process and classification of the business categories established by Exhibit J to be a labor intensive and subjective process. Although Exhibit J was updated in 2013, the recent IEUA Internal Audit review of the Contracting Agencies EDU fee collection process found there are still inconsistencies and varying interpretation and application of the commercial category types. This has resulted in varying degrees of discrepancies in connection fee assessment.

The Contracting Agencies also assess and collect recurring monthly sewer fees from the residential, commercial and industrial users. The only information provided to IEUA from the Contracting Agencies is total EDUs. The Contracting Agencies currently determine total non-residential EDUs through two different methods. The first method bases the monthly non-residential EDUs on the number of EDUs calculated via Exhibit J. The second method calculates the non-residential EDUs from actual water meter readings. These two methods create inconsistencies in how the monthly sewer fees are assessed.


A Request for Proposal (RFP) was issued in March seeking the professional services of a consultant to complete the sewer fee evaluation for the IEUA service area. Representatives from the Cucamonga Valley Water District, City of Fontana and IEUA participated in the selection of the consultant. The sewer fee evaluation will include an analysis of the following:

- EDU calculation
- Other agency business models
- Public service facilities
- Leasing of capacity
- Fee collection process
- Revenue impacts
- Transition plan

The sewer fee evaluation will begin in June and is expected to be completed by January 2017.

**RECEIVE AND
FILE**

4D

Date: May 26, 2016/June 2, 2016
To: Regional Committees
From: Inland Empire Utilities Agency 
Subject: Recharge Master Plan Update Project Resolutions and Agreements

RECOMMENDATION

This is an informational item for the Regional Committees to review.


BACKGROUND


The item was presented to IEUA's Public, Legislative Affairs, and Water Resources Committee and Finance, Legal, and Administration Committee on May 11, 2016, and also at the IEUA Board of Directors/Chino Basin Regional Financing Authority Commission meeting on May 18, 2016.



Date: May 18, 2016

To: The Honorable Board of Directors

Through: Public, Legislative Affairs, and Water Resources Committee (5/11/16)
Finance, Legal, and Administration Committee (5/11/16)

From: P. Joseph Grindstaff 
General Manager

Submitted by: Chris Berch 
Executive Manager of Engineering/Assistant General Manager

 Jason Gu 
Grants Officer

Subject: Recharge Master Plan Update Project Resolutions and Agreements

RECOMMENDATION

It is recommended that the Board of Directors:

1. Adopt Resolution No. 2016-5-2, authorizing IEUA's General Manager to execute the Groundwater Grant Program application with the SWRCB for the Chino Basin Improvements and Groundwater Cleanup Project through the Chino Basin Regional Financing Authority (CBRFA);
2. Adopt Resolution No. 2016-5-3, authorizing IEUA's General Manager to execute the Stormwater Grant Program application with the SWRCB for the RMPU Project referred to as the Wineville, Jurupa, and RP-3 Basin Improvements and Groundwater Cleanup Project through the CBRFA;
3. Adopt Resolution No. 2016-5-4, authorizing IEUA's General Manager to execute the Clean Water State Revolving Fund (CWSRF) loan application with the SWRCB for the planning and design of the RMPU Project through the CBRFA;
4. Adopt Resolution No. 2016-5-5, dedicating certain revenues for the repayment of the SRF loan for the Planning and Design of the RMPU Project;
5. Authorize IEUA's General Manager to approve the First Amendment to the Master Cost Sharing Agreement between CBWM and IEUA; and

6. Authorize IEUA's General Manager to approve the Master Recharge Facilities Financing Agreement between CBRFA, IEUA and CBWM.

BACKGROUND

Proposition 1 Groundwater Grant Program

The SWRCB Groundwater Grant Program offers \$900 million for grants and loans for projects that cleanup groundwater contaminations, prevent contaminations from spreading, accelerate the speed of groundwater contamination cleanup process, protect drinking water source or provide clean water to disadvantaged communities.

The Chino Basin Improvements and Groundwater Cleanup Project consists of groundwater recharge and groundwater cleanup benefits, and will address the legacy trichloroethylene (TCE) plume in the Chino Basin. It consists of new wells, de-carbonators, pipelines, pump stations and recharge basin improvements with a total estimated project cost of \$66 million. The application is seeking \$32 million in grant funding under the Groundwater Grant Program. The application will be submitted via the CBRFA. The table below shows the project cost and benefit allocations:

| Chino Basin Improvements and Groundwater Cleanup Project Funding Plan | | | | | | | | | | |
|---|----------------|-------|-------|----------------|------|-----|--------------------|-------------------|--------------|------------------|
| Project | Benefits (AFY) | | | Cost Share (%) | | | Total Project Cost | Potential Funding | | |
| | Rey | SW | DW | TCE | IEUA | CBW | | Grants | SRF Loan | Planning & Admin |
| CSI Storm Water Basin | - | 81 | - | 100% | - | - | \$ 440,000 | \$ 220,000 | \$ 182,427 | \$ 57,573 |
| Wineville PS to Junipa, Junipa PS to RPS Basin and RPS Improvements | 2,905 | 3,188 | - | 91% | 9% | - | \$ 21,310,000 | \$10,000,000 | \$ 8,521,628 | \$ 2,788,372 |
| Declarz Basin | - | 241 | - | 100% | - | - | \$ 4,070,000 | \$ 2,035,000 | \$ 1,602,448 | \$ 532,552 |
| Victoria Basin | 120 | 43 | - | 50% | 50% | - | \$ 150,000 | \$ 75,000 | \$ 55,373 | \$ 18,827 |
| San Severns Basin Improvement Project | 4,100 | 842 | - | 50% | 50% | - | \$ 6,460,000 | \$ 3,230,000 | \$ 2,384,721 | \$ 845,279 |
| Lower Day Basin | - | 789 | - | 100% | - | - | \$ 2,480,000 | \$ 1,240,000 | \$ 915,497 | \$ 324,503 |
| Turner Basin | - | 66 | - | 100% | - | - | \$ 890,000 | \$ 445,000 | \$ 328,645 | \$ 116,455 |
| Ely Basin | - | 221 | - | 100% | - | - | \$ 3,200,000 | \$ 1,600,000 | \$ 1,181,286 | \$ 418,714 |
| Montclair Basin | - | 246 | - | 100% | - | - | \$ 1,440,000 | \$ 720,000 | \$ 531,679 | \$ 188,421 |
| Subtotal Stormwater Projects | 7,125 | 5,497 | - | - | - | - | \$ 40,440,700 | \$19,580,000 | \$15,563,294 | \$ 5,291,400 |
| TCE Cleanup - Wells, Pipeline, Pump Station & De-Carbonators | | | | | | | | | | |
| | | | 8,520 | | 40% | 60% | \$ 25,230,705 | \$12,615,353 | \$12,615,353 | |
| Subtotal Cleanup Projects | | | 8,520 | | - | - | \$ 25,230,705 | \$12,615,353 | \$12,615,353 | |
| Total | 7,125 | 5,497 | 8,520 | | | | \$ 65,671,405 | \$32,195,353 | \$28,178,647 | \$ 5,291,400 |

Proposition 1 Stormwater Grant Program

The SWRCB Stormwater Grant Program offers \$160 million in grant funding in two rounds for projects that provide multiple benefits to a region by addressing water supply, water quality, flood management, environmental issues through storm water runoff capture and groundwater recharge.

The Wineville, Jurupa and RP-3 Basin Improvements Project provides both recycled water and stormwater recharge benefits. It consists of groundwater recharge improvements, pipelines, pump stations and new recharge basins with a total project cost of approximately \$21.3 million. The application is seeking \$10 million under the Stormwater Grant Program. The application will be submitted via the CBRFA. The table below shows the estimated project cost and benefit allocations:

| Project | Benefits (AFY) | | | Cost Share (%) | | | Total Project Cost | Potential Funding | | |
|---|----------------|-------|----|----------------|------|-----|--------------------|-------------------|--------------|---------------|
| | RW | SW | DW | CBWM | IEUA | CDA | | Grants | SRF Loan | Planning Loan |
| Wineville PS to Jurupa, Jurupa PS to RP3 Basin and RP3 Improvements | 2,905 | 3,166 | | 91% | 9% | | \$ 21,310,000 | \$10,000,000 | \$ 8,821,628 | \$ 2,788,372 |

Clean Water SRF Loan Program

In order to support the planning and design for the RMPU Projects, CBWM and IEUA will apply for a \$5.3M CWSRF Loan from the SWRCB. This loan application will be submitted via the CBRFA. If future construction activities were to go forward and SRF funding was secured, these loans would be merged and not become due until after construction activities are complete.

Master Recharge Facilities Financing Agreement between CBRFA, IEUA and CBWM

The CBRFA, CBWM, and IEUA entered into a Recharge Facilities Financing Agreement in 2002 to pay for the bond debt issued for the Chino Basin Facilities Improvement Project. The purpose of this agreement is for the CBRFA to provide for the financing for ongoing recharge improvement projects as well as to provide a framework for the ownership and operation of such projects.

Master Cost Sharing Agreement between CBWM and IEUA

The CBWM and IEUA entered into the Master Cost Sharing Agreement in July 2014. The purpose of this agreement was to establish a framework for the joint management and allocation of cost for certain collaborative projects within the Chino Basin. This is an amendment to the 2014 Master cost Sharing Agreement Regarding the Management of the Collaborative Recharge Projects and aligns with the updated CBRFA Agreement.

Financing Plan for the RMPU Projects

As required by the 2013 RMPU, IEUA and CBWM committed to complete a Financing Plan for the funding of the RMPU projects. IEUA has worked with CBWM to develop a Financing Plan that identifies the preferred strategy to obtain grant funding and low interest loans for the funding of all RMPU projects. The draft Financing Plan has been attached for reference and will be processed through the CBWM Pools and Board in May 2016.

PRIOR BOARD ACTION

In 2014, the Board authorized the Agency to enter into a Master Cost Sharing Agreement Regarding the Management of the Collaborative Recharge Projects.

In 2002, the Board authorized the Agency to enter into a Recharge Facilities Financing Agreement to pay for the bond debt issued in 2002 with the CBRFA and CBWM.

IMPACT ON BUDGET

The combined total project cost of \$65.6 million consists of \$40.4 million for the RMPU projects and \$25.2 million for the Groundwater Cleanup Project.

The Agency will seek grant funding through SWRCB Groundwater Grant Program for \$32.2 million, \$19.6 million for the RMPU projects and \$12.6 million for the Groundwater Cleanup Project.

The Agency will seek grant funding through SWRCB Stormwater Grant Program for \$10 million for the RMPU projects.

The Agency will seek loan funding through SWRCB SRF Loan Program for \$5.3 million for the planning and design of the RMPU projects.

Upon approval, the RMPU and Groundwater Cleanup Projects budgeted under the Recycled Water Fund (WC) and Recharge Water Fund (RW) will be revised to reflect the new project costs, grants and SRF loan amount.

Attachments:

- Resolution No. 2016-5-2
- Resolution No. 2016-5-3
- Resolution No. 2016-5-4
- Resolution No. 2016-5-5
- Master Recharge Facilities Financing Agreement between CBRFA, IEUA, and CBWM
- Master Cost Sharing Agreement Between CBWM and IEUA
- Financing Plan for RMPU Projects

RESOLUTION NO. 2016-5-2

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
INLAND EMPIRE UTILITIES AGENCY*, SAN
BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING
ITS INTENTION TO APPLY FOR A PROPOSITION 1
GROUNDWATER GRANT FOR THE CHINO BASIN
IMPROVEMENTS AND GROUNDWATER CLEAN-UP
PROJECT**

BE IT RESOLVED, by the Board of Directors of the Inland Empire Utilities Agency (IEUA) that the General Manager, or in his absence, his designees, is hereby authorized and directed to sign and file, on behalf of the Chino Basin Watermaster (Watermaster) and Chino Basin Regional Financing Authority (CBRFA) and, a Financial Assistance Application for a Proposition 1 Groundwater Grant from the State Water Resources Control Board for the implementation of the Chino Basin Improvements and Groundwater Clean-up Project;

BE IT RESOLVED, that the Inland Empire Utilities Agency hereby agrees and further does authorize the General Manager, or in his absence, his designees, to provide the assurances, certifications and commitments required for the financial assistance applications, including executing a financial assistance agreement from the State Water Resources Control Board and any amendments or changes thereto;

BE IT RESOLVED, that the General Manager, or in his absence, his designees is authorized to represent the Watermaster/CBRFA in carrying out the Watermaster/CBRFA's responsibilities under the agreement, including certifying disbursement requests on behalf of the CBRFA and compliance with applicable state and federal laws;

BE IT RESOLVED, that the General Manager is authorized to sign the Master Agreement Between Watermaster and IEUA Regarding the Management of Collaborative Recharge Projects; and,

BE IT FURTHER RESOLVED, that the General Manager is authorized to sign the Master Recharge Facilities Financing Agreement between the CBRFA, Chino Basin Watermaster and IEUA.

ADOPTED this 18th day of May, 2016.

Terry Catlin, President of the Inland Empire
Utilities Agency* and of the Board of
Directors thereof

ATTEST:

Steven J. Elie, Secretary/Treasurer of the
Inland Empire Utilities Agency* and of the
Board of Directors thereof

* A Municipal Water District

Page 2 of 2

STATE OF CALIFORNIA)
) SS
COUNTY OF SAN BERNARDINO)

I, Steven J. Elie, Secretary/Treasurer of the Inland Empire Utilities Agency*, DO
HEREBY CERTIFY that the foregoing Resolution No. 2016-5-2 was adopted at a regular meeting
on May 18, 2016 of said Agency* by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Steven J. Elie, Secretary/Treasurer

(SEAL)

*** A Municipal Water District**

RESOLUTION NO. 2016-5-3

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
INLAND EMPIRE UTILITIES AGENCY*, SAN
BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING
ITS INTENTION TO APPLY FOR A PROPOSITION 1
STORMWATER GRANT FOR THE WINEVILLE BASIN,
JURUPA BASIN, RP-3 BASIN IMPROVEMENTS AND
PUMPING AND CONVEYANCE SYSTEM PROJECT**

BE IT RESOLVED, by the Board of Directors of the Inland Empire Utilities Agency (IEUA) that the General Manager, or in his absence, his designees, is hereby authorized and directed to sign and file, on behalf of the Chino Basin Watermaster (Watermaster) and Chino Basin Regional Financing Authority (CBRFA) and, a Financial Assistance Application for a Proposition 1 Stormwater Grant from the State Water Resources Control Board for the implementation of the Wineville Basin, Jurupa Basin, RP-3 Basin Improvements, and Pumping and Conveyance System Project;

BE IT RESOLVED, that the Inland Empire Utilities Agency hereby agrees and further does authorize the General Manager, or in his absence, his designees, to provide the assurances, certifications and commitments required for the financial assistance applications, including executing a financial assistance agreement from the State Water Resources Control Board and any amendments or changes thereto;

BE IT RESOLVED, that the General Manager, or in his absence, his designees is authorized to represent the Watermaster/CBRFA in carrying out the Watermaster/CBRFA's responsibilities under the agreement, including certifying disbursement requests on behalf of the CBRFA and compliance with applicable state and federal laws;

BE IT RESOLVED, that the General Manager is authorized to sign the Master Agreement Between Watermaster and IEUA Regarding the Management of Collaborative Recharge Projects; and,

BE IT FURTHER RESOLVED, that the General Manager is authorized to sign the Master Recharge Facilities Financing Agreement between the CBRFA, Watermaster and IEUA.

ADOPTED this 18th day of May, 2016.

Terry Catlin, President of the Inland Empire
Utilities Agency* and of the Board of
Directors thereof

ATTEST:

Steven J. Elie, Secretary/Treasurer of the
Inland Empire Utilities Agency* and of the
Board of Directors thereof

* A Municipal Water District

Page 2 of 2

STATE OF CALIFORNIA)
) SS
COUNTY OF SAN BERNARDINO)

AYES:

NOES:

ABSTAIN:

ABSENT:

Steven J. Elie, Secretary/Treasurer

(SEAL)

*** A Municipal Water District**

RESOLUTION NO. 2016-5-4

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
INLAND EMPIRE UTILITIES AGENCY*, SAN
BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING
ITS INTENTION TO APPLY FOR CLEAN WATER STATE
REVOLVING FINANCIAL ASSISTANCE FUNDS FOR THE
PRELIMINARY DESIGN PLANNING FOR THE
RECHARGE MASTER PLAN UPDATE (RMPU)**

BE IT RESOLVED, by the Board of Directors of the Inland Empire Utilities Agency* (IEUA) that the General Manager, or in his absence, his designees, is hereby authorized and directed to sign and file, on behalf of IEUA, a Financial Assistance Application for a SRF loan agreement from the State Water Resources Control Board for the preliminary planning design for Recharge Master Plan Update (RMPU);

BE IT RESOLVED, that IEUA hereby agrees and further does authorize the General Manager, or in his absence, his designees, to provide the assurances, certifications and commitments required for the financial assistance applications, including executing a financial assistance agreement from the State Water Resources Control Board and any amendments or changes thereto;

BE IT FURTHER RESOLVED, that the General Manager, or in his absence, his designees, is authorized to represent IEUA in carrying out IEUA's responsibilities under the loan agreement, including certifying disbursement requests on behalf of IEUA and compliance with applicable state and federal laws.

BE IT RESOLVED, that the General Manager is authorized to sign the Master Agreement between Watermaster and IEUA Regarding the Management of Collaborative Recharge Projects.

ADOPTED this 18th day of May, 2016.

Terry Catlin, President of the Inland Empire
Utilities Agency* and of the Board of
Directors thereof

ATTEST:

Steven J. Elie, Secretary/Treasurer of the
Inland Empire Utilities Agency* and of the
Board of Directors thereof

* A Municipal Water District

STATE OF CALIFORNIA)
) SS
COUNTY OF SAN BERNARDINO)

I, Steven J. Elie, Secretary/Treasurer of the Inland Empire Utilities Agency*, DO
HEREBY CERTIFY that the foregoing Resolution No. 2016-5-4 was adopted at a regular meeting
on May 18, 2016 of said Agency* by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Steven J. Elie, Secretary/Treasurer

(SEAL)

* A Municipal Water District

RESOLUTION NO. 2016-5-5

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
INLAND EMPIRE UTILITIES AGENCY*, SAN
BERNARDINO COUNTY, CALIFORNIA, DEDICATING
CERTAIN REVENUES IN CONNECTION WITH
PRELIMINARY DESIGN PLANNING FOR THE
RECHARGE MASTER PLAN UPDATE (RMPU) AND
ASSOCIATED STATE REVOLVING FUND (SRF)
FINANCING FROM THE STATE WATER RESOURCES
CONTROL BOARD (SWRCB)**

WHEREAS, The State Water Resources Control Board (SWRCB) offers funding to assist local agencies to provide funding for the planning, design, and construction of water recycling projects that offset or augment state fresh water supplies;

WHEREAS, The Board of Directors of the Inland Empire Utilities Agency* (IEUA) has authorized the General Manager, or in his absence, his designees, to apply for and execute the Preliminary Design Planning for Recharge Master Plan Update (RMPU) State Revolving Fund (SRF) loan with the SWRCB;

WHEREAS, IEUA has applied for a SRF loan from SWRCB for the Preliminary Planning Design for RMPU; and

WHEREAS, the SWRCB's SRF loan program requires each recipient to establish one or more dedicated sources of revenue for repayment of the SRF loan.

NOW THEREFORE, BE IT RESOLVED, by the Board of Directors that the IEUA hereby dedicates and pledges net revenues from enterprise funds to payment of any and all Clean Water State Revolving Fund and/or Water Recycling Funding Program financing for the Design Planning for RMPU, CWSRF Project #8223-110. The IEUA commits to collecting such revenues and maintaining such funds(s) throughout the term of such financing and until the IEUA has satisfied its repayment obligation thereunder, unless modification or change is approved in writing by the SWRCB. So long as the financing agreements are outstanding, the IEUA's pledge hereunder shall constitute a lien in favor of the SWRCB on the foregoing fund(s) and revenue(s) without any further action necessary. So long as the financing agreements are outstanding, the IEUA commits to maintaining the funds and revenues at levels sufficient to meet its obligations under the financing agreements.

ADOPTED this 18th day of May, 2016.

Terry Catlin, President of the Inland
Empire Utilities Agency* and of
the Board of Directors thereof

ATTEST:

Steven J. Elie, Secretary/Treasurer of the
Inland Empire Utilities Agency* and of the
Board of Directors thereof

*A Municipal Water District

STATE OF CALIFORNIA)
) SS
COUNTY OF SAN BERNARDINO)

I, Steven J. Elie, Secretary/Treasurer of the Inland Empire Utilities Agency*, DO
HEREBY CERTIFY that the foregoing Resolution No. 2016-5-5 was adopted at a regular meeting
on May 18, 2016 of said Agency* by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Steven J. Elie, Secretary/Treasurer

(SEAL)

* A Municipal Water District

MASTER RECHARGE FACILITIES FINANCING AGREEMENT

Dated as of June 1, 2016

By and Among

CHINO BASIN REGIONAL FINANCING AUTHORITY,

INLAND EMPIRE UTILITIES AGENCY

and

CHINO BASIN WATERMASTER

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MASTER RECHARGE FACILITIES FINANCING AGREEMENT

This Agreement, dated as of June 1, 2016, by and among the Chino Basin Regional Financing Authority (the "Authority"), a joint exercise of powers agency duly organized and existing pursuant to Article 1, Chapter 5, Division 7, Title 1 of the Government Code (the "Joint Powers Act"), commencing with Section 6500, Inland Empire Utilities Agency ("IEUA"), a municipal water district duly organized and existing pursuant to Division 20 of the Water Code and the Chino Basin Watermaster ("Watermaster"), created pursuant to the terms of the Judgment (as defined below).

WITNESSETH:

WHEREAS, the Authority and Watermaster previously entered into a Recharge Facilities Financing Agreement, dated as of May 1, 2002 (the "2002 Agreement") to provide for the payment to the Authority by Watermaster of an operating fee that will be of sufficient amount to pay the remaining one-half of the debt service of the bonds issued by the Authority to fund the local share of certain recharge facilities improvements described in the 2002 Agreement and in the Peace Agreement referenced to below;

WHEREAS, Watermaster has been ordered to implement the Peace Agreement Chino Basin, dated June 29, 2000 (the "Peace Agreement"), attached to which as Exhibit B is the Optimum Basin Management Program Implementation Plan ("OBMP Implementation Plan");

WHEREAS, IEUA and Watermaster share responsibility for meeting certain monitoring and reporting requirements detailed in the Basin Plan amendment approved by the Santa Ana Regional Water Quality Control Board ("RWQCB") in 2004 (RS-2004-0001, RS-2012-0002);

WHEREAS, IEUA and Watermaster have made commitments to the RWQCB to obtain Maximum Benefit Groundwater Quality Objectives;

WHEREAS, IEUA and Watermaster are co-permittees for the Recycled Water Groundwater Recharge Program and share responsibility for meeting certain monitoring and reporting requirements of the RWQCB, Santa Ana Region Order No. RS-2007-0039 ("Order") and the Monitoring and Reporting Program (M&RP) No. RS-2007-0039;

WHEREAS, pursuant to Court's order approving the Peace II Agreement, and the Memorandum of Understanding Cooperative Efforts for Monitoring Programs, between IEUA and Watermaster Bright Line Approach, dated December 17, 2008 (the "Bright Line Agreement") IEUA and Watermaster are to jointly develop and approve updates to the Recharge Master Plan to address how the Basin will be contemporaneously managed to secure and maintain hydraulic control and subsequently operated at a new equilibrium at the conclusion of the period of re-operation. The Recharge Master Plan, as updated, is to reflect an appropriate schedule for planning, design, and physical improvements as may be required to provide reasonable assurance that following the full beneficial use of groundwater withdrawn in accordance with the Basin Re-Operation and authorized controlled overdraft, sufficient replenishment capability exists to meet the reasonable projections of desalter replenishment obligations.

WHEREAS, IEUA and Watermaster have entered in the Master Cost Sharing Agreement, dated as of July 24, 2014 (the "Master Agreement").

WHEREAS, the Authority, IEUA and Watermaster desire to enter into this Master Recharge Facilities Financing Agreement to facilitate the financing of additional recharge projects from time-to-time;

NOW THEREFORE, the parties hereto do agree as follows:

Section 1. Definitions.

The following terms shall, for all purposes of this Agreement have the following meanings:

"Agreement" shall mean this Master Recharge Facilities Financing Agreement, dated as of June 1, 2016 by and among the Authority, IEUA and Watermaster as the same may be amended and supplemented from time-to-time in accordance with the terms hereof.

"Authority" shall have the meaning assigned thereto in the preamble hereto.

"Authority Debt" means bonds, notes, loans from the State of California or a department or agency thereof or other evidences of indebtedness issued by or on behalf of the Authority to finance or refinance a Project.

"Agency Fiscal Year" means the twelve month period commencing on July 1 of each calendar year and ending on the following June 30 or such other twelve month period which may be designated by the Agency as its fiscal year.

"Bright Line Agreement" shall have the meaning assigned thereto in the preamble hereto.

"Debt Resolution" means the resolution or resolutions providing for the issuance of Authority Debt and the terms thereof, and any indenture or trust agreement related thereto.

"Debt Service" means, as of the date of calculation and with respect to Authority Debt, an amount equal to the sum of (i) interest payable during such Agency Fiscal Year on Authority Debt, except to the extent that such interest is to be paid from capitalized interest, (ii) that portion of principal of Authority Debt payable during such Agency Fiscal Year, (iii) amounts necessary to replenish any reserve fund created pursuant to a Debt Resolution, and (iv) all letters of credit, remarketing and other financing costs payable on a periodic basis. Such interest, principal and financing costs for Authority Debt shall be calculated on the assumption that no Authority Debt outstanding at the date of calculation will cease to be outstanding except by reason of the payment of principal on the due date thereof;

provided further that, as to any such Authority Debt bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall be one hundred ten percent (110%) of the greater of (a) the daily average interest rate on such Authority Debt during the twelve (12) calendar months preceding the date of calculation (or the portion of the then current Agency Fiscal Year that such Authority Debt have borne interest) or (b) the most recent effective interest rate on such Authority Debt prior to the date of calculation; and

provided further that, as to any such Authority Debt or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Authority Debt or portions thereof, such accreted discount shall be treated as interest in the calculation of Debt Service; and

provided further that the amount on deposit in a debt service reserve fund on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the Authority Debt for which such debt service reserve fund was established and in each preceding Agency Fiscal Year until such amount is exhausted.

"Fixed Project Costs" means the capital costs of all Projects, including (i) Debt Service on Authority Debt to fund Projects, (ii) reserves for repair and replacement and improvement to Projects and (iii) reserves for payment of Debt Service on such Authority Debt.

"IEUA" or "Agency" shall mean the Inland Empire Utilities Agency, including any successor thereto.

"Independent Certified Public Accountant" means any firm of certified public accountants appointed by Watermaster, the Authority or IEUA, as the case may be, and each of whom is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

"Joint Powers Agreement" means the Joint Exercise of Powers Agreement creating the Chino Basin Regional Financing Authority, as such agreement may be amended or supplemented from time to time.

"Judgment" means: Judgment No. RCV 51010 (previously No. 164327) of the Superior Court of the State of California for the County of San Bernardino, dated January 27, 1978, in the action *Chino Basin Municipal Water District v. City of Chino, et al.*, and any subsequent amendments thereto.

"Master Agreement" shall have the meaning ascribed thereto in the preamble hereto.

"OBMP Assessment" shall have the meaning ascribed thereto in Section 1(cc) of the Peace Agreement.

"Peace Agreement" shall have the meaning ascribed thereto in the preamble hereto.

"Peace II Agreement" shall have the meaning ascribed thereto in the preamble hereto.

"Project" means recharge facilities improvements which may be agreed to be undertaken by IEUA and Watermaster from time-to-time and set forth in an Annex attached to this Agreement and which are the subject of cost sharing under the Master Agreement. The parties acknowledge that portions of a Project may be revised from time-to-time without amendment to this Agreement.

"Trustee" means the entity or entities designated by the Authority pursuant to any Debt Resolution to administer any funds or accounts required by such Debt Resolution or otherwise.

"Watermaster" shall have the meaning assigned thereto in the preamble hereto.

Section 2. Purpose; Financing and Construction.

The purpose of this Agreement is for the Authority to provide for the financing from time-to-time of the Fixed Project Costs of Projects and to provide a framework for the ownership and operation of Projects.

Unless otherwise expressly provided in an Annex attached hereto with respect to a specific Project, all Projects shall be owned by IEUA. All other aspects of such Projects, including the obtaining of all necessary authority and rights, consents and approvals, and the performance of all things necessary and convenient therefor, subject to compliance with all necessary federal and state laws, including but not limited to the California Environmental Quality Act ("CEQA"), and all other agreements relating thereto, shall be provided for by separate agreements, including but not limited to the Peace II Agreement and the Master Agreement (including any Task Order issued under the Master Agreement).

Section 3. Recharge Facilities.

Pursuant to the terms of this Agreement, IEUA shall provide to Watermaster, and Watermaster shall utilize, the Projects for recharge purposes in accordance with the Judgement, Section 5.1 of the Peace Agreement and Program Element 2 of Exhibit B thereto, and Section VIII of the Peace II Agreement. Subject to Watermaster's payment obligations hereunder, the Authority agrees to use its best efforts to finance each Project pursuant to this Agreement. The obligation of IEUA to provide a Project to Watermaster shall be contingent on the Authority's ability to finance such Project as described above. Unless otherwise expressly provided in an Annex attached hereto, or expressly provided in a Task Order under the Master Agreement, with respect to a specific Project, Watermaster shall be responsible for the operation of each Project, including the payment of operation and maintenance costs with respect to the Project consistent with the Bright Line Agreement and Section VIII of the Peace II Agreement. The Authority shall have no responsibility to operate or maintain or pay any operation and maintenance costs with respect to any Project. Nothing contained in this Agreement shall create any additional obligations of IEUA to operate or maintain or pay any operation and maintenance costs with respect to any Projects.

Section 4. No IEUA or Authority Responsibility for Recharge Water.

Neither the Authority nor any of its officers or agents shall be liable for the control, carriage, handling, use, disposal, or distribution of recharge water; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal or distribution of such recharge water and including attorneys fees and other costs of defense in connection therewith. Watermaster and IEUA shall indemnify and hold harmless the Authority and its officers, agents, and employees from any such damages or claims of damages.

Section 5. Rates and Charges.

(a) Establishment of Rates and Charges. IEUA, as agent for the Authority, shall fix charges to Watermaster under this Agreement equal to the amounts anticipated by IEUA to be needed by the Authority to pay Watermaster's share of Fixed Project Costs for each Project as set forth in the respective Annex to this Agreement.

(b) Insufficiency of Funds. Watermaster acknowledges that the Fixed Project Costs will vary from time-to-time and within any Agency Fiscal Year. If funds collected by the Agency in any Agency Fiscal Year are insufficient to pay Fixed Project Costs of a Project in such Agency Fiscal Year, the Agency shall promptly notify Watermaster of such insufficiency and Watermaster shall pay to the Agency, as agent for the Authority, an amount equal to Watermaster's portion of such insufficiency. The obligation of Watermaster to pay the Watermaster share of Fixed Project Costs of

each Project shall commence upon execution of the respective Annex to this Agreement and continue to exist and be honored by Watermaster whether or not a Project is implemented (which provision may be characterized as an obligation to pay Watermaster's portion of the costs on a take-or-pay basis whether or not a Project is completed or is operable).

(c) Source of Payments. The obligation of Watermaster to make payments under this Agreement is a general obligation of Watermaster. Watermaster shall make payments under this Agreement solely as an operation fee (as determined in accordance with generally accepted accounting principles). Watermaster shall make such payments on a parity with other operation and maintenance expenses of Watermaster and prior to any payments other than operation and maintenance expenses of Watermaster. Nothing herein shall be construed as prohibiting Watermaster from using any other funds and revenues for purposes of satisfying any provisions of this Agreement.

(d) Obligation Is Not Subject To Reduction. Watermaster shall make payments under this Agreement whether or not a Project is completed, operable, operated or retired and notwithstanding the suspension, interruption, interference, reduction or curtailment of operation of a Project in whole or in part for any reason whatsoever. Such payments are not subject to any reduction, whether offset or otherwise, and are not conditioned upon performance by IEUA or the Authority under this Agreement or any other agreement.

(e) Allocation of Costs and Expenses.

(i) Adjustments. As agent of the Authority, IEUA shall update the values and amounts of Fixed Project Costs for all Projects under this Agreement on an annual basis, in order that the charges to Watermaster may accurately reflect increases or decreases from Agency Fiscal Year to Agency Fiscal Year in Watermaster's share of Fixed Project Costs for each Project. In addition, each such determination shall include an adjustment to be paid or received by Watermaster for succeeding Agency Fiscal Years which shall account for the differences, if any, between projections of Fixed Project Costs used by the Agency in determining the amounts of said Fixed Project Costs for all preceding Agency Fiscal Years and actual Fixed Project Costs allocable to Watermaster during such Agency Fiscal Years.

(ii) Interest Earnings. Interest earnings on all amounts paid by Watermaster under this Agreement shall be credited to Watermaster through the budgeting process.

(f) Time and Method of Payment.

(i) Statement of Charges. IEUA, as agent for the Authority shall furnish Watermaster with a written statement of the estimated Fixed Project Costs for all Projects for the next succeeding Agency Fiscal Year on or prior to June 1 of each Agency Fiscal Year. Such written statements shall take into account applicable credits received by the Authority or IEUA, as agent for the Authority, and estimated investment earnings on moneys related to such Projects held by the Authority or IEUA as agent of the Authority.

(ii) Fixed Project Costs. Watermaster shall pay to IEUA, as agent for the Authority, on or before July 15 of each Agency Fiscal Year, an amount equal to Watermaster's share of the Fixed Project Costs as set forth in the statement of charges described in clause (i) above for each Project for such Agency Fiscal Year.

(iii) Contest of Accuracy of Charges. If Watermaster questions or disputes the correctness of any billing statement, it shall pay the amount claimed when due and shall, within thirty (30) days of the completion and delivery of the later of IEUA's or the Authority's annual audit, request an explanation from IEUA and the Authority. If the bill is determined to be incorrect, IEUA, as agent for the Authority, will adjust the bill to Watermaster in the next Agency Fiscal Year, including an adjustment equal to the interest actually earned by the Authority on its general reserves during such period. If IEUA, as agent for the Authority, and Watermaster fail to agree on the correctness of a bill within thirty (30) days after Watermaster has requested an explanation, the parties shall promptly submit the dispute to arbitration under Section 1280 et seq. of the Code of Civil Procedure.

Section 6. Annual Capital Budget and Billing Statement.

IEUA will promptly prepare and approve a capital budget for the period from July 1, 2016 through June 30, 2017 after execution and delivery of this Agreement. Thereafter, IEUA will prepare a preliminary annual capital budget for each applicable Agency Fiscal Year for credits, costs and expenses relating to the Projects. IEUA shall submit a draft of such budget to Watermaster on or prior to each April 1 for review and comment. IEUA staff shall use its best efforts to resolve any questions or concerns of Watermaster during such review. The Board of Directors of IEUA will adopt a final annual capital budget for the applicable Agency Fiscal Year on or before June 1 of each Agency Fiscal Year. IEUA shall supply a copy of said final annual capital budget to Watermaster and the Authority on or before June 15 of each Agency Fiscal Year. Any amendment to the final annual capital budget shall be submitted to Watermaster for review and comment at least 30 days prior to action thereon by the Agency Board of Directors.

Section 7. Obligation in the Event of Default.

(a) Written Demand. Upon failure of Watermaster to (i) make any payment in full when due under this Agreement or (ii) to perform any other obligation hereunder, the Agency, as agent for the Authority, shall make written demand upon Watermaster. If a failure described in clause (i) above is not remedied within thirty (30) days from the date of such demand or, if Authority Debt are outstanding, for such additional time as is reasonably required, in the sole discretion of the Trustee, to correct the same, such failure shall constitute a default at the expiration of such period. If a failure described in clause (ii) cannot be remedied within thirty (30) days from the date of such demand but Watermaster commences remedial action within such thirty (30) day period, then such failure shall not constitute a default hereunder. Notice of any such demand shall be provided to Watermaster by the Agency, as agent for the Authority. Upon failure of IEUA or the Authority to perform any obligation thereof hereunder, Watermaster shall make written demand upon IEUA or the Authority, as the case may be, and if said failure is not remedied within thirty (30) days from the date of such demand or, if Authority Debt are outstanding, for such additional time as is reasonably required, in the sole discretion of the Trustee, to correct the same, then such failure shall constitute a default at the expiration of such period. Notice of such demand shall be provided to Watermaster.

In addition to any default resulting from breach by IEUA or the Authority or Watermaster of any agreement, condition, covenant or term hereof, if IEUA, the Authority or Watermaster shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby IEUA, the Authority or Watermaster asks or seeks or prays to be adjudicated a bankrupt, or is to be

discharged from any or all of its Debt or obligations, or offers to its creditors to effect a composition or extension of time to pay its Debt, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its Debt or for any other similar relief, or if IEUA, the Authority or Watermaster shall make a general or any assignment for the benefit of its creditors, then in each and every such case IEUA, the Authority or Watermaster, as the case may be, shall be deemed to be in default hereunder.

(b) Termination of Agreement; Continuing Obligations. Upon the failure of Watermaster to make any payment which failure constitutes a default under this Agreement and causes the Authority to be in default under any Debt Resolution, IEUA and the Authority may (in addition to the remedy provided by subsection (a) of this Section) give notice of termination of the provisions of this Agreement insofar as the same entitle Watermaster to use a Project which notice shall be effective within 30 days thereof unless such termination shall be enjoined, stayed or otherwise delayed by judicial action. Irrespective of such termination, Watermaster shall remain liable to the Authority to pay the full amount of costs allocated to Watermaster hereunder.

(c) Enforcement of Remedies. In addition to the remedies set forth in this Section, upon the occurrence of a default as described herein, the Authority, IEUA or Watermaster, as the case may be, shall be entitled to proceed to protect and enforce the rights vested in such party by this Agreement by such appropriate judicial proceeding as such party shall deem most effectual, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained herein or to enforce any other legal or equitable right vested in such party by this Agreement or by law. The provisions of this Agreement and the duties of each party hereof, their respective boards, officers or employees shall be enforceable by the other party hereto by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction, with the losing party paying all costs and attorney fees.

(d) Trustee is Third Party Beneficiary. Any Trustee for Authority Debt shall have the right, as a third party beneficiary, to initiate and maintain suit to enforce this Agreement to the extent provided in any Debt Resolution.

Section 8. Covenants of Watermaster.

(a) Amount of OBMP Assessment. Watermaster will fix, prescribe and collect an OBMP Assessment for payments due under this Agreement equal to at least 1.25 times Watermaster's share of Fixed Project Costs for all Projects under this Agreement.

(b) Budgets. On or before the first day of each Watermaster Fiscal Year, Watermaster will adopt and file with IEUA and the Authority a budget approved by the governing body of Watermaster, including therein in the estimated payment obligations under this Agreement payable to IEUA or the Authority. Any budget may be amended at any time during any Watermaster Fiscal Year and such amended budget shall be filed by Watermaster with the IEUA and Authority.

(c) Accounting Records and Financial Statements.

(i) Watermaster will keep appropriate accounting records with respect to the OBMP Assessments, which records shall be available for inspection by IEUA and the Authority and the Trustee at reasonable hours and under reasonable conditions.

(ii) Watermaster will prepare and file with IEUA and the Authority annually within two hundred ten (210) days after the close of each Watermaster Fiscal Year (commencing with Watermaster Fiscal Year ending June 30, 2016) financial statements of Watermaster for the preceding Watermaster Fiscal Year prepared in accordance with generally accepted accounting principles, together with a report of an Independent Certified Public Accountant thereon. Watermaster will promptly furnish a copy of such report to IEUA and the Authority and to the Trustee.

(d) Protection of Security and Rights of IEUA and the Authority. Watermaster will preserve and protect the rights of IEUA and the Authority and the Trustee to the obligations of Watermaster hereunder and will warrant and defend such rights against all claims and demands of all persons.

(e) Payment of Taxes and Compliance with Governmental Regulations. Watermaster will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the OBMP Assessments when the same shall become due. Watermaster will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the OBMP Assessments, but Watermaster shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

(f) Further Assurances. Watermaster will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to effect the financing and refinancing of the Projects and to allow IEUA and the Authority to comply with reporting obligations, to assure IEUA and the Authority of Watermaster's intention to perform hereunder and for the better assuring and confirming unto IEUA, the Authority and the Trustee of the rights and benefits provided to them herein.

(g) Maintenance of Tax-Exempt Status of Authority Debt. Notwithstanding any other provision of this Agreement, Watermaster shall not take any action or omit to take any action, directly or indirectly, in any manner, which would result in any of the Authority Debt being treated as an obligation not described in Section 103(a) of the Internal Revenue Code of 1986, as amended, by reason of classification of such Authority Debt as a "private activity bond" within the meaning of Section 141 of said Code or for any other reason.

Section 9. Covenants of IEUA and the Authority.

(a) Accounting Records and Financial Statements.

(i) IEUA, as agent of the Authority will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to each Project, which records shall be available for inspection, copying and audit by Watermaster and its accountants, attorneys and agents at reasonable hours and under reasonable conditions.

(ii) The Authority will prepare annually within two hundred ten (210) days after the close of each Agency Fiscal Year (commencing with the Agency Fiscal Year ending June 30, 2016) financial statements of the Authority for the preceding Agency Fiscal Year prepared in accordance with generally accepted accounting principles, together with a report

of an Independent Certified Public Accountant thereof. The Authority will promptly furnish a copy of such report to IEUA, the Watermaster and to the Trustee.

(b) Compliance with Law. IEUA and the Authority shall comply with all local, state and federal laws applicable to the Projects.

(c) Use of Funds for Projects. IEUA and the Authority shall not allow the portion of the proceeds of Authority Debt allocated to a Project to be used for any purpose other than to pay for costs associated with financing or refinancing such Project. Surplus proceeds of the portion of the Authority Debt allocated to a Project not needed to pay costs associated with such Project shall be applied to redeem Authority Debt unless otherwise agreed to in writing by IEUA and Watermaster.

Section 10. Term.

(a) No provision of this Agreement shall take effect until (i) this Agreement has been duly executed and delivered by Watermaster to IEUA and the Authority together with an opinion of Brownstein Hyatt Farber Schreck, counsel to Watermaster, in substantially the form attached hereto as Exhibit A (ii) this Agreement has been duly executed and delivered by the Authority to IEUA and the Watermaster with an opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Special Counsel to the Authority, in substantially the form attached hereto as Exhibit B, and (iii) this Agreement has been duly executed and delivered by IEUA to the Watermaster and the Authority with an opinion of general counsel to IEUA in substantially the form attached hereto as Exhibit C.

(b) The term of this Agreement shall continue until the final maturity of all Authority Debt. The parties hereto agree to negotiate in good faith to amend this Agreement on or prior to such date to extend the term hereof and to include terms and conditions as are mutually agreeable to the parties.

Section 11. Assignment.

The Authority may pledge and assign to any Trustee for Authority Debt, all or any portion of the payments received under this Agreement from Watermaster and the Authority's other rights and interests under this Agreement. Such pledge and assignment by the Authority shall be made effective for such time as the Authority shall determine and provide that the Trustee shall have the power to enforce this Agreement in the event of a default by the Authority under a Debt Resolution. Watermaster may assign its rights or obligations under this Agreement only with the written consent of the Authority.

Section 12. Amendments.

Except as otherwise provided in this Agreement, on and after the date Authority Debt are issued and so long as any Authority Debt are outstanding in accordance with the applicable Debt Resolution, Section 6, 8, 9, 11 and 12 and this Section of this Agreement shall not be amended, modified or otherwise changed or rescinded by agreement of the parties without the consent of each Trustee for Authority Debt whose consent is required under the applicable Debt Resolution. This Agreement may only be otherwise amended, modified, changed or rescinded in writing by each of the parties hereto.

The Authority agrees not to grant to the owners of Authority Debt as individuals any rights relating to the amendment, modification or change of this Agreement.

Notwithstanding the foregoing, the sections of this Agreement set forth in the first paragraph of this Section may be amended without the consent of each Trustee for Authority Debt for any of the following purposes:

(a) to add to the agreements, conditions, covenants and terms contained herein required to be observed or performed by the Authority, IEUA or Watermaster other agreements, conditions, covenants and terms hereafter to be observed or performed by the Authority, IEUA or Watermaster, or to surrender any right reserved herein to or conferred herein on the Authority, IEUA or Watermaster, and which in either case shall not adversely affect the interests of the owners of any Authority Debt;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which IEUA, the Authority or Watermaster may deem desirable or necessary and not inconsistent herewith, and which shall not materially adversely affect the interests of the owners of any Authority Debt;

(c) to make any modifications or changes necessary or appropriate in the opinion of a firm of nationally recognized standing in the field of law relating to municipal bonds to preserve or protect the exclusion from gross income of interest on the Authority Debt for federal income tax purposes;

(d) to make any modifications or changes to this Agreement in order to enable the execution and delivery of Authority Debt on a parity with any Authority Debt previously issued and to make any modifications or changes necessary or appropriate in connection with the execution and delivery of Authority Debt;

(e) to make any other modification or change to the provisions of this Agreement which does not materially adversely affect the interests of the owners of any Authority Debt;

(f) to make changes to the definition of "Project."

Section 13. Miscellaneous.

(a) Headings. The headings of the sections hereof are inserted for convenience only and shall not be deemed a part of this Agreement.

(b) Partial Invalidity. If any one or more of the covenants or agreements provided in this Agreement to be performed should be determined to be invalid or contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

(c) Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

(d) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

(e) Notices. Any notices required or permitted to be given hereunder shall be given in writing and shall be delivered (a) in person, (b) by certified mail, postage prepaid, return receipt requested, (c) by Federal Express or another reputable commercial overnight courier that guarantees next day delivery and provides a receipt, or (d) by telefacsimile or telecopy, and such notices shall be addressed as follows:

| | |
|--------------------|---|
| If to Watermaster: | Chino Basin Watermaster 9641 San Bernardino Road Rancho Cucamonga, California 91730 Attention: General Manager |
| With a copy to: | Brownstein Hyatt Farber Schreck 1020 State Street Santa Barbara, CA 93101 |
| If to IEUA: | Inland Empire Utilities Agency 6075 Kimball Avenue Chino, California 91708 Attention: Chief Executive Officer |
| With a copy to: | Jean Cihigoyenetché Cihigoyenetché, Grossberg & Clouse Palmbrook Corporate Center 3602 Inland Empire Blvd., Suite C315 Ontario, CA 91764 |
| If to Authority: | Chino Basin Regional Financing Authority c/o Inland Empire Utilities Agency 6075 Kimball Avenue Chino, California 91708 Attention: Executive Director |
| With a copy to: | Stradling Yocca Carlson & Rauth 660 Newport Center Drive, Suite 1600 Newport Beach, California 92660 Attention: Douglas S. Brown |

or to such other address as either party may from time to time specify in writing to the other party. Any notice shall be deemed delivered when actually delivered, if such delivery is in person, upon deposit with the U.S. Postal Service, if such delivery is by certified mail, upon deposit with the overnight courier service, if such delivery is by an overnight courier service, and upon transmission, if such delivery is by telefacsimile or telecopy.

(f) Relationship To Other Agreements. In the event that the terms of this Agreement and any other agreement between the parties, including but not limited to the Master Agreement, conflict, the terms of this Agreement shall control.

(g) Merger of Prior Agreements. This Agreement and the exhibits hereto constitute the entire agreement between the parties and supersede all prior agreements and understandings between the parties relating to the subject matter hereof. This Agreement is intended to implement, and should be interpreted consistent with, the Peace Agreement.

(h) Time of the Essence. Time is of the essence in the performance of this Agreement.

IN WITNESS WHEREOF Watermaster has executed this Agreement with the approval of its governing body, and each of IEUA and the Authority have executed this Agreement in accordance with the authorization of their Boards of Directors.

CHINO BASIN REGIONAL FINANCING
AUTHORITY

By: _____
President

CHINO BASIN WATERMASTER

By: _____
General Manager

INLAND EMPIRE UTILITIES AGENCY

By: _____
President

EXHIBIT A

[This opinion shall be delivered upon execution of the Agreement]

_____, 2016

Chino Basin Regional Financing Authority
c/o Inland Empire Utilities Agency
6075 Kimball Avenue
Chino, California 91708

Inland Empire Utilities Agency
6075 Kimball Avenue
Chino, California 91708

Ladies and Gentlemen:

We are acting as general counsel to the Chino Basin Watermaster ("Watermaster") in connection with the execution and delivery of the Master Recharge Facilities Financing Agreement, dated as of April 1, 2016 (the "Agreement"), among the Chino Basin Regional Financing Authority (the "Authority"), Inland Empire Utilities Agency (the "Agency") and Watermaster. As such counsel we have examined and are familiar with (i) documents relating to the existence, organization and operation of Watermaster provided to us by Watermaster, (ii) certifications by officers of Watermaster, (iii) all necessary documentation of Watermaster relating to the authorization, execution and delivery of the Agreement, and (iv) an executed counterpart of the Agreement. Terms used herein and not otherwise defined have the respective meanings set forth in the Agreement.

Based upon the foregoing and such examination of law and such other information, papers and documents as we deem necessary or advisable to enable us to render this opinion, including the Constitution and laws of the State of California, together with the resolutions, ordinances and public proceedings of Watermaster, we are of the opinion that:

1. Watermaster is a court-appointed entity, duly created, organized and existing under the laws of the State of California and duly qualified to undertake a water recharge program within its boundaries.
2. Watermaster has legal right, power and authority to enter into the Agreement and to carry out and consummate all transactions reasonably contemplated thereby, and Watermaster has complied with the provisions of applicable law relating to such transactions.
3. The Agreement has been duly authorized, executed and delivered by Watermaster, is in full force and effect as to Watermaster in accordance with its terms and, subject to the qualifications set forth in the second to the last paragraph hereof, and assuming that the Authority and the Agency each has all requisite power and authority, and has taken all necessary action, to authorize, execute and deliver such Agreement, the Agreement constitutes the valid and binding obligation of Watermaster.

4. The obligations of Watermaster to make payments under the Agreement as a general obligation of Watermaster as provided in Section 5 of the Agreement is a valid, legal and binding obligation of Watermaster enforceable in accordance with its terms.

5. No approval, consent or authorization of any governmental or public agency, authority or person is required for the execution and delivery by Watermaster of the Agreement.

6. The authorization, execution and delivery of the Agreement and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any instrument relating to the organization, existence or operation of Watermaster, any commitment, agreement or other instrument to which Watermaster is a party or by which it or its property is bound or affected, or any ruling, regulation, ordinance, judgment, order or decree to which Watermaster (or any of its officers in their respective capacities as such) is subject or any provision of the laws of the State of California relating to Watermaster and its affairs.

7. There is no action, suit, proceeding, inquiry or investigation at law or in equity, or before any court, public board or body, pending or, to our knowledge, threatened against or affecting Watermaster or any entity affiliated with Watermaster or any of its officers in their respective capacities as such, which questions the powers of Watermaster referred to in paragraph 2 above or the validity of the proceedings taken by Watermaster in connection with the authorization, execution or delivery of the Agreement, or wherein any unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Agreement, or which would adversely affect the validity or enforceability of the Agreement.

The opinion expressed in paragraphs 3 and 4 above are qualified to the extent that the enforceability of the Agreement may be limited by any applicable bankruptcy, insolvency, reorganization, arrangement, moratorium, or other laws affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein.

This opinion is rendered only with respect to the laws of the State of California and the United States of America and is addressed only to the Chino Basin Regional Financing Authority and the Inland Empire Utilities Agency. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

Very truly yours,

EXHIBIT B

[This opinion shall be delivered upon execution of the Agreement]

_____, 2016

Inland Empire Utilities Agency
6075 Kimball Avenue
Chino, California 91708

Chino Basin Watermaster
8632 Archibald Avenue, Suite 109
Rancho Cucamonga, California 91730

Ladies and Gentlemen:

We are acting as special counsel to the Chino Basin Regional Financing Authority (the "Authority") in connection with the execution and delivery of the Master Recharge Facilities Financing Agreement, dated as of April 1, 2016 (the "Agreement"), among the Authority, Inland Empire Utilities Agency (the "Agency") and the Chino Basin Watermaster ("Watermaster"). As special counsel we have examined and are familiar with (i) documents relating to the existence, organization and operation of the Authority provided to us by the Authority, (ii) certifications by officers of the Authority, (iii) all necessary documentation of the Authority relating to the authorization, execution and delivery of the Agreement, and (iv) an executed counterpart of the Agreement. Terms used herein and not otherwise defined have the respective meanings set forth in the Agreement.

Based upon the foregoing and such examination of law and such other information, papers and documents as we deem necessary or advisable to enable us to render this opinion, including the Constitution and laws of the State of California, together with the resolutions, ordinances and public proceedings of the Authority, we are of the opinion that:

1. The Authority is a joint exercise of powers agency duly created, organized and existing under the laws of the State of California.
2. The Authority has legal right, power and authority to enter into the Agreement and to carry out and consummate all transactions reasonably contemplated thereby, and the Authority has complied with the provisions of applicable law relating to such transactions.
3. The Agreement has been duly authorized, executed and delivered by the Authority, is in full force and effect as to the Authority in accordance with its terms and, subject to the qualifications set forth in the second to the last paragraph hereof, and assuming that Watermaster and the Agency each has all requisite power and authority, and has taken all necessary action, to authorize, execute and deliver such Agreement, the Agreement constitutes the valid and binding obligation of the Authority.
4. No approval, consent or authorization of any governmental or public agency, authority or person is required for the execution and delivery by the Authority of the Agreement.

5. The authorization, execution and delivery of the Agreement and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any instrument relating to the organization, existence or operation of the Authority, any commitment, agreement or other instrument to which the Authority is a party or by which it or its property is bound or affected, or, to the best of our knowledge, any ruling, regulation, ordinance, judgment, order or decree to which the Authority (or any of its officers in their respective capacities as such) is subject or any provision of the laws of the State of California relating to the Authority and its affairs.

6. There is no action, suit, proceeding, inquiry or investigation at law or in equity, or before any court, public board or body, pending or, to our knowledge, threatened against or affecting the Authority or any of its officers in their respective capacities as such, which questions the powers of the Authority referred to in paragraph 2 above or the validity of the proceedings taken by the Authority in connection with the authorization, execution or delivery of the Agreement, or wherein any unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Agreement, or which, in any way, would adversely affect the validity or enforceability of the Agreement.

The opinion expressed in paragraph 3 above is qualified to the extent that the enforceability of the Agreement may be limited by any applicable bankruptcy, insolvency, reorganization, arrangement, moratorium, or other laws affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein.

This opinion is rendered only with respect to the laws of the State of California and the United States of America and is addressed only to the Agency and Watermaster. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

Respectfully submitted,

EXHIBIT C

[This opinion shall be delivered upon execution of the Agreement]

_____, 2016

Chino Basin Regional Financing Authority
c/o Inland Empire Utilities Agency
6075 Kimball Avenue
Chino, California 91708

Chino Basin Watermaster
8632 Archibald Avenue, Suite 109
Rancho Cucamonga, California 91730

Ladies and Gentlemen:

We are acting as general counsel to the Inland Empire Utilities Agency (the "Agency") in connection with the execution and delivery of the Master Recharge Facilities Financing Agreement, dated as of April 1, 2016 (the "Agreement"), among the Agency, the Chino Basin Regional Financing Authority (the "Authority") and the Chino Basin Watermaster ("Watermaster"). As special counsel we have examined and are familiar with (i) documents relating to the existence, organization and operation of the Agency provided to us by the Agency, (ii) certifications by officers of the Agency, (iii) all necessary documentation of the Agency relating to the authorization, execution and delivery of the Agreement, and (iv) an executed counterpart of the Agreement. Terms used herein and not otherwise defined have the respective meanings set forth in the Agreement.

Based upon the foregoing and such examination of law and such other information, papers and documents as we deem necessary or advisable to enable us to render this opinion, including the Constitution and laws of the State of California, together with the resolutions, ordinances and public proceedings of the Agency, we are of the opinion that:

1. The Agency is a municipal water district duly created, organized and existing under the laws of the State of California.
2. The Agency has legal right, power and authority to enter into the Agreement and to carry out and consummate all transactions reasonably contemplated thereby, and the Agency has complied with the provisions of applicable law relating to such transactions.
3. The Agreement has been duly authorized, executed and delivered by the Agency, is in full force and effect as to the Agency in accordance with its terms and, subject to the qualifications set forth in the second to the last paragraph hereof, and assuming that the Authority and the Watermaster has all requisite power and authority, and has taken all necessary action, to authorize, execute and deliver such Agreement, the Agreement constitutes the valid and binding obligation of the Agency.
4. No approval, consent or authorization of any governmental or public agency, authority or person is required for the execution and delivery by the Agency of the Agreement.

5. The authorization, execution and delivery of the Agreement and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any instrument relating to the organization, existence or operation of the Agency, any commitment, agreement or other instrument to which the Agency is a party or by which it or its property is bound or affected, or, to the best of our knowledge, any ruling, regulation, ordinance, judgment, order or decree to which the Agency (or any of its officers in their respective capacities as such) is subject or any provision of the laws of the State of California relating to the Agency and its affairs.

6. There is no action, suit, proceeding, inquiry or investigation at law or in equity, or before any court, public board or body, pending or, to our knowledge, threatened against or affecting the Agency or any of its officers in their respective capacities as such, which questions the powers of the Agency referred to in paragraph 2 above or the validity of the proceedings taken by the Agency in connection with the authorization, execution or delivery of the Agreement, or wherein any unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Agreement, or which, in any way, would adversely affect the validity or enforceability of the Agreement.

The opinion expressed in paragraph 3 above is qualified to the extent that the enforceability of the Agreement may be limited by any applicable bankruptcy, insolvency, reorganization, arrangement, moratorium, or other laws affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein.

This opinion is rendered only with respect to the laws of the State of California and the United States of America and is addressed only to the Authority and Watermaster. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

Respectfully submitted,

ANNEX A-1

[Attach Annexes from time-to-time listing recharge facility improvements in the form set forth below:]

ANNEX A-1

| RMPU Project | Benefits (AFY) | | Cost Share (%) | | Total Project Budget | Potential Funding | |
|---------------------------------------|----------------|--------------|----------------|------|----------------------|--------------------|--------------------|
| | RW | SW | CBMW | IEUA | | Grants | Loans |
| San Sevaine Basin Improvement Project | 4,100 | 642 | 50% | 50% | \$6,460,000 | \$3,540,000 | \$2,920,000 |
| Lower Day Basin | | 789 | 100% | | \$2,480,000 | \$1,125,000 | \$1,355,000 |
| Total | 4,100 | 1,431 | | | \$8,940,000 | \$1,128,540 | \$4,275,000 |

Insert other provisions varying or supplementing the terms of the Master Recharge Facilities Financing Agreement:

Approved by:

CHINO BASIN WATERMASTER

INLAND EMPIRE UTILITIES AGENCY

By: _____
General Manager

By: _____
General Manager

ANNEX A-2

| RMPU Project | Benefits (AFY) | | Cost Share (%) | | Total Project Budget | Potential Funding | |
|---|----------------|--------------|----------------|------|----------------------|--------------------|---------------------|
| | RW | SW | CBMW | IEUA | | Grants | Loans |
| CSI Storm Water Basin | - | 81 | 100% | - | \$440,000 | \$ - | \$440,000 |
| Wineville PS to Jurupa, Jurupa PS to RP3 Basin and RP3 Improvements | 2,905 | 3,166 | 91% | 9% | \$21,310,000 | \$5,300,000 | \$16,010,000 |
| Declez Basin | - | 241 | 100% | - | \$4,070,000 | \$2,035,000 | \$2,035,000 |
| Victoria Basin | 120 | 43 | 50% | 50% | \$150,000 | \$- | \$150,000 |
| Turner Basin | - | 66 | 100% | - | \$890,000 | \$- | \$890,000 |
| Ely Basin | - | 221 | 100% | - | \$3,200,000 | \$- | \$3,200,000 |
| Montclair Basin | - | 248 | 100% | - | \$1,440,000 | \$- | \$1,440,000 |
| Total | 3,025 | 4,066 | | | \$31,500,000 | \$7,335,000 | \$24,165,000 |

Insert other provisions varying or supplementing the terms of the Master Recharge Facilities Financing Agreement:

Approved by:

CHINO BASIN WATERMASTER

INLAND EMPIRE UTILITIES AGENCY

By: _____
General Manager

By: _____
General Manager

Financing Plan for the 2013 Recharge Master Plan Update

As part of the 2013 Recharge Master Plan Update (RMPU), a financing plan is to be developed for the yield enhancement projects. The purpose of the financing plan is to define the IEUA/CBWM cost shares, identify funding sources and outline the allocation of cost and benefit among the Appropriators. The following sections are from the RMPU. Each section includes an outline of the proposed approach/methodologies used to develop the financing plan and will be finalized following input and consensus from the RMPU Steering Committee.

Identify the IEUA and Watermaster cost share. Watermaster and the IEUA will determine each party's cost share based on the Peace II Agreement and on the benefit to the parties. This will be negotiated and memorialized in an agreement as identified in the Implementation Plan above.

The cost share is consistent with the RMPU and the Peace II Agreement. Stormwater and imported water exclusive projects will be funded 100% by CBWM. Projects that do or can receive recycled water will be cost shared 50%/50% by CBWM and IEUA. Prior to moving forward with capital design or construction, IEUA and CBWM will enter into a specific Task Order.

Once the scope of the Montclair Basins project is defined, the IEUA and Watermaster will request that the CBWCD consider contributing funding to recharge improvements at the Montclair Basins.

Chino Basin Water Conservation District (CBWCD) has asked to wait until the preliminary design is completed before they commit to any funding contribution to the recharge improvement. CBWCD wanted to base their decision on a detailed design approach and an engineer's estimate instead of the current planning-level scope and cost. The preliminary design recommendation for Montclair Basin is scheduled to be complete in August 2016. At that time, CBWCD will provide a response to cost sharing of capital improvements at Montclair Basins.

Identify grant-funding share. The IEUA, Watermaster, and the Appropriators will combine their efforts to secure grant funding and low-interest financing from the State Water Resources Control Board, the DWR, and others.

Grant, loan and/or bond financing benefits and/or liabilities will be applied to all parties consistent with the IEUA/CBWM pro-rata methodology indicated in prior section.

Grant Opportunities: IEUA has identified several grant funding opportunities for the RMPU projects. Fundamental to formal grant submission and approval is the local commitment to proceed with projects as planned. Following commitment during the Chino Basin Facilities Improvement Project (CBFIP), IEUA/CBWM were successful in grant funding nearly 50% of the \$65M in capital projects constructed (\$36M in grants were received). In preparation for CBWM approval of the proposed RMPU projects, IEUA has initiated efforts to secure funding through the following grant programs:

1. Proposition 84 (State) – \$1,500,000 was received for the San Sevaine and Lower Day RMPU projects. These funds have already been approved and resulted in the acceleration of these projects within specific Task Order Nos. 2 & 8.

2. USBR (Federal) – \$750,000 was received for the San Sevalne and Lower Day RMPU projects. These funds have already been approved and resulted in the acceleration of these projects within specific Task Order Nos. 2 & 8.
3. Proposition 1 (State) – Water Recycling – An application was submitted in December 2015 for the San Sevalne Basin project. If awarded, it will provide approximately \$2.6 million in grants and \$4.9 million in SRF loans. Together with item 1 above, the San Sevalne Basin project will be fully funded by federal, state grants and low interest loans.
4. Proposition 1 (State) – Stormwater Grant (Round 1) – During round 1 of this program, \$80M will be made available to applicants. A pre-application was submitted in April 2016 for funding through this program. The final grant application is due in July 2016. The first round of this grant will provide up to a maximum of \$10M in grant funding per agency, with a minimum of a 50% local match. Special consideration is made for multi-benefit projects. This program requires that a Storm Water Resources Plan be completed by the applicant prior to submission – IEUA has been working with WEI (at the request of CBWM) to complete the Plan. The Plan is scheduled to be adopted by the SAWPA Board by May 2016. This program will be highly competitive with limited funding. Successful applicants will be notified in late 2016.
5. Proposition 1 (State) – Stormwater Grant (Round 2) – During round 2 of this program, \$80M will be made available to applicants. The final guidelines for the second round of this grant will be released in 2017. Special consideration is made for multi-benefit projects. This program will be even more highly competitive than the first round as more potential applicants may have completed their Storm Water Resources Plan by then. Successful applicants will be notified in late 2018.
6. Proposition 1 (State) – Groundwater Quality Grant – This program is designed to support the cleanup of human and natural contaminated groundwater. This program is scheduled to fund up to \$900M in projects in multiple rounds, with a minimum of a 50% local match. In addition, this program is tied to the Drinking Water SRF program to assist in funding remaining local match. Special consideration is made for groundwater contamination cleanup with multi-benefit projects. Pre-applications for this program are being accepted, with final applications being due in mid-2016 (within 1-month following the release of program guidelines). This program will be highly competitive and complete applications should be submitted as early as possible.

It is important to note that duplication of State grants is not permitted. In the event that we are successful getting two State grants, we will need to ensure that neither of the limits for State funding are exceeded; if this is the case, we will need to prioritize grant opportunities to accept.

Low Interest Loan Opportunities: The State Water Resource Control Board offers low interest loan opportunities for public agencies through the State Revolving Fund (SRF). There are several opportunities that IEUA/CBWM could pursue to provide low interest SRF funding for the RMPU projects. It is important to note that if SRF loan(s) are used to fund these projects, IEUA intends to use the Chino Basin Regional Financing Authority (CBRFA) to issue this debt. The CBRFA is governed by the IEUA Board of Directors, but enables IEUA to track and issue debt separately from IEUA capital project debt.

1. SRF Planning Loan – IEUA submitted a pre-application in March 2016 for a planning loan for the remaining RMPU design work. It is anticipated that approximately \$5,000,000 may be needed to fund all remaining “soft costs”. If successful in attaining this loan, all remaining soft costs will be funded through the loan and will not result in any special assessments or assessment adjustments. Repayment would not be triggered until after the completion of corresponding efforts (5-year repayment period) and can be rolled into SRF construction loan (if received). Interest rates for these loans are currently at 1.6%-1.8% (30-year).

2. **SRF Construction Loan** – It is anticipated that IEUA will submit several SRF loan packages for the RMPU projects. To maximize the potential of receiving some matching principle forgiveness (grant), loan packages should be sized at approximately \$25,000,000. Dependent upon the status of the RMPU project list approval, loan packages should start to be submitted to the State in mid-2016. Interest rates for these loans are currently at 1.6%-1.8% (30-year). SRF loans can be applied through either of the following state programs:
 - a. **Drinking Water SRF Program** – typical for drinking water projects (stormwater also qualifies) at standard low interest rate. Term for DWSRF is typically 20-year.
 - b. **Clean Water SRF Program** – typical for wastewater projects (wastewater treatment, recycled water and potentially groundwater recharge with stormwater may qualify for this program at standard low interest rate with the potential of principle forgiveness (IEUA has secured an average of 20% principle forgiveness [grant] for last several CWSRF loans). Term for CWSRF is typically 30-year.

To put the value of the SRF program in perspective, the following table shows the relative benefits of both the SRF loan and grant programs vs. funding through a bond (assumed at 5% consistent with the RMPU and to provide a projected conservative upper range to borrow costs). Assuming a total program cost of \$30M (value used as a maximum funding bookend example for CBWM funded portion), it is expected that the region would save over \$20M in financing costs over 30-years by just using the SRF program at current rates. Alternatively, it is expected that the region would save over \$36M in financing costs in 30-years based on estimated grant and SRF loan opportunities.

Table 1 – Funding Alternative Payment Schedule (dollars in 1,000's)

| \$30M Bond | | | | | \$30M SRF Loan | | | | | \$12M Grant & \$18M SRF Loan | | | | |
|-------------------------------|-----------------------|------------------|-------------------|---------------|----------------|-----------------------|------------------|-------------------|---------------|------------------------------|-----------------------|------------------|-------------------|---------------|
| Bond Fee | \$ 30,000 | 5.00% | 30 years | | Loan Grant | 30,000 | 1.80% | 30 years | | Loan Grant | 18,000 | 1.80% | 30 years | |
| | \$ 500 | | | | | 0 | | | | | 12,000 | | | |
| Project Cost | \$ 50,000 | | | | Project Cost | 30,000 | | | | Project Cost | 30,000 | | | |
| Years | Principal Outstanding | Interest Payment | Principal Payment | Total Payment | Years | Principal Outstanding | Interest Payment | Principal Payment | Total Payment | Years | Principal Outstanding | Interest Payment | Principal Payment | Total Payment |
| 1 | \$ 30,500 | \$ 1,526 | \$ 459 | \$ 1,984 | 1 | \$ 30,000 | \$ 640 | \$ 783 | \$ 1,303 | 1 | \$ 18,000 | \$ 324 | \$ 468 | \$ 782 |
| 2 | \$ 30,041 | \$ 1,502 | \$ 482 | \$ 1,984 | 2 | \$ 29,237 | \$ 626 | \$ 777 | \$ 1,303 | 2 | \$ 17,542 | \$ 316 | \$ 466 | \$ 782 |
| 3 | \$ 29,599 | \$ 1,478 | \$ 505 | \$ 1,984 | 3 | \$ 28,460 | \$ 512 | \$ 781 | \$ 1,303 | 3 | \$ 17,076 | \$ 307 | \$ 474 | \$ 782 |
| 4 | \$ 29,053 | \$ 1,453 | \$ 531 | \$ 1,984 | 4 | \$ 27,670 | \$ 498 | \$ 805 | \$ 1,303 | 4 | \$ 16,602 | \$ 299 | \$ 483 | \$ 782 |
| 5 | \$ 28,521 | \$ 1,426 | \$ 558 | \$ 1,984 | 5 | \$ 26,865 | \$ 484 | \$ 818 | \$ 1,303 | 5 | \$ 16,119 | \$ 290 | \$ 492 | \$ 782 |
| 6 | \$ 27,963 | \$ 1,398 | \$ 586 | \$ 1,984 | 6 | \$ 26,045 | \$ 469 | \$ 834 | \$ 1,303 | 6 | \$ 15,627 | \$ 281 | \$ 500 | \$ 782 |
| 7 | \$ 27,377 | \$ 1,369 | \$ 615 | \$ 1,984 | 7 | \$ 25,211 | \$ 454 | \$ 849 | \$ 1,303 | 7 | \$ 15,127 | \$ 272 | \$ 509 | \$ 782 |
| 8 | \$ 26,762 | \$ 1,338 | \$ 646 | \$ 1,984 | 8 | \$ 24,362 | \$ 439 | \$ 864 | \$ 1,303 | 8 | \$ 14,617 | \$ 263 | \$ 518 | \$ 782 |
| 9 | \$ 26,116 | \$ 1,306 | \$ 678 | \$ 1,984 | 9 | \$ 23,498 | \$ 423 | \$ 880 | \$ 1,303 | 9 | \$ 14,099 | \$ 254 | \$ 528 | \$ 782 |
| 10 | \$ 25,438 | \$ 1,272 | \$ 712 | \$ 1,984 | 10 | \$ 22,618 | \$ 407 | \$ 896 | \$ 1,303 | 10 | \$ 13,571 | \$ 244 | \$ 537 | \$ 782 |
| 11 | \$ 24,728 | \$ 1,235 | \$ 746 | \$ 1,984 | 11 | \$ 21,722 | \$ 391 | \$ 912 | \$ 1,303 | 11 | \$ 13,033 | \$ 235 | \$ 547 | \$ 782 |
| 12 | \$ 23,978 | \$ 1,189 | \$ 785 | \$ 1,984 | 12 | \$ 20,810 | \$ 375 | \$ 928 | \$ 1,303 | 12 | \$ 12,486 | \$ 226 | \$ 557 | \$ 782 |
| 13 | \$ 23,193 | \$ 1,160 | \$ 824 | \$ 1,984 | 13 | \$ 19,882 | \$ 358 | \$ 945 | \$ 1,303 | 13 | \$ 11,928 | \$ 215 | \$ 567 | \$ 782 |
| 14 | \$ 22,369 | \$ 1,118 | \$ 866 | \$ 1,984 | 14 | \$ 18,937 | \$ 341 | \$ 962 | \$ 1,303 | 14 | \$ 11,362 | \$ 205 | \$ 577 | \$ 782 |
| 15 | \$ 21,503 | \$ 1,075 | \$ 909 | \$ 1,984 | 15 | \$ 17,975 | \$ 324 | \$ 979 | \$ 1,303 | 15 | \$ 10,785 | \$ 194 | \$ 588 | \$ 782 |
| 16 | \$ 20,594 | \$ 1,030 | \$ 954 | \$ 1,984 | 16 | \$ 16,995 | \$ 306 | \$ 997 | \$ 1,303 | 16 | \$ 10,197 | \$ 184 | \$ 598 | \$ 782 |
| 17 | \$ 19,640 | \$ 982 | \$ 1,002 | \$ 1,984 | 17 | \$ 15,998 | \$ 288 | \$ 1,015 | \$ 1,303 | 17 | \$ 9,599 | \$ 173 | \$ 609 | \$ 782 |
| 18 | \$ 18,637 | \$ 932 | \$ 1,052 | \$ 1,984 | 18 | \$ 14,983 | \$ 270 | \$ 1,033 | \$ 1,303 | 18 | \$ 8,990 | \$ 162 | \$ 620 | \$ 782 |
| 19 | \$ 17,586 | \$ 878 | \$ 1,105 | \$ 1,984 | 19 | \$ 13,950 | \$ 251 | \$ 1,052 | \$ 1,303 | 19 | \$ 8,370 | \$ 151 | \$ 631 | \$ 782 |
| 20 | \$ 16,480 | \$ 824 | \$ 1,160 | \$ 1,984 | 20 | \$ 12,898 | \$ 232 | \$ 1,071 | \$ 1,303 | 20 | \$ 7,739 | \$ 139 | \$ 642 | \$ 782 |
| 21 | \$ 15,320 | \$ 766 | \$ 1,218 | \$ 1,984 | 21 | \$ 11,827 | \$ 213 | \$ 1,090 | \$ 1,303 | 21 | \$ 7,098 | \$ 128 | \$ 654 | \$ 782 |
| 22 | \$ 14,102 | \$ 705 | \$ 1,278 | \$ 1,984 | 22 | \$ 10,737 | \$ 193 | \$ 1,110 | \$ 1,303 | 22 | \$ 6,442 | \$ 116 | \$ 666 | \$ 782 |
| 23 | \$ 12,823 | \$ 641 | \$ 1,343 | \$ 1,984 | 23 | \$ 9,627 | \$ 173 | \$ 1,130 | \$ 1,303 | 23 | \$ 5,776 | \$ 104 | \$ 678 | \$ 782 |
| 24 | \$ 11,481 | \$ 574 | \$ 1,410 | \$ 1,984 | 24 | \$ 8,498 | \$ 153 | \$ 1,150 | \$ 1,303 | 24 | \$ 5,099 | \$ 92 | \$ 690 | \$ 782 |
| 25 | \$ 10,071 | \$ 504 | \$ 1,481 | \$ 1,984 | 25 | \$ 7,348 | \$ 132 | \$ 1,171 | \$ 1,303 | 25 | \$ 4,409 | \$ 79 | \$ 702 | \$ 782 |
| 26 | \$ 8,580 | \$ 429 | \$ 1,556 | \$ 1,984 | 26 | \$ 6,177 | \$ 111 | \$ 1,192 | \$ 1,303 | 26 | \$ 3,706 | \$ 67 | \$ 715 | \$ 782 |
| 27 | \$ 7,035 | \$ 352 | \$ 1,632 | \$ 1,984 | 27 | \$ 4,985 | \$ 90 | \$ 1,213 | \$ 1,303 | 27 | \$ 2,991 | \$ 54 | \$ 728 | \$ 782 |
| 28 | \$ 5,403 | \$ 270 | \$ 1,714 | \$ 1,984 | 28 | \$ 3,772 | \$ 68 | \$ 1,235 | \$ 1,303 | 28 | \$ 2,263 | \$ 41 | \$ 741 | \$ 782 |
| 29 | \$ 3,689 | \$ 184 | \$ 1,800 | \$ 1,984 | 29 | \$ 2,537 | \$ 46 | \$ 1,257 | \$ 1,303 | 29 | \$ 1,522 | \$ 27 | \$ 754 | \$ 782 |
| 30 | \$ 1,890 | \$ 94 | \$ 1,890 | \$ 1,984 | 30 | \$ 1,280 | \$ 23 | \$ 1,280 | \$ 1,303 | 30 | \$ 768 | \$ 14 | \$ 768 | \$ 782 |
| TOTAL | \$ 29,022 | \$ 30,000 | \$ 59,022 | | TOTAL | \$ 9,888 | \$ 30,000 | \$ 39,888 | | TOTAL | \$ 5,453 | \$ 15,000 | \$ 20,453 | |
| Amount Saved Compared to Bond | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |

Bond Financing: As part of the original CBFIP, bonds were used to finance the non-grant covered costs. It is anticipated that fixed rate bonds or alternative borrowing would cost the parties approximately 5% interest. Bond financing may also sensitive to the amount of funding needed (i.e. bonds less than \$20M may not be of interest to the market) and how the borrowing is backstopped (i.e. financing agreements between parties).

The debt issued in 2002 to finance the CBFIP was issued as variable rate revenue bonds. These bonds were refinanced in 2008 (2008B Variable Revenue Demand Obligation). Interest rates are set weekly and are backed by a letter of credit (LOC) facility provider. The remaining outstanding principal balance is \$15M. As favorable as the interest rates have been recently (averaged 0.15% over last 6 years – not adjusted for LOC or additional management costs), there is inherent risk in a rising market or economic downturn. In the fall of 2008, the interest rates jumped to as high as 12% (maximum amount) when the bonds failed to be remarketed.

Chino Basin Regional Financing Authority (CBRFA): In 1993, IEUA developed the CBRFA as an entity that could be used to finance projects that have benefits outside of just IEUA. The Board of Directors for the CBRFA is the IEUA Board. The CBRFA can effectively be used to fund projects that benefit the entire Chino Basin, without impacting the debt of IEUA. In 2002, the CBRFA was used to finance the CBFIP. Variable rate bonds were secured to fund more than \$20M in CBFIP costs (non-grant portion). CBWM debt associated with this repayment is made on an annual basis in accordance with the Master Recharge Facilities Financing Agreement. It is intended that all debt and grants for the RMPU projects will be applied for through the CBRFA. Doing so

would require both IEUA and CBWM to pledge revenues to the CBRFA. A 2016 Financing Agreement is being developed for consideration by IEUA, CBWM and CBRFA for adoption.

Proposed Approach: The proposed approach will involve several actions, with built in redundancies. IEUA's plan will prioritize the funding of projects through SRF programs with maximization of grant funding. Actions from IEUA, CBWM and/or CBRFA Boards are required for each of these items. Action is tied to commitments to make future debt payments and/or commitment toward application project. Proposed actions will be completed as follows:

1. SRF Planning Loan – cover all remaining soft costs into loan such that parties will not fund these costs until construction is complete. The following action items are planned:
 - a. IEUA Action
 - i. File application (*April 20, 2016*)
 - ii. Approve the 2016 Financing Agreement (*May 18, 2016*)
 - iii. Adopt Resolutions (*May 18, 2016*)
 - b. CBWM Action
 - i. Approve the 2016 Financing Agreement (*May 19, 2016*)
 - ii. Adopt Resolutions (*May 19, 2016*)
 - c. CBRFA Action
 - i. Approve the 2016 Financing Agreements (*May 18, 2016*)
 - ii. Adopt Resolutions (*May 18, 2016*)
 - iii. File Resolutions to State Water Board (*May 2016*)
2. USBR Drought Resiliency Implementation Grant – submit application to fund up to \$300K for drought project implementation. This will be helpful to use for purpose of attaining State funds (i.e. Proposition 1). This would be applied to the 23a RMPU Project (i.e. Wineville to Jurupa to RP-3). This project has an anticipated project cost of approximately \$21M and has both stormwater and recycled water benefits (3,166 AFY and 2,905 AFY, respectively). The following action items are planned:
 - a. IEUA Action
 - i. File application (*April 11, 2016*)
 - ii. Adopt Resolution (*April 20, 2016*)
3. Proposition 1 Stormwater Grant Round 1 – submit application to fund up to 50% of the cost (up to maximum of \$10M) of multi-benefit stormwater related projects. It is proposed that IEUA will submit for the 23a RMPU Project. The following action items are planned:
 - a. IEUA Action
 - i. File pre-application (*April 15, 2016*)
 - ii. Adopt Resolutions (*May 18, 2016*)
 - iii. File application and associated Resolutions to State Water Board (*June 2016*)
 - b. CBWM Action
 - i. Adopt Resolutions (*May 19, 2016*)
4. CWSRF – submit application to fund all of RMPU projects, TCE Plume Cleanup project and remaining/planned CDA wells/infrastructure. This application will be used to fund all remaining projects and will include nearly all the requirements needed to file for the Proposition 1 GWQ Grant (see item no. 5 below). The following action items are planned:
 - a. IEUA Action
 - i. Adopt Resolutions (*July 20, 2016*)
 - b. CBWM Action
 - i. Adopt Resolutions (*July 21, 2016*)
 - c. CDA Action

- i. Adopt Resolutions (**July 2016**)
 - d. CBRFA Action
 - i. File application and associated Resolutions to State Water Board (**July 2016**)
 - 5. Proposition 1 Groundwater Quality Grant – submit application to fund all of RMPU projects, TCE Plume Cleanup project and remaining/planned CDA wells/infrastructure. It is anticipated that this request will be approximately \$75M in projects (depending on success of prior actions) and would be eligible for up to 50% grant funding through Proposition 1 and Drinking Water SRF for non-grant portion. The following action items are planned:
 - a. IEUA Action
 - i. Filed pre-application in November 2015 via CBRFA without RMPU projects
 - ii. Amend the pre-application to include RMPU and CDA projects (**April 2016**)
 - iii. Adopt Resolutions (**May 18, 2016**)
 - iv. Approval of Programmatic Environmental Impact Report (includes 2013 RMPU projects) (**November 16, 2016**)
 - b. CBWM Action
 - i. Adopt Resolutions (**May 19, 2016**)
 - c. CBRFA Action
 - i. File application and associated Resolutions to State Water Board (**by June 2016**)

In the event that grants and SRF are not successful, debt options would be developed for IEUA and CBWM consideration prior to proceeding with and debt issuance. It is expected that parties will know success of various applications by early/mid 2017. Since most RMPU construction is not scheduled to be started until early 2018, time will remain to pursue favorable debt service.

Allocation of cost and benefit among the Appropriators. Watermaster assumes that capital cost and New Yield will be allocated to the Appropriator parties based on their share of Operating Safe Yield and future operation and maintenance expenses will be production based per Peace II Section 8.1. Any change in allocation method would first require a negotiation process among the Appropriative Pool parties.

The existing allocation of capital costs on the basis of OSY are as shown in Table 2. The cost distribution (%OSY) may change if an Appropriative Pool New Yield and Cost Allocation Agreement is adopted.

Table 2 – OSY by Party

| Party | Share of OSY | % Share of OSY |
|-------------------------------------|-------------------|----------------|
| Arrowhead Mtn Spring Water Co | - | 0.00% |
| Chino Hills, City Of | 2,111.422 | 3.86% |
| Chino, City Of | 4,033.857 | 7.36% |
| Cucamonga Valley Water District | 3,619.454 | 6.60% |
| Desalter Authority | - | 0.00% |
| Fontana Union Water Company | 6,391.736 | 11.68% |
| Fontana Water Company | 1,000 | 0.00% |
| Fontana, City Of | - | 0.00% |
| Golden State Water Company | 411.476 | 0.75% |
| Jurupa Community Services District | 2,061.118 | 3.76% |
| Marygold Mutual Water Company | 655.317 | 1.20% |
| Monte Vista Irrigation Company | 676.759 | 1.23% |
| Monte Vista Water District | 4,823.954 | 8.80% |
| Niagara Bottling, LLC | - | 0.00% |
| Nicholson Trust | 4,000 | 0.01% |
| Norco, City Of | 201.545 | 0.37% |
| Ontario, City Of | 11,373.816 | 20.74% |
| Pomona, City Of | 11,215.852 | 20.45% |
| San Antonio Water Company | 1,606.888 | 2.76% |
| San Bernardino County Shig Pk | - | 0.00% |
| Santa Ana River Water Company | 1,301.374 | 2.37% |
| Upland, City Of | 2,852.401 | 5.20% |
| West End Consolidated Water Company | 947.714 | 1.73% |
| West Valley Water District | 644.317 | 1.18% |
| Totals | 54,834.000 | 100.00% |

Based on the different alternatives outlined in Table 1, It is expected that financing would be applied to OSY as shown in Table 3.

Table 3 – Debt Impact Based on OSY

| Financing Mechanism | Project Debt (Example from Table 1) | Annual Debt Payment (\$/Yr) | Annual Payment per %OSY (\$/%OSY) | Annual Payment per %OSY per \$1M Capital |
|---------------------|-------------------------------------|-----------------------------|-----------------------------------|--|
| Bond Financing | \$ 30,500,000 | \$ 1,984,069 | \$ 19,841 | \$ 397 |
| SRF only | \$ 30,000,000 | \$ 1,302,943 | \$ 13,029 | \$ 261 |
| SRF with Grant | \$ 18,000,000 | \$ 781,766 | \$ 7,818 | \$ 156 |

Finance the construction of recharge improvements. The IEUA, the TVMWD, the WMWD, and potentially certain Appropriator parties will use their revenue structure and other means (municipal bonds, pay-as-you-go, etc.) to construct the recommended yield enhancement projects.

As indicated prior, IEUA's primary intent is to get funding through the SRF program through the use of the CBRFA. In the event that any of the CBWM parties elect to fund their portion of 2013 RMPU projects through PAYGO, they are able to do so. It should be noted that many of the grant opportunities are tied to the SRF funding program; therefore, if a party elects to not participate with financing that is tied to grant benefit, their portion of the grant benefit would be correspondingly forfeited. If SRF funding is unsuccessful, parties will be advised of options for bond financing to review prior to making a commitment for use of bond financing or PAYGO. Notice to CBWM/IEUA on desire to use PAYGO shall be made in writing prior to CBWM Board action of any proposed funding action (i.e. SRF resolution, bond filing, etc.).

Apply pay-as-you-go for all the soft costs through completion of the final design. The soft costs were distributed between IEUA and Watermaster by the proportion of the total capital cost of the recommended projects to IEUA's portion of the cost shared projects (about six percent).

As indicated prior, IEUA has submitted a planning SRF loan application. Although this will not fund past soft costs, if secured, it will fund all remaining RMPU soft costs (estimated to be approximately \$5M). If this planning loan is attained, debt will not be due until 1) after the completion of construction, or 2) after the completion of the design (if construction is not pursued). Please note that property acquisition is not an eligible cost for the planning SRF loan program. If IEUA is unsuccessful in attaining this loan, the remaining soft costs will be funded through CBWM as PAYGO consistent with costs to date.

All costs associated with the development of implementing agreements, preliminary design, proof-of-concept, completion of the CEQA process, and final design are considered part of the project capital cost and will be paid for through the Watermaster assessment process pursuant to the Peace II Agreement unless a new Appropriative Pool New Yield and Cost Allocation agreement is reached. In the case that such an agreement is reached, an assessment reconciliation will be done consistent with the new agreement.

Several of these costs will be eligible under the SRF planning loan if attained.

Grant and SRF Loan Applications & Regional Financing Authority Agreements (Chino Basin Recharge Master Plan Update Project)



State Water Resources Control Board



Jason H. Gu
Grants Officer

Grants & SRF loan Opportunities

SWRCB Prop 1 Stormwater Grant Program

- * \$80 million available statewide
- * Water Supply, Water Quality, Flood Control, & Environmental
- * 50% local match, \$10M maximum per project

SWRCB Prop 1 - Groundwater Quality Grant Program

- * \$900 million available statewide
- * Cleanup or Prevent Spread of Groundwater Contaminations
- * .Help Accelerate the Cleanup Process
- * 50% local match, no maximum per project

SWRCB CWSRF Loan Program for Planning & Design

- * 1.7%, 5 years, can be rolled in to a construction SRF loan for 30 years

Stormwater Grant Program

Wineville, Jurupa & RP-3 Basin Improvement Project

- * Increase Water Supply
- * Improve Water Quality
- * Improve Groundwater Recharge Basins
- * \$21M total cost, \$10M grant

CWSRF Loan for Project Planning and Design

Groundwater Quality Grant Program

Recharge Master Plan Update (RMPU) Projects and the TCE Plume Cleanup Project

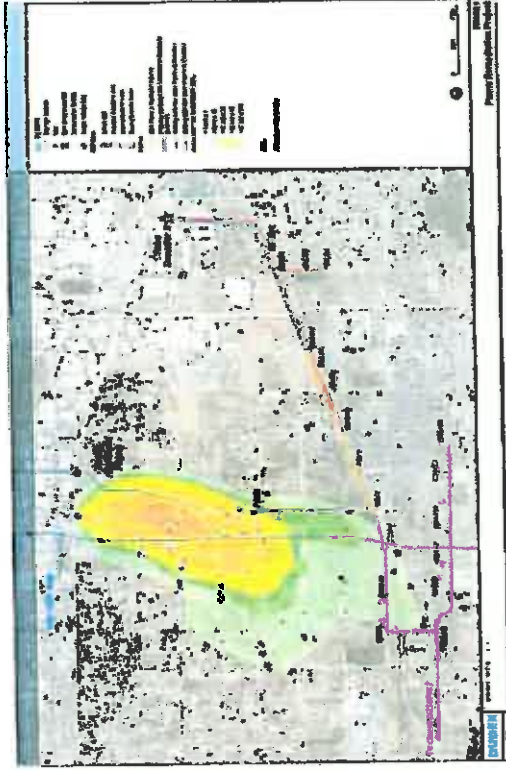
- * Improve the Groundwater Recharge Basins
- * Clean-up the South Archibald TCE Plume
- * Meet Drinking Water Standards
- * \$66M Combined Project Cost, \$32M grant

CWSRF Loan for Project Planning and Design

Recharge Master Plan update TCE Plume Cleanup Project

TCE Plume Cleanup

\$25.5M Cost



**at \$66M
(M Loan)**

RMPU Master Agreements

Master Recharge Facilities Financing Agreement

- * Originally Executed in 2002 by CBWM/IEUA/CBRFA
- * Amended for RMPU Projects Grant/Loan Financing
- * Agreement Scheduled for June 2016 by CBWM

Master Cost Sharing Agreement

- * Originally Executed in 2014 by CBWM and IEUA
- * Amended to Reflect the Master Recharge Facilities Financing Agreement Requirements

Funding Summary

| Project | Benefits (AFY) | | | | Cost Share (%) | | | | Total Project Cost | Potential Funding | | | |
|---|----------------|-------|-------|------|----------------|-----|--|--|--------------------|-------------------|---------------|---------------|--|
| | RW | SW | DW | CBWM | IEUA | CDA | | | | Grants | SRF Loan | Planning Loan | |
| CSI Storm Water Basin | - | 81 | | 100% | - | - | | | \$ 440,000 | \$ 220,000 | \$ 162,427 | \$ 57,573 | |
| Wineville PS to Jurupa, Jurupa PS to RP3 Basin and RP3 Improvements | 2,905 | 3,166 | | 91% | 9% | | | | \$ 21,310,000 | \$ 10,000,000 | \$ 8,521,628 | \$ 2,788,372 | |
| Declerz Basin | - | 241 | | 100% | - | - | | | \$ 4,070,000 | \$ 2,035,000 | \$ 1,502,448 | \$ 532,552 | |
| Victoria Basin | 120 | 43 | | 50% | 50% | | | | \$ 150,000 | \$ 75,000 | \$ 55,373 | \$ 19,627 | |
| San Sevaine Basin Improvement Project | 4,100 | 642 | | 50% | 50% | | | | \$ 6,460,000 | \$ 3,230,000 | \$ 2,384,721 | \$ 845,279 | |
| Lower Day Basin | | 789 | | 100% | | | | | \$ 2,480,000 | \$ 1,240,000 | \$ 915,497 | \$ 324,503 | |
| Turner Basin | - | 66 | | 100% | - | - | | | \$ 890,000 | \$ 445,000 | \$ 328,545 | \$ 116,455 | |
| Ely Basin | - | 221 | | 100% | - | - | | | \$ 3,200,000 | \$ 1,600,000 | \$ 1,181,286 | \$ 418,714 | |
| Montclair Basin | - | 248 | | 100% | - | - | | | \$ 1,440,000 | \$ 720,000 | \$ 531,579 | \$ 188,421 | |
| Subtotal RMPU Project | 7,125 | 5,497 | | | | | | | \$ 42,440,000 | \$ 19,565,000 | \$ 15,503,504 | \$ 5,291,496 | |
| TCE Plume Cleanup - Wells, Pipeline, Pump Station & De-Carbonators | | | 8,520 | | 40% | 60% | | | \$ 25,230,705 | \$ 12,615,353 | \$ 12,615,353 | | |
| Subtotal TCE Cleanup | | | 8,520 | | | | | | \$ 25,230,705 | \$ 12,615,353 | \$ 12,615,353 | | |
| Total | 7,125 | 5,497 | 8,520 | | | | | | \$ 65,670,705 | \$ 32,180,353 | \$ 28,198,858 | \$ 5,291,496 | |

Recommendations

1. Adopt Resolution No. 2016-5-2 for the Groundwater Grant application
2. Adopt Resolution No. 2016-5-3 for the Stormwater Grant application
3. Adopt Resolution No. 2016-5-4 & 2016-5-5 for the SRF loan application
4. Approve the Master Recharge Facilities Financing Agreement; and
5. Approve the Master Cost Sharing Agreement.

These actions support the Agency's mission of promoting sustainable use of groundwater and increasing the local water supply. It is also consistent with the Agency's mission of pursuing grants and low interest financing.