EXECUTIVE SUMMARY

The Agency's Operating Budget for Fiscal Year (FYs) 2017/18 – 2018/19 and FYs 2017/18-2026/27 Ten Year Capital Improvement Plan (FY 2018-2027 TYCIP) focuses on the following key areas:

- ***Succession planning*** – Nearly 45 percent of the Agency's workforce is eligible for retirement over the next five years. Timely recruitment will be essential to the transfer of knowledge and expertise to the next generation of employees. Included in the proposed biennial budget is a succession pool of 10 positions to support timely recruitment of critical positions throughout the Agency;

- ***Cost containment*** – As part of the Agency's ongoing commitment to sustainable cost containment, the succession pool will be supported under the existing 290 authorized number of full time equivalent positions. Operations and maintenance expenses such as chemicals, operating fees, and utilities remain relatively leveled over the next two fiscal years.

- ***Cost of Service***– Continue implementation of multiyear rates and fees approved by the Board of Directors through FY 2019/20 designed to fully recover the cost of providing the Agency services;

- ***Upkeep of Agency Assets*** – Continue the transition from "corrective" to "predictive and preventative" maintenance of Agency assets to ensure regulatory compliance, avoid costly corrective maintenance, and over time reduce maintenance costs by only performing maintenance on equipment when warranted;

- ***Optimize low interest debt and grants*** – Continue to secure low cost financing and grants to support capital expansion and improvement of Agency's facilities to meet anticipated growth and increased service demands; and

- ***Transparency*** – Continue to provide a platform for transparent communication and timely reporting.

The Operating Budget for FYs 2017/18 - 2018/19 is the Agency's second biennial budget. The transition from a single to a two-year budget in FY 2015/16 supports a key objective of the IEUA Business Goal under Fiscal Responsibility to enhance financial planning and fiscal stabilization for IEUA and its customers.

IEUA BUSINESS GOALS

The IEUA Business Goals align with the Agency's mission, vision and values which are defined by the needs of the Agency's stakeholders and the public value provided to the communities served. The IEUA Business Goals, updated and adopted by the IEUA Board in 2016, are categorized into six main areas as indicated in Figure 1-1:

Figure 1-1: IEUA's Business Goals

Within each *Business Goal* are key *Objectives* which define the major areas of focus and guide the development of the Agency's Work Plan. The Work Plan provide Agency departments with clearer direction as they set the goals and objectives included in the Agency's biennial budget and TYCIP.

The biennial budget and TYCIP also incorporate the various planning documents, amongst them the Facilities Master Plan, Asset Management Plan, Integrated Water Resources Plan (IRP), Recycled Water Program Strategy, Energy Management Plan and Urban Water Management Plan.

FY 2017/18 – 2018/19 BUDGET OVERVIEW

Total uses of funds for $236.6 million in FY 2017/18 and $251.5 million in FY 2018/19 include the operational, capital, and debt service expenditures for all Agency programs necessary to support the Agency's mission to provide reliable essential services in a regionally planned and cost effective manner.

Total operating expenses are budgeted at $145.4 million in FY 2017/18 and $150.9 million in FY 2018/19, an increase of $16.0 million compared to $129.4 million projected in FY 2016/17. The increase is mainly due to higher pass-through purchases of imported water from Metropolitan Water District of Southern California (MWD); higher professional fees and services to support the Agency's continued transition from a corrective to preventative/predictive maintenance strategy; higher employment costs to support succession planning, higher pension costs due to a reduction in the discount rate by CalPERS beginning in FY 2018/19; and higher non-capital (O&M) project costs which include the South Archibald TCE Plume Clean Up project planned over the next three years.

EXECUTIVE SUMMARY

Non-operating expense, or other uses of funds, of $91.2 million in FY 2017/18 and $100.6 million in FY 2018/19 are comprised of debt service and capital improvement plan (CIP) expenditures. The decrease in debt service costs from $70.7 million in FY 2016/17 to $22.0 million in FY 2017/18 is due to the partial refinancing of the 2008A Revenue Bonds completed in January 2017 which included repayment of $50.0 million in outstanding principal. The reduction in debt service costs is partially offset by an increase of $34.8 million in CIP in FY 2017/18 budgeted at $69.2 million and $78.4 million in FY 2018/19, compared to $34.4 million projected for FY 2016/17. Included in the CIP over the next two years is design of the Regional Water Recycling Plant No. 5 (RP-5) Liquids and Solids Expansion project, continued construction of the Water Quality Laboratory slated for completion in 2021, and capital upgrades and improvements to the various Agency facilities. Projected funding for CIP is evenly split between pay-go and new debt.

Total uses of funds are supported by total revenues and other funding sources of $223.6 million in FYs 2017/18 and $248.5 million in FY 2018/19. Included are operating revenues $139.2 million in FY 2017/18 and $147.5 million in FY 2018/19 with a projected increase of $15.0 million in FY 2017/18 compared to projected actuals of $124.2 million in FY 2016/17 partly due to higher pass-through sales of MWD imported water and rate adjustments for the Regional Wastewater, Recycled Water, and Water Resources programs approved by the IEUA Board and member agencies through FY 2019/20.

