

# **NOTICE OF MEETING**

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**OF THE**  
**REGIONAL SEWERAGE PROGRAM**  
**TECHNICAL COMMITTEE**

**OF THE**



**WILL BE HELD ON**  
**THURSDAY, JANUARY 28, 2016**  
**4:00 P.M.**  
**BOARD ROOM**  
**AT THE OFFICE OF THE AGENCY**  
**6075 KIMBALL AVENUE, BUILDING A**  
**CHINO, CA 91710**



*Inland Empire Utilities Agency*  
A MUNICIPAL WATER DISTRICT

## **Regional Sewerage Program Technical Committee Meeting**

**Thursday, January 28, 2016  
4:00 p.m.**

### **Location**

Inland Empire Utilities Agency  
6075 Kimball Avenue  
Chino, CA 91708

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### **Call to Order and Roll Call**

#### **1. Approval of Minutes**

- A. Minutes of October 29, 2015 Meeting

#### **2. Action Items**

- A. Recycled Water Policy Principles (Written)

#### **3. Informational Items**

- A. RP-1/RP-5 PDR
- B. Organics Diversion Feasibility Study (PP)
- C. Regional Contract Update (PP)
- D. Septic Area Analysis (PP)
- E. JCSD RW Term Sheet (Written)
- F. Recycled Water and Recharge Update (PP)

#### **4. Receive and File**

- A. Building Activity Report (YTD)
- B. Recycled Water Distribution - Operations Summary
- C. Draft Regional Policy Committee Agenda
- D. Regional Contract Review Final Report

#### **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 – February 25, 2016

#### **6. Adjournment**

**DECLARATION OF POSTING**

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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, January 25, 2016.

*for* *Stephanie Riley*  
Laura Mantilla

**APPROVAL OF  
MINUTES**

**1A**



## **Regional Sewerage Program Technical Committee Meeting**

### **MINUTES OF OCTOBER 29, 2015 MEETING**

#### **CALL TO ORDER**

A regular meeting of the IEUA/Regional Sewerage Program – Technical Committee was held on Thursday, October 29, 2015, at the Inland Empire Utilities Agency located at 6075 Kimball Avenue, Chino, California. Ryan Shaw, City of Ontario, called the meeting to order at 4:04 p.m.

#### **ATTENDANCE**

##### **Committee Members:**

|                      |                                 |
|----------------------|---------------------------------|
| Landon Kern          | City of Chino                   |
| Steve Nix            | City of Chino Hills             |
| Chuck Hays           | City of Fontana                 |
| Nicole DeMoet        | City of Montclair               |
| Ryan Shaw            | City of Ontario                 |
| Rosemary Hoerning    | City of Upland                  |
| Braden Yu            | Cucamonga Valley Water District |
| P. Joseph Grindstaff | Inland Empire Utilities Agency  |

##### **Absent Committee Members:**

None.

##### **Others Present:**

|                    |                                |
|--------------------|--------------------------------|
| Christina Valencia | Inland Empire Utilities Agency |
| Sylvie Lee         | Inland Empire Utilities Agency |
| Andy Campbell      | Inland Empire Utilities Agency |
| Craig Proctor      | Inland Empire Utilities Agency |
| Elizabeth Hurst    | Inland Empire Utilities Agency |
| Pietro Cambiaso    | Inland Empire Utilities Agency |
| Ken Tam            | Inland Empire Utilities Agency |
| Melinda Temblador  | Inland Empire Utilities Agency |
| Shaun Stone        | Inland Empire Utilities Agency |

**1. APPROVAL OF MINUTES****A. Minutes of September 24, 2015 Meeting**

**Motion:** By Chuck Hays/City of Fontana and seconded by Steve Nix/City of Chino Hills to approve the minutes of the September 24, 2015 Technical Committee meeting.

**Motion carried: Unanimously.**

**2. ACTION ITEMS****A. Recycled Water Policy Principles**

Sylvie Lee/IEUA briefly reviewed the Recycled Water Policy Principles and based upon a Technical Committee workshop held yesterday to specifically discuss Principle 3.2, she has received several additional comments. New proposed language of “any new connections” would replace “entitlement” was suggested by City of Chino. Several small formatting changes were made but none were substantial. Nicole DeMoet/City of Montclair commented regarding the cost of recycled water exceeding 75% of the potable water rate. Sylvie responded that it was not the intention of the language to exceed it. Joe Grindstaff/IEUA acknowledged Cucamonga Valley Water District’s concerns about the language and related grandfathering issues. Braden Yu/CVWD believed the best approach would be to contain “softer planning” non-binding language or through a “phased-in” approach. Mr. Grindstaff stated it would be possible to grandfather and phase in RTS charges for CVWD and link it to the rates. Mr. Yu stated that he would prefer that the grandfathering language not be included, but in the interest of moving forward, perhaps this one item could remain under negotiation. Ryan Shaw/City of Ontario suggested leaving the language more vague and undefined at this time in order to keep the process moving forward. Joe Grindstaff agreed that perhaps the Technical Committee could approve the remainder of the principles and reserve this point for future discussion and refinement. He suggested the Technical Committee meet again once more before next Wednesday’s Policy Committee review of the item. Sylvie Lee agreed to arrange another workshop with the Technical Committee to continue discussion of item 3.2.

**3. INFORMATIONAL ITEMS****A. Annual Water Use Report**

Elizabeth Hurst/IEUA reviewed the FY 14/15 Annual Water Use presentation, highlighting the projected FY 15/16 projected 25% reduction since FY 13/14. She also reviewed reduction trends in imported water use and groundwater use, downward trends which will continue even with the anticipated El Nino event to begin in the next several months.

**B. 10-Year Growth Forecast**

Pietro Cambiaso/IEUA reviewed the FY 14/15 Building Activity Summary Ten-Year Growth Survey, including forecasted building activity, distribution of growth among the member agencies, and resulting funding received from the approximately 2,953 new EDUs in FY 14/15.

**C. Mutual Aid**

Ken Tuliau/IEUA was introduced to the Technical Committee as the new Manager of Maintenance as of this past June. Mr. Tuliau updated the Committee on the Mutual Aid

agreement with the member agencies and Jurupa Community Services District in light of the anticipated El Nino event to begin in the next several months. Staff from the various agencies will be meeting in the next several weeks to discuss best practices and procedures during a storm event.

**D. The Energy Network**

Pietro Cambiaso/IEUA gave an oral update on the Energy Network, which will be providing service at no cost to the Agency. The Energy Network is funded by the California Public Utilities Commission and provides energy efficiency recommendations, which will allow the Agency to save energy and reduce costs. The Energy Network contact information is: The Energy Network, James Ferro, Program Manager, (949) 701-4646 x 144, <http://theenergynetwork.com/>

**E. RP-5 Expansion Preliminary Design Report Update**

Shaun Stone/IEUA gave an update on the RP-5 Preliminary Design Report, which will be going out to bid with an award of \$2.5 million. He invited member agencies, especially City of Chino since the plant is within their jurisdiction, to participate in the review team of project proposals.

**4. RECEIVE AND FILE ITEMS**

**A. Building Activity Report (YTD)**

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

**B. Recycled Water Distribution - Operations Summary**

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

**C. Draft Regional Policy Committee Agenda**

The Draft Regional Policy Committee Agenda was received and filed by the Committee.

**D. 4<sup>th</sup> Quarter Budget Variance Report**

The 4<sup>th</sup> Quarter Budget Variance Report was received and filed by the Committee.

**5. OTHER BUSINESS**

**A. IEUA General Manager's Update**

None.

**B. Committee Member Requested Agenda Items for Next Meeting**

None.

**C. Committee Member Comments**

Ryan Shaw/City of Ontario thanked the Technical Committee members at large for their participation the last four years in moving forward the Recycled Water Policy Principles.

**D. Next Meeting – November 19, 2015**

6. **ADJOURNMENT** - Meeting was adjourned at 4:55 p.m.

Transcribed  
by:

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Melinda Temblador  
Administrative Coordinator, IEUA

**ACTION  
ITEM  
2A**

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Date: January 28, 2016  
To: Regional Committees  
From: Inland Empire Utilities Agency   
Subject: Recycled Water Policy Principles

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### **RECOMMENDATION**

It is requested that the Regional Committees provide recommendation for IEUA Board's consideration and approval on the following items:

1. Recycled Water Policy Principles, and
2. Development of Regional Contract Amendment with the proposed Recycled Water Policy Principles.

### **BACKGROUND**

The Inland Empire Utilities Agency (IEUA) and its contracting agencies have developed a successful regional Recycled Water Program for both direct use and groundwater recharge. In 2000, the region identified that recycled water use was a critical component in drought-proofing and maintaining its economic growth. With imported water rates increasing and long-term imported supply reliability in decline, the region committed to aggressively and proactively develop local water supplies to offset these impacts. This set the path for the development of a regional recycled water distribution system.

While the foundational commitment to beneficial reuse of recycled water has remained unchanged, some fundamental concepts have been questioned over the past few years, particularly since 2011. This has resulted in the region working together to develop Recycled Water Policy Principles to address the changes since the inception of the program. The region's goal to maximize the beneficial use of recycled water has not changed. However, the commitment to connect additional recycled water users has stagnated over the past few years. At this time, several contracting agencies are struggling with the inherent conflict between use in excess of "base entitlement" (as defined by the Regional Sewage Service Contract) and the prioritization of direct use over groundwater recharge. The struggle has led some contracting agencies to be concerned about their local benefit and perceived inequities.

In order to move forward together as a region, it is appropriate to reevaluate and affirm the regional Recycled Water (RW) Policy Principles prior to implementing any remaining significant system improvements to the Recycled Water Program and to clarify how these principles will govern the future benefits received by all IEUA contracting agencies.

## Recycled Water Policy Principles

January 28, 2016

Page 2 of 3

IEUA has been meeting with the contracting agencies for the last few years to develop modifications to the foundational principles. Subsequent to the Regional Technical Committee Meetings and Special Technical Committee Workshops held between July 2015 and January 2016, the agencies collectively provided input and guidance to finalize recommendations on the RW Policy Principles.

The proposed RW Policy Principles resulting from these discussions are summarized below and provided in the attachment in detail.

## Recycled Water Policy Principles

### **1. Maximize the beneficial use of recycled water to enhance local water resource availability and reduce reliance on imported water.**

1. IEUA will continue the development of the Regional Recycled Water infrastructure by providing equitable access for the contracting agencies to achieve reuse of 50,000 AF/year by 2025.
2. IEUA will pursue the long term acquisition of recycled water from out of service area sources to supplement the regional supply.
3. IEUA will pursue the long term transfer of recycled water from IEUA service area in exchange for supplemental water supply.

### **2. Promote efficient application and use of recycled water as a reliable and fundamental component of drought-proofing the IEUA service area.**

1. Ensure efficient use of recycled water at the point of use, consistent with rules and expectations of responsible potable water use and laws governing the use of recycled water.

### **3. The regional recycled water entitlement will be based on the following:**

1. Contracting agency entitlement based on wastewater contribution, future external supplies and any acquisition of another contracting agency's unused entitlement.
  - i. This entitlement will be used for each contracting agency's Santa Ana River discharge obligations, direct use and /or regional recharge.
  - ii. The parties acknowledge that the obligation created by the SAR judgment is a regional obligation.
2. Contracting agency use above entitlement, as described in 3.1, will require replacement water (i.e., Stored water, surcharge, etc., acquisition of another contracting agency's unused entitlement, etc.), collected by IEUA, and passed on to contracting agencies with surplus entitlement.
  - i. This entitlement may be used for Santa Ana River discharge obligations, direct use or regional recharge.

- ii. If a contracting agency's current direct use exceeds entitlement, current direct use corresponding to existing customers will be temporarily substituted for entitlement until June 30, 2020, as defined in section 3.1. In addition, groundwater recharge allocations will be curtailed and redistributed to the other agencies under entitlement during the temporary period. Any new connections that require additional supplies above an agency's entitlement and the current grandfathered amount will require replacement water.

**4. The regional recycled water system will be operated based on the following priorities for recycled water deliveries:**

1. Minimal operational discharges (instrumentation, environmental obligations, etc.)
2. Contracting agency deliveries
3. Regional groundwater recharge

**5. Meet peak recycled water direct demands through coordinated demand management of recycled water deliveries.**

1. Large users will have pressure sustaining valves to ensure that overall regional demands are reliably met.

**6. Maintain a financially viable recycled water program with rates that incentivize use of all available recycled water and that provides funding to achieve full cost-of-service for the recycled water program.**

1. Set recycled water rates that cover the full cost of Operations & Maintenance (O&M) and Rehabilitation & Replacement (R&R) for the system.

**7. Maximize the use of recycled water capital investments made by IEUA and its contracting agencies with recycled water use within the region.**

1. Retail contracting agencies shall substantially fulfill prior recycled water connection commitments for all existing infrastructure.
2. Firm contracting agency commitments for recycled water use will drive new regional investments.

**ATTACHMENTS: RW Policy Principles**

## RECYCLED WATER POLICY PRINCIPLES

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### Introduction

The Inland Empire Utilities Agency (IEUA) and its contracting agencies have developed a successful regional Recycled Water Program for both direct use and groundwater recharge. As the Program continues to advance, it is important to summarize and update the history, operating philosophies, and policy principles on which the Program was founded.

In 2000, the region identified that recycled water use was a critical component in drought-proofing and maintaining its economic growth. With imported water rates increasing and long-term imported supply reliability in decline, the region committed to aggressively and proactively develop local water supplies to offset these impacts. This set the path for the development of a regional recycled water distribution system and a Recycled Water Implementation Plan.

The use of recycled water presented several advantages to the region: it is one of the most significant and underutilized sources of local water supply; it is reliable during drought and climate change conditions; and it requires significantly less energy than imported water to deliver to customers thus reduces greenhouse gas emissions. The development of recycled water is the cornerstone of a larger regional initiative to improve water supply reliability through enhanced local supplies. IEUA, in partnership with its contracting agencies and Chino Basin Watermaster (CBWM), invested over \$600 million over the last fifteen years in water recycling, conservation, recharge improvements, the MWD groundwater storage and recovery project, the Chino Desalter, and other water management programs. These programs collectively reduce the region's need for imported water especially during drought or conditions when imported water supplies are not available. In addition to the region switching large potable water users to recycled water, IEUA and CBWM obtained a landmark permit in 2005 for groundwater recharge using IEUA's high-quality recycled water.

By 2007, Southern California was experiencing one of its driest years with the potential for entering an extended drought period. The State of California subsequently made water recycling an important element of California's water supply policy and adopted a statewide goal of achieving 1,000,000 acre-feet (AF) of reuse by 2010. In response, in November 2007 IEUA and its contracting agencies unanimously adopted and committed to implement the Three Year Recycled Water Business Plan which laid out a focused and cost-effective approach to rapidly expand the availability and use of recycled water within IEUA's service area.

By 2014, over \$250 million has been invested into the implementation of a robust Recycled Water Program. The region has achieved Program success by leveraging heavily on grant funding and loans. With unanimous regional support, annual recycled water use grew from approximately 5,000 AF in FY 04/05 to over 38,500 AF in FY 13/14. Critical to the economical and efficient operation of the system, each contracting agency made commitments to complete initiatives with the goal to increase direct reuse within their service areas. While some contracting agencies accomplished or far exceeded their local goals, some contracting agencies have not been able to fully achieve their original commitments.

The region's goal to maximize the beneficial use of recycled water has not changed. However, the commitment to connect additional recycled water users has stagnated over the past few years. At this time, several contracting agencies are struggling with the inherent conflict between use in excess of "base entitlement" (as defined by the Regional Sewage Service Contract) and the prioritization of direct use over groundwater recharge. The struggle has led some contracting agencies to be concerned about their local benefit and perceived inequities.

In order to move forward together as a region, it is appropriate that we reevaluate and affirm the regional Recycled Water Policy Principles, in order to guide the updates to the Regional Sewer Service Contract, prior to implementing any remaining significant system improvements to the Recycled Water Program and to clarify how these principles will govern the future benefits received by all IEUA contracting agencies.

### **Draft Recycled Water Policy Principles**

*These principles are not binding. These principles are intended to be a framework for the development of regional contract amendment.*

#### **1. Maximize the beneficial use of recycled water to enhance local water resource availability and reduce reliance on imported water for the benefit of the region/contracting agencies.**

1. Continue the development of the Regional Recycled Water infrastructure by providing equitable access for the contracting agencies to achieve reuse of 50,000 AF/year by 2025.
2. Pursue the long term acquisition of recycled water from out of service area sources to supplement the regional supply.
3. Pursue the long term transfer of recycled water from IEUA service area in exchange for supplemental water supply.

#### **2. Promote efficient application and use of recycled water as a reliable and fundamental component of drought-proofing the IEUA service area.**

1. Ensure efficient use of recycled water at the point of use, consistent with rules and expectations of responsible potable water use and laws governing the use of recycled water.

#### **3. The regional recycled water entitlement will be based on the following:**

1. Contracting agency entitlement based on wastewater contribution, future external supplies and any acquisition of another contracting agency's unused entitlement.
  - i. This entitlement may be used for Santa Ana River discharge obligations, direct use and /or regional recharge.
  - ii. The parties acknowledge that the obligation created by the SAR judgment is a regional obligation.
2. Contracting agency use above entitlement, as described in 3.1, will require replacement water (ie. Stored water, supplemental water, surcharge, acquisition of another contracting agency's unused

entitlement, etc...) be passed on to contracting agencies with surplus entitlement, with the exception of the below in 2.ii.

- i. This entitlement may be used for Santa Ana River discharge obligations, direct use or regional recharge.
- ii. If a contracting agency's current direct use exceeds entitlement, current direct use corresponding to existing customers will be temporarily substituted for entitlement until June 30, 2020, as defined in section 3.1. In addition, groundwater recharge allocations will be curtailed and redistributed to the other agencies under entitlement during the temporary period. Any new connections that require additional supplies above an agency's entitlement and the current grandfathered amount will require replacement water.

**4. The regional recycled water system will be operated based on the following priorities for recycled water deliveries:**

1. Minimal operational discharges (instrumentation, environmental obligations, etc.)
2. Contracting agency deliveries
3. Regional groundwater recharge

**5. Meet peak recycled water direct demands through coordinated demand management of recycled water deliveries.**

1. Large users will have pressure sustaining valves to ensure that overall regional demands are reliably met.

**6. Maintain a financially viable recycled water program with rates that incentivize use of all available recycled water and that provides funding to achieve full cost-of-service for the recycled water program.**

1. Set recycled water rates that cover the full cost of Operations & Maintenance (O&M) and Rehabilitation & Replacement (R&R) for the system.

**7. Maximize the use of recycled water capital investments made by IEUA and its contracting agencies with recycled water use within the region.**

1. Contracting agencies shall substantially fulfill prior recycled water connection commitments for all existing infrastructure.
2. Firm contracting agency commitments for recycled water use will drive new regional investments.
3. Expand regional system to maximize groundwater recharge opportunities.

# Recycled Water Policy Principles



*Inland Empire Utilities Agency*

**A MUNICIPAL WATER DISTRICT**

Regional Technical Committee  
January 28, 2016

# RW Policy Principles

- IEUA began discussions with member agencies in 2012
- Item was presented to the Policy Committee Dec 2014
- Discussions resumed in Jul 2015
- Item was presented to Technical Committee Oct 2015
- Item was presented to Policy Committee Nov 2015
- Based on member agency feedback, the revised RW Policy Principles are presented for consideration

# RW Policy Principles

## 1. **Maximize the beneficial use of recycled water to enhance local water resource availability and reduce reliance on imported water.**

1. IEUA will continue the development of the Regional Recycled Water infrastructure by providing equitable access for the contracting agencies to achieve reuse of 50,000 AF/year by 2025.
2. IEUA will pursue the long term acquisition of recycled water from out of service area sources to supplement the regional supply.
3. IEUA will pursue the long term transfer of recycled water from IEUA service area in exchange for supplemental water supply.

# RW Policy Principles

- 2. Promote efficient application and use of recycled water as a reliable and fundamental component of drought-proofing the IEUA service area.**
  - 1. Ensure efficient use of recycled water at the point of use, consistent with rules and expectations of responsible potable water use.**

# RW Policy Principles

## **3. The regional recycled water entitlement will be based on the following:**

- 1. Contracting agency entitlement based on wastewater contribution, future external supplies and any acquisition of another contracting agency's unused entitlement.**
  - i. This entitlement may be used for Santa Ana River discharge obligations, direct use and /or regional recharge.**
  - ii. The parties acknowledge that the obligation created by the SAR judgment is a regional obligation.**

# RW Policy Principles

## 3. ... continued

2. Contracting agency use above entitlement, as described in 3.1, will require replacement water (ie. Stored water, supplemental water, surcharge, acquisition of another contracting agency's unused entitlement, etc...) be passed on to contracting agencies with surplus entitlement, with the exception of the below in 2.ii.
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  - ii. If a contracting agency's current direct use exceeds entitlement, current direct use corresponding to existing customers will be temporarily substituted for entitlement until June 30, 2020, as defined in section 3.1. In addition, groundwater recharge allocations will be curtailed and redistributed to the other agencies under entitlement during the temporary period. Any new connections that require additional supplies above an agency's entitlement and the current grandfathered amount will require replacement water.

# RW Policy Principles

**4. The regional recycled water system will be operated based on the following priorities for recycled water deliveries:**

1. Minimal operational discharges (instrumentation, environmental obligations, etc.)
2. Contracting agency deliveries
3. Regional groundwater recharge

# RW Policy Principles

- 5. Meet peak recycled water direct demands through coordinated demand management of recycled water deliveries.**
  - 1.** Large users will have pressure sustaining valves to ensure that overall regional demands are reliably met

# RW Policy Principles

- 6. Maintain a financially viable recycled water program with rates that incentivize use of all available recycled water and that provides funding to achieve full cost-of-service for the recycled water program.**
  - 1. Set recycled water rates that cover the full cost of Operations & Maintenance (O&M) and Rehabilitation & Replacement (R&R) for the system.**

# RW Policy Principles

**7. Maximize the use of recycled water capital investments of IEUA and its contracting agencies with recycled water use within the region.**

- 1.** Retail contracting agencies shall substantially fulfill prior recycled water connection commitments for all existing infrastructure.
- 2.** Firm contracting agency commitments for recycled water connections will drive new regional investments.

# Implementation of RW Policy Principles

- Beginning July 1, 2016:
  - Base entitlement will be established (Policy Principle 3.1)
    - Based on wastewater contribution until the Santa Ana River obligation requires the wastewater discharge to meet the judgement obligation (17,000 AFY) or until regional contract is renewed
  - For use above entitlement, conditions will be based on Policy Principle 3.2
    - If a contracting agency's current direct use exceeds entitlement, FY 14/15 direct use corresponding to existing customers will be substituted for entitlement until June 2020.

# Next Steps

- **January - February 2016: Technical/Policy Committee**
  - Action Item: RW Policy Principles
- **March 2016: IEUA Board**
  - Resolution for Amendment of Regional Contract for RW
- **April – May 2016: Technical/Policy Committee**
  - Regional Contract Recommendation for Approval
- **June 2016: IEUA Board**
  - Adoption of Regional Contract Amendment for RW



# Recommendations

## Regional Contract Amendment

1. Recommend for approval RW Policy Principles as Developed
2. Initiate Development of Regional Contract Amendment based on RW Policy Principles



**INFORMATION  
ITEM  
3A**

# RP-1 & RP-5 Expansion Pre-Design Report

## Project Nos. EN16025 & EN16028

### February 2016 Update



Shaun J. Stone, P.E.,  
Manager of Engineering

# RP-1 & RP-5 Expansion PDR

## Project Background

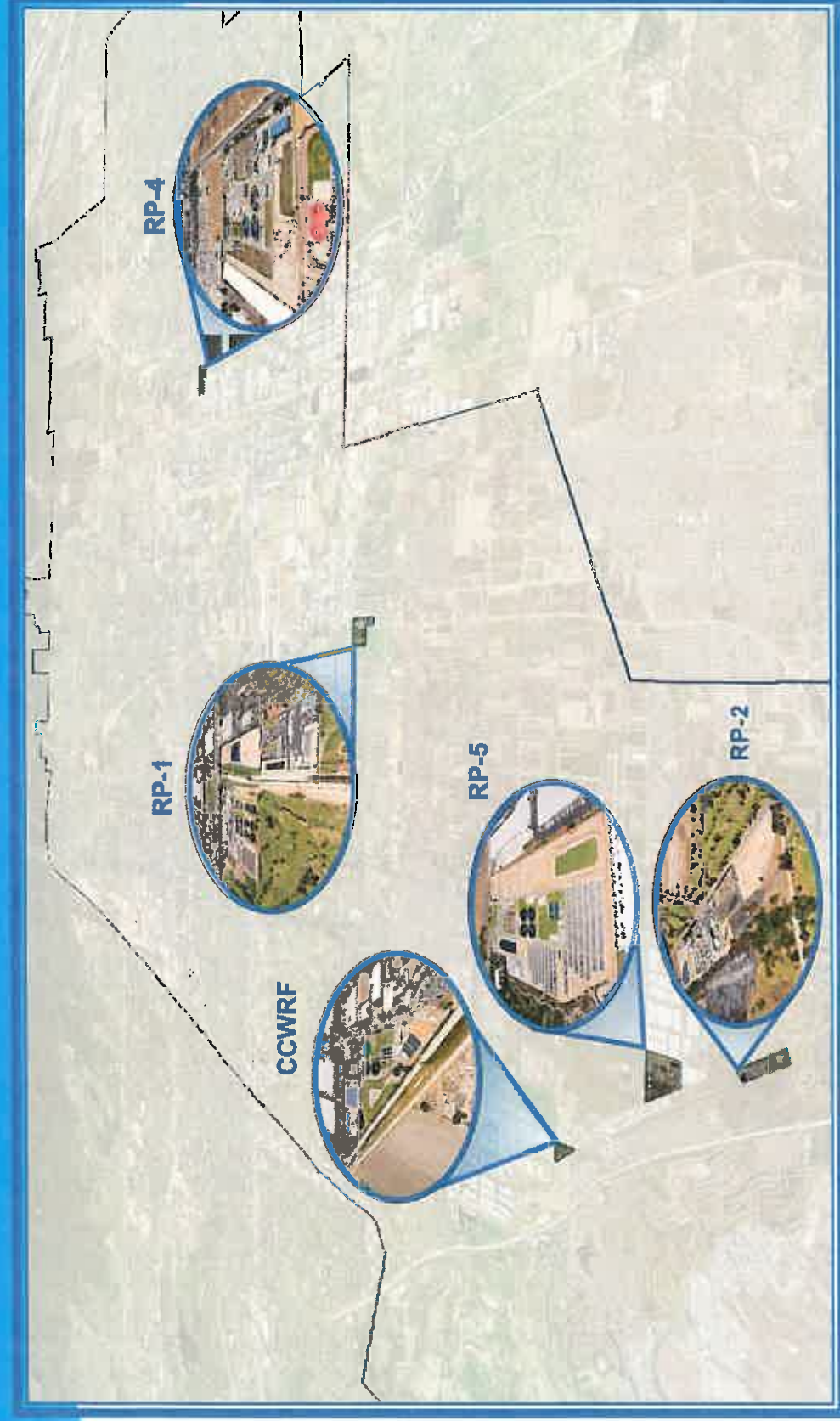
- Wastewater Facilities Master Plan (WFMP) completed April 2015

| Forecasted Influent Sewer Flows for RP-1 & RP-5 |                   |           |           |                   |
|-------------------------------------------------|-------------------|-----------|-----------|-------------------|
| Facility                                        | Existing Capacity | 2035 Flow | 2060 Flow | Capacity Exceeded |
| RP-1                                            | 32 MGD*           | 33.1 MGD  | 36.3 MGD  | 2030              |
| RP-5                                            | 15.0 MGD          | 20.2 MGD  | 27.2 MGD  | 2025              |

\* 2015 Wastewater Facilities Master Plan Modeled Capacity with Installation of MLR Pumps

- Requirement to expand RP-1 by 2030
- Requirement to expand RP-5 by 2025
- Relocate RP-2 to new RP-5 Solids Treatment Facility prior to USACE completing project to raise elevation of Prado Dam Spillway.

# Project Locations



# Project Scope

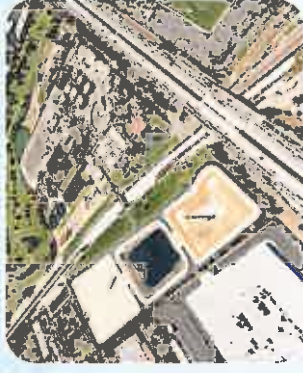
One PDR with three  
separate volumes



RP-5  
Solids Treatment  
Facility



RP-5 Liquids  
Treatment  
Expansion



RP-1 Liquids &  
Solids Treatment  
Expansion

# Project Schedule

Board Contract Award  
January 2016

Workshop 1  
March 2016

Workshop 2  
August 2016

Workshop 3  
September 2016

Decommissioning of  
CCWRF

Advanced Water  
Treatment

SunPower & IBE  
Agreements

Ultimate Expansion of  
RP-5

RP-5 Liquids & Solids  
Treatment Alternatives

BCE's for RP-5 Liquids  
and Solids Treatment

Elimination of Primary  
Effluent Equalization

RP-1 Liquids and Solids  
Capacities

RP-2 Lift Station and  
IEBL Discharge Station

Workshop 4  
October 2016

Workshop 5  
December 2016

Final PDR  
January 2017

RP-5 Food Waste  
Treatment

Decommissioning of  
RP-2

Beneficial Use of  
Digester Gas

Approved RP-1 Liquids &  
Solids Projects

Approved RP-5 Liquids  
and Solids Projects

# Project Budget

| Description                              | Projected Cost     |
|------------------------------------------|--------------------|
| Parsons Pre-Design Fee                   | \$2,431,598        |
| Project Management (Est. Internal Labor) | \$650,000          |
| <b>Total</b>                             | <b>\$3,081,598</b> |
| <b>Total Project Budget</b>              | <b>\$5,000,000</b> |

- Project is eligible for \$3M SRF Planning Loan

# Questions



**Inland Empire Utilities Agency**  
**A MUNICIPAL WATER DISTRICT**

**INFORMATION  
ITEM  
3B**

# Organics Diversion Feasibility Study



*Inland Empire Utilities Agency*

A MUNICIPAL WATER DISTRICT

January 2016

# Objective

- Assist Member Agencies to comply with the State's organics diversion requirements
- Divert organics from landfills to IEUA's solids facilities
- Reduce critical short-lived climate pollutants



# Feasibility Study

- Waste grease assessment update (February 2016)
- Food waste survey (April 2016)
  - Domestic
  - Commercial
  - High strength industrial
- Digester gas beneficial use alternatives (April 2016)

**INFORMATION  
ITEM  
3C**

# Regional Contract Amendment and Renewal Update



***Inland Empire Utilities Agency***  
**A MUNICIPAL WATER DISTRICT**

Regional Technical Committee  
January 28, 2016

# Goals and Objectives

- Renewal of Regional Contract
- Updated and streamlined document
  - Business practices
  - Key policy principles
- Complete renewal by January 2017

# Importance of the Schedule

- Significant capital required for RP-5 and RP-1
- Estimated Cost - \$300M
- Long term contract required by financing agencies
  - Affects the rate of borrowing money
  - Interest rate of 1% difference equates to \$1/EDU/month

# Proposed Methodology

- Monthly Special Technical Committee Workshops
  - Second Wednesdays at IEUA
  - Next meeting: February 10, 2016
- Term sheet with key principles
  - February – August 2016
- Contract Amendments/Renewal
  - September – November 2016
  - Final Version Contract Amendments: January 2017

# 1<sup>st</sup> Priority: Recycled Water Policy Principles

- Adopt Recycled Water Policy Principles
  - Amend relevant sections of Regional Contract
  - Resolution by IEUA Board (March 2016)
  - Formal adoption as a Contract amendment (June 2016)

# 2<sup>nd</sup> Priority: Regional Contract Renewal

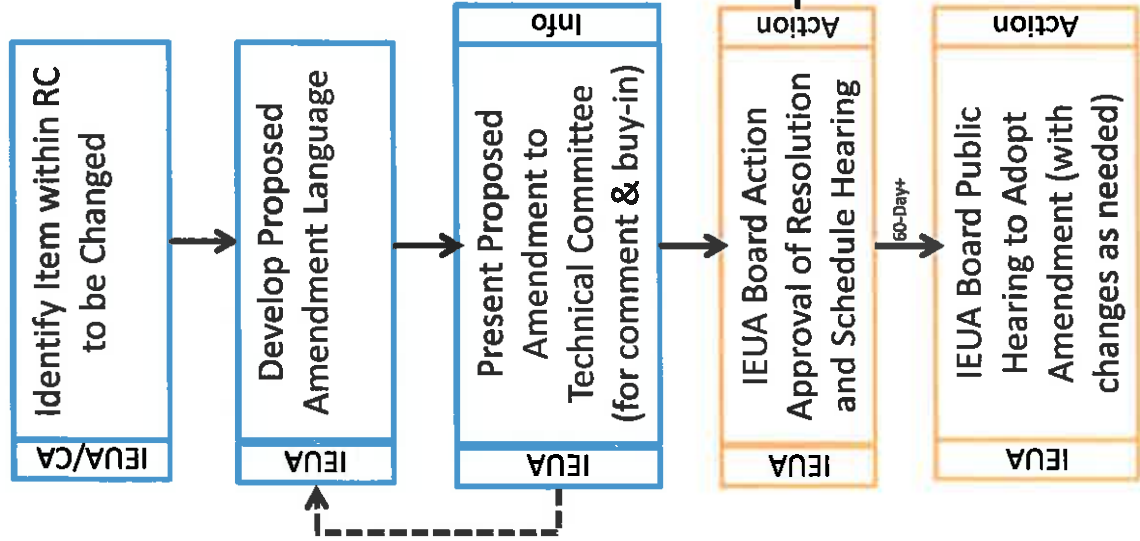
Updated concise document, with focus on:

- Evaluation of Sewer Connection Fees (Exhibit J)
- Property Tax Allocation
- Potential Collection of Fees by IEUA
- Leasing of EDU's for industries/commercial sites
- Regional Technical/Policy Committee oversight

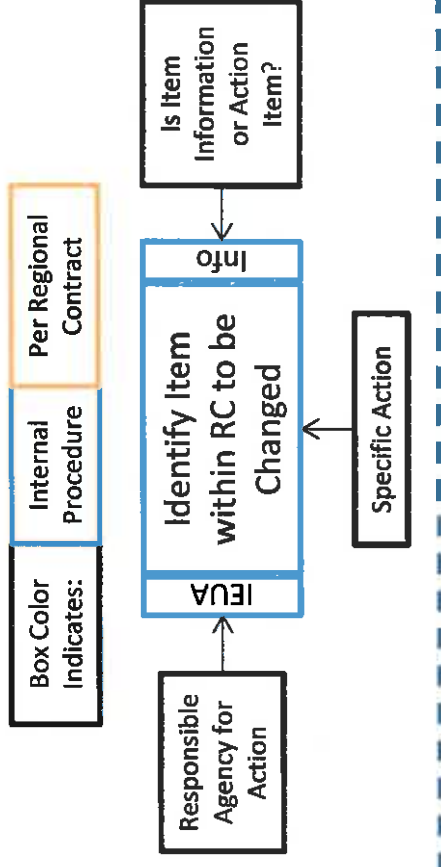
# Next Steps

- Workshops with Member Agencies (Feb – Dec)
- RFP for Assessment of Sewer Connection Fees
  - February 2016
- Term Sheet with Key Principles
  - February – August 2016
- Present Amendments to Regional Committees
  - September – November 2016
  - Final Version Contract Amendments: January 2017

# Regional Contract Amendment Process



## KEY (Example)



RC = Regional Contract  
CA = Contract Agency

**INFORMATION  
ITEM  
3D**

# Sewer Service to Septic Users

## Feasibility Study



*Inland Empire Utilities Agency*

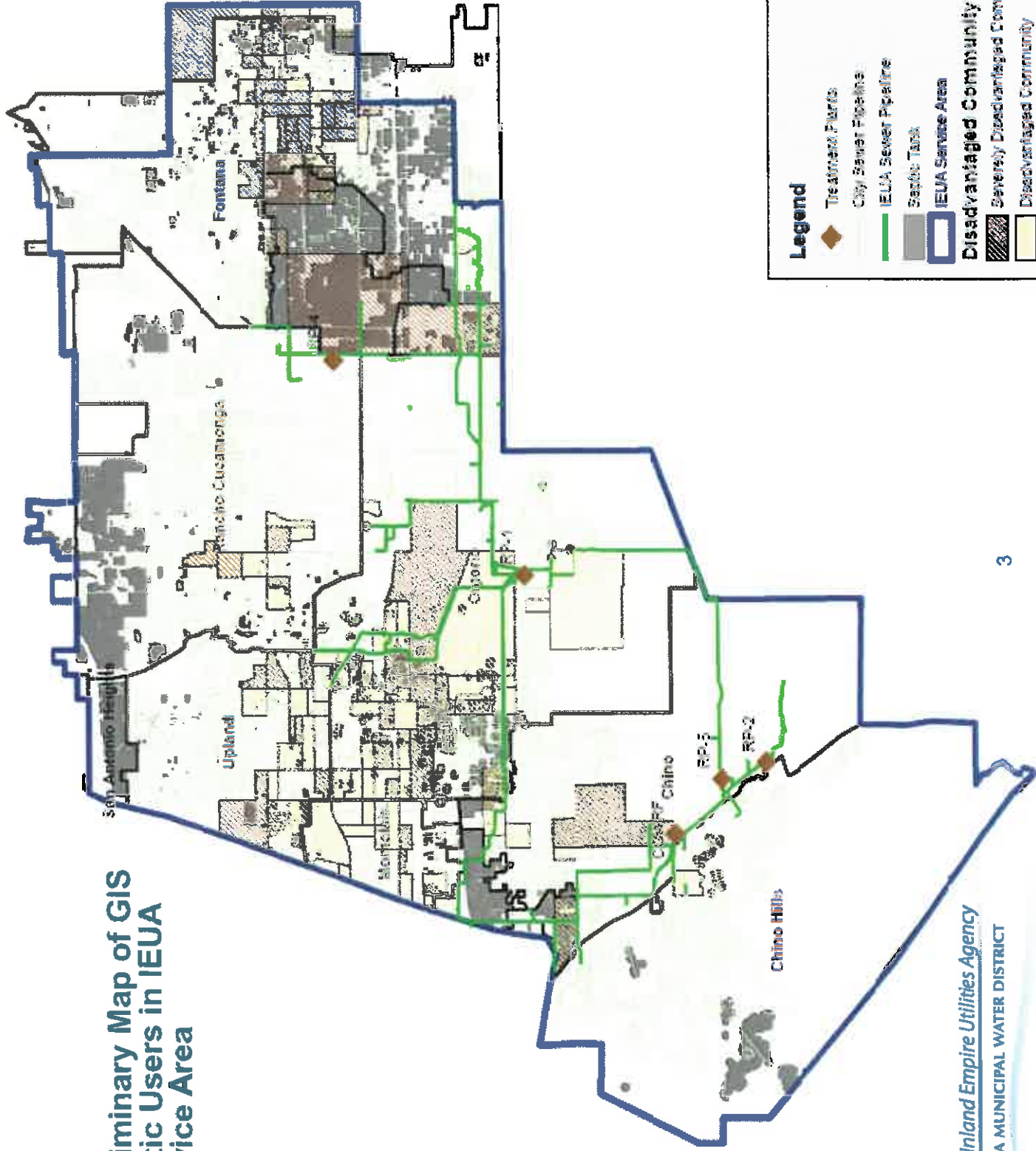
A MUNICIPAL WATER DISTRICT

January 28, 2016

# Project Background and Benefits

- \* Sewering septic users will benefit the Service Area by:
  - \* Enhancement of groundwater supplies
  - \* Local development benefits
  - \* Sewer service reliability
  - \* Water supply benefits

# Preliminary Map of GIS Septic Users in IEUA Service Area



# Project Goals and Scope

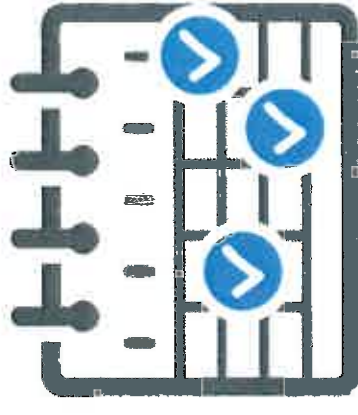
## Plan of Implementation for Individual Projects

- \* Cost Effectiveness – ranking based on grant funding
- \* Groundwater quality benefits
- \* Sewer Capacity and Connection Analysis
- \* Associated Costs – including evaluation of connection fees
- \* Curb and Gutter – costs and benefits
- \* Economic Benefits to Region
- \* IEUA Recycled Water Program Impacts

# Project Timeline

## Project Schedule

- \* Advertisement of RFP – 1/7/2016
- \* Pre-proposal Briefing – 1/27/2016
- \* Closing Date – 2/23/2016
- \* RFP Evaluation, Interviews, & Contract Negotiation (Week of 3/7/16)
- \* RFP Contract Board Award/Approval - 4/6/2016
- \* Projected Feasibility Study Completion – September 2016.



INFORMATION  
ITEM  
**3E**

Date: January 28, 2016  
To: Regional Committees  
From:  Inland Empire Utilities Agency  
Subject: Term Sheet for Recycled Water (RW) Interconnection with Jurupa  
Community Services District (JCSD)

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**RECOMMENDATION**

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

**BACKGROUND**

The item was presented as an action item at the IEUA Board of Directors meeting on November 18, 2015.



**Inland Empire Utilities Agency**  
**A MUNICIPAL WATER DISTRICT**

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**Date:** November 18, 2015

**To:** The Honorable Board of Directors

**Through:** Public, Legislative Affairs, and Water Resources Committee (11/11/15)  
Engineering and Operations Committee (11/11/15)  
Finance, Legal and Administration Committee (11/11/15)

**From:** P. Joseph Grindstaff  
General Manager

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

Sylvie Lee  
Manager of Planning and Environmental Resources

**Subject:** Term Sheet for Recycled Water (RW) Interconnection with Jurupa  
Community Services District (JCSD)

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**RECOMMENDATION**

It is recommended that the Board of Directors:

1. Approve the Term Sheet between Inland Empire Utilities Agency (IEUA) and JCSD for the development of a RW Interconnection; and
2. Authorize the General Manager to make non-substantive changes and execute the final Term Sheet.

**BACKGROUND**

In August 2013, IEUA began working on two of its long term planning initiatives; the Integrated Resources Plan (IRP) and Recycled Water Program Strategy (RWPS). Several conceptual projects have been identified in the IRP, including RW interties to supplement RW for the IEUA service area. As the RW system is being planned for growth and demand management, interties with neighboring agencies are being considered to maximize the beneficial use of RW.

One project that is being considered for the RW intertie is the recycled water from Western Riverside County Regional Wastewater Authority (WRCRWA). JCSD and Western Municipal Water District (WMWD) provide their sewage to WRCRWA for treatment, and the WRCRWA produces tertiary treated recycled water. This project would include a new connection between the existing IEUA recycled water system and the proposed WRCRWA RW system.

Over the past eighteen months, IEUA has been working with JCSD on a potential recycled water interconnection opportunity. In August 2014, a Memorandum of Understanding (MOU) was developed to initiate the planning process of creating alternative approaches in determining the long term water supply options for IEUA and the expansion of the recycled water system. Based on the results of the initial feasibility study and hydraulic modeling, 4,000 Acre Feet per Year (AFY) would be made available for the RW Interconnection Project.

Since then, staff has been working on developing a Term Sheet for the RW Interconnection, with a particular focus to submit a State Revolving Fund Loan Application utilizing the Proposition 1 funding opportunity by December 2, 2015. Key terms included in the Term Sheet are provided below:

- JCSD will develop 800 AFY of direct use.
- JCSD will deliver 4,000 AFY ultimately to the IEUA RW system, of which JCSD will receive 50% as recharge water credit in the Chino Basin.
- Capital costs for facilities will be paid based on the project benefit.
- Pending completion of this project, the previous MZ-3 agreement with JCSD (benefit of 950 AFY) will be modified to have a sliding scale benefit through the end of its term based on the total volume that is recharged in MZ-3.
- JCSD will pay for the groundwater recharge (GWR) maintenance charge (as adopted by the IEUA Board) currently at \$60/AF of RW recharged.
- For the first ten years, the O&M costs associated with additional RW pumping from RP-1 to GWR (approximately \$50/AF) will not be charged to JCSD. Following this time period, JCSD will fund the pro-rata portion of recycled water pumped from RP-1 to the 1158 pressure zone. The time period may be modified as part of the formal Agreement based on the expected pumping costs determined in the predesign report.
- IEUA and JCSD will be mutually responsible for any WRCRWA administrative or operational charges at the WRCRWA facility, on a pro-rata basis.

The current estimated total project cost for the project is \$52.46 million. IEUA's portion of the project cost is estimated to be \$13 million, and JCSD's share of the project costs is \$39 million. With Proposition 1 funding, the project is also eligible for a maximum principal forgiveness in the amount \$15 million. This project demonstrates the integrated regional approach of RW supply optimization.

This Term Sheet is consistent with the *Agency's Business Goal* of increasing *Water Reliability* by meeting the region's need to develop reliable, drought-proof and diverse local water resources in order to reduce dependence on imported water supplies.

### **PRIOR BOARD ACTION**

On August 20, 2014, the Board approved the MOU with JCSD and WMWD for the RW Interconnection project.

## **IMPACT ON BUDGET**

The Joint IEUA - JCSD Regional Water Recycling Program currently has a total project budget of \$10,000,000 in IEUA's Ten-Year Capital Improvement Plan (TYCIP). IEUA's total project share will be \$13,000,000, less approximately \$4,000,000 in principle forgiveness. The application would request \$52,460,000 in CWSRF funding.

Of the total project costs of \$52,460,000, JCSD's cost for this project is approximately \$39 million, less approximately \$11,000,000 in principle forgiveness.

|      | Anticipated Project Cost* |             | Anticipated Principle Forgiveness* |             | Net Project Cost* |             | Project Budget* |
|------|---------------------------|-------------|------------------------------------|-------------|-------------------|-------------|-----------------|
| IEUA | \$                        | 13 M        | \$                                 | 4 M         | \$                | 9 M         | \$ 10 M         |
| JCSD | \$                        | 39 M        | \$                                 | 11 M        | \$                | 28 M        | N/A             |
|      | \$                        | <b>52 M</b> | \$                                 | <b>15 M</b> | \$                | <b>37 M</b> | <b>N/A</b>      |

\*Numbers are rounded

Attachment: Term Sheet with JCSD

Jane F. Anderson, President  
Chad Blais, Vice President  
Kenneth J. McLaughlin, Director  
Betty A. Anderson, Director  
Joan E. Roberts, Ph.D., Director



November 24, 2015

Joe Grindstaff  
Inland Empire Utilities Agency  
P O Box 9020  
Chino Hills CA 91709

Re: Term Sheet for the Joint Inland Empire Utilities Agency-Jurupa Community Services District (IEUA-JCSD) Regional Water Recycling Program

At its meeting of November 23, 2015, the Board of Directors approved the Term Sheet between IEUA and JCSD for the development of a recycled water interconnection and delivery pipelines; and authorized the General Manager to execute the Term Sheet, subject to non-substantive changes. Enclosed please find a fully-executed original for your records.

If you have questions pertaining to the content of the Term Sheet, please contact Robert Tock, Director of Engineering & Operations, at (951) 685-7434.

Sincerely,

A handwritten signature in blue ink that reads "Rosemary Hernandez".

Rosemary Hernandez  
Administrative Assistant

Enclosure

cc: Michelle Lauffer (w/o enc.)

**JOINT IEUA – JCSD REGIONAL WATER RECYCLING PROGRAM PROJECT**

**INTERCONNECTION CONSTRUCTION AND OPERATING TERM SHEET BETWEEN INLAND EMPIRE  
UTILITIES AGENCY AND JURUPA COMMUNITY SERVICES DISTRICT**

The Inland Empire Utilities Agency (Agency) and Jurupa Community Services District (District) (Collectively referred to as the Parties) agree to an “unbalanced exchange” regarding the conveyance of the District’s proportionate share of the Western Riverside County Regional Wastewater Authority (WRCRWA) treated wastewater effluent to the Agency for direct irrigation use by the Agency, as supply for the Agency’s Groundwater Recharge (GWR) program and corresponding District storage credits in Chino Basin. The recycled water will be conveyed through a series of pumping systems and pipelines (the Project) within the District and Agency service areas.

**Section 1. Recycled Water Supply Projections**

- A. It is understood that the following is the projected District proportionate share of WRCRWA treated wastewater:

| Current Entitlement |                 | Expansion Entitlement |                 |
|---------------------|-----------------|-----------------------|-----------------|
| Flow (mgd)          | Volume/YR (AFY) | Flow (mgd)            | Volume/YR (AFY) |
| 3.25                | 2600-3600       | 6.00                  | 4800-6000       |

- B. It is acknowledged that this project is based on work to date regarding the current WRCRWA Petition for Change of Use (Discharge Permit) regarding releases to the Santa Ana River. This application is filed and well underway regarding required releases to the Santa Ana River. The final status or outcome is not known at present.
- C. District and Agency project available supply, at full development, estimated as follows:

|                       |                                                       |
|-----------------------|-------------------------------------------------------|
| District (Direct use) | 800 AF/Year (16.6%)                                   |
| Agency Deliveries     | 4000 AF/Year for use as:                              |
| 1. Direct Use         | 2000 AF (41.7%); Use by Agency                        |
| 2. Recharge           | 2000 AF (41.7%); District to receive recharge credits |

- D. Both parties acknowledge that there are seasonal use aspects associated with recycled water deliveries for both direct use and recharge applications. Higher demands exist in the peak summer months while lower demands exist in the winter months. Both parties desire steady state daily flow availability (+/- 15%) because there is no reservoir storage contemplated in this project.
- E. In the event that the District identifies an opportunity to expand direct use in excess of the volume identified in Section 1C, the Agency and the District commit to meet and negotiate

reallocation/expansion terms in good faith consistent with this Term Sheet or the subsequent Agreement. Example: A connection between Ontario's future recycled water system and the District's Area B Development.

- F. Both parties acknowledge that Agency may request that Santa Ana River (SAR) discharges may be made in lieu of the Agency introducing reclaimed water into the Agency system as part of seasonal beneficial use. This is acceptable if coordinated with Section 2C, Beneficial Use, and Recharge Plan. District shall receive Recharge Credit as outlined in Section 1C.

## Section 2. Beneficial Use

- A. District will construct and convey recycled water for direct use by its large users within its retail water system.
- B. Agency will construct and convey recycled water for direct use, primarily within its lower 930 pressure zone.
- C. Agency will utilize existing infrastructure or construct necessary facilities for the introduction of this recycled water for recharge in the Chino Basin.
- D. Agency and District shall cooperatively develop, coincidental with the project design and commitments, a mutually-agreed upon plan through a Project Committee to maximize recharge primarily within the Chino Basin Management Zone 3. It is understood that this recharge plan may be phased in nature due to the concurrent planning and construction of recharge basins within the 2013 Chino Basin Recharge Master Plan Update.
- E. Agency and District acknowledge that , pending completion of item D above, recharge capacity and other constraints may exist between this project and the provisions of the January 28, 2013 Management Zone 3 Recycled Water Groundwater Recharge Agreement (2013 Agreement). In consideration for the additional recharge associated with the Project, the maximum amount of groundwater recharge available through the 2013 Agreement will be amended as follows for the fiscal year immediately subsequent to the startup of the Project.

| MZ-3 Recycled Water Recharge* | Maximum Eligible for RW Purchase Through<br>2013 Agreement |
|-------------------------------|------------------------------------------------------------|
| (AF/Yr)                       | (AF/Yr)                                                    |
| <4000                         | 950                                                        |
| 5000                          | 850                                                        |
| 6000                          | 750                                                        |
| 7000                          | 650                                                        |
| 8000                          | 550                                                        |
| 9000                          | 450                                                        |
| 10000                         | 350                                                        |

\*from prior year

**Section 3. Environmental, Pre- Design and Design**

- A. Parties acknowledge and agree to the current project description as contained in the Joint IEUA-JCSD Regional Water Recycling Program Project State Revolving Fund Loan/grant application. This is detailed as Alternative 4 table and map (Attachment A).**
- B. Parties have mutually-funded and initiated the Preliminary Design Report under separate agreement. District has engaged the consultant in this work.**
- C. District has completed required California Environmental Quality Act (CEQA Plus) documentation with Board of Directors acceptance on September 26, 2015. Agency and District shall coordinate funding at 50% each following the execution of this Term Sheet.**
- D. District shall coordinate appropriate land at its existing American Heroes Park in support of this project during the design phase at no cost to the Parties. The design and construction of the pump station at the Park shall be completed with appropriate water conservation measures.**
- E. The Agency shall lead the design effort for the Project. The selection of consultants shall be through a competitive solicitation process and led by the Agency with participation/input by the District.**
- F. Parties agree to mutually fund project design in a pro-rata allocation as describe in Section 4 Construction and Ownership.**
- G. Project management costs directly associated with the Project (project management, construction management, grants management, etc.) shall be included as actual project costs and as such, shall be subject to pro-rata funding as outlined in Section 4D.**
- H. Design of Agency facilities shall be in conformance with Agency standards.**
- I. Design of District facilities shall be in conformance with District standards.**
- J. The Agency shall engage participation from the District throughout the design processes through the Project Committee.**

**Section 4. Construction and Ownership**

- A. Parties acknowledge and agree that commitment to design and construction are subject to the successful obtainment of the Joint IEUA-JCSD Regional Water Recycling Program Project State Revolving Fund Loan/grant.**
- B. It is contemplated, subject to further discussion, that the Project design will be conducted under one project award and subject to the same cost allocation as describe in Section 4D.**
- C. Both parties agree that the final construction approach shall be performed with a mutual goal of efficient design and process in order to meet the commitments made through the Joint funding application. Determination of the number of bid packages and construction management leadership will be determined by the Agency and District concurrent with the design process, but prior to the finalization of the design.**
- D. Capital Costs and ownership (Based on pro-rata volume methodology in Section 1C):**

**Joint IEUA-JCSD RW Project Term Sheet**

| <b>Facilities</b>                                    | <b>District Share</b> | <b>Agency Share</b> |
|------------------------------------------------------|-----------------------|---------------------|
| <b>WRCRWA Pump Station</b>                           | <b>58.3%</b>          | <b>41.7%</b>        |
| <b>Transmission Pipeline (WRCRWA-AHP)</b>            | <b>58.3%</b>          | <b>41.7%</b>        |
| <b>Agency Booster Pump and Pipeline (AHP-930 PZ)</b> | <b>50.0%</b>          | <b>50.0%</b>        |
| <b>District Booster Pump and Pipeline (AHP-JCSD)</b> | <b>100.0%</b>         | <b>0.0%</b>         |

- E. District shall operate and maintain the WRCRWA Pump Station, Transmission Pipeline (WRCRWA-American Heroes Park) and the District Pump Station and Pipeline to the retail area**
- F. Agency shall operate and maintain the Agency Pump and Pipeline from American Heroes Park to the 930 pressure zone connection point.**
- G. Agency and District coordination throughout the construction of the Project will be effectively communicated through the Project Committee.**

**Section 5. Operations and Maintenance Expenditures**

- A. Parties acknowledge and agree that the allocation and payment of annual operations and maintenance expenses shall on a pro-rata basis, consistent with that defined in Section 1C applied to actual expenditures.**
- B. District recognizes and agrees that there is a groundwater recharge maintenance charge (as adopted by the IEUA Board) currently at \$60/AF of recycled water recharged, that will be applied to the Project recharge.**
- C. Agency agrees that for the first 10-years, the O&M costs associated with additional recycled water pumping from RP-1 to GWR (approximately \$50/AF) shall not be charged to the District. Following this time period, the District will fund the pro-rata portion of recycled water pumped from RP-1 to the 1158 pressure zone. This time period (10-years) may be modified as part of the formal Agreement based on the expected pumping costs determined in the predesign report.**
- D. District shall coordinate electrical service for WRCRWA Pump Station and District distribution pumps at American Heroes Park.**
- E. Agency shall coordinate electrical service for the Agency Pump Station at American Heroe's Park.**
- F. Parties shall be mutually responsible (pro-rata Section 1C) for any WRCRWA administrative or operational charges at the WRCRWA facility.**
- G. Parties shall stay current on all operational billings and shall coordinate program reconciliations between the partnering agencies on a quarterly basis. Monthly reports shall include project expenditures, recycled water deliveries, and recharge credits.**
- H. Annual budgets and billings shall be reviewed by the Project Committee.**

**Section 6. Service Disruptions**

- A. District and Agency acknowledge that the provision of recycled water to this program is interruptible in nature. The supply is contingent on many factors including WRCRWA facility operations, and electrical service provision, which are provided by others.
- B. It is acknowledged that the current project does not include back-up power generation at any facilities.
- C. In the event of planned or unplanned supply disruptions, District shall make every reasonable effort to resume recycled water delivery as soon as possible and shall keep Agency informed as to the status of service.

**Section 7. Water Quality and Water Metering**

- A. District and Agency acknowledge that the water quality of the District wastewater shall comply with WRCRWA's Regional Water Quality Control Board Water reclamation requirements and Title 22 permits. Measurement shall be at the point of compliance at the WRCRWA facility.
- B. Water quality reports from WRCRWA shall be made available on an appropriate schedule.
- C. Agency is responsible to ensure that their direct use wholesale customers comply with all necessary regulatory and permit requirements for the application of the recycled water.
- D. Water deliveries shall be measured at the WRCRWA metering points within the facility and at American Heroes Park.
- E. Water quality and quantities shall be subject to review and validation by the Project Committee.

**Section 8. Financing**

- A. District hereby agrees to allow Agency to apply on District's behalf to the California State Revolving Fund Loan/grant program.
- B. Agency has negotiated an agreement with the Chino Basin Regional Financing Authority (CBRFA) that allows Agency to become the lead agency to apply for the above grant and CBRFA to administer the grant, if received.
- C. District shall annually appropriate funds for the repayment of the State Revolving Fund (SRF) Loan/Grant, if received.
- D. The District and the Agency may elect to pursue additional or alternate funding sources as otherwise agreed upon.

**Section 9. Term and Termination**

- A. It is contemplated that the SRF grant or Loan will have a repayment period of 30 years.
- B. This construction and operating agreement shall be for a period of 45 years, with automatic 10-year renewals unless either Party objects in writing.

- C. Each party shall have the right to terminate the agreement with a 3-year notice unless a shorter notice is mutually agreed upon in writing.
- D. The terminating party is responsible for repayment of the affected party's proportionate share of the project commitments that is outstanding at the time of termination.

**Section 10. Project Committee**

Consistent with the roles as defined within this Term Sheet, a Project Committee shall be established to ensure effective coordination between the Agency and District throughout the planning, design, construction and operation of the Project. The Project Committee shall be comprised of at least one leadership representative from each party. The Committee shall meet no less than twice per year to review Project design, construction, budgets, costs and operational coordination.

**Section 11. Preparation of an Agreement**

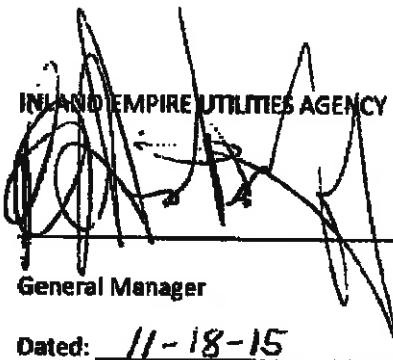
Both Parties agree to give best faith efforts to execute a formal Construction and Operations Agreement based on the terms identified herein within 180 calendar days, but no later than the award of a consultant design contract.

**Section 12. Contingent on Grant Funding and Change of Use Petition**

The obligations set forth in the formal Agreement shall not become effective, as to either party, unless and until the CBRFA executes a Grant Funding Agreement with the State of California which commits the delivery of grant funds to be applied to the Project as provided herein. In addition, project commitments shall be based on the successful issuance of a Change In Use permit regarding residual releases to the Santa Ana River.

**Section 13. Approval of Terms**

INLAND EMPIRE UTILITIES AGENCY

  
General Manager

Dated: 11-18-15

JURUPA COMMUNITY SERVICES DISTRICT

\_\_\_\_\_  
General Manager

Dated: \_\_\_\_\_

**Section 13. Approval of Terms**

**INLAND EMPIRE UTILITIES AGENCY**

\_\_\_\_\_  
**General Manager**

**Dated:** \_\_\_\_\_

**JURUPA COMMUNITY SERVICES DISTRICT**



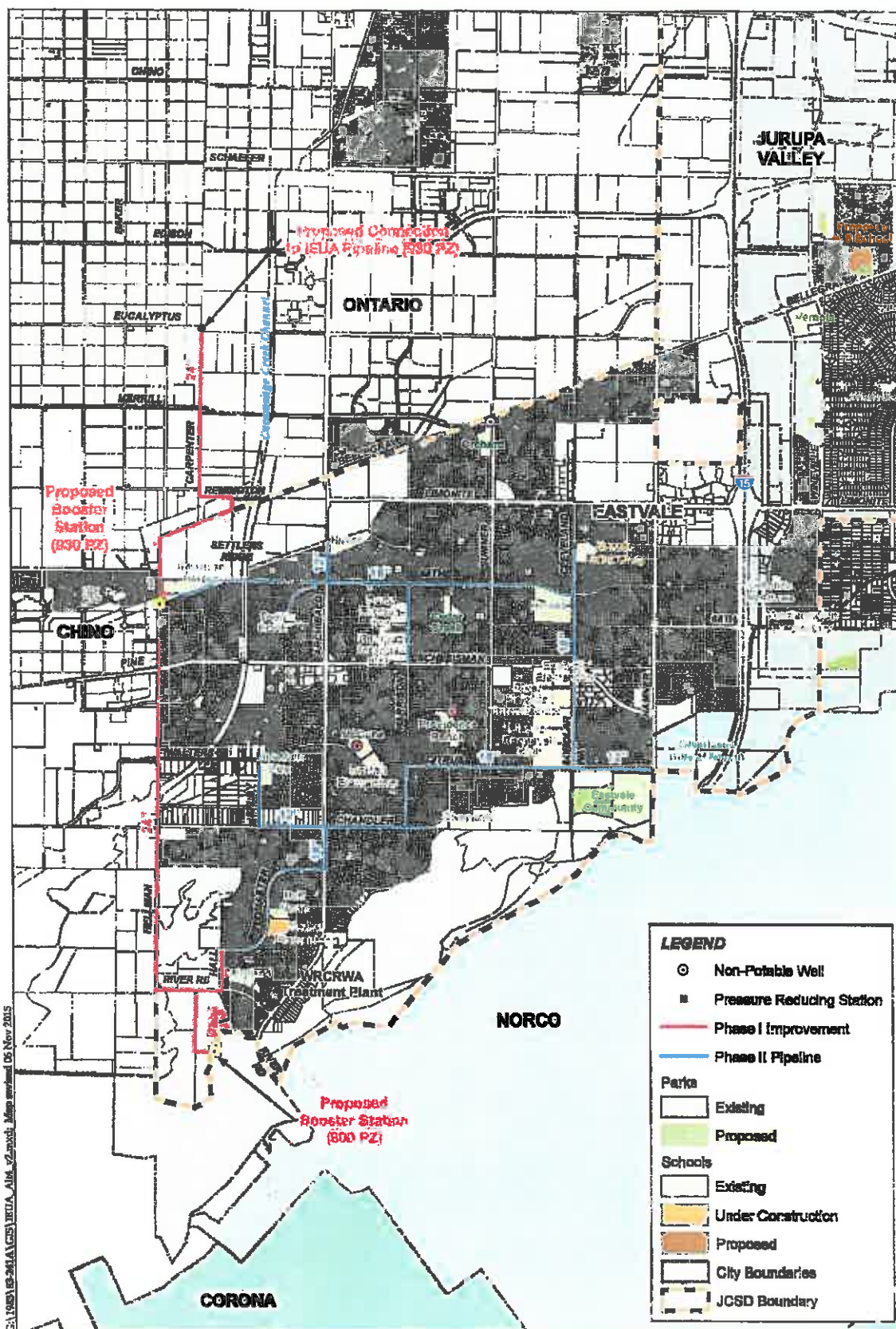
\_\_\_\_\_  
**Todd M. Corbin**  
**General Manager**

**Dated:** November 23, 2015

**ATTEST:**

  
\_\_\_\_\_  
**Julie B. Saba**  
**Board Secretary**

# Attachment A



GIS: 1985102-241A1 (GIS) IEUA, A104, v2.2.mxd, Map created: 06 Nov 2015

Sources: Riverside Co. GIS, 2015; San Bernardino Co. GIS, 2015; Corona-Norco USD; Jurupa USD.



0 2,000 4,000 6,000 8,000 Feet

## IEUA Alternative 4

No Reservoir Project - Future 800PZ Connection - Local 830PZ Connection



# Joint IEUA-JCSD RW Project Term Sheet

## EASTVALE RECYCLED WATER SYSTEM IEUA ALTERNATIVE 4 - OPTION 1 (NO IEUA RESERVOIR PROJECT - LOCAL & 800 PZ CONNECTION)

| Phase  | Facility                                                                                                                    | Estimated Construction Cost | Estimated Project Cost <sup>2</sup> |
|--------|-----------------------------------------------------------------------------------------------------------------------------|-----------------------------|-------------------------------------|
| I      | Booster Station: from WRCWA Plant to 800 PZ POC on Pine Ave. (Approx. 750 HP) <sup>2</sup>                                  | \$6,150,000                 | \$1,520,000                         |
|        | 24" Dia. Transmission Pipeline from WRCWA SS to 800 PZ POC on Pine Ave. (Approx. 18,300 LF)                                 | \$5,540,000                 | \$5,520,000                         |
|        | Sub-Total Phase I                                                                                                           | \$11,690,000                | \$7,040,000                         |
| II     | 24" Dia. Transmission Pipeline from Hallman Ave./Pine Ave. Intersection to SW Corner American Horse Park (Approx. 2,500 LF) | \$790,000                   | \$1,110,000                         |
|        | 18" Dia. Unpressurized Distribution Pipeline System (Approx. 14,700 LF)                                                     | \$10,080,000                | \$14,120,000                        |
|        | 18" Dia. 1500 psi Distribution Pipeline System (Approx. 14,700 LF)                                                          | \$3,490,000                 | \$4,470,000                         |
|        | Individual On-Site Injection Systems (Approx. 18 Sites)                                                                     | \$470,000                   | \$670,000                           |
|        | Sub-Total Phase II                                                                                                          | \$14,830,000                | \$20,370,000                        |
| III    | Booster Station (Temporary) Corner American Horse Park to 800 PZ POC (Approx. 750 HP) <sup>2</sup>                          | \$6,150,000                 | \$1,520,000                         |
|        | 24" Dia. Transmission Pipeline from SW Corner American Horse Park to 800 PZ POC (Approx. 11,500 LF)                         | \$4,500,000                 | \$5,480,000                         |
|        | Sub-Total Phase III                                                                                                         | \$10,650,000                | \$6,990,000                         |
| TOTALS |                                                                                                                             | \$27,170,000                | \$34,400,000                        |
|        |                                                                                                                             |                             | 27.33%                              |
|        |                                                                                                                             |                             | 22.37%                              |

<sup>1</sup> Project cost is 1.4 times construction cost. Project cost includes: construction costs, construction contingencies, design engineering including plans and specifications, design and construction surveying and mapping, geotechnical evaluation and reports, engineering contract administration, final inspection and environmental documentation. Costs are based on Engineering News-Record (ENR) Construction Cost Index for Los Angeles (ENR) 10,661 (June 2015). Excavation, financing, interest during construction, legal, and R-O-M costs are not included.

<sup>2</sup> Assumes CMAA is \$240 per hp and 50 psi generation equivalent \$100 per POC. Also assumes \$100,000 of upgrades required for proposed booster station that will be constructed with WRCWA plant expansion.

<sup>3</sup> Assumes CMAA is \$200 per hp and 50 psi connection pressure at 800 PZ POC. Also assumes \$150,000 of upgrades required for proposed booster station that will be constructed with WRCWA plant expansion.

**INFORMATION  
ITEM  
3F**

# Recycled Water Recharge and El Nino Preparations

January 2016



Bill Leever, PG, CHG  
Groundwater Recharge Coordinator  
Inland Empire Utilities Agency



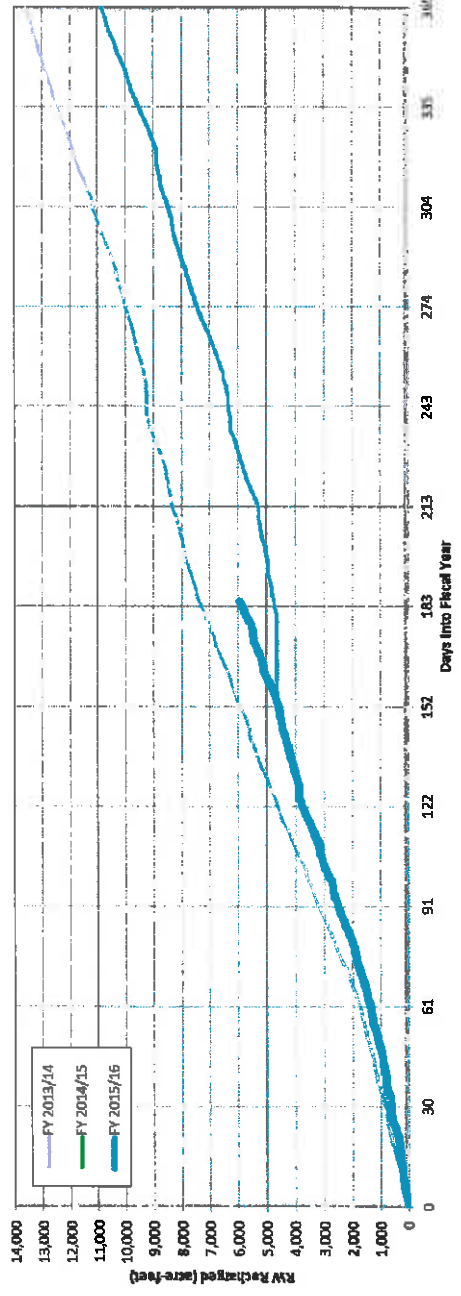
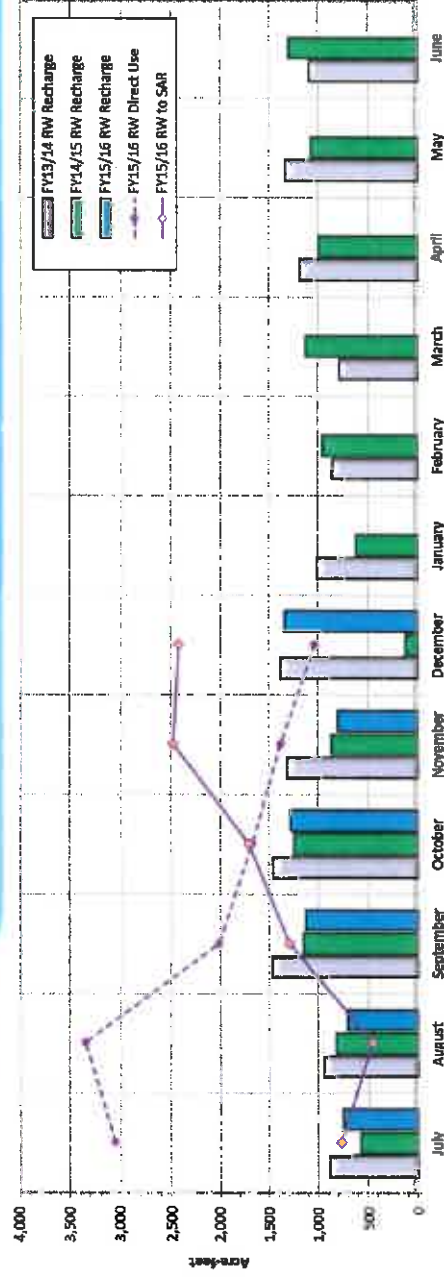
Inland Empire Utilities Agency

A MUNICIPAL WATER DISTRICT

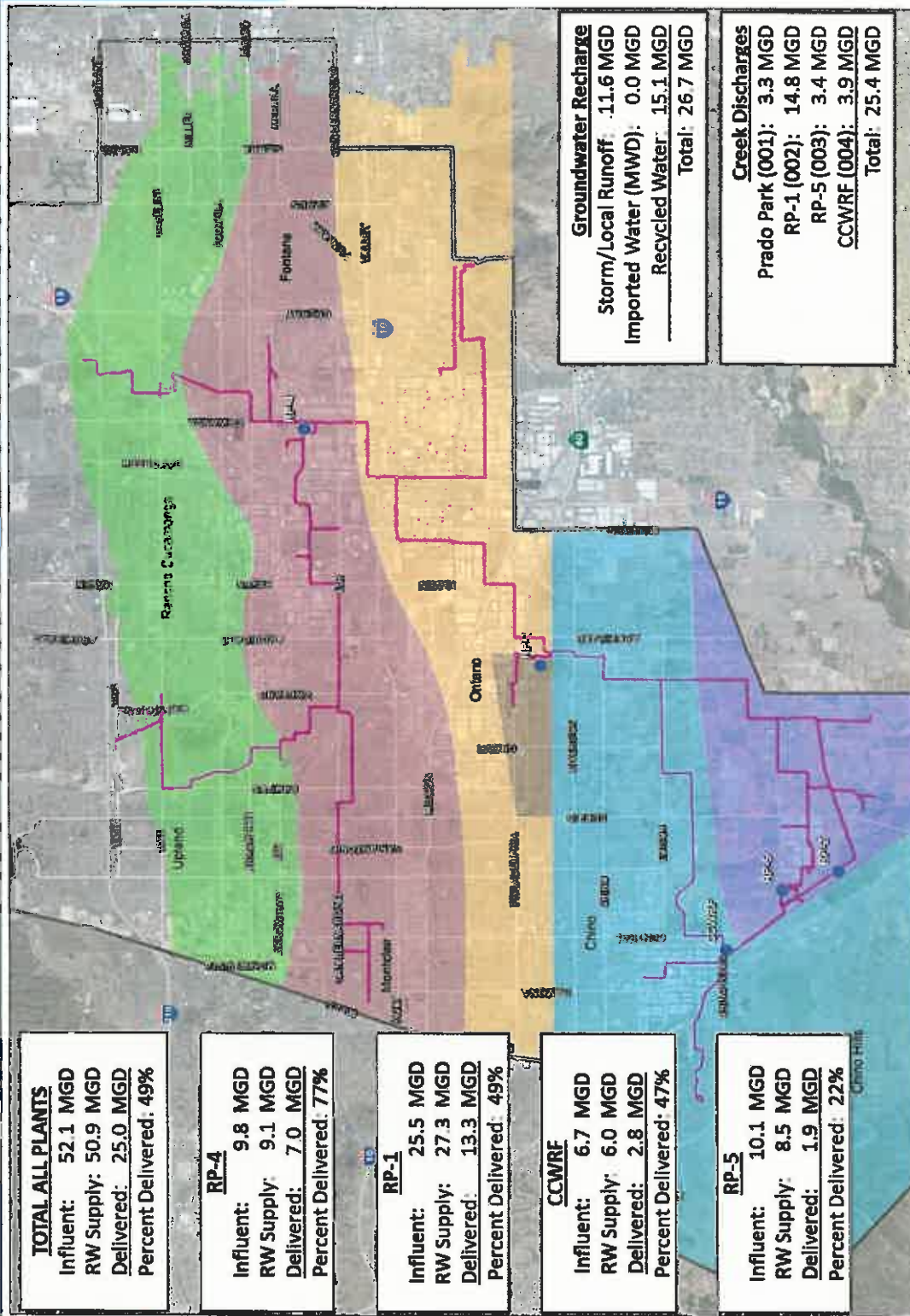


# Recycled Water Recharge

FY15/16 recycled water recharge is approximately 6,000 acre-feet, as of December 2015

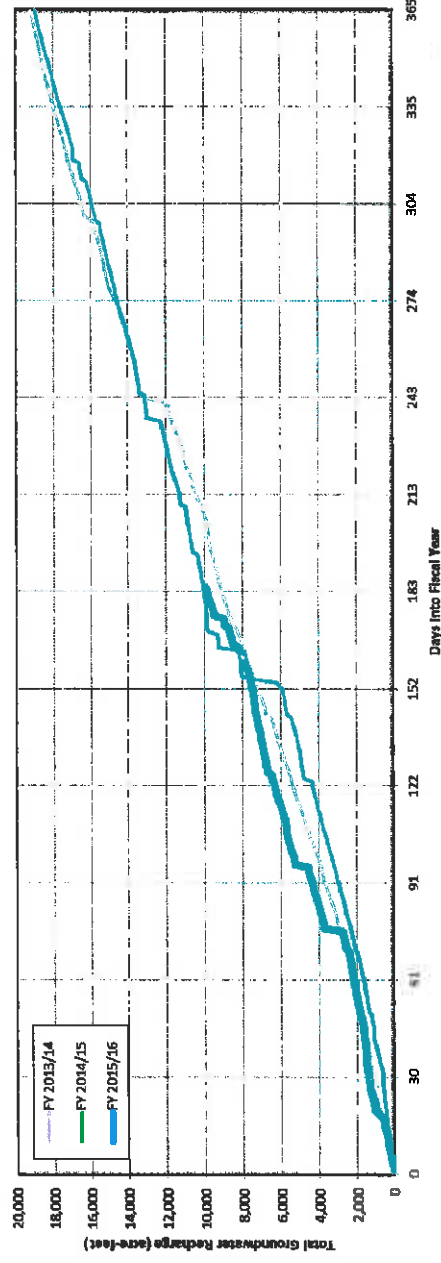
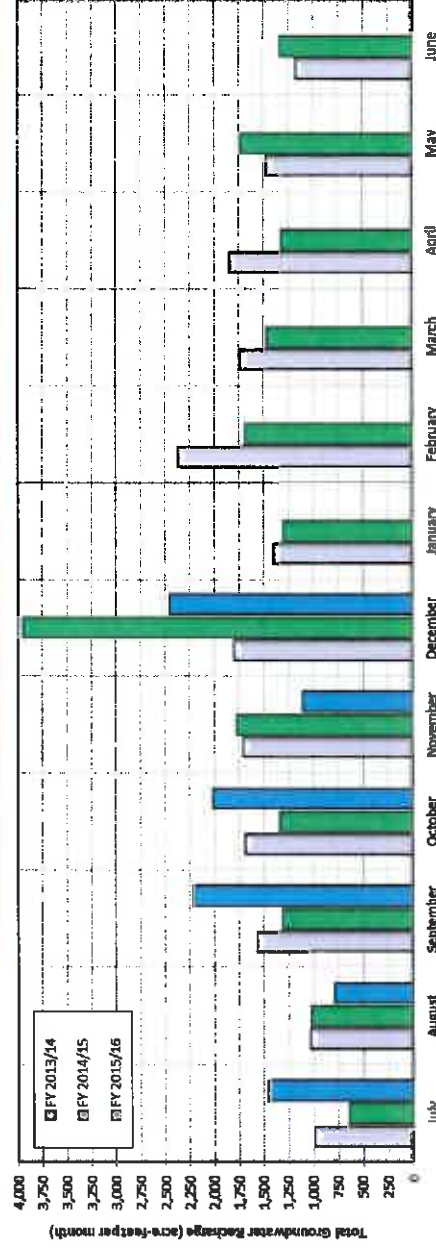


# IEUA RECYCLED WATER DISTRIBUTION – DECEMBER 2015



# Total Groundwater Recharge

FY15/16  
groundwater  
recharge is  
approximately  
6,000 acre-feet, as  
of December 2015



# El Nino Preparation

## \* Completed Routine Maintenance

- Weeding
- Flow control gate testing and maintenance
- Cleaning of inlet and outlet structures
- Flow control berm maintenance

## \* Basin Infiltration Restoration

- 7<sup>th</sup> and 8<sup>th</sup> Street
- Turner 1
- Brooks

## \* Rubber dam inspection and maintenance completed

## \* Stakeholder communications (CBWCD, CBWM, SBCFCD)

- El Niño agenda items at Groundwater Recharge Coordination Committee (GRCC) meetings
- GRCC sub-committee established to update Basin Operation Procedures



Montclair 2, January 8, 2016

# El Nino Preparation



Debris collected on San Sevaine Channel drop inlet to Victoria Basin. All basin inlet structures are cleared prior to storm events.



8<sup>th</sup> Street Basin Infiltration Restoration was completed December 2015.



Brooks Basin outlet structure from San Antonio Channel prior to debris removal. Project was completed December 2015.



Brooks Basin Infiltration Restoration was completed December 2015.

# El Nino Preparation

IEUA GWR staff  
repositioning  
pump hose and  
intake in Brooks  
Basin prior to  
basin  
maintenance



**Inland Empire Utilities Agency**  
A MUNICIPAL WATER DISTRICT

Debris behind  
rubber dams is  
removed prior  
to storm events  
to prevent inlet  
structure  
clogging. Lower  
Day rubber dam  
shown.



# Storm Water Capture and Recharge

- \* Ten (10) storm events in FY15/16 (as of 1/20/16) with measurable storm water capture
- \* Total storm water capture (as of 1/20/16) is approximately 3,500 acre-feet (*value at MWD Tier 1 untreated rate is approximately \$2,000,000*)
- \* The January 5-7, 2016 storm resulted in approximately 1,800 acre-feet of storm water capture (*value at MWD Tier 1 untreated rate is approximately \$1,100,000*)
- \* RW deliveries to recharge basins continue as basin capacity and storm events dictate

**RECEIVE AND  
FILE**

**4A**

# Building Activity Report - YTD Fiscal Year 2015/16



## Legend

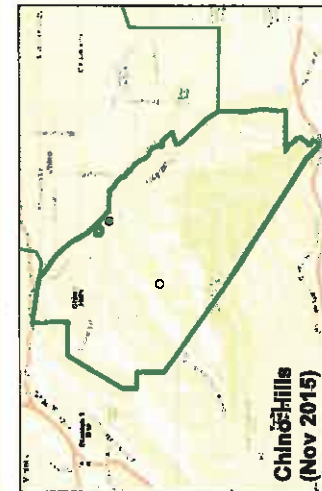
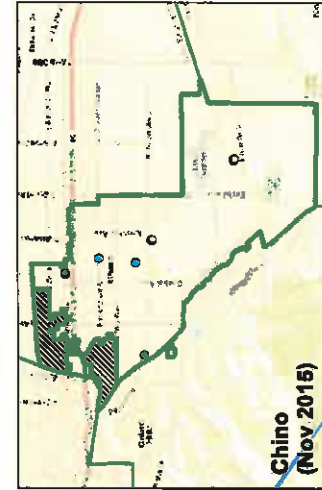
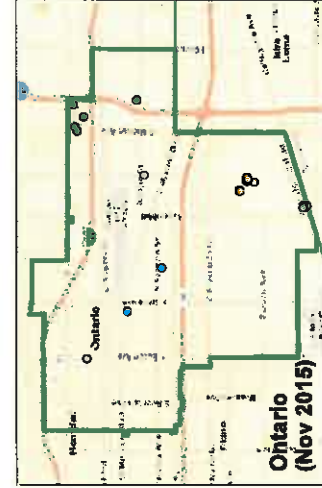
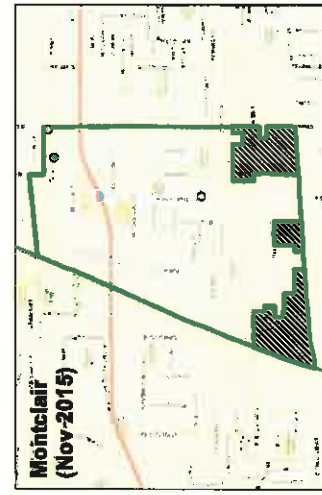
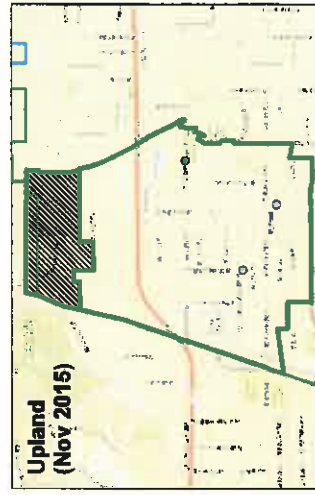
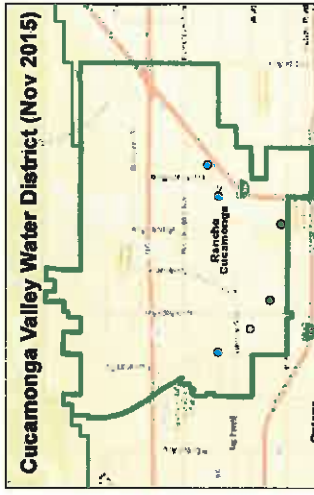
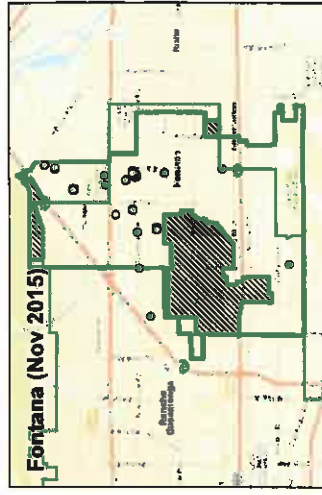
- Service Area
- Unincorporated
- EDU (YTD)
- Residential
  - <=1.0
  - 1.0 - 10.0
  - >10.0
- Commercial
  - <=1.0
  - 1.0 - 10.0
  - >10.0
- Industrial
  - <=1.0
  - 1.0 - 10.0
  - >10.0

HALF MILE GRID: TOTAL EDU's (YTD)



## TOTAL EDU BY CONNECTION TYPE (YTD)

| Contracting Agency | TID ZONE           |                   |                   | Project     |             |
|--------------------|--------------------|-------------------|-------------------|-------------|-------------|
|                    | Residential (H/BA) | Commercial (H/BA) | Industrial (H/BA) | Total (EDU) | Total (EDU) |
| Chino              | 144                | 13                | 0                 | 157         | 842         |
| Chino Hills        | 39                 | 61                | 0                 | 100         | 691         |
| CVWD               | 314                | 102               | 1                 | 417         | 364         |
| Fontana            | 280                | 40                | 9                 | 329         | 445         |
| Montclair          | 26                 | 11                | 0                 | 37          | 154         |
| Ontario            | 155                | 53                | 35                | 244         | 3000        |
| Upland             | 129                | 31                | 0                 | 164         | 325         |
| Total              | 1092               | 311               | 45                | 1448        | 5949        |



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# IEUA RECYCLED WATER DISTRIBUTION – DECEMBER 2015

## TOTAL ALL PLANTS

Influent: 52.1 MGD  
 RW Supply: 50.9 MGD  
Delivered: 25.0 MGD  
 Percent Delivered: 49%

## RP-4

Influent: 9.8 MGD  
 RW Supply: 9.1 MGD  
Delivered: 7.0 MGD  
 Percent Delivered: 77%

## RP-1

Influent: 25.5 MGD  
 RW Supply: 27.3 MGD  
Delivered: 13.3 MGD  
 Percent Delivered: 49%

## CCWRF

Influent: 6.7 MGD  
 RW Supply: 6.0 MGD  
Delivered: 2.8 MGD  
 Percent Delivered: 47%

## RP-5

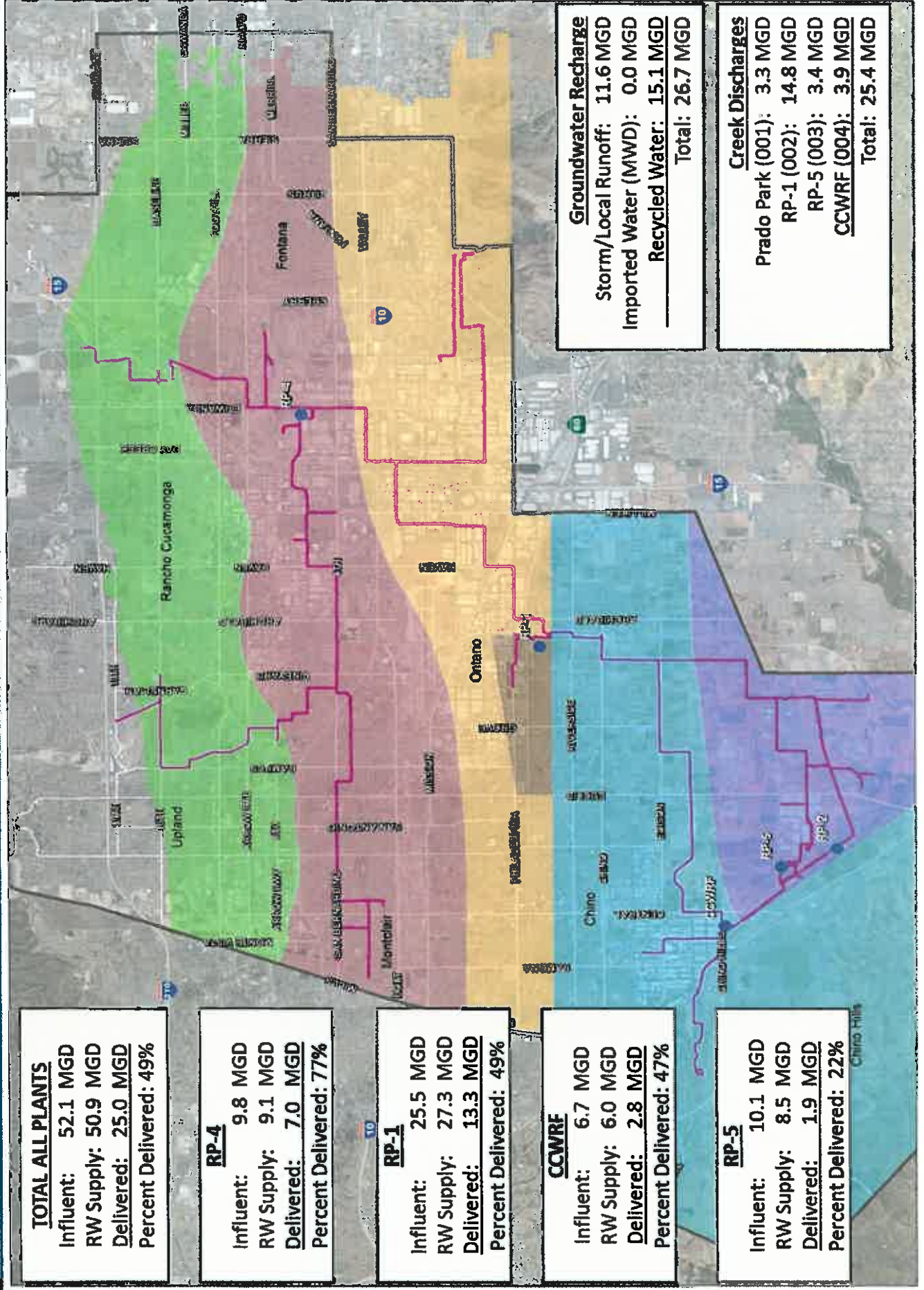
Influent: 10.1 MGD  
 RW Supply: 8.5 MGD  
Delivered: 1.9 MGD  
 Percent Delivered: 22%

## Groundwater Recharge

Storm/Local Runoff: 11.6 MGD  
 Imported Water (MWD): 0.0 MGD  
Recycled Water: 15.1 MGD  
 Total: 26.7 MGD

## Creek Discharges

Prado Park (001): 3.3 MGD  
 RP-1 (002): 14.8 MGD  
 RP-5 (003): 3.4 MGD  
CCWRF (004): 3.9 MGD  
 Total: 25.4 MGD



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**4C**



## **Regional Sewerage Program Policy Committee Meeting**

**Thursday, February 4, 2016  
4:30 p.m.**

### **Location**

Inland Empire Utilities Agency  
6075 Kimball Avenue  
Chino, CA 91710

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### **Call to Order and Roll Call**

### **Pledge of Allegiance**

### **Public Comment**

- 1. Technical Committee Report – Ryan Shaw (Oral)**
- 2. Approval of Minutes**
  - A. Minutes of November 4, 2015 Joint IEUA Board and Policy Committee Workshop
- 3. Action Items**
  - A. Recycled Water Policy Principles (Written)
- 4. Informational Items**
  - A. RP-1/RP-5 PDR
  - B. Regional Contract Update (PP, Info)
  - C. JCSD RW Term Sheet (PP, Written, Info)
- 5. Receive and File**
  - A. Building Activity Report (YTD)
  - B. Recycled Water Distribution - Operations Summary
  - C. Draft Regional Policy Committee Agenda
  - D. Recycled Water and Recharge Update (PP)
  - E. Organics Diversion Feasibility Study (Oral)
  - F. Septic Area Analysis (PP, Info)
- 6. Other Business**
  - A. IEUA General Manager's Update
  - B. Committee Member Requested Agenda Items for Next Meeting

- C. Committee Member Comments
- D. Next Meeting – March 3, 2016

## **7. 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, February 1, 2016.

Laura Mantilla

RECEIVE AND  
FILE

**4D**

Date: January 28, 2016  
To: Regional Committees  
From:  Inland Empire Utilities Agency  
Subject: Regional Contract Review Final Report

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**RECOMMENDATION**

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

**BACKGROUND**

The item was presented as an action item at the IEUA Board of Directors meeting on December 16, 2015.



**Inland Empire Utilities Agency**  
A MUNICIPAL WATER DISTRICT

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**Date:** December 16, 2015  
**To:** The Honorable Board of Directors  
**Through:** Audit Committee (12/09/15)  
**From:** Teresa V. Velarde   
Manager of Internal Audit  
**Subject:** Regional Contract Review Final Report

---

### **RECOMMENDATION**

This is an information item for the Board of Directors (Board) to review.

### **BACKGROUND**

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

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

The Regional Contract Review Final Report is consistent with the Agency's Business Goals of *Fiscal Responsibility, Workplace Environment and Business Practices* by providing independent evaluations of the financial and operational activities of IEUA's contracting agencies' implementation of the Regional Contract and suggesting recommendations for improvements.

### **RECOMMENDATIONS AND FINDINGS**

The final report presents recommendations in the form of potential new business models for the Agency to consider implementing:

- Best Practices – Actions/activities that could/should already be occurring
- Minor Changes – Revisions to Exhibit J and the 1997 sewer billing formula

- **Moderate Changes – Oversight, information, and recourse**
- **Major Changes – Develop a new way of doing business (centralize the collection of all fees at IEUA)**
- **Total regional restructuring**

The recommended business models address the findings noted consistently through the review:

- **Exhibit J of the Regional Contract should be revised and approved regularly. The review identified over \$160,000 in potential under-collections from just five businesses where there was a difference in the interpretation of the category type.**
- **Contracting agencies do not generally collect connection fees from public schools (K-12) since schools are permitted by the State. The review found 16 public school campuses with recent construction. In ten instances no connection fees were paid. IA conservatively estimates that at a minimum, connection fees of approximately \$230,000, and possibly as much as \$687,000, should have been collected.**
- **The region's main community college campus and one satellite campus did not pay connection fees for multiple new buildings, but the Fontana satellite campus paid approximately \$53,000, in connection fees for one new building. IA conservatively estimates that at a minimum, connection fees of approximately \$55,000, for the satellite campus and over \$180,000, for the main campus should have been collected, and possibly at least as much as \$530,000, should have been collected.**
- **The review found one hospital (Kaiser – Fontana) where no connection fees were collected. Two other hospitals with recent expansion each paid approximately \$1,400,000, in connection fees. IA conservatively estimates that at a minimum, connection fees of approximately \$1,300,000, should have been collected, but the amount could possibly be much higher.**
- **No difference is defined in the Regional Contract between public service facilities that are considered “publicly owned” vs. “publicly used.” The review tested eight governmental facilities that were charged connection fees at the commercial category rate rather than the public service rate, resulting in potential under-collections of approximately \$64,000, for all buildings.**
- **The calculation worksheet should be standardized at all contracting agencies to ensure the fixture types and counts are consistent with Exhibit J. The review found that at one contracting agency the calculation worksheet is missing 15 categories from Exhibit J, yet includes three category types that are not part of Exhibit J. This created a potential extrapolated under-collection of approximately \$80,000 in connection fees in just one fiscal year.**

- A contracting agency gave an Industrial entity a credit of over \$500K for connection fees, with no documentation to support the credit.
- There is a need for clear guidance and detailed instructions for the assessment and collection of connection fees for Industrial entities. In evaluating the connection fees and monthly sewerage charges collected among various industrial entities, there appears to be no correlation or justification for some of the low rates currently paid.
- The EDU defined in the Regional Contract as 270 gallons per day (GPD) is no longer representative of modern water usage.
- IEUA should require contracting agencies to itemize monthly sewerage amounts for non-residential customers. Currently, the agencies provide total EDUs each month and IEUA issues an invoice for the self-reported amount without requiring additional support or verification.
- The 1997 Procedures for monthly sewer billing memorandum should be revised and approved regularly. The review found contracting agencies where approximately 25 percent of accounts tested for monthly sewer fees had errors. Errors/mistakes in monthly sewer billing act like an annuity, growing exponentially over time unless or until they are corrected.

IA would like to extend our appreciation to all seven contracting agencies, the IEUA Planning and Environmental Resources and Finance and Accounting Departments for their cooperation and assistance during this review. IA appreciates the opportunity to perform this review and stands ready to assist in any way possible as necessary and as requested.

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

- Interim Audit Report for the City of Ontario (September 2015)
- "Draft" Interim Audit Report for the City of Ontario (June 2015)
- Interim Audit Report for the City of Chino Hills (June 2015)
- Interim Audit Report for the Cucamonga Valley Water District (March 2015)
- Interim Audit Report for the City of Chino (December 2014)
- Interim Audit Report for the City of Fontana (December 2014)
- Interim Audit Report for the City of Montclair (September 2014)
- Interim Audit Report for the City of Upland (September 2014)
- Survey of Comparative Information of the Seven Contracting Agencies (September 2014)
- Regional Contract Review – Review of the Ten Year Forecast (June 2014)
- Regional Contract Review – Survey of Comparable Agencies (June 2014)

#### **ATTACHMENTS**

The Regional Contract Review Final Report is attached.

**PRIOR BOARD ACTION**

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

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

**IMPACT ON BUDGET**

The impact on the budget may be significant depending on additional revenues potentially collected, investment income potentially earned and the related staffing and other costs of potentially implementing a new business model or aspects thereof.



*Inland Empire Utilities Agency*  
A MUNICIPAL WATER DISTRICT

# **Regional Contract Review**

# **Final Report**

***The Regional Contract review is consistent with the Agency's Business Goals of Fiscal Responsibility, Workplace Environment and Business Practices by providing an independent evaluation of the Regional Contract and suggesting recommendations for improvements.***

**Prepared by:  
Internal Audit Department  
October 7, 2015**

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## **EXECUTIVE REPORT**

The objectives of the Regional Contract Review were to evaluate how each of the Contracting Agencies apply the Chino Basin Regional Sewerage Service Contract (Regional Contract) provisions, determine whether processes are in compliance with Regional Contract requirements, identify opportunities to improve procedures and make recommendations to consider as part of the Regional Contract renegotiation. The review covered the period from July 1, 2012 through December 31, 2013 and where possible considered events subsequent to that period. The audit included a review of the seven Contracting Agencies: Cities of Chino, Chino Hills, Fontana, Montclair, Ontario, Upland and the Cucamonga Valley Water District.

The Regional Contract is a 50-year contract that expires in 2022. *This Executive Report provides a summary of the findings identified and a description of potential new Business Models with recommendations to address the findings and with suggestions for potential next steps.*

### **Findings & Observations**

In conducting the review, Internal Audit (IA) judgmentally selected between 40 and 75 businesses and Public Service Facilities (PSF) from a variety of different sources at each of the Contracting Agencies to test whether Connection Fees and Monthly Sewer Fees were accurately calculated, assessed, collected, and reported to IEUA in accordance with Regional Contract provisions. During this review, IA completed ten separate interim audit reports documenting the specifics of the observations, findings and recommendations identified. Information about the observations and findings is included in the attachments and summarized below:

- Exhibit J of the Regional Contract should be revised and approved regularly to include additional category types and provide users with clarification and detailed definitions to ensure consistency in its application. The review found there are many inconsistencies in the way Contracting Agencies interpret the category types provided in Exhibit J of the Regional Contract. This creates differences in interpretation and application among Contracting Agencies and differences in Connection Fees assessed and collected. This review identified over **\$160,000** in potential under-collections from just five entities where there was a difference in the interpretation of the category type.
- The review found that Contracting Agencies do not generally collect Connection Fees from public schools (K-12) because there is no established process in place to identify and collect fees since schools are permitted by the State. The review found 16 public school campuses with recent construction. In 10 cases no Connection Fees were paid or collected. It is not possible to quantify the loss in Connection Fees without performing a physical survey to physically count the fixture units. Connection Fees ranged from \$23,000 to over \$270,000 per

campus for the other six campuses that paid fees. Therefore, at a minimum, using the lowest estimate, the Contracting Agencies should have collected a very conservative **\$230,000** in Connection Fees (10 campuses x \$23k – lowest estimate); however, based on the comparable information for the six schools that did collect fees, **\$687,000** is a closer estimate of Connection Fees that should at least have been collected.

- The review found that the region's main community college campus and one satellite campus, had not paid Connection Fees for multiple new buildings, but the Fontana satellite campus paid approximately \$53,000 in Connection Fees for one new building. It is not possible to quantify the loss in Connection Fees without performing a physical survey to physically count the fixture units. Internal Audit attempted to perform a physical survey of the accessible areas of the three buildings at the Chino Campus (not including science laboratories or the banquet facility) and determined that Connection Fees would have exceeded **\$55,000**. At the main campus facility in Rancho Cucamonga, Internal Audit noted that ten new buildings have been added since 2008. Internal Audit was not able to perform a physical survey, however, using the conservative approach of approximately \$18,000 per building (\$55k / 3) noted at the Chino Campus, at a minimum **\$180,000** in Connection Fees should have been collected (10 campuses x \$18k); but the amount is possibly much higher, possibly **\$530,000** if we use the comparable information for the one building where fees were collected.
- As with most Public Service Facilities, the Contracting Agencies did not always collect for hospital construction because hospitals are also permitted by the State. The review found one hospital where no Connection Fees were collected. Internal Audit calculated the minimum possible Connection Fees based on the number of patient rooms (and not including cafeterias, surgical facilities, etc.). At a minimum a very conservative estimate of **\$1,300,000** in Connection Fees should have been collected. In comparison, two other hospitals in the Region with recent expansions each paid approximately \$1,400,000 in Connection Fees.
- The review noted differences in interpretation between Public Service Facilities that are considered "publicly owned" and/or "publicly used." There is no difference defined in the current Regional Contract. The review tested eight governmental facilities that were charged Connection Fees at the commercial category rate rather than the public service rate, resulting in potential under-collections of approximately **\$64,000** for all buildings.
- There is a need to standardize the calculation worksheet for all Contracting Agencies to ensure the fixture types and counts are consistent with Exhibit J. This would eliminate the inconsistencies and differences in fixture unit values assigned by the Contracting Agencies, creating differences in the Connection Fees assessed. The review found that in one agency, the Calculation Worksheet

is missing 15 categories from Exhibit J, yet includes three category types that are not part of Exhibit J. This created a potential extrapolated under-collection of approximately **\$80,000** in Connection Fees in only one fiscal year.

- The review also noted a questionable credit of approximately **\$560,000** given by the Contracting Agency to Evolution Fresh, an Industrial entity located in Rancho Cucamonga, with no documentation to support the credit.
- There is a need for clear guidance and detailed instructions for the assessment and collection of Connection Fees for Industrial entities. During the review, Contracting Agencies commented that they believe that new businesses find Connection Fees for Industrial activities to be both confusing and high, particularly the portion of the fee based on a wastewater analysis and that there are trade-offs between this cost and the ongoing costs of alternatively connecting to the NRWS lines. The review found differences in the interpretation and application of the Regional Contract for both Connection Fees and Monthly Sewer Fees for Industrial users, creating inconsistencies among customers that may appear to be inequitable among the industrial customers.
- The 1997 Procedures for Monthly Sewer Billing memorandum should be revised and approved regularly to include additional category types and provide users with clarification and detailed definitions to ensure consistency in its application. The review found a variety of errors in the Contracting Agencies' billing systems ranging from data entry input errors, to categorization errors from unclear guidance in the 1997 document. The review found Contracting Agencies where approximately **25%** of accounts tested for Monthly Sewer Fees had errors. It is difficult to extrapolate the error rate to total revenue because each error/mistake can be unique and it is difficult to determine how long the error has existed. It is important to note that errors/mistakes in Monthly Sewer Fees act like an annuity, growing exponentially over time unless or until they are corrected.
- There is a need to reevaluate the EDU definition of 270 gallons per day (GPD) set forth in the Regional Contract. Our survey of comparable agencies showed that other similar agencies define their EDU equivalent between 235 and 310 GPD. Additionally, with water conservation efforts, more water efficient appliances and increased urban density, water usage has declined since the EDU was initially defined in the Regional Contract and 270 GPD is no longer representative of modern water usage.
- IEUA should require the Contracting Agencies to itemize Monthly Sewer Fees amounts for non-residential customers. Currently, the only information provided to IEUA by each Contracting Agency is total EDUs. No additional information is required. The review found that Contracting Agencies derive the total EDU number in various ways: One Contracting Agency calculates the EDU number based on the number of EDUs purchased by their customers. The other

Contracting Agencies calculate nonresidential EDUs from their water readings according to the "draft" 1997 billing memorandum, but some use differing methods: one backs into the total number of EDUs by dividing revenue billed in that month by the EDU rate, another reports EDUs only where monthly fees have been collected (not accounting for those still outstanding) and another does not report usage from their own governmental facilities.

The summary below shows findings related to uncollected Connection Fees, both minimum estimated fees and the fees based on comparable information:

### SUMMARY OF UNCOLLECTED CONNECTION FEES

#### CONNECTION FEES (Minimum Potential)

|                 | CHINO             | CHINO<br>HILLS   | CVWD              | FONTANA             | MONTCLAIR        | ONTARIO          | UPLAND           |
|-----------------|-------------------|------------------|-------------------|---------------------|------------------|------------------|------------------|
| HOSPITAL        | \$ -              | \$ -             | \$ -              | \$ 1,300,000        | \$ -             | \$ -             | \$ -             |
| COLLEGE         | 55,000            | -                | 180,000           | -                   | -                | -                | -                |
| SCHOOLS         | 23,000            | 23,000           | 69,000            | -                   | 46,000           | 69,000           | -                |
| GOVT FACILITIES | -                 | -                | -                 | 32,448              | 8,942            | -                | 22,977           |
| OTHER           | 141,006           | 7,641            | 586,687           | -                   | (3,527)          | 16,550           | 5,246            |
| <b>MINIMUM</b>  | <b>\$ 219,006</b> | <b>\$ 30,641</b> | <b>\$ 835,687</b> | <b>\$ 1,332,448</b> | <b>\$ 50,965</b> | <b>\$ 85,550</b> | <b>\$ 28,223</b> |

**TOTAL MINIMUM \$ 2,582,520**

#### CONNECTION FEES (Comparable Basis)

|                   | CHINO             | CHINO<br>HILLS   | CVWD                | FONTANA             | MONTCLAIR         | ONTARIO           | UPLAND           |
|-------------------|-------------------|------------------|---------------------|---------------------|-------------------|-------------------|------------------|
| HOSPITAL          | \$ -              | \$ -             | \$ -                | \$ 1,300,000        | \$ -              | \$ -              | \$ -             |
| COLLEGE           | 55,000            | -                | 530,000             | -                   | -                 | -                 | -                |
| SCHOOL            | 43,000            | 43,000           | 153,000             | -                   | 236,000           | 212,000           | -                |
| GOVT FACILITIES   | -                 | -                | -                   | 32,448              | 8,492             | -                 | 22,977           |
| OTHER             | 141,006           | 7,641            | 586,687             | -                   | (3,527)           | 16,550            | 5,246            |
| <b>COMPARABLE</b> | <b>\$ 239,006</b> | <b>\$ 50,641</b> | <b>\$ 1,269,687</b> | <b>\$ 1,332,448</b> | <b>\$ 240,965</b> | <b>\$ 228,550</b> | <b>\$ 28,223</b> |

**TOTAL COMPARABLE \$ 3,389,520**

*IEUA and the Contracting Agencies are trapped in a spiral where the Contracting Agencies are not charging enough of the Connection and Monthly Fees that the Regional Contract requires leading to higher IEUA fees and an uneven playing field from Contracting Agency to Contracting Agency and from Regional Business to Regional Business.*

The renegotiation of the Regional Contract provides an opportunity for IEUA and the seven Contracting Agencies to consider a new way of doing business, hence a new business model for the Region. The following pages propose different business models to consider as part of moving forward with renegotiating/amending the Regional Contract and changing the way IEUA does business with the Contracting Agencies.

## **Recommendations**

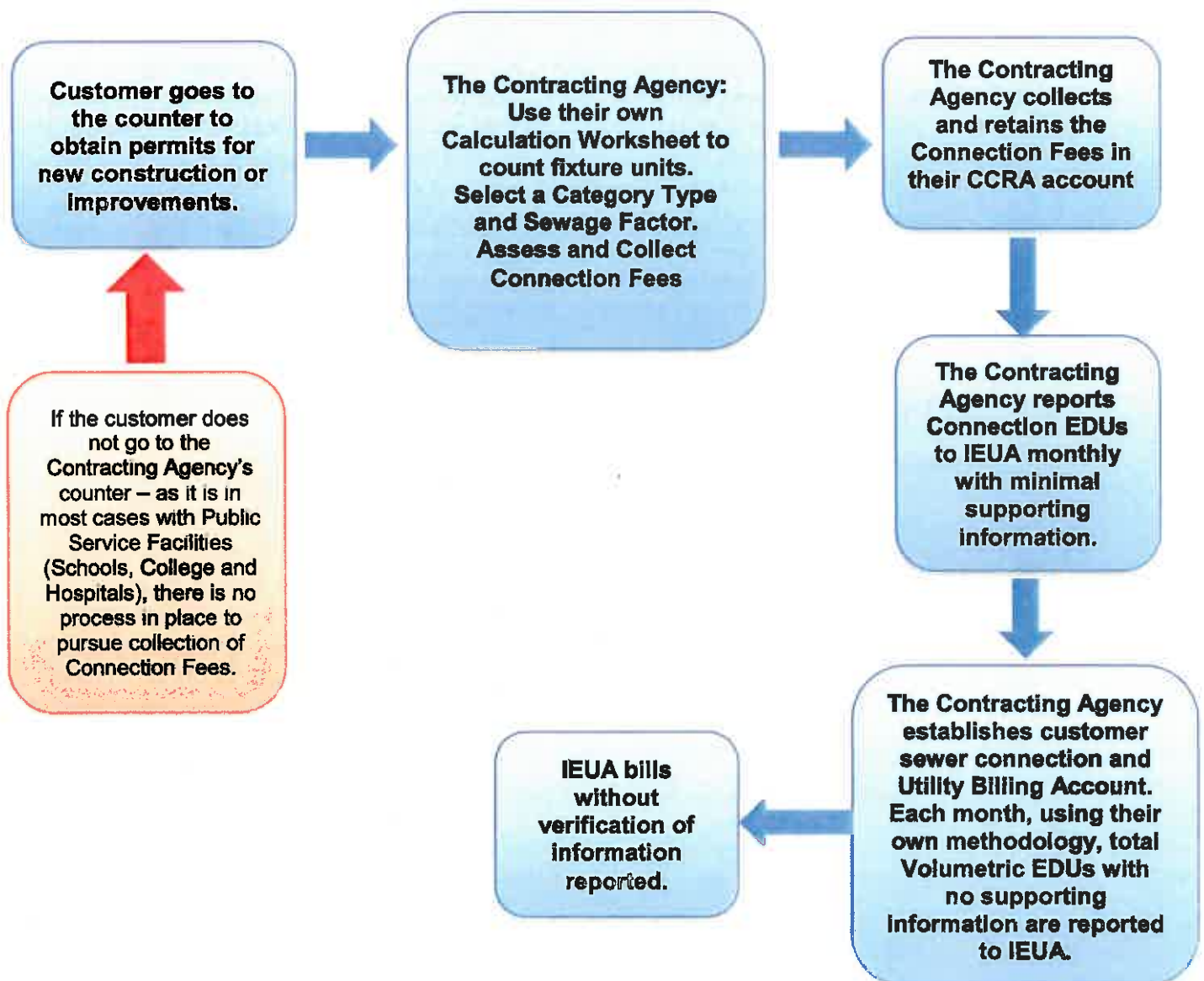
To address the findings identified by Internal Audit, prevent additional similar findings and to ensure the requirements of the Regional Contract are implemented consistently and equitably across all customers, Internal Audit developed a number of recommendations while performing the individual Regional Contract Reviews. These audit findings and resulting recommendations came up consistently at multiple Contracting Agencies (**Attachments 3 through 11**). Internal Audit has sorted the recommendations to create several possible business models as IEUA looks to the future of the Regional Contract and changing the business approach. The following pages provide additional details for each.

Each business model groups the audit recommendations by the magnitude of changes necessary to the way business is conducted. The table below provides highlights of each of the business models; additional details are also included in the **Attachments**:

|                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Current Business Model/Practice              | <ul style="list-style-type: none"> <li>• Connection Fees collected by Contracting Agencies at Building Department/Payments Counter</li> <li>• Connection Fees held by Contracting Agencies until “called” by IEUA</li> <li>• Schools, Hospitals construction administered by State with no process in place to ensure Connection Fees are collected by Contracting Agencies</li> <li>• Monthly Sewer Fees collected by Contracting Agencies and lump-sums remitted to IEUA without any detail or support</li> <li>• Proposition 218 is the responsibility of each Contracting Agency</li> </ul> |
| <u>Business Model #1</u><br>Minor Changes    | <ul style="list-style-type: none"> <li>• Frequent/Regular and consistent revisions and updates to Exhibit J for Connection Fees and to the 1997 Monthly Sewerage Billing Formulas memorandum</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                         |
| <u>Business Model #2</u><br>Moderate Changes | <ul style="list-style-type: none"> <li>• Additional oversight, information and recourse provisions as part of a revised Regional Contract <ul style="list-style-type: none"> <li>○ On-going Monitoring and Inspections by IEUA staff</li> <li>○ Recourse rights incorporated into the Contract</li> <li>○ Right to audit and access to records incorporated in Contract</li> </ul> </li> </ul>                                                                                                                                                                                                  |
| <u>Business Model #3</u><br>Major Changes    | <ul style="list-style-type: none"> <li>• <b>Centralize Connection Fees and Monthly Sewer Fees Billing at IEUA</b></li> <li>• <b>Evaluate and implement Variable vs. Fixed Cost Billing Models</b></li> <li>• <b>Utilize County Property Tax System to collect Monthly Sewer Fees</b></li> <li>• <b>Centralize Proposition 218 reporting of fee increases Region-wide</b></li> </ul>                                                                                                                                                                                                             |
| The Future                                   | IEUA has responsibility for and management of supply chain for all water and sewer related activities for the entire region, both locally and regionally.                                                                                                                                                                                                                                                                                                                                                                                                                                       |

### **Current Business Model/Practice**

The current Regional Contract business process/model is illustrated below and in **Attachment 2**. The current process centralizes responsibility for direct contact with customers with the individual Contracting Agencies, including the Proposition 218 notification of fee increases. IEUA's contractual relationship is only with the Contracting Agencies. Each individual Contracting Agency's relationship is with the customers in their service area. Theoretically, therefore, it is irrelevant to IEUA whether the individual Contracting Agencies collect Connection Fees and Monthly Sewer Fees from their individual customers as long as the Contracting Agencies remit those fees to IEUA from their own accounts. Unfortunately, the way the current contract is structured IEUA generally does not have enough information to reconcile or dispute the information provided by the Contracting Agencies and the Regional Contract does not include provisions to obtain that information. Therefore, the recommendations and potential next steps shown in each of the following Business Models consider ways for IEUA to enhance its relationship with the individual Contracting Agencies.



### **Business Model 1: Minor Changes**

This Business Model includes only recommendations for Regional Contract amendments and revisions that leave current business practices in place, but provide more clarity and consistency to those practices across the region, to ensure all Contracting Agencies apply the Contract consistently.

#### **MINOR CHANGES TO BUSINESS MODEL**

##### **Summary:**

- Regional Contract is updated, clarified and modernized, but is left largely unchanged as to the way the Region conducts business.
- Centralized responsibility for direct contact with customers remains with the individual Contracting Agencies.
- Contracting Agencies are responsible for the Proposition 218 notification of fee increases.
- IEUA's contractual relationship is only with the Contracting Agencies not the customers.

##### **Recommendations:**

- Frequent/Regular and consistent approved revisions to Exhibit J
- Frequent/Regular and consistent approved revisions to Monthly Sewerage Formula

##### **Next Steps:**

Regional Committees regularly provide:

- Revisions to Exhibit J and Monthly Sewerage Formulas for Board approval
- Standardization for Calculation Worksheet
- Guidelines for supporting documentation provided to IEUA for both EDU Building Activity Reports and Monthly Sewer Fees Reports

### **Business Model 2: Moderate Changes**

This Business Model includes recommendations for Regional Contract amendments that enhance IEUA's oversight over the way the region conducts business and provides the tools that are needed for IEUA to take responsibility for inspection, reconciliation and recourse.

#### **MODERATE CHANGES TO BUSINESS MODEL**

##### **Summary:**

- Regional Contract is updated, clarified and modernized.
- Assigns additional roles and responsibilities to IEUA staff to ensure additional monitoring and oversight and regular inspections if necessary.
- IEUA staff would ensure the Regional Contract is administered consistently throughout the region with a "level playing field" among the Contracting Agencies and from one local business to another through-out the region.
- Centralized responsibility for direct contact with customers remains with the individual Contracting Agencies.
- The Proposition 218 notifications remains with the Contracting Agency.
- IEUA's contractual relationship is only with the Contracting Agencies.

##### **Recommendations:**

- Oversight, information & recourse over Connection Fees and Monthly Sewerage billing
- Monitoring program to inspect facilities randomly and when discrepancies are suspected and as necessary to ensure Fees are assessed accurately
- Inspection, verification and recourse rights in Regional Contract
- Right to audit, full cooperation and access to records and documents

##### **Next Steps:**

IEUA and Contracting Agencies renegotiate provisions of Regional Contract:

- Require some expertise in-house (IEUA staff)
- Monitoring and inspection program
- Inspection, verification and recourse rights
- Right to audit, cooperation and access to records
- Regional Committees establish contract for monthly sewerage billing to eliminate invoicing process.

### **Business Model 3: Major Changes**

This Business Model includes recommendations to create a new paradigm for administering the business activities of the Regional Contract with IEUA taking over responsibility for fee calculation methods and collections.

#### **MAJOR CHANGES TO BUSINESS MODEL**

##### **Summary:**

- IEUA assumes primary responsibility for implementing Contract requirements.
- IEUA takes over collecting Connection Fees and Monthly Sewer Fees.
- IEUA determines billing methodologies.
- IEUA is in direct contact with all sewer customers in the region.
- IEUA assumes responsibility for Proposition 218 process for the region.

##### **Recommendations:**

- Consider legal, political and financial impacts of governing by ordinance vs. the Regional Contract.
- Resolve the under-collection findings noted through this audit process.
- Centralize Connection Fees and Monthly Sewer Fees Billing at IEUA.
- Consider County Property Tax collection method for Monthly Sewer Fees billing.
- Review and revise EDU formula.
- Evaluate methodologies/calculations:
  - Variable Cost Models: Water consumption models – water usage, other
  - Fixed Cost Models: EDUs purchased, dwelling or business size, other

##### **Next Steps:**

- Consider legal, political and financial impacts of:
  - governing by ordinance vs. the Regional Contract
  - revising EDU formula, and
  - resolving audit findings noted in this report
- Evaluate methodology for billing Connection Fees and Monthly Sewer Fees:
  - Fixed Cost: EDU, size/square feet or other
  - Variable Cost: Water consumption or other
- Develop and implement business plan for centralization of Connection Fees and Monthly Sewer Fees Billing.
- Consider alternatives to how collections are made for Public Service Facilities.
- Assume responsibility for the Proposition 218 process.

#### **Business Model 4: Total Restructuring**

The Regional Contract is a 50-year contract set to expire in 2022. In renegotiating the Regional Contract, Internal Audit recommends planning for the long-term future of the region. The State of California recently provided the first possibility for radical change and consolidation in the water industry by passing Senate Bill 88. Although this Bill is limited in scope and intended primarily to ensure safe drinking water to disadvantaged communities, it presents the possibility of consolidations to eliminate divisions among government entities. As IEUA and the Contracting Agencies consider the best scenario and business model possible for the future of the region, it is time to consider alternative ways to manage water supplies and water/wastewater/sewer services.

| Total Restructuring                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>IEUA takes full responsibility for managing the entire water and sewer related activities for the IEUA region:</p> <ul style="list-style-type: none"><li>• Manage, distribute &amp; account for all local, Metropolitan and other potable and recycled water.</li><li>• Manage, collect, treat and account for all wastewater.</li><li>• Construction &amp; maintenance of all infrastructure and capital projects</li></ul> |

#### **Moving Forward**

The renegotiation of the Regional Contract provides an opportunity to consider how the different Business Models align with IEUA's Strategic Plan in achieving the Agency's Mission, Vision, Values and Business Goals. Board direction is needed to move forward:

1. Direct Staff to coordinate with legal counsel and the Contracting Agencies to resolve the findings identified through this audit and collect fees as appropriate.
2. Direct Staff to begin Contract negotiations, consistent with Major Changes to Business Model, including direct billing of Connection and Monthly Sewer Fees.

TV: ps/sn

## ATTACHMENTS

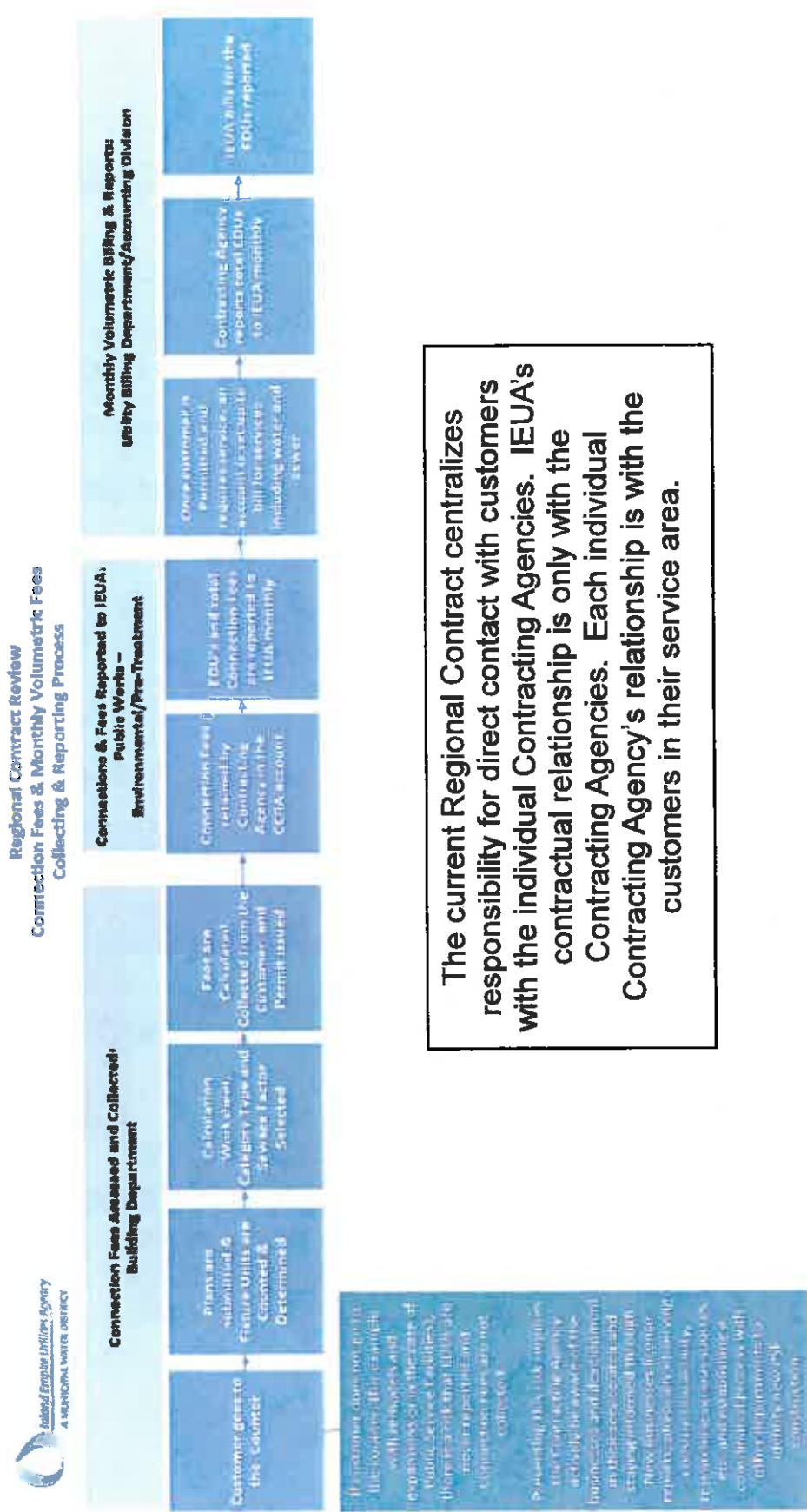
### Attachment 1 - Audit Risk Matrix

Based on the results of the Regional Contract Review, Internal Audit has developed an Audit Risk Matrix. This is a diagram that **identifies the major events or situations that can result in IEUA not achieving the intent of the Regional Contract, ranked by the likelihood and impact to the Agency.** Greater risks are noted in red, while moderate or minor risks are shown in yellow and green. Likelihood refers to the possibility for error, mistake or deficiency. **Impact, refers to the magnitude of the potential error, mistake or deficiency in terms of financial losses.**

This Risk Matrix highlights the areas IEUA should focus on and prioritize as part of re-evaluating and renegotiating the Regional Contract.

| LIKELIHOOD |        |                                                                                                                           |                                                                                                                                             |                                                                                                                                                                                             |
|------------|--------|---------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| →          |        |                                                                                                                           |                                                                                                                                             |                                                                                                                                                                                             |
| IMPACT     |        | LOW                                                                                                                       | MEDIUM                                                                                                                                      | HIGH                                                                                                                                                                                        |
|            | HIGH   | <b>Monthly Sewerage Fees</b> <ul style="list-style-type: none"> <li>Not Collected from Governmental Facilities</li> </ul> | <b>Connection Fees</b> <ul style="list-style-type: none"> <li>Not Collected from Hospitals</li> <li>Industrially Undercollection</li> </ul> | <b>Connection Fees</b> <ul style="list-style-type: none"> <li>Not Collected from Schools</li> <li>Not Collected from Community College</li> <li>Commercial Categorization Errors</li> </ul> |
|            | MEDIUM | <b>Residential Monthly Billing</b> <ul style="list-style-type: none"> <li>Not Collected or Recorded</li> </ul>            | <b>Commercial Monthly Sewerage</b> <ul style="list-style-type: none"> <li>Missing Accounts</li> <li>Rate errors</li> </ul>                  | <b>Commercial Monthly Sewerage</b> <ul style="list-style-type: none"> <li>Categorization Errors</li> </ul>                                                                                  |
|            | LOW    | <b>Residential Connection Fees</b> <ul style="list-style-type: none"> <li>Not collected</li> </ul>                        | <b>Connection Fees</b> <ul style="list-style-type: none"> <li>Calculation Worksheets do not align with Exhibit J</li> </ul>                 | <b>Connection Fees</b> <ul style="list-style-type: none"> <li>Future Count Errors</li> </ul>                                                                                                |

## **Attachment 2 - Current Business Model/Process**



**Attachment 3 - Results: Connection Fees (Commercial Businesses)**

For the commercial businesses selected for review, IA noted instances of varying interpretation and application of Exhibit J of the Regional Sewerage Service Contract. This created differences in categorization; therefore, differences in the Connection Fees collected. For the five entities where there was a difference in the interpretation of the category type, IA identified over \$160,000 in potential under-collections, as follows:

| <b>Contracting Agency</b>                   | <b>Category Used</b>                            | <b>Fees Collected</b> | <b>Alternative Category</b>                                  | <b>Possible Fees</b> | <b>Difference/ Shortage</b> |
|---------------------------------------------|-------------------------------------------------|-----------------------|--------------------------------------------------------------|----------------------|-----------------------------|
| <b>Residential Community Center</b>         |                                                 |                       |                                                              |                      |                             |
| Chino                                       | I: Retail, Office, Motel/Hotel, Fast Food, etc. | \$30,732              | III: Hospital, Health Spa with Pool, full service restaurant | \$123,206            | \$92,474                    |
| Chino                                       | I: Retail, Office, Motel/Hotel, Fast Food, etc. | \$16,129              | III: Hospital, Health Spa with Pool, full service restaurant | \$64,661             | \$48,532                    |
| Ontario                                     | I: Retail, Office, Motel/Hotel, Fast Food, etc. | \$112,297             | -                                                            | -                    | -                           |
| <b>Restaurant</b>                           |                                                 |                       |                                                              |                      |                             |
| Montclair<br>(Dragon 99 Restaurant)         | I: Retail, Office, Motel/Hotel, Fast Food, etc. | \$1,308               | III: Hospital, Health Spa with Pool, full service restaurant | \$5,243              | \$3,935                     |
| <b>Veterinary Hospitals/Facilities</b>      |                                                 |                       |                                                              |                      |                             |
| Chino Hills<br>(Pets N Vet Animal Hospital) | I: Retail, Office, Motel/Hotel, Fast Food, etc. | \$2,539               | III: Hospital, Health Spa with Pool, full service restaurant | \$10,180             | \$7,641                     |
| Upland<br>(Caremore Medical Enterprises)    | I: Retail, Office, Motel/Hotel, Fast Food, etc. | \$1,744               | III: Hospital, Health Spa with Pool, full service restaurant | \$6,990              | \$5,246                     |

#### **Attachment 4 - Results: Connection Fees (Schools – K-12)**

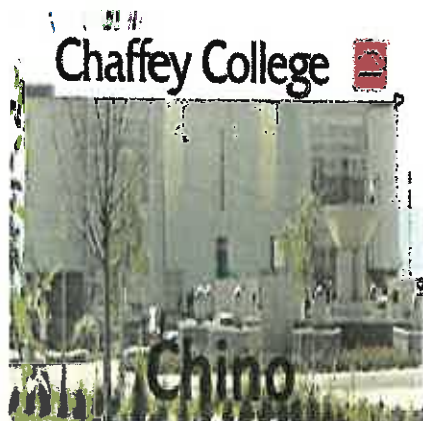
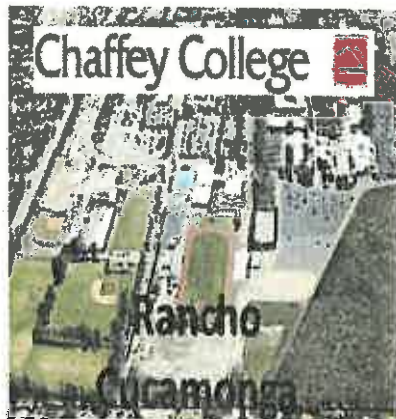
According to the requirements of Exhibit J of the Regional Contract, any Public Service Facilities that have new construction or expansions are required to pay Connection Fees. The review found that Contracting Agencies do not have a process in place to identify and collect from schools because these are permitted through the State. IA identified 16 school sites that had construction and 10 did not pay Connection Fees. It is not possible to quantify the loss in Connection Fees without performing a physical survey to physically count the fixture units. Using the lowest amount that was collected, IA conservatively estimates that at a minimum \$230,000 in Connection Fees should have been collected (10 x \$23,000); however, using the comparable information for those six schools that did pay fees, it is likely that fees approximated at least \$687,000.

| Contracting Agency                                            | School Name                      | Type of Construction                                                    | Year                    | Connection Fees Collected | Possible "conservative" Estimate fees | Possible "comparable" Estimate Fees |
|---------------------------------------------------------------|----------------------------------|-------------------------------------------------------------------------|-------------------------|---------------------------|---------------------------------------|-------------------------------------|
| City of Chino                                                 | Howard Cattle Elementary School  | New classroom wing with restrooms                                       | Summer 2012             | 0                         | \$23,000                              | \$43,000                            |
| City of Chino Hills                                           | Chino Hills High School          | Pool, Showers, and Locker rooms                                         | Within the last 3 years | 0                         | \$23,000                              | \$43,000                            |
| CVWD                                                          | Los Amigos Elementary School     | New 14 classroom building                                               | 2013                    | 0                         | \$23,000                              | \$67,000                            |
| CVWD                                                          | Bear Gulch Elementary School     | New 14 classroom and bathroom building                                  | 2010                    | \$66,957                  | Collected                             | Collected                           |
| CVWD                                                          | Alta Loma High School            | Classroom wing/building, Gymnasium Expansion, & Athletic Field Complex  | Under Construction      | \$42,792                  | Collected                             | Collected                           |
| CVWD                                                          | Etiwanda High School             | Classroom wing/building, Food Service Building & Athletic Field Complex | Under Construction      | 0                         | \$23,000                              | \$43,000                            |
| CVWD                                                          | Rancho Cucamonga H.S             | New Auditorium Building & Athletic Field Complex                        | Under Construction      | 0                         | \$23,000                              | \$43,000                            |
| City of Fontana                                               | Jurupa Hills H.S                 | New High School                                                         | 2009                    | \$272,182                 | Collected                             | Collected                           |
| City of Fontana                                               | Citrus High School               | New High School                                                         | 2009                    | \$149,228                 | Collected                             | Collected                           |
| City of Montclair                                             | Howard Elementary School         | Multipurpose room with kitchen                                          | 2011                    | \$102,338                 | Collected                             | Collected                           |
| City of Montclair                                             | Moreno Elementary School         | Multipurpose room with restrooms                                        | 2013                    | \$0                       | \$23,000                              | \$102,000                           |
| City of Montclair                                             | Montclair High School            | New 32 Classroom building                                               | 2012                    | \$0                       | \$23,000                              | \$134,000                           |
| City of Ontario                                               | Richard Haynes Elementary School | Multipurpose room with restrooms, warming kitchen, etc.                 | Summer 2012             | \$0                       | \$23,000                              | \$102,000                           |
| City of Ontario                                               | Ray Wiltsey Middle School        | 13 classroom modular facility with multiple restrooms, warming, etc.    | Summer 2013             | \$0                       | \$23,000                              | \$67,000                            |
| City of Ontario                                               | Ontario High School              | New classroom building, restrooms, football stadium & pool              | Under construction      | \$0                       | \$23,000                              | \$43,000                            |
| City of Upland                                                | Upland H.S                       | New Gymnasium                                                           | 2013                    | \$22,506                  | Collected                             | Collected                           |
| <b>Estimated Connection Fees: Conservative vs. Comparable</b> |                                  |                                                                         |                         |                           | <b>\$230,000</b>                      | <b>\$643,000</b>                    |

**Attachment 5 - Results: Connection Fees (Community College)**

Exhibit J of the Regional Contract requires that Connection Fees be assessed to any Public Service Facilities that have new construction or expansions. Chaffey College, a two-year public Community College, has three campuses located within IEUA's service area. Based on IA's review, there were construction projects that resulted in new buildings and facilities being added at each of the campuses. Of the three with construction, only one Contracting Agency assessed and collected Connection Fees. It is not possible to quantify the loss in Connection Fees without performing a physical survey to physically count the fixture units. IA attempted to perform a physical survey of the accessible areas of the three buildings at the Chino Campus (not including science laboratories or the banquet facility) and determined that Connection Fees would have exceeded \$55,000. At the main campus facility in Rancho Cucamonga, IA noted that ten new buildings have been added since 2008. IA was not able to perform a physical survey, however, using the approximately \$18,000 per building (\$55k / 3) at the Chino Campus, IA conservatively estimates that at a minimum \$180,000 in Connection Fees should have been collected (10 x \$18,000), but it is likely that it is much higher.

| Contracting Agency | Location                                                                                                             | Year Place in Operation | Minimum Estimated Connection Fees | Connection Fees Collected |
|--------------------|----------------------------------------------------------------------------------------------------------------------|-------------------------|-----------------------------------|---------------------------|
| CVWD               | Rancho Cucamonga ~ Main Campus<br>(10 buildings)                                                                     | Various since 2007      | Unable to estimate                | \$ 0                      |
| City of Chino      | Chino ~ Satellite/Off-site Campus<br>(3 Buildings: Main Instructional, Health Sciences, and Community Center )       | 2008                    | \$ 55,000                         | \$ 0                      |
| City of Fontana    | Fontana ~ Satellite/Off-site Campus<br>(1 Building: Academic Center, two-story and approximately 30,000 square feet) | 2011                    | N/A                               | \$ 52,845                 |



### **Attachment 6 - Results: Connection Fees (Hospitals)**

IA identified the large scale hospitals and medical facilities that had new construction or expansions and reside within IEUA's service area. Connection Fees were collected for two of the three hospitals. For the City of Fontana Kaiser Hospital expansion, IA calculated the minimum possible Connection Fees based on the number of patient rooms (and not including cafeterias, surgical facilities, etc.). IA conservatively estimates that at a minimum \$1,300,000 in Connection Fees should have been collected, but it is likely that it is much higher.

| Contracting Agency | Hospital                                         | Year Fees Collected                        | Connection Fees collected |
|--------------------|--------------------------------------------------|--------------------------------------------|---------------------------|
| City of Upland     | San Antonio Community Hospital – Addition        | 2011                                       | \$ 1,370,197              |
| City of Ontario    | Kaiser Permanente – New Facility                 | 2012                                       | \$1,409,106               |
| City of Fontana    | Kaiser Permanente – Hospital and Inpatient Tower | N/A<br>(Replacement Hospital Opened: 2013) | \$ 0                      |



**Attachment 7 - Results: Connection Fees (Categorization Differences)**

IA identified the following governmental entities classified as commercial rather than public by Contracting Agencies. In some cases the rationale was used that although the buildings are publicly owned they are not publicly used, but rather offices and administrative spaces. The varying interpretations create differences in categorization and Connection Fees collected from Public Service Facilities:

| Contracting Agency             | Description                                        | Category Used                                   | Fees Collected    | Alternative Category | Possible Fees     | Difference/ Shortage |
|--------------------------------|----------------------------------------------------|-------------------------------------------------|-------------------|----------------------|-------------------|----------------------|
| Fontana                        | Caltrans Facility (SRL Building)                   | I: Retail, Office, Motel/Hotel, Fast Food, etc. | \$ 46,343         | VI: Public Facility  | \$ 65,756         | \$ 19,413            |
| Fontana                        | Caltrans Facility (Independent Assurance Building) | I: Retail, Office, Motel/Hotel, Fast Food, etc. | \$ 14,178         | VI: Public Facility  | \$ 20,117         | \$ 5,939             |
| Fontana                        | Police Department                                  | I: Retail, Office, Motel/Hotel, Fast Food, etc. | \$ 14,183         | VI: Public Facility  | \$ 21,018         | \$ 6,835             |
| Fontana                        | Police Department                                  | I: Retail, Office, Motel/Hotel, Fast Food, etc. | \$ 622            | VI: Public Facility  | \$ 883            | \$ 261               |
| Montclair                      | Community Center (Bathrooms)                       | I: Retail, Office, Motel/Hotel, Fast Food, etc. | \$ 18,962         | VI: Public Facility  | \$ 26,906         | \$ 7,944             |
| Montclair                      | Splash Pad                                         | I: Retail, Office, Motel/Hotel, Fast Food, etc. | \$ 1,308          | VI: Public Facility  | \$ 1,856          | \$ 548               |
| Upland                         | Animal Shelter                                     | I: Retail, Office, Motel/Hotel, Fast Food, etc. | \$ 36,761         | VI: Public Facility  | \$ 52,108         | \$ 15,347            |
| Upland                         | Fire Station                                       | I: Retail, Office, Motel/Hotel, Fast Food, etc. | \$ 18,277         | VI: Public Facility  | \$ 25,907         | \$ 7,630             |
| <b>TOTALS FOR ITEMS TESTED</b> |                                                    |                                                 | <b>\$ 150,634</b> |                      | <b>\$ 214,551</b> | <b>\$63,917</b>      |

For each instance above, Connection Fees were collected and at the time of assessment, they were classified as a Commercial Category I according to Exhibit J; however, they could have been classified as Category VI Public Facility and this would have resulted in greater Connection Fees collected.

**Attachment 8 - Results: Connection Fees (Commercial Fixture Unit Differences)**

IA identified that the fixture unit values utilized by the Contracting Agency may not always coincide with the descriptions and/or fixture unit values as outlined in Table 1 of Exhibit J of the Regional Contract. This issue was noted at least at two Contracting Agencies. The Connection Fees that have been over/under collected amounted to the following:

**Fixture Unit Value Differences**

| <b>Contracting Agency</b> | <b>Description</b>                                                                         | <b>Fees Collected</b> | <b>Fee per Audit Results</b> | <b>(Over)/Under Collected</b> |
|---------------------------|--------------------------------------------------------------------------------------------|-----------------------|------------------------------|-------------------------------|
| Montclair                 | Fixture Unit Value Differences:<br>4 businesses identified with different values           | \$187,865             | \$180,403                    | (\$7,462)                     |
| Ontario                   | Fixture Unit Value Differences -<br>2013/14:<br>10 businesses tested with different values | \$88,006              | \$104,556                    | \$16,550                      |

Additionally, the city of Ontario Calculation Worksheet is missing 15 categories from Exhibit J, yet includes three category types that are not part of Exhibit J. IA extrapolated the \$16,550 under-collection above to determine an impact of approximately \$80,000 in Connection Fees in only one fiscal year.

### **Attachment 9 - Results: Connection Fees (Industrial Businesses)**

According to Exhibit J of the Regional Sewerage Service Contract, Industrial businesses that engage in production, manufacturing or processing of material are required to pay Connections Fees and those fees are assessed differently than Commercial businesses enterprises. In addition to the Connection Fees calculated based on fixture units, Industrial entities pay a variable component based on a wastewater analysis that includes: type of wastewater (domestic or non-domestic), sewage flow, Biochemical Oxygen Demand (BOD), and Total Suspended Solids (TSS).

#### **Existing Fixtures Units**

For any commercial and industrial businesses that have expansions or additions, a credit is given for any demolished existing fixtures that were already located within the facility, and fees are only assessed on the net new fixture units added to the facility. This provision applies for all enterprises, regardless whether commercial or industrial.

IA noted that Contracting Agencies usually have supporting documentation to validate that there are existing fixtures and a credit should be applied. Evolution Fresh, an Industrial Entity in IEUA's service area received a credit for existing fixture units; however the Contracting Agency could provide no supporting documentation to validate that the credit was appropriately applied:

**Unsupported Credit for Existing Fixture Units**

| <b>Contracting Agency</b> | <b>Description</b>                   | <b>Fees Collected</b> | <b>Fee per Audit Results</b> | <b>(Over)/Under Collected</b> |
|---------------------------|--------------------------------------|-----------------------|------------------------------|-------------------------------|
| CVWD                      | Evolution Fresh – Juice Manufacturer | \$561,643             | \$1,148,510                  | (\$586,687)                   |

#### **Industrial Fees**

During the Regional Contract Review, IA received feedback from the Contracting Agencies regarding Connection fees for Industrial Users. They included the following:

- Cost of Industrial Connection fees “deter businesses” from coming to the region
- Cost and proximity of the NRWS lines can impact costs to a business about deciding where to connect.
- Connection Fees based on BOD and TSS are not related to Fixture Units and guidance about transferability is unclear, and IEUA does not verify BOD and TSS reports.
- Value of Capacity Rights is unclear if an SIU is declassified.

### **Attachment 10 - Results: Industrial (Connection and Monthly Sewer Fees)**

#### **City of Ontario evaluation of Connection Fees and Sewer Fees:**

| <b>Business</b>         | <b>Description</b>                           | <b>Connection Fees Noted</b>                                                             | <b>Monthly Billing Example</b>                                                                           | <b>April 2014</b>                   | <b>Ontario Comment</b>                                                                                                                        |
|-------------------------|----------------------------------------------|------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| Niagara Bottling(a)     | Water bottling company                       | Commercial from 3/2006 to 6/2013: \$33,331                                               | April 2014: Fixed 66 EDUs rate                                                                           | \$883.74                            | Fixed EDU determined by permit, measurement and inspection. If use the NRW, then usually use a fixed factor.                                  |
| New-Indy Ontario llc(a) | Paperboard Mill                              | In existence for extended period                                                         | April 2014: Fixed 47 EDUs rate                                                                           | \$629.33                            | Same as above.                                                                                                                                |
| Greif                   | Packaging supply                             | In existence for extended period                                                         | No April 2014 billing for water or wastewater.                                                           | \$0.00                              | Part of a master meter.                                                                                                                       |
| Zurn Industries         | Liquid waste disposal systems supplier       | Per building permit fixtures established in 2001                                         | April 2014: 2 meters: one with 5 HCF @ .0401 Factor & other with 0.                                      | \$2.68                              | Use landscape factor (55%). Recently converted to recycled water.                                                                             |
| Jogue, Inc.             | Flavoring Syrups & Concentrates              | June 2013: Domestic Industrial- \$10,313 Industrial-\$63,884                             | April 2014: 88 HCF @ .0202 Factor                                                                        | \$23.80                             | Monthly based on 68% flow to sewer, 2,100 BOD and 31 TSS per lab data.                                                                        |
| Wing Hing Foods         | manufacturer of Chinese foods & noodles      | March 2007: \$5,967 (originally purchased by Haliburton) April 2013: Industrial \$31,518 | April 2014: 221 HCF @ .0087 Factor                                                                       | \$25.74                             | Monthly based on lab data showing BOD=530mg/l, TSS=50mg/l and water to waste factor of 8.25%.                                                 |
| Haliburton              | Manufacturer of soups & sauces               | Commercial and Domestic industrial purchased from 2011 – 2013 \$69,043                   | April 2014: Fixed 186 EDU rate                                                                           | \$2,490.54                          | Fixed industrial EDU was determined for monthly billing.                                                                                      |
| Tropicale Foods         | Manufacturer of fresh fruit & ice cream bars | Commercial connections from 2007 – 2010: \$6,177                                         | April 2014: 2,651 HCF @ .5902 factor (August 2014: 3,984 HCF @ .0411 factor reducing bill to \$2,356.25) | \$20,950.26                         | Industrial assessment was conducted between April and August to reassess based on new pretreatment activities and "SOPs" regarding discharge. |
| American Jerky          | Manufacturer of chicken based pet treats.    | 2014: Domestic industrial and industrial: \$168,070.72                                   | May 2014: First month billed for 91 HCF at office/ commercial factor of .0729                            | \$88.78 (May – 1st month available) | New industrial not in production yet.                                                                                                         |

### **Attachment 11 - Results: Monthly Sewer Fees**

The Contracting Agencies assess and collect recurring fees from users (residential, commercial and industrial) that discharge into the IEUA's Regional Sewage System. The methodology used for assessing the Monthly Sewer Fees is based on a memorandum, which outlines the monthly/bi-monthly billing processes.

IA tested all items sampled to determine whether sewer billing is occurring and to ensure the appropriate business categories and rates are applied for the Monthly Sewer Fees. Based on IA's review, the following was noted:

- 1997 Memorandum entitled "Procedures for Establishing a Regional Sewer Billing Formula" was adopted by Regional Technical Committee. No evidence of IEUA's Board approval.
- Categories are inconsistent with those used in Exhibit J for Connection Fees.
- No guidance for "Master Meters".
- No minimum billing threshold established for commercial businesses (minimum 1 EDU).
- Billing classification differences that can result in under collected Monthly Sewer Fees paid to IEUA.
- Sampled Commercial businesses could not always be identified in the Utility Billing System .
- One Contracting Agency's EDUs for their own facilities were not included in the monthly EDUs reported to IEUA.
- One Contracting Agency relies on flow information provided by another agency and completeness of the information is questionable.
- Monthly Sewer Fees can be collected through the County's Property Tax Roll. One Contracting Agency uses this approach for residential properties.
- Monthly Sewer Fees can be assessed and collected based on Connection EDUs, rather than water consumption. One Contracting Agency uses this approach.
- EDUs reported to IEUA are generally based on the Monthly Sewer Fees billed. One Contracting Agency reports EDUs based on fees collected.

**Attachment 11 - Sewer Service Fees - continued**

| Contracting Agency                                                                                                 | Business                 | Billing Factor Applied        | Billing Factor Should have been (Monthly/Bimonthly) | Actually Billed Amount | Estimated Sewer Fees Should Have Been | Estimated Amount (under-collected) and (under-paid) to IEUA for 12 months |
|--------------------------------------------------------------------------------------------------------------------|--------------------------|-------------------------------|-----------------------------------------------------|------------------------|---------------------------------------|---------------------------------------------------------------------------|
| Chino                                                                                                              | Canabru Coffee           | Commercial: 0.0729            | Restaurant: 0.1042                                  | \$ 28.05               | \$ 41.02                              | (\$ 155)                                                                  |
| Chino                                                                                                              | Min's Dumping House      |                               |                                                     | \$ 48.78               | \$ 55.79                              | (\$ 84)                                                                   |
| Chino                                                                                                              | McDonald's               |                               |                                                     | \$ 54.88               | \$ 78.75                              | (\$ 286)                                                                  |
| Chino                                                                                                              | Subway                   |                               |                                                     | \$ 14.63               | \$ 21.33                              | (\$ 80)                                                                   |
| Chino                                                                                                              | Mountain Mike's Pizza    |                               |                                                     | \$ 19.51               | \$ 27.90                              | (\$ 101)                                                                  |
| Ontario                                                                                                            | Fast 5 Pizza             |                               |                                                     | \$ 16.60               | \$ 23.72                              | (\$ 86)                                                                   |
| Ontario                                                                                                            | Home Pie Bakery/Cafe     |                               |                                                     | \$ 256.69              | \$ 366.95                             | (\$ 1,323)                                                                |
| Ontario                                                                                                            | Miguel's Jr.             |                               |                                                     | \$ 132.69              | \$ 189.75                             | (\$ 685)                                                                  |
| Ontario                                                                                                            | J & R Deli               | Commercial: 0.0729            | Mortuary: 0.1052                                    | \$ 43.92               | \$ 62.79                              | (\$ 226)                                                                  |
| Ontario                                                                                                            | Continental Funeral Home |                               |                                                     | \$ 74.18               | \$ 107.06                             | (\$ 395)                                                                  |
| Ontario                                                                                                            | Office/Medical Building  |                               |                                                     | \$ 125.91              | \$ 115.87                             | \$ 121                                                                    |
| Ontario                                                                                                            | Camacho's Bakery         |                               |                                                     | \$ 113.95              | \$ 189.75                             | (\$ 910)                                                                  |
| Upland                                                                                                             | ARCO AM/PM               | Laundry/Car Wash: 0.0626      | Commercial/Car Wash: 0.0364/0.0626                  | \$ 0.00                | \$ 375.00                             | (\$ 2,089)                                                                |
| Upland                                                                                                             | Crossfit Saber           | Not entered to billing system | Commercial: 0.0364                                  | \$ 50.11               | \$ 250.00                             | (\$ 1,199)                                                                |
| Upland                                                                                                             | Choice Market            | Used: 0.0073                  | Commercial: 0.0364                                  | \$ 63.14               | \$ 253.00                             | (\$ 1,139)                                                                |
| Upland                                                                                                             | Body Rituals             | Used: 0.0091                  | Commercial: 0.0364                                  | \$ 66.24               | \$ 147.00                             | (\$ 485)                                                                  |
| Total Amount of Sewer Service Fees Under Collected for a selection of Sample items (only 16 items and only 1 year) |                          |                               |                                                     |                        |                                       | (\$ 9,122)                                                                |

**Attachment 12 - Recommendations by Process**

**REGIONAL CONTRACT REVIEW  
CONNECTION FEES  
RECOMMENDATIONS**

| <b>OVERALL RECOMMENDATIONS</b>                                                                                                                                                   |       |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| Consider legal, political and financial impacts of governing by ordinance vs. contract                                                                                           | Major |
| Review and revise EDU formula                                                                                                                                                    | Major |
| Resolve identified differences of over/under collected amounts of Connection Fees and identified differences of over/under collected amounts of unreported monthly sewerage fees | Major |

| <b>CONNECTION FEES RECOMMENDATIONS</b>                                                                                                                                  |          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| 1. Centralize the permitting process OR IEUA provides final sign-off and plumbing permit approval for all nonresidential entities                                       | Major    |
| 2. IEUA should establish monitoring program to inspect random facilities and those where there is a suspected discrepancy                                               | Moderate |
| 3. Contract should include IEUA inspection, verification and recourse rights for under-collected/under-reported Connection Fees                                         | Moderate |
| 4. Contract should include IEUA right to audit, full cooperation and access to records and documents upon request                                                       | Moderate |
| 5. IEUA should require copies of calculation worksheets for all nonresidential customers along with the monthly Building Activity Reports.                              | Moderate |
| 6. Two tier connection fees process that distinguishes between common features and unique features (ie., a toilet always costs the same regardless of type of business) | Minor    |
| 7. Update Exhibit J regularly to include new/evolving business types                                                                                                    | Minor    |
| 8. Update & clarify Fixture Unit descriptions of Exhibit J regularly                                                                                                    | Minor    |
| 9. Standardize calculation worksheet to ensure it is consistent with Exhibit J and consistent region-wide                                                               | Minor    |
| 10. IEUA should require copies of calculation worksheets for all nonresidential customers along with the monthly Building Activity Reports.                             | Minor    |
| 11. Regular workshops, meetings, plant tours, etc. with staff in Building, Plan Check and Utility Billing/Financial Departments                                         | Other    |
| 12. IEUA develop fixture count expertise and provide regular/ongoing training for Contracting Agencies - Building Departments                                           | Other    |
| 13. Contracting Agency internal review of Connection Fees as part of preparing the Building Activity Report.                                                            | Other    |

**Attachment 12 - continued  
Recommendations by Process**

**REGIONAL CONTRACT REVIEW  
MONTHLY SEWER SERVICE FEES  
RECOMMENDATIONS**

| <b>OVERALL RECOMMENDATIONS</b>                                                                                                                                                   |       |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| Consider legal, political and financial impacts of governing by ordinance vs. contract                                                                                           | Major |
| Review and revise EDU formula                                                                                                                                                    | Major |
| Resolve identified differences of over/under collected amounts of Connection Fees and identified differences of over/under collected amounts of unreported monthly sewerage fees | Major |

| <b>MONTHLY SEWERAGE BILLING RECOMMENDATIONS</b>                                                                                                                                 |          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| 1. Collect monthly sewerage fees for the entire region through County's property tax roll.                                                                                      | Major    |
| 2. Evaluate methodology used for billing monthly sewerage fees (residential and commercial) and consider alternatives by water consumption, EDUs purchased or other methodology | Major    |
| 3. Standardize monthly report to provide IEUA automated, itemized listings of non-residential monthly sewerage charges                                                          | Moderate |
| 4. Establish contract for monthly sewerage payments from Contracting Agencies rather than IEUA issuing monthly invoices                                                         | Moderate |
| 5. IEUA exercise inspection, verification and recourse rights for under-collected/under-reported monthly sewerage fees                                                          | Moderate |
| 6. Contract should include IEUA right to audit, full cooperation and access to records and documents upon request                                                               | Moderate |
| 7. Update 1997 billing memorandum regularly for new business types to provide detailed definitions and descriptions                                                             | Minor    |
| 8. Create a correlation between monthly sewerage fees and Connection Fees                                                                                                       | Minor    |
| 9. Add billing guidance for locations with multiple types of businesses serviced by a master meter                                                                              | Minor    |
| 10. Bill commercial businesses at least a minimum of one EDU per month                                                                                                          | Minor    |

**Attachment 12 - continued  
Recommendations by Process**

**REGIONAL CONTRACT REVIEW  
PUBLIC SERVICE FACILITIES  
RECOMMENDATIONS**

| <b>OVERALL RECOMMENDATIONS</b>                                                                                                                                                   |       |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| Consider legal, political and financial impacts of governing by ordinance vs. contract                                                                                           | Major |
| Review and revise EDU formula                                                                                                                                                    | Major |
| Resolve identified differences of over/under collected amounts of Connection Fees and identified differences of over/under collected amounts of unreported monthly sewerage fees | Major |

| <b>PUBLIC SERVICE FACILITY RECOMMENDATIONS</b>                                                                                                    |          |
|---------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| 1 Consider legal, political and financial impacts of excluding Public Service Facilities from Connection Fees and monthly sewerage charges.       | Major    |
| 2 Consider legal, political and financial impacts of IEUA assuming responsibility for Connection Fees calculations, collections and CCRA accounts | Major    |
| 3 Contract should include IEUA inspection, verification and recourse rights for under-collected/under-reported Connection Fees                    | Moderate |
| 4 Contract should include IEUA right to audit, full cooperation and access to records and documents upon request                                  | Moderate |
| 5 Address difference between "Publicly Owned" vs. "Publicly Used"                                                                                 | Minor    |
| 6 Consider cross-departmental approach to the development review process as a regional model                                                      | PSF      |

**Attachment 13 - Recommendations by Business Model**

**MAJOR CHANGES TO BUSINESS MODEL:**

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|
| Consider legal, political and financial impacts of governing by ordinance vs. contract Review and revise EDU formula<br>Resolve identified differences of over/under collected amounts of Connection Fees and unreported monthly sewerage fees<br>Centralize the permitting process OR IEUA provide final sign-off and plumbing permit approval for all nonresidential entities<br>Collect monthly sewerage fees for the entire region through County's property tax roll.<br>Evaluate methodology used for billing monthly sewerage fees (residential and commercial) and consider alternatives by water consumption, EDUs purchased or other methodology<br>Consider legal, political and financial impacts of excluding Public Service Facilities from Connection Fees and monthly sewerage charges. | All<br>All<br>All<br>Connections<br>Monthly<br>Monthly<br>PSF |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|

**Moderate Changes to Business Model:**

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| IEUA should establish monitoring program to inspect random facilities and those where there is a suspected discrepancy<br>Contract should include IEUA inspection, verification and recourse rights for under-collected/under-reported Fees<br>Contract should include IEUA right to audit, full cooperation and access to records and documents upon request<br>IEUA should require copies of calculation worksheets for all nonresidential customers along with the monthly BAR<br>Standardize monthly report to provide IEUA automated, itemized listings of non-residential monthly sewerage charges<br>Establish contract for monthly sewerage payments from Contracting Agencies rather than IEUA issuing monthly invoices<br>IEUA exercise inspection, verification and recourse rights for under-collected/under-reported monthly sewerage fees<br>Contract should include IEUA right to audit, full cooperation and access to records and documents upon request | Connections<br>Connections<br>Connections<br>Connections<br>Monthly<br>Monthly<br>Monthly<br>Monthly |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|

**Minor Changes to Business Model:**

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                              |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| Two tier connection fees process that distinguishes between common features and unique features (ie., a toilet always costs the same regardless of type of business)<br>Update Exhibit J regularly to include new/evolving business types<br>Update & clarify Fixture Unit descriptions of Exhibit J regularly<br>Standardize calculation worksheet to ensure it is consistent with Exhibit J and consistent region-wide<br>Update 1997 billing memorandum regularly for new business types to provide detailed definitions and descriptions<br>Create a correlation between monthly sewerage fees and Connection Fees<br>Add billing guidance for locations with multiple types of businesses serviced by a master meter<br>Bill commercial businesses at least a minimum of one EDU per month<br>Address difference between "Publicly Owned" vs. "Publicly Used" | Connections<br>Connections<br>Connections<br>Monthly<br>Monthly<br>Monthly<br>Monthly<br>PSF |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|

## **Attachment 14 - Background Financial Information**

### **IEUA's Board-Approved Rates Fiscal Year**

| <b>Rate</b>              | <b>2014/15</b> | <b>2013/14</b> | <b>2012/13</b> | <b>2011/12</b> |
|--------------------------|----------------|----------------|----------------|----------------|
| <b>Connection Fee</b>    | \$5,107        | \$5,007        | \$4,909        | \$4,766        |
| <b>Sewer Service Fee</b> | \$14.39        | \$13.39        | \$12.39        | \$11.14        |

### **Connection Fees collected by Contracting and Deposits Held in CCRA <sup>(1)</sup> account**

| <b>Contracting Agency</b> | <b>CCRA <sup>(1)</sup> Balance</b> | <b>Connection Fees</b> |                   |                   |
|---------------------------|------------------------------------|------------------------|-------------------|-------------------|
|                           | <b>As of June 30, 2015</b>         | <b>FY 2014/15</b>      | <b>FY 2013/14</b> | <b>FY 2012/13</b> |
| <b>Chino</b>              | \$ 11,588,998                      | \$ 4,968,822           | \$ 2,620,202      | \$ 5,170,311      |
| <b>Chino Hills</b>        | 2,994,978                          | 587,139                | 1,985,132         | 207,452           |
| <b>CVWD</b>               | 7,155,091                          | 860,230                | 1,901,701         | 4,054,981         |
| <b>Fontana</b>            | 6,756,345                          | 2,527,708              | 830,226           | 1,675,004         |
| <b>Montclair</b>          | 2,641,382                          | 300,819                | 262,500           | 2,066,303         |
| <b>Ontario</b>            | 8,759,593                          | 4,824,272              | 1,674,395         | 770,709           |
| <b>Upland</b>             | 2,493,009                          | 1,001,277              | 514,478           | 600,987           |
| <b>TOTAL</b>              | \$ 42,839,396                      | \$ 15,070,267          | \$ 9,788,634      | \$ 14,545,747     |

(1) = from the Building Activity Reports.

### **Sewer Service Fees and EDU's Reported By Contracting Agency**

| <b>Contracting Agency</b> | <b>Fiscal Year</b> |                     |                  |                     |                  |                     |
|---------------------------|--------------------|---------------------|------------------|---------------------|------------------|---------------------|
|                           | <b>2014/15</b>     |                     | <b>2013/14</b>   |                     | <b>2012/13</b>   |                     |
|                           | <b>EDU's</b>       | <b>Fees</b>         | <b>EDU's</b>     | <b>Fees</b>         | <b>EDU's</b>     | <b>Fees</b>         |
| <b>Chino</b>              | 344,326            | \$ 4,954,854        | 343,012          | \$ 4,592,930        | 338,269          | \$ 4,191,152        |
| <b>Chino Hills</b>        | 290,117            | 4,174,785           | 290,726          | 3,892,815           | 288,891          | 3,579,355           |
| <b>CVWD</b>               | 819,522            | 11,792,929          | 768,353          | 10,288,244          | 769,392          | 9,532,767           |
| <b>Fontana</b>            | 626,168            | 9,010,561           | 612,143          | 8,196,601           | 605,834          | 7,506,286           |
| <b>Montclair</b>          | 145,037            | 2,087,075           | 147,955          | 1,981,117           | 144,095          | 1,785,337           |
| <b>Ontario</b>            | 705,341            | 10,149,854          | 711,899          | 9,532,321           | 707,904          | 8,770,935           |
| <b>Upland</b>             | 324,329            | 4,667,090           | 320,752          | 4,294,863           | 320,624          | 3,972,526           |
| <b>TOTAL</b>              | <b>3,254,840</b>   | <b>\$46,837,148</b> | <b>3,194,840</b> | <b>\$42,778,891</b> | <b>3,175,009</b> | <b>\$39,338,358</b> |

### **Percentage of IEUA's Regional Wastewater Program to Total Revenue:**

|                                                        | <b>FY 2014/15</b>    | <b>FY 2013/14</b>    | <b>FY 2012/13</b>    |
|--------------------------------------------------------|----------------------|----------------------|----------------------|
| <b>Total of Connection and Sewer Service Fees:</b>     | <b>\$61,907,415</b>  | <b>\$52,567,525</b>  | <b>\$53,884,105</b>  |
| <b>Total Revenues, including Grants and Subsidies:</b> | <b>\$145,819,497</b> | <b>\$124,841,232</b> | <b>\$134,287,194</b> |
| <b>Percentage to Total Agency Revenue:</b>             | <b>46%</b>           | <b>42%</b>           | <b>40%</b>           |

**Attachment 15 - Excerpts from Comparable Survey Report**  
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**Attachment 15**  
**Excerpts from the Internal Audit Report: Regional Contract Review - External Comparable Survey**

|                                                                                   | IEUA                                                                                                     | SRCSD                                                                                                                                                                                                                                | LACSD                                                                                                                                                                                                                                                                                                                     | OCSD                                                                                                                                                                 | EMWD                                                                                                                                           |
|-----------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| Number of agencies/<br>cities served:                                             | 7                                                                                                        | 4                                                                                                                                                                                                                                    | 23 independent special<br>districts                                                                                                                                                                                                                                                                                       | 23 cities, unincorporated areas<br>and related special districts                                                                                                     | 8                                                                                                                                              |
| Member agencies/cities served:                                                    | Chino, Chino Hills,<br>Fontana, Montclair,<br>Ontario, Upland, and<br>Cucamonga Valley Water<br>District | Sacramento Area Sewer<br>District, City of Folsom, City of<br>Sacramento, and City of West<br>Sacramento                                                                                                                             | 78 cities and unincorporated<br>territory within the County,<br>excluding majority of the City<br>of Los Angeles.                                                                                                                                                                                                         | (Northern and Central Section<br>of Orange County)<br>1 Consolidated District –<br>2 Revenue Areas                                                                   | Hemet, Menifee, Moreno<br>Valley, Murrieta, Perris, San<br>Jacinto, Temecula,<br>Wildomar, and<br>unincorporated areas in<br>Riverside County. |
| Service area:<br>Population served:                                               | 242 square miles<br>850,000                                                                              | 375 square miles<br>1.45 million                                                                                                                                                                                                     | 800 square miles<br>5.5 million                                                                                                                                                                                                                                                                                           | 479 square miles<br>2.5 million                                                                                                                                      | 555 square miles<br>777,000                                                                                                                    |
| Average domestic household<br>flow rate<br>(Based on a Single-Family Residential) | 270 gallons-per-day<br>per EDU                                                                           | 310 gallons-per-day per ESD<br><br>Note: SRC is currently conducting a<br>Class Study to update the flow and<br>waste strength of an ESD.                                                                                            | 260 gallons-per-day                                                                                                                                                                                                                                                                                                       | 253 gallons-per-day<br><br>Note: Flow factors are assumed for<br>each land use and the model was<br>calibrated using flow data collected<br>over a five year period. | 235 gallons-per-day per<br>EDU                                                                                                                 |
| Unit of Measure Connection Fees<br>Single- Family Residential                     | 1 EDU                                                                                                    | 1 ESD                                                                                                                                                                                                                                | One single family home is 1<br>Dwelling Unit                                                                                                                                                                                                                                                                              | Number of bedrooms per unit<br>Single Family Residential is 3-<br>bedroom unit with base unit of 1.0.                                                                | 1 EDU                                                                                                                                          |
| Collection of Fees                                                                | Contracting Agency<br>Collects                                                                           | District Collects<br><br>The District's PSU or County of<br>Sacramento Building<br>Department collects the fees<br>directly (Commercial and<br>Residential Subdivision), and<br>Internal Services Department<br>records the payment. | District Collects<br><br>LACSD will verify all the data<br>submitted, process the<br>application forms, and collect<br>all payments.<br><i>Residential, Commercial,<br/>Institutional, and Industrial</i><br>applicants can pay for<br>connection fees by mail or<br>on-site at the District's<br>Connection Fee counter. | Member Agencies Collect<br><br>Member agencies remit fees<br>(from Residential, Commercial,<br>and Industrial) on a monthly<br>basis.                                | District Collects<br><br>EMWD holds the<br>connection fee funds. An<br>applicant pays the fees<br>upon occupancy or when<br>service commences. |

Attachment 15 - continued

|                                  | IEUA                                                                                                                                                           | SRCSD                                                                                                                                                                                                                                                                                                                                | LACSD                                                                                                                                                                                                                                                                                                                                                                    | OCSD                                                                                                                                                                                                                                 | EMWD                                                                                                                                                                                                                                                                                                                                                            |
|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Collection of fees from PSF      | Connection Fees are collected when the contracting agency becomes aware of a new facility or improvements that have been made.                                 | The Intent is to charge them if the District knows about them. There are several commercial categories, such as office buildings, schools, parks, that cover public service buildings.                                                                                                                                               | They are exempt from Connection Fees as long as meet exemption requirements in Ordinance. Schools, City Administration Offices, Courthouses, Libraries, etc. are all exempt. But, a City Power Plant or Water Treatment Facility would have to pay industrial surcharge and connection fees.                                                                             | The fee is collected by the member agency.                                                                                                                                                                                           | Yes                                                                                                                                                                                                                                                                                                                                                             |
| Collection of Sewer Service Fees | Each contracting agency collects the fees directly from Residential, Commercial, and Industrial users. Billing for the fees varies by each contracting agency: | Residential and Commercial: Each member agency has a billing department that is responsible for the billing and collecting of the charges.<br><br>For Industrial users, the District's Waste Source Control Section monitors the flow and load from each user and determines the charges and bills the industrial users accordingly. | Majority of the service charges (Residential and Commercial) are collected through the Los Angeles County Property Tax Billing system. The County provides payment to the District's Accounting department upon receipt of payment, usually twice per year.<br><br>For Industrial users the Wastewater Surcharges are collected quarterly as described in the Ordinance. | The sewer service fees for Residential, Commercial, and Industrial are collected annually on the property tax bill for each parcel.<br><br>Note: Industrial Waste Discharges who require a discharge permit are invoiced separately. | If EMWD bills residential, commercial, and industrial users for potable water use, sewer fees are also billed to these customers on a monthly basis.<br><br>If member agencies provide the billing for potable water and are also connected to EMWD's sewer system, the member agency bills for sewer and remits the collected fees to EMWD on a monthly basis. |
| Remittance of Sewer Service Fees | Contracting Agencies provide the EDU information during the first 15 days after the close of the month. An                                                     | Depends on the contributing agencies - payment is made monthly, but some are                                                                                                                                                                                                                                                         | Residential: Service charges are collected through the Los Angeles County Property Tax Billing system.                                                                                                                                                                                                                                                                   | OCSD Regional sewer service fees are placed on the Secured Property Tax Roll each year by the Orange                                                                                                                                 | Sewer fees (non-connection fees) are remitted by our member agencies within the 2nd or 3rd week following the end                                                                                                                                                                                                                                               |

Attachment 15 - continued

|                                   | IEUA                                                                                                                                         | SRCSD                                                                                                                                                                                                                                                                                                            | LACSD                                                                                                                                                                                                                                                                       | OCSD                                                                                                                                                                        | EMWD                                                                      |
|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|
|                                   | Invoice is generated to bill each contracting agency on an EDU volumetric basis. Payment is due 45 days from the invoice date to the Agency. | bimonthly. City of Roseville, a contracting agency, makes payment annually, but the revenue from Roseville is very small.                                                                                                                                                                                        | Commercial: Service charges are collected through the Los Angeles County Property Tax Billing system.<br><br>Industrial: charges are quarterly based on the August statement.                                                                                               | County Auditor/Controller's office and are apportioned to OCSD throughout the fiscal year. The Auditor/Controller's office charges a fee based upon the amount apportioned. | of the month.                                                             |
| Program structure – Advantages    |                                                                                                                                              | The new rate and fee structure that the District adopted recently provides a more sustainable and equitable structure. <i>The rate and fee structure is based on cost of service.</i> Regional San is one of the few utilities that adopt a structure with costs linked to pathogen and total kjeldahl nitrogen. | The Joint Outfall System (which handles about 90% of customer base) is large with shared expenses and good economies of scale. The billing of most of these customers through property taxes is very cost effective.                                                        | By placing our fee on the property tax bill, this program saves time and money. We do not have to spend staff time invoicing our customers or on collections.               | Direct bill/payment to beneficiary and control over collections.          |
| Program structure – Disadvantages |                                                                                                                                              | The commercial user billing structure has 43 categories and a simpler structure with less categories is desired. There are billing inconsistencies that require reconciliation between District's staff and contributing agencies.                                                                               | The service charge program uses assumed loadings rather than actual usage and there are inherent winners and losers. The simplicity of having a flat fee added to the property tax and maintaining rates well below national averages has always outweighed those concerns. | Our fees are based upon averages and not actual water consumption. We have a program for non-residential customers to submit their actual consumption for a rebate.         | Administrative charges are higher due to tracking and collection efforts. |

**Attachment 16 - Exhibit A**

**Recommendations provided with Interim Reports**

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Attachment 16 - continued  
Exhibit A

| No                                                         | Recommendations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Upland    | Montclair | Fontana   | Chino       | CVWD        | Chino Hills | Ontario     |
|------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|-----------|-------------|-------------|-------------|-------------|
| <b>OVERALL RECOMMENDATIONS</b>                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |           |           |           |             |             |             |             |
| •                                                          | Consider legal, political and financial implications of governing by ordinance vs. contract                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | X         | X         | X         | X           | X           | X           | X           |
| •                                                          | Review and revise EDU formula from current 270 gallons per day                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | X         | X         | X         | X           | X           | X           | X           |
| •                                                          | Resolve identified differences of over/under collected amounts of Connection Fees and unreported service fees discovered during the Regional Contract Reviews and determine/establish working relationship with Contracting Agencies. IA identified businesses that are not reported to IEUA and fees not paid for the services provided by IEUA as well as classification errors and formula mistakes                                                                                                                                                                                                                  | X         | X         | X         | X           | X           | X           | X           |
| <b>CONNECTION FEES RECOMMENDATIONS and FEES: 2013/2014</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |           |           |           |             |             |             |             |
| 1                                                          | IEUA and the Contracting Agencies should consider centralizing the Connection Fee and wastewater permitting process or, as part of the permitting and plan check process, establishing a requirement that an IEUA representative provide final sign-off and approval prior to the Contracting Agency issuing a permit to a nonresidential entity and allowing a connection to the regional system. This added approval step will ensure IEUA agrees with the interpretation of the contract and the appropriate category type and sewage factor have been applied so correct connection fees are assessed and collected | X         | X         | X         | X           | X           | X           | X           |
| 2                                                          | IEUA Planning and Pretreatment groups should take the lead to exercise the authority provided under Regional Contract Section 26 Inspection of Facilities, and establish an on-going monitoring program to inspect random facilities or those where there is a suspected discrepancy in order to ensure the intent of the Regional Contract is applied and ensure the integrity of the Regional Program.                                                                                                                                                                                                                | n/a       | n/a       | X         | n/a         | X           | n/a         | X           |
| 3                                                          | IEUA and the Contracting Agencies should add language to the Regional Contract regarding IEUA's inspection and verification rights for connection fees and the recourse IEUA has when IEUA believes a Contracting Agency has under-collected and/or under-reported connection fees.                                                                                                                                                                                                                                                                                                                                     | n/a       | X         | X         | X           | X           | X           | X           |
| 4                                                          | Regional Contract should be updated to include IEUA right to audit, full cooperation and access to records and documents upon request                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | X         | X         | X         | X           | X           | X           | X           |
| 5                                                          | IEUA should consider a two tier process of determining connection fees as part of Exhibit J that distinguishes between common features that are part of any commercial facility such as restroom toilets and sinks and those features that are unique to a specific site, such as a fire hub drain, butcher shop drain, a restaurant dishwasher or washing sink, etc. This would create consistency in the treatment of same-type and same-use fixture units                                                                                                                                                            | X         | n/a       | n/a       | X           | X           | X           | X           |
|                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | \$505,482 | \$202,500 | \$830,226 | \$2,820,202 | \$1,901,701 | \$1,985,132 | \$1,728,501 |

Attachment 16- continued  
Exhibit A

| No | Recommendations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Upland | Montclair | Fontana                                           | Chino                                                  | CWWD                                           | Chino Hills                                            | Ontario |
|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-----------|---------------------------------------------------|--------------------------------------------------------|------------------------------------------------|--------------------------------------------------------|---------|
| 6. | Exhibit J was recently updated and now provides detailed definitions for many business types, yet there is still room for varying interpretation and application. Businesses continue to evolve and new types of businesses emerge. Exhibit J should be updated regularly to provide additional language, definitions and guidance to ensure all types of commercial businesses are classified consistently. IEUA should consider documenting additional definitions and descriptions to the classification of businesses in Exhibit J. This would reduce the risk of misclassification of businesses and the potential under-collection of IEUA fees. Examples include fast-casual restaurants (where orders are placed at a register near the entrance but the restaurant provides table service for the food and beverage service), animal hospitals or shelters, community centers at newer residential communities and facilities that provide rehabilitative services.                                                                                                                                               | X      | X         | X                                                 | X                                                      | n/a                                            | X                                                      | X       |
| 7  | IEUA and the Contracting Agencies should develop and provide additional clarification and descriptive information for the various types of appliances, appurtenances or fixtures in the descriptions included in Exhibit J. Examples include defining the nature of an emergency drain, classification of a hub drain, clarifying differences between lavatories, wash fountains, receptors, sinks and mop basins and whether a drinking fountain that includes a separate basin for handicapped access consists of one or two fountains. The review revealed differences in interpretation.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | X      | n/a       | X                                                 | X                                                      | X                                              | X                                                      | X       |
| 8. | IEUA and the Contracting Agencies should consider developing a standardized calculation worksheet to assist Contracting Agencies in the connection fee calculations. Currently, each Contracting Agency has its own unique calculation worksheet and it is not always consistent with the Regional Contract Exhibit J. A standardized calculation worksheet should mirror the fixture unit types in Exhibit J and provide additional clarification and uniformity to the fixture count process. The worksheet should be flexible enough to allow for multiple components of a business to be calculated at different commercial categories when there is more than one type of business at the same location (for example, a gas station/minimart with a car wash). A standardized calculation worksheet would provide assistance in computing the connection fees so that Contracting Agencies would not each need to develop their own tools, creating a lack of consistency and uniformity. IA noted varying application of fixture counts because the Contracting Agencies' calculation worksheets are not consistent. | X      | X         | (Calculation worksheet follows Exhibit J)         | X / ✓<br>(Calculation worksheet now follows Exhibit J) | ✓<br>(Calculation worksheet follows Exhibit J) | X / ✓<br>(Calculation worksheet now follows Exhibit J) | X       |
| 9  | IEUA should require that Contracting Agencies provide copies of the connection calculation worksheets for all nonresidential entities included on their monthly Building Activity Reports. Calculation worksheets would provide additional support for the connections reported and the connection fees collected. This would provide IEUA staff greater visibility and documented support for the application of the category types and fixture counts utilized. IEUA staff would have the necessary information to contact the Contracting Agency if any questions or discrepancies are noted at the time that connections are reported                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | X      | X         | ✓<br>Calculation worksheets provided with the BAR | X                                                      | X                                              | X                                                      | X       |

Attachment 16- continued  
Exhibit A

| No  | Recommendations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Upland | Montclair | Fontana        | Chino | CVWD           | Chino Hills | Ontario |
|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-----------|----------------|-------|----------------|-------------|---------|
| 10. | rather than identifying these later on, in addition to the regular meetings of the Regional Technical and Regional Policy Committees, IEUA has already begun to provide ad-hoc meetings and training as needed for things such as the updated excel Building Activity Report and the Exhibit J subcommittee. IA noted that great variability and understanding of IEUA, the Regional Contract and Exhibit J exists amongst Contracting Agencies' staff in departments such as Building, Plan Check and Utility Billing. In order to develop greater consistency and uniformity throughout the region, IEUA should consider taking the lead in holding quarterly or more regular workshops, meetings, plant tours and similar activities as an avenue where Contracting Agencies' staff in departments such as Building, Plan Check and Utility Billing and/or others as well can discuss and ask questions about the application of the Regional Contract and Program. The workshops would provide a forum to discuss questions about category types to apply, definitions, other questionable items and individual situations, and foster cooperation and collaboration among all. A Contracting Agency may encounter questions or situations that could apply to other Contracting Agencies. Frequent and on-going dialogue about the application of the Regional Contract would benefit all Contracting Agencies and the Regional Program to ensure consistent application of the Regional Contract and that issues are addressed on a timely basis. | X      | X         | X              | X     | X              | X           | X       |
| 11. | IEUA should consider developing expertise in fixture count techniques and providing regular and ongoing training at the Building Departments of Contracting Agencies to develop consistency in the IEUA fixture count process across the region, including obtaining IEUA's guidance on the treatment of commercial businesses whose type is unique or does not fall into categories established in Exhibit J.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | X      | n/a       | X              | X     | n/a            | X           | X       |
| 12. | Contracting Agencies should consider adopting an internal review process for Connection Fees as part of preparing the Building Activity Report                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | n/a    | n/a       | ✓<br>(Use IFR) | n/a   | ✓<br>(Use IFR) | n/a         | n/a     |

Attachment 16 - continued  
Exhibit A

| No | Recommendations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Upland      | Montclair   | Fontana                                      | Chino       | CVWD         | Chino Hills | Ontario     |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|----------------------------------------------|-------------|--------------|-------------|-------------|
|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | \$4,254,883 | \$1,881,117 | \$8,196,801                                  | \$4,592,930 | \$10,288,244 | \$3,892,815 | \$9,532,321 |
| 1  | <p><b>MONTHLY SEWERAGE BILLING RECOMMENDATIONS and FEES: 2013/2014</b></p> <p>IEUA and the Contracting Agencies should consider establishing the collection of monthly sewerage fees directly for the entire region through the County's property tax roll. Collection of sewerage fees through the property tax roll could result in a more efficient process and reduce the administrative resources used by Contracting Agencies in billing and collecting these fees. Residential properties could be transferred initially until consideration is given to ways in which and whether to transition commercial, industrial and other entities. IEUA and the Contracting Agencies should evaluate the methodology used for billing monthly sewerage fees and consider alternatives, either by water consumption or EDUs purchased. Since the adoption of the existing billing methodology in a 1997 memorandum efficiencies have been achieved in water usage, which may have an impact on the type and amount of sewerage discharged and the types of services provided to the region as a whole. The billing methodology should be aligned with the services provided. Another approach to consider as part of the billing methodology would be examining Winter season usage by residential properties to investigate a volumetric rather than EDU based rate structure. The billing methodology should be presented to the IEUA Board of Directors and formally adopted. As part of this process a Rate and Fee Study would assist in establishing a sustainable and equitable rate structure that recovers the cost of providing services.</p> | n/a         | n/a         | ✓<br>(Property tax roll used for SFR & IMFR) | n/a         | n/a          | X           | X           |
| 2  | <p>IEUA and the Contracting Agencies should evaluate the methodology used for billing monthly sewerage fees and consider alternatives, either by water consumption or EDUs purchased. Since the adoption of the existing billing methodology in a 1997 memorandum efficiencies have been achieved in water usage, which may have an impact on the type and amount of sewerage discharged and the types of services provided to the region as a whole. The billing methodology should be aligned with the services provided. Another approach to consider as part of the billing methodology would be examining Winter season usage by residential properties to investigate a volumetric rather than EDU based rate structure. The billing methodology should be presented to the IEUA Board of Directors and formally adopted. As part of this process a Rate and Fee Study would assist in establishing a sustainable and equitable rate structure that recovers the cost of providing services.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | X           | X           | ✓<br>(EDU based rate structure)              | X           | X            | X           | X           |
| 3  | <p>IEUA and the Contracting Agencies should consider standardizing and providing automated and itemized listings of non-residential monthly sewerage charges. This would provide information that could be reviewed and researched for anomalies and reconciled on a regular basis.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | X           | X           | X                                            | X           | X            | X           | X           |
| 4  | <p>IEUA should evaluate the current process used for invoicing each Contracting Agency for monthly sewer fees. By establishing a contract for monthly payment rather than relying on invoices, each Contracting Agency could provide the EDU information and remit the funds to IEUA directly within a reasonable period of time. This contrasts with the current approach whereby Contracting Agencies provide EDU information and then wait for an invoice from IEUA before payment thereby delaying payment for up to 45 days. By reengineering the process, IEUA would receive monthly sewer fees in a more efficient and timely manner.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | X           | X           | X                                            | X           | X            | X           | X           |
| 5  | <p>IEUA should add language to the Regional Contract regarding IEUA's inspection and verification rights as to monthly sewerage fees and the recourse IEUA has when IEUA believes a Contracting Agency has under-collected and/or underreported such fees.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | X           | X           | n/a                                          | X           | X            | X           | X           |
| 6  | <p>Regional Contract should be updated to include IEUA right to audit, full cooperation and access to records and documents upon request</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | X           | X           | X                                            | X           | X            | X           | X           |
| 7  | <p>IEUA and the Contracting Agencies should consider updating the 1997 memorandum to consider new business types and provide more detailed definitions and descriptions. Since the adoption of the 1997 memorandum, businesses have continued to evolve and new types of businesses emerge. The 1997 memorandum should be updated regularly to provide additional language, definitions, and guidance to ensure</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | n/a         | n/a         | n/a                                          | n/a         | n/a          | X           | n/a         |

Attachment 16- continued  
Exhibit A

| No | Recommendations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Upland | Montclair | Fontana | Chino | CVWD | Chino Hills | Ontario |
|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-----------|---------|-------|------|-------------|---------|
|    | all types of commercial businesses are classified consistently. Examples include pet related businesses such as pet shops, pet rescue locations, veterinarians and pet hospitals and clinics and spa related businesses such as spas, massage parlors, salons, foot spas and waxing businesses.                                                                                                                                                                                                                                                                                                                                              |        |           |         |       |      |             |         |
| 8  | Evaluate and consider the relationship between monthly sewer fees and Connection Fees and determine the need to create a correlation between the two. For example, fast-food restaurants and full-service restaurants are both included in Category 3 for monthly sewerage billing purposes and pay at the same rate. However, for purposes of Connection Fees fast-food restaurants are grouped with office, retail and similar uses (which are Category 1 for monthly sewerage billing). Therefore, fast-food restaurants incur lower Connection Fees, but pay monthly sewer fees at the higher rates charged to full-service restaurants. | X      | X         | X       | X     | X    | X           | X       |
| 9  | IEUA and the Contracting Agencies should consider the need for additional billing guidance for locations with multiple business types serviced by master meter, either blended, highest applicable or other methodology.                                                                                                                                                                                                                                                                                                                                                                                                                     | n/a    | n/a       | n/a     | n/a   | n/a  | X           |         |
| 10 | IEUA and the Contracting Agencies should consider billing commercial businesses that do not consume or discharge a minimum of one EDU at least that amount under the rationale that no business should pay less than the amount charged to a single family residence.                                                                                                                                                                                                                                                                                                                                                                        | X      | ✓         | X       | X     | ✓    | X           | X       |

Attachment 16 - continued  
Exhibit A

| No                                               | Recommendations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Upland                               | Montclair                                                                             | Fontana                                                                                | Chino                                                                                                 | CVWD                                                                                                                                                  | Chino Hills                                                          | Ontario                                                                                                                                             |
|--------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|---------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>PUBLIC SERVICE FACILITIES RECOMMENDATIONS</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                      |                                                                                       |                                                                                        |                                                                                                       |                                                                                                                                                       |                                                                      |                                                                                                                                                     |
|                                                  | <b>Examples of recent Public Service Facilities with NO Connection Fees collected</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | None noted, per audit sample         | Moreno Elem. classroom building (OMSD)<br>Montclair H. S. classroom building (CJUHSD) | None noted, per audit sample (City made conscious choice not to charge Kaiser Fontana) | Howard Cattle Elem. classroom building (CVUSD)<br>Chaffey College - Chino Campus - multiple buildings | Los Amigos classrooms, Elswende HS part arts complex, athletic field<br>Rancho Cuyamonga HS auditorium, athletic field<br>Chaffey College - buildings | Chino Hills H. S. Swimming Facility, Showers and Locker Room (CVUSD) | Richard Haynes Elem Multipurpose (OMSD)<br>Ray Wilkey classroom building (OMSD)<br>Ontario H. S. Classroom building, football stadium pool (CJUHSD) |
| 1.                                               | IEUA and the Contracting Agencies should consider the exclusion of Public Service Facilities from the charge for Connection Fees and Monthly Sewerage Charges. As documented under the audit report "Comparison of the Regional Sewage Service Contract and Program with similar contracts and programs", IA found that some Agencies for example, the Los Angeles County Sanitation Districts) exclude local governmental agencies such as public K - 14 schools and City governments from both Connection Fees and Monthly Sewerage Charges                                                                                                                                                                                                                                 | n/a                                  | x                                                                                     | n/a                                                                                    | x                                                                                                     | x                                                                                                                                                     | x                                                                    | x                                                                                                                                                   |
| 2.                                               | IEUA and the Contracting Agencies should consider the legal, political and financial impacts of centralizing the Connection Fee calculation, connection, CCRA account and wastewater permitting process for Public Service Facilities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | x                                    | x                                                                                     | x                                                                                      | x                                                                                                     | x                                                                                                                                                     | x                                                                    | x                                                                                                                                                   |
| 3.                                               | IEUA should add language to the Regional Contract regarding IEUA's inspection and verification rights for Public Service Facilities as to connection and monthly sewer fees and the recourse IEUA has when IEUA believes a Contracting Agency has under-collected and/or under-reported such fees.                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | n/a                                  | x                                                                                     | n/a                                                                                    | x                                                                                                     | x                                                                                                                                                     | x                                                                    | x                                                                                                                                                   |
| 4.                                               | Regional Contract should be updated to include IEUA right to audit, full cooperation and access to records and documents upon request                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | x                                    | x                                                                                     | x                                                                                      | x                                                                                                     | x                                                                                                                                                     | x                                                                    | x                                                                                                                                                   |
| 5.                                               | Exhibit J was recently updated and now provides detailed definitions, yet there is still room for varying interpretation and application. Exhibit J should be updated regularly to provide additional language, definitions and guidance to consider clarification and descriptive information for categorizing public service facilities to expand and address the differences between publicly owned and publicly used.                                                                                                                                                                                                                                                                                                                                                     | x                                    | x                                                                                     | x                                                                                      | x                                                                                                     | x                                                                                                                                                     | x                                                                    | x                                                                                                                                                   |
| 6.                                               | Consider the City of Upland's cross-departmental approach to the development review process as a regional model for Contracting Agencies to follow. The City of Upland has formed an inclusive group from all city departments that meets regularly to review new development. The group includes representatives from the Planning, Building, Public Works, and Police and Fire departments. Since planning for the safety is required for new construction to ensure access and egress, Fire department representatives are often the first to know about new PSF construction. This will trigger Public Works and Building department representatives to be involved resulting in the assessment of connection fees, including those for IEUA in accordance with Exhibit J | ✓ (Uses cross-departmental approach) | x                                                                                     | n/a                                                                                    | x                                                                                                     | n/a (Not a city, water agency only)                                                                                                                   | x                                                                    | x                                                                                                                                                   |

### **Attachment 17 - Current and Prior Audit Reports Completed**

The following reports have been submitted as information items to the IEUA Board of Directors:

#### **Current Review**

2014-2015:

- Interim Audit Report for the City of Ontario (September 2015)
- Interim Audit Report for the City of Chino Hills (June 2015)
- Interim Audit Report for the Cucamonga Valley Water District (March 2015)
- Interim Audit Report for the City of Chino (December 2014)
- Interim Audit Report for the City of Fontana (December 2014)
- Interim Audit Report for the City of Montclair (September 2014)
- Interim Audit Report for the City of Upland (September 2014)
- "Survey of Comparative Information of the Seven Contracting Agencies" (September 2014)
- "Regional Contract Review – Comparable Survey" (June 2014)
- "Regional Contract Review – Ten Year Capacity Demand Forecast" (June 2014)

#### **Previous Reviews**

IEUA's Internal Audit Department and other external auditors have performed previous evaluations of the application and administration of the Regional Contract by the Contracting Agencies to ensure the contract provisions and requirements are being applied in a consistent manner:

- 2009 and 2010 Chino Basin Regional Sewage Service Contract Audit (Interim and Final)
- 2007 Sewage and Connection Fee Audit
- 2006 Independent Accountant's Report on Agree-Upon Procedures Performed
- 1999 Review of the Procedures on computing Equivalent Dwelling Units
- 1998 Agreed Upon Procedures Engagement: Equivalent Dwelling Unit Reporting and Compliance
- 1995 Agreed Upon Procedures Engagement pertaining to the Monthly Equivalent Dwelling Unit Computation and Reporting