Non-operating revenue, or other sources of funds, of $84.4 million in FYs 2017/18 and $101.0 million in FY 2018/19 include fees from new connections to the Agency's regional wastewater and regional water systems, property tax receipts, and proceeds from low interest state loans and grants. Higher wastewater and water connection fees account for an increase of $3.2 million in FY 2017/18 and $1.2 million in FY 2018/19 due to the rate adjustment effective January 1, 2018, as the number of new connections are expected to remain leveled over the next two years. Additionally, property tax receipts, grant receipts and proceeds from state loans account for an increase of $1.4 million in FY 2017/18 and $15.3 million in FY 2018/19. State Revolving Fund (SRF) loan and grants are the primary funding sources of the Water Quality Laboratory under construction and the South Archibald TCE Plume Clean Up project.

Based on total funding sources and uses of funds budgeted over the next two years, the total ending reserve balance is anticipated to decrease from $156.7 million projected in FY 2016/17 to $140.7 million at the end of FY 2018/19. An overview of total revenues and other funding sources, total operating expense and other uses of funds, and estimated ending fund balance beginning FY 2014/15 through FY 2021/22 are provided on Table 1-1.

Table 1-1: Comparative of Total Sources and Uses of Funds, and Fund Balance ($Millions)

Fiscal Year	Actual 2015/16	Projected Actual 2016/17	Biennial Budget 2017/18	Biennial Budget 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22
Operating Revenues	$106.5	$124.2	$139.2	$147.5	$153.2	$160.0	$166.7
Operating Expense	(106.9)	(129.4)	(145.4)	(150.9)	(157.5)	(156.0)	(152.0)
Operating Net Increase (Decrease)	**(0.4)**	**(5.2)**	**(6.2)**	**(3.4)**	**(4.3)**	**4.0**	**14.7**
Other Sources of Funds	89.2	79.9	84.4	101.0	203.0	191.7	159.6
Debt Service	(20.9)	(70.7)	(22.0)	(22.2)	(32.8)	(40.2)	(45.4)
Capital Program	(23.1)	(34.4)	(69.2)	(78.4)	(123.6)	(187.7)	(130.8)
Non-Operating Increase (Decrease)	**45.2**	**(25.2)**	**(6.8)**	**0.4**	**46.6**	**(36.2)**	**(16.6)**
Total Increase (Decrease)	44.8	(30.4)	(13.0)	(3.0)	42.3	(32.2)	(1.9)
Beginning Fund Balance	142.3	187.1	156.7	143.7	140.7	183.0	150.8
Ending Fund Balance	**$187.1**	**$156.7**	**$143.7**	**$140.7**	**$183.0**	**$150.8**	**$148.9**

Totals may not tie due to rounding

REVENUES AND OTHER FUNDING SOURCES HIGHLIGHTS

Total revenues and other funding sources are budgeted at $223.6 million in FY 2017/18 and $248.5 million in FY 2018/19. The increase of $19.5 million in FY 2017/18 compared to projected to actual of $204.1 million in FY 2016/17 is mainly due to increase in higher pass-through sales of MWD imported water, higher connection fees to the regional wastewater and regional water systems, and implementation of the multiyear rate adjustments approved through FY 2019/20. An increase of $24.9 million is budgeted in FY 2018/19 compared to FY 2017/18, mainly due an increase in low interest state loans and grant proceeds associated with the completion of the Water Quality Laboratory, the South Archibald TCE Plume Clean Up project, Recharge Master Plan Update projects, and water resources initiatives. Table 1-2 highlights the major funding sources.

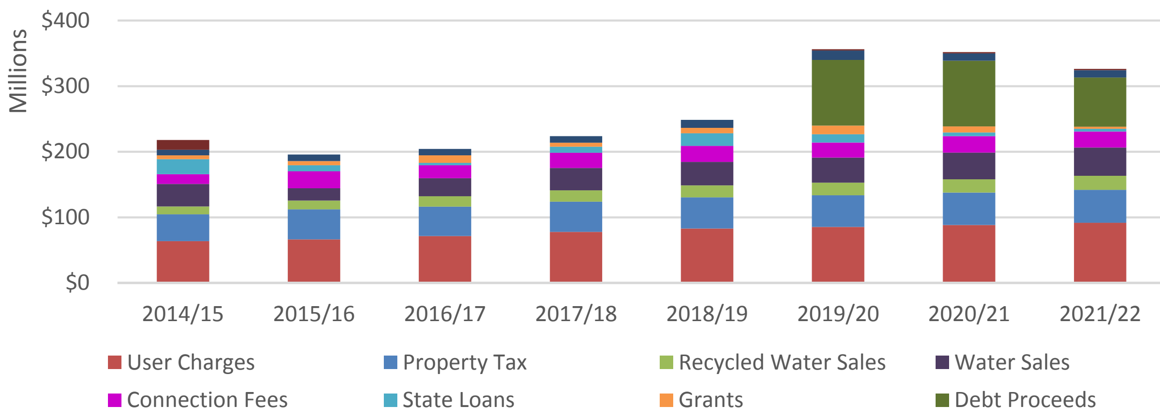
Table 1-2: Total Revenues and Other Funding Sources ($Millions)

Funding Sources	ACTUAL 2015/16	PROJECTED 2016/17	BIENNIAL BUDGET 2017/18	2018/19
User Charges	$66.4	$71.5	$77.8	$82.9
Property Taxes	45.6	44.7	46.0	47.4
Contract Cost Reimbursement*	5.3	6.6	6.9	6.9
Recycled Water Sales	13.5	15.9	17.2	18.2
Connection Fees	25.9	19.9	23.1	24.3
Water Sales	18.7	27.4	34.2	36.0
State Loans	9.3	3.5	9.3	19.3
Grants	6.2	11.5	6.0	8.2
Other**	4.8	3.1	3.1	5.3
Total	**$195.7**	**$204.1**	**$223.6**	**$248.5**

**Includes reimbursement from Joint Power Authorities (JPAs), Chino Basin Desalter Authority, Inland Empire Regional Composting Authority, and Chino Basin Watermaster.*
***Includes capital contract reimbursements from Chino Basin Watermaster for various joint recharge basin improvement projects, and lease revenues.*
Totals may not tie due to rounding

Projected revenues for FYs 2019/20 through 2021/22 include proceeds from new debt issues necessary to support improvement and expansion of Agency facilities and infrastructure needed to meet increase in service demand from anticipated future growth. The RP-5 Liquids and Solids Expansion project in the Regional Wastewater Capital Improvement fund is a major project included in CIP budgeted over the next two years. Figure 1-2 shows revenue trends from FYs 2014/15 to FY 2021/22.

Figure 1-2: Trend of Revenues and Other Funding Sources



The primary sources of the $223.6 million and $248.5 million total revenues and other funding sources budgeted in FY 2017/18 and FY 2018/19 are summarized in Table 1-3:

Table 1-3: Total Revenues and Other Funding Sources ($ Millions)

Revenues	2017/18	2018/19	Description
User Charges	$77.8	$82.9	Regional Wastewater EDU service charges; Non-Reclaimable Wastewater (NRW) pass-through volumetric, capacity and strength charges; Imported potable water surcharge and monthly meter charges.
State and Other Loans	9.3	19.3	State Revolving Fund (SRF) loan proceeds for Recharge Water and Regional Wastewater projects.
Property Tax	46.0	47.4	San Bernardino County ad-valorem property taxes and pass-through incremental taxes.
Grants	6.0	8.2	Federal, state and local grants for regional recycled water distribution system, South Archibald TCE Plume Clean Up and support of water resource programs.
Recycled Water Sales	17.2	18.2	Direct and groundwater recharge recycled water sales and Metropolitan Water District of Southern California (MWD) Local Program Project (LPP) rebate.
Connection Fees	23.1	24.3	New connection fees for the Regional Wastewater and Regional Water systems.
Water Sales	34.2	36.0	Sales of pass-through MWD imported potable water budgeted at 50,000 acre feet per year (AFY).
Other Revenues	10.0	12.2	Reimbursements for operational and administration support from Chino Basin Watermaster (CBWM), Chino Basin Desalter Authority (CDA), Inland Empire Regional Composting Authority (IERCA), lease revenues, and interest earnings.
Total Revenues & Other Funding Sources	**$223.6**	**$248.5**	

Totals may not tie due to rounding

EXECUTIVE SUMMARY

EXPENSES AND OTHER USES OF FUNDS HIGHLIGHTS

Total uses of funds are $236.6 million in FY 2017/18 and $251.5 million in FY 2018/19, compared to projected actuals of $234.5 million for FY 2016/17. The increase of $2.1 million in FY 2017/18 is mainly due to higher capital expenditures and operating expenses offset by lower debt service costs. A comparison of the biennial budget major uses of funds to FY 2015/16 actuals and FY 2016/17 projected actuals is shown on Table 1-4.

Table 1-4: Total Uses of Funds ($Millions)

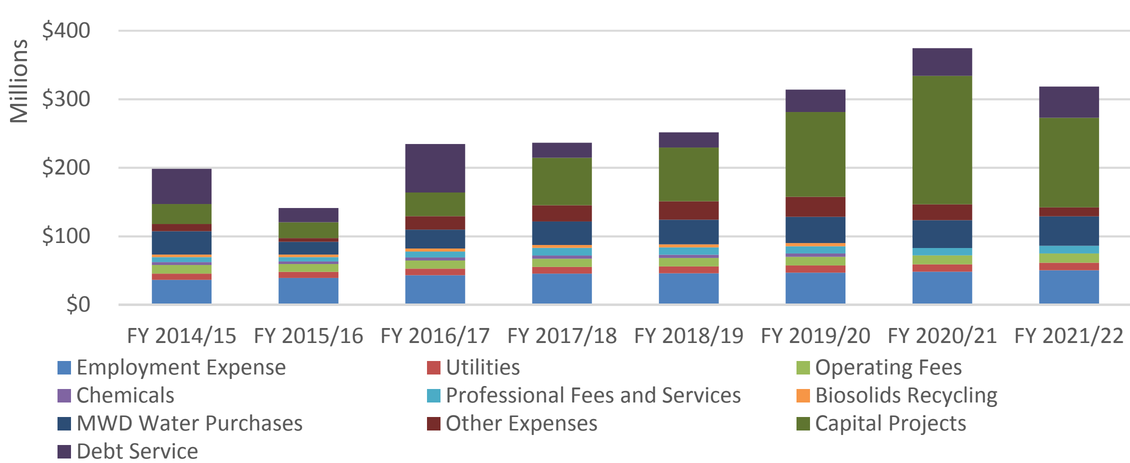
Uses of Funds	ACTUAL 2015/16	PROJECTED 2016/17	BIENNIAL BUDGET 2017/18	2018/19
Operational Expenses*	$106.8	$129.4	$145.4	$150.9
CIP	23.1	34.4	69.2	78.4
Debt Service	21.0	70.7	22.0	22.2
Total	**$150.9**	**$234.5**	**$236.6**	**$251.5**

**Includes employment, chemicals, utilities, materials and supplies, biosolids recycling, operating fees, professional fees, office & admin, and water purchases.*

Totals may not tie due to rounding

Forecasted total expenses and other uses of funds for fiscal years subsequent to FY 2017/18 remain relatively stable, consistent with the Agency's continued commitment to sustainable cost containment. Overall, total uses of funds average $300.0 million between FY 2017/18 and FY 2021/22. One exception is capital project (CIP) which averages $74.0 million over the next two fiscal years and is projected to increase to $187.7 million in FY 2020/21, as indicated in Figure 1-3. The increase in capital expenditures is primarily due to the RP-5 Liquids and Solids Expansion project planned to begin construction in 2020.

Figure 1-3: Trend of Expenses and Other Uses of Funds



The major expenses and other uses of funds budgeted in FYs 2017/18 and 2018/19 are summarized on Table 1-5.

Table 1-5: Total Expenses and Other Uses of Funds

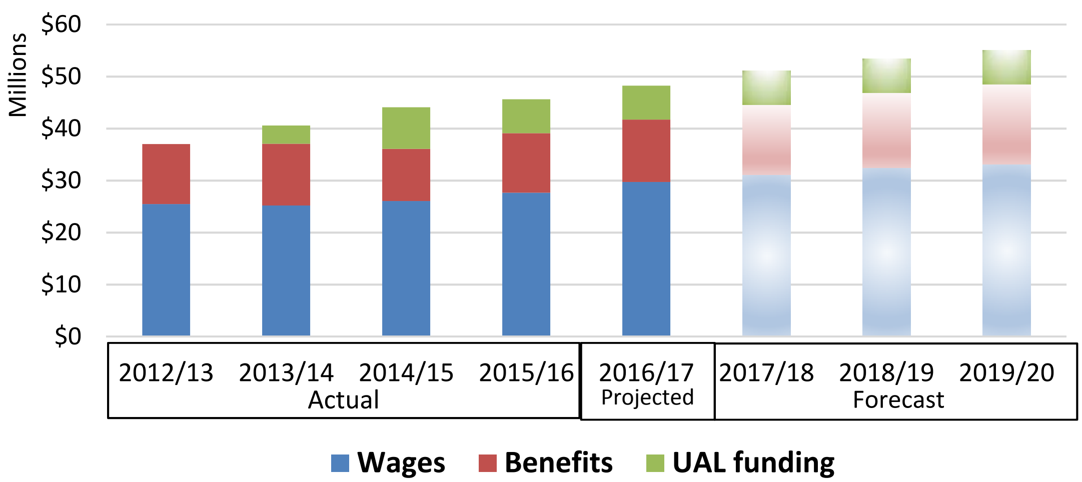
Expense Category	BIENNIAL BUDGET ($Millions) 2017/18	2018/19	Description
Employment Expenses	$45.5	$46.0	Includes wages and benefits, net of the Capital Improvement Plan (CIP) allocation. Maintain 290 authorized full time equivalent (FTE) positions.
Utilities	9.8	10.1	Includes electricity, natural gas, telephone, potable water, and renewal energy costs.
Operating Fees	12.0	12.2	Includes pass-through charges from Sanitation District of Los Angeles County (SDLAC) and Santa Ana Watershed Project Authority (SAWPA) for volumetric charges, capacity, excess strength, and biochemical oxygen demand (BOD) / chemical oxygen demand. (COD)
Chemicals	4.5	4.7	Chemicals necessary to meet the wastewater treatment process compliance and sustainment of the high quality recycled water.
Professional Fees	11.2	10.6	Includes contract services such as legal, external auditing, training, landscaping, security, janitorial services, etc.
Biosolids Recycling	4.4	4.5	Includes hauling costs and Inland Empire Regional Composting Authority (IERCA) tipping fees for biosolids recycling.
MWD Water Purchase	34.2	36.0	Pass-through purchase of imported potable water from Metropolitan Water District of Southern California (MWD).
Other Expenses	23.8	26.8	Includes non-capital (O&M) projects, office and administration expenses, contract services, and materials and supplies.
Capital Project	69.2	78.4	Capital improvement plan (CIP) expenditures consistent with the Ten-Year Capital Improvement Plan (TYCIP).
Debt Service	22.0	22.2	Includes principal, interest and financial payments of outstanding bonds, SRF loans and notes payable.
Total Expenses and Other Uses of Funds	**$236.6**	**$251.5**	

Totals may not tie due to rounding

EMPLOYMENT EXPENSES

Total employment expenses of $45.5 million in FY 2017/18 and $46.0 million in FY 2018/19 (net of labor allocation to capital projects) make up about 30 percent of total operating expenses. Employment expenses include wages, benefits and additional contributions to unfunded accrued liabilities for pension and other postemployment benefits (OPEB). Employment costs for FY 2017/18 are projected to be 5.0 percent, or $2.3 million higher than projected for FY 2016/17, as shown in Figure 1-4. Included in FY 2017/18 employment budget is a cost of living adjustment (COLA) of 3.5 percent as negotiated in the five-year Memorandums of Understanding (MOUs) with the various employee bargaining units in 2013. Partially offsetting the COLA is the employee pick up of the final 1 percent employer paid member contribution (EPMC). The EPMC is the employee's contribution portion paid to CalPERS to support future pension retirement benefits. Effective July 1, 2018, all employees will be paying 100 percent of the EPMC previously paid by the Agency. The estimated 2 percent COLA and 7 percent increase in medical and pension benefit costs included in the FY 2018/19 employment budget of $46.0 million is subject to renegotiation of the MOUs set to expire on June 30, 2018. The 7 percent increase in benefit costs includes the reduction of the CalPERS discount rate beginning in FY 2018/19 from 7.50 percent to 7.0 percent by 2021. Also included is the Agency's continued funding of $6.5 million in additional annual UAL contributions consistent with the IEUA Business Goal to be fully funded over a 10-year period.

Figure 1-4: Total Employment Costs



Over the next 5 years, approximately 45 percent of the current workforce is eligible for retirement. Included in the FY 2017/18 budget is establishment of a succession pool of 10 revolving positions and reclassification of existing positions to streamline operations, and more effectively support the areas of technology, finance, grants administration, and enhancement of the Agency's safety program. Consistent with the Agency's commitment to sustainable cost containment, the succession pool is supported by a reduction in the vacancy factor. There is no change in the 290 FTE authorized level included in the biennial budget. In addition to the 290 FTE staffing level, included in the FY 2017/18 is an estimated 23 intern and 20 limited-term positions primarily to support engineering, construction management, accounting, and grants administration activities.

Approximately $6.5 million in total employment costs annually are allocated to support CIP activities.

CAPITAL IMPROVEMENT PROGRAM (CIP)

FY 2018 – 2027 Ten Year Capital Improvement Plan (TYCIP)

The purpose of the capital improvement plan is to catalog and schedule capital improvement projects over a multi-year period to effectively and efficiently meet the service needs of the region, comply with statutory requirements, and appropriately maintain Agency assets. Each year, pursuant to the Regional Sewage Service Contract (Regional Contract), member agencies provide a ten-year forecast of expected growth in their area. The member agencies forecast, presented to the Board of Directors on November 16, 2016, estimated over 36,000 new connections over the next ten years. Approximately 70% of the new connections are anticipated in the southern portion of the Agency's service area. Based on these member agency forecasts, the Agency prepares a ten-year projection of capacity demands and identifies capital projects needed to meet the service demand from future growth. Pursuant to the Regional Contract, the TYCIP is updated annually and presented to the Regional Technical and Policy Committees for review and comment, prior to approval by the IEUA Board of Directors.

The rehabilitation, replacement, improvement, and expansion of the Agency's facilities continue to be the key drivers for the proposed FY 2018-2027 TYCIP. These drivers are consistent with the Agency's long term planning documents approved by the Board of Directors, amongst them:

- 2015 Wastewater Facilities Master Plan Updated flow factors and concentrations
- Asset Management Plan
- 2015 Recycled Water Program Strategy Update
- 2015 Energy Management Plan
- 2016 Integrated Water Resources Plan
- 2016 Water Use Efficiency Business Plan

The FY 2018 - 2027 TYCIP of $832.9 million is higher than the current 2017 TYCIP of $746.1 million by approximately $86.8 million for both capital and operational and maintenance projects. Projects in the Regional Wastewater and Recycled Water programs account for nearly 88 percent, or $732.6 million. About 80 percent of the $732.6 million, or $584.5 million, is scheduled within the first five fiscal years (2018-2022) as shown by fund in Table 1-6.

Table 1-6: Ten Year Capital Improvement Plan by Fund ($Millions)

Fund ($Millions)	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23 through 2026/27	TOTAL
***Wastewater Capital**	$27.4	$26.6	$82.2	$167.7	$107.8	$77.1	**$488.8**
****Wastewater Operations**	30.0	32.8	22.1	10.4	9.3	53.0	**157.6**
Recycled Water	14.3	13.0	12.2	12.6	16.1	18.0	**86.2**
Non-Reclaimable Wastewater	1.2	1.9	1.0	0.3	0.3	7.7	**12.4**
Water Resources	5.8	8.1	17.2	10.2	1.7	9.5	**52.5**
Recharge Water	2.1	13.1	7.7	0.0	0.0	0.0	**22.9**
Administrative Services	3.8	1.1	1.8	0.9	0.8	4.1	**12.5**
Total	**$84.6**	**$96.6**	**$144.2**	**$202.1**	**$136.0**	**$169.4**	**$832.9**

**Regional Wastewater Capital Improvement Fund (excludes $2.5 million capital investment in the IERCA)*

***Regional Wastewater Operations & Maintenance Fund*

Totals may not tie due to rounding

A more detailed discussion on the CIP and major projects is provided under the Capital section of the FY 2017/18 – 2026/27 TYCIP.

DEBT SERVICE COSTS

Debt service costs are comprised of principal, interest, and financial expenses related to outstanding bonds, low interest State Revolving Fund (SRF) loans, and note payables. Debt service costs are budgeted at $22.0 million in FY 2017/18 and $22.2 million in FY 2018/19 and are primarily funded by property tax receipts, new connection fees and rates, consistent with the Agency's debt management policy adopted in May 2016. Table 1-7 shows the estimated biennial debt service costs by program.

Table 1-7: Debt Service Costs by Program ($Millions)

Program Fund	2017/18	2018/19
Non-Reclaimable Wastewater	$0.8	$0.6
Regional Wastewater Capital	12.1	12.2
Regional Wastewater Operations	0.4	0.4
Recharge Water	1.0	1.2
Recycled Water	7.7	7.8
Total Debt Service Costs	**$22.0**	**$22.2**

Totals may not tie due to rounding

Consistent with the Agency's commitment to sustainable cost containment, the refinancing of the high interest 2008A Revenue Bonds was completed in January 2017. The use of $50.0 million in available cash reserves and a portion of the premium realized from a historically low interest rate market resulted in a reduction of $57.4 million in outstanding debt. The remaining amortization period was also reduced with the 2017A Revenue Bonds maturing five years earlier in 2033.

Total outstanding debt, exclusive of inter fund loans, at the end of FY 2017/18 is projected at $306.7 million. Included are $161.1 million in bond indentures, $139.8 million in low interest SRF loans, and $5.8 million in other notes payable. It is anticipated that the Agency will need to issue new debt to support major capital project expansions necessary to meet service demands associated with the anticipated growth over the next 10 years. Two major expansion projects included in the FY 2018-2027 TYCIP, the RP-5 Liquids Expansion and the RP-5 Solids Treatment Expansion, are scheduled to begin construction in FY 2019/20 with projected costs of over $330.0 million. Projections for total outstanding debt, including both principal and interest, and annual service payments are shown in Figure 1-5 and Figure 1-6 below, respectively.

Figure 1-5: Total Outstanding Debt with Projected Future Debt

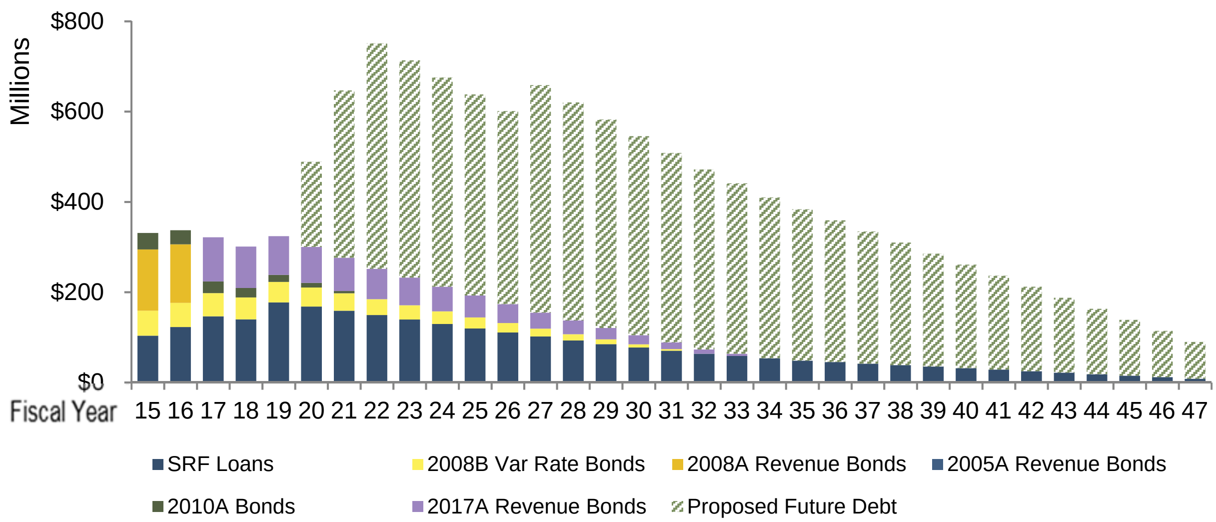
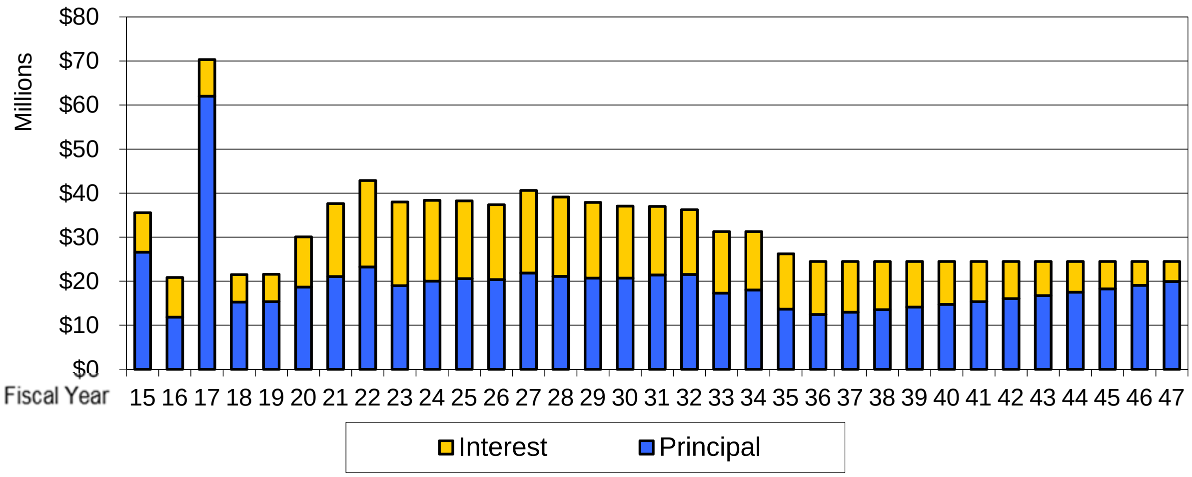


Figure 1-6: Debt Service Costs with Projected Future Debt



RESERVES

Reserves are a strong indicator of the Agency's financial health. Reserve balances are maintained at the Agency-wide level and at the individual fund level. The aggregate ending reserve fund balance in FY 2017/18 is estimated to be $143.7 million, a decrease of $13.0 million compared to the projected ending balance of $156.7 million in FY 2016/17, and an additional $3.0 million decrease in FY 2018/19 to $140.7 million, as indicated on Table 1-8. The estimated drop is primarily due to the uncertainty of SRF loan and grant funding over the next two years. Capital projects planned over the next wo years to enhance recycled water and groundwater basin facilities are assumed to be financed on a pay-go basis. Partially offsetting the use of fund reserves to support capital expenditures is an increase in operating revenues from the multiyear rate adjustments and higher volume of recycled water deliveries.

Table 1-8: Reserve Fund Balance ($Millions)

	Actual	Projected	Biennial Budget	
Description	2015/16	2016/17	2017/18	2018/19
Net Increase (Decrease) in Fund Balance	$44.8	($30.4)	($13.0)	($3.0)
Beginning Fund Balance, July 1	142.3	187.1	156.7	143.7
Ending Fund Balance, June 30	**$187.1**	**$156.7**	**$143.7**	**$140.7**

Totals may not tie due to rounding

Table 1-9 below provides an overview of estimated reserve balances by fund for FYs 2016/17 through 2018/19.

Table 1-9: Ending Reserve Balance by Fund ($Millions)

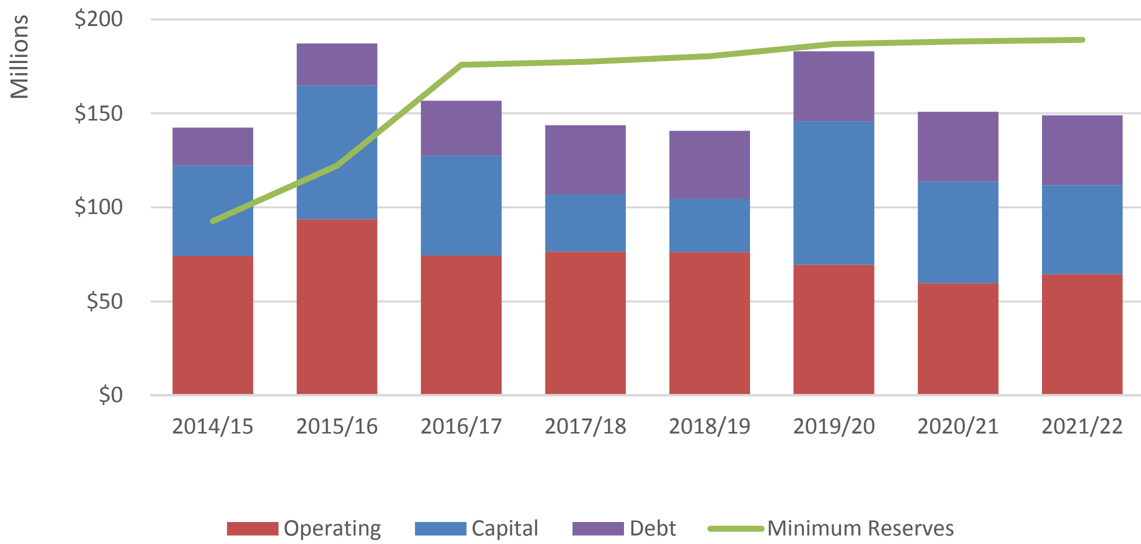
Fund	Projected 2016/17	Biennial Budget 2017/18	Biennial Budget 2018/19
Administrative Services	$17.4	$17.1	$16.6
Regional Wastewater Capital Improvement	38.2	39.3	43.1
Regional Wastewater Operation & Maintenance	64.3	57.2	54.8
Non-Reclaimable Wastewater	6.7	6.3	5.7
Recharge Water	3.4	3.4	3.6
Recycled Water	19.3	14.3	10.9
Water Resources	7.4	6.1	6.0
Total	**$156.7**	**$143.7**	**$140.7**

Totals may not tie due to rounding

Fund reserves are designated for specific purposes, as defined in the Agency's Reserve Policy updated in May 2016. The primary designations include: an operating contingency of a minimum of four months and a target of six months; debt service minimum as required by bond covenants and loan agreements with a target amount equal to the highest annual cost in the ensuing five years; capital construction and improvement minimum equal to total CIP for the following fiscal year and a target equal to the total CIP requirements for the following three fiscal years; replacement and rehabilitation (R&R) minimum and target criteria equal to capital construction and improvement; supplemental water resources with a minimum of $10.0 million and target of $30.0 million; excess workers' compensation and liability insurance to support the Agency's self-insurance programs with a target of $6.0 million; and employee and other postemployment benefits (OPEB) benefits at a minimum of $6.0 million. OPEB benefit is limited to medical insurance coverage.

A comparison of the Agency's actual and projected total fund reserves to the minimum and target levels from FY 2014/15 through FY 2021/22 is provided in Figure 1-7. The declining trend beginning in FY 2016/17 through FY 2018/19 reflects the use of reserves to support planned capital project expenditures on a pay-go basis. The projected increase in FY 2019/20 is due to debt proceeds needed to support expansion and improvement of regional wastewater and recycled water facilities and infrastructure to meet anticipated future growth.

Figure 1-7: Trend of Operating, Capital, and Debt Reserve Balances



A forecast summary on the estimated fund balance is provided under the Programs/Fund section of this budget book. The criterion for each minimum and maximum target level by category varies by Agency fund and are further defined in the Agency's Reserve Policy included in the Appendix.

DEBT COVERAGE RATIO (DCR)

The Debt Coverage Ratio (DCR) is the measurement of an entity's ability to generate enough cash to cover debt payments (principal and interest). Credit agencies, such as Moody's Investor Services (Moody's) and Standard & Poors (S&P), assign credit ratings to organizations and specific debt issues to reflect their credit worthiness and serve as a notable reference to the investment community. The DCR is one of the financial ratios applied in the evaluation of an organization's overall credit rating that can affect market accessibility and the cost of future borrowings. In May 2016, S&P Global Ratings raised its long-term rating and underlying rating to AA+ from 'AA' for the Agency's outstanding revenue bonds. Moody's maintained the Agency rating at Aa2.

The Agency's bond covenants require a legal DCR of at least 1.20 times for senior bonds and a coverage ratio of at least 1.25 times or higher for senior and subordinate debt combined. A DCR of 1.25 means the Agency will generate a minimum of 1.25 times more (or 25 percent more) net operating cash flow than is required to pay annual debt service costs. Net operating cash flow is the amount remaining after payment of operating expenses. The Agency has no senior debt currently outstanding, nor any legal debt limits imposed by state legislation. As indicated in Table 1-10, the favorable trend of the Agency's DCR projected through FY 2018/19 is primarily driven by a combination of higher system revenues and the partial refinancing of 2008A Revenue Bond completed in January 2017. The projected decline in DCR beginning in FY 2019/20 through FY 2021/22 is due to projected new debt issues needed finance planned capital improvements and expansion of the Agency's regional wastewater and recycled water systems. New debt is assumed as a combination of bonds and low interest state loans to support future capital investments. The corresponding annual debt service cost is included in the calculation of the DCR as shown in Table 1-10 below.

Table 1-10: Debt Coverage Ratio Projected Trend

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
DCR	*Projected*	*Biennial Budget*		*Forecast*		
	2.72x	**2.86x**	**3.15x**	2.48x	2.08x	1.87x

LONG-RANGE PLAN OF FINANCE

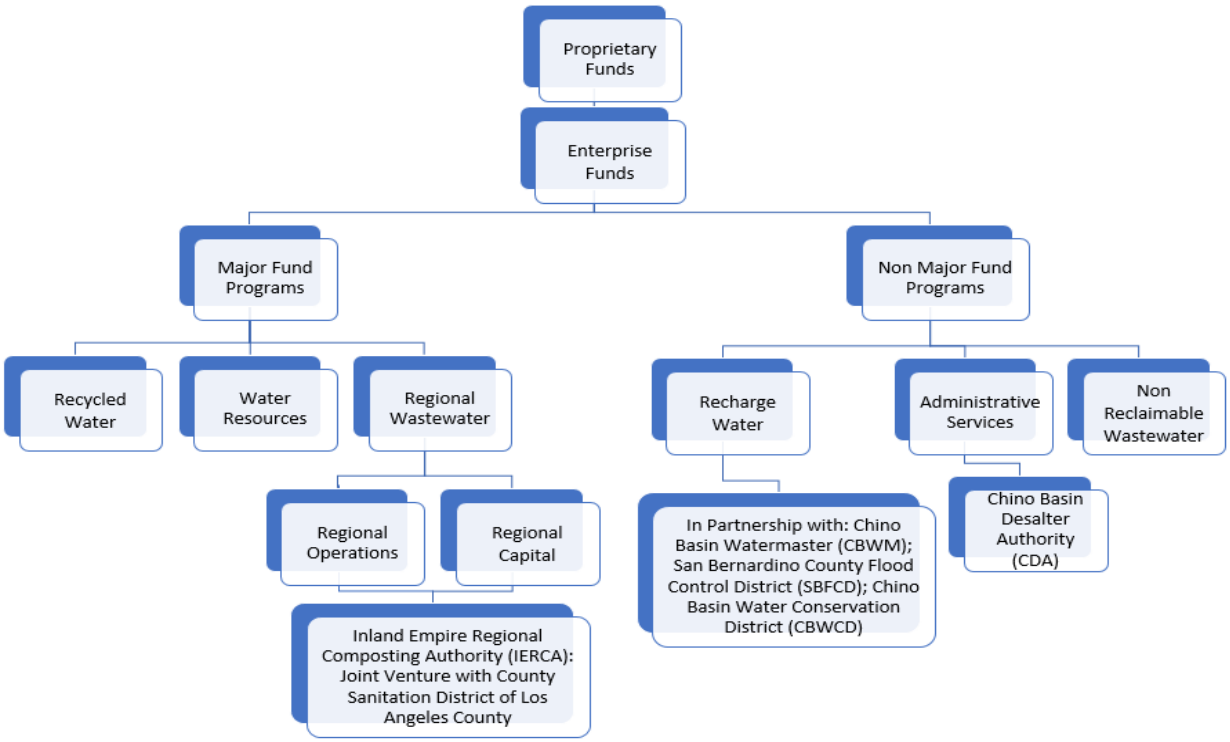
In addition to the adoption of the biennial Operating Budget and Ten Year Capital Improvement Plan (TYCIP), the Agency is also in the process of updating the Long-Range Plan of Finance (LRPF). The LRPF aligns the Agency's long-term service objectives with financial requirements to ensure long term sustainability. By analyzing the financial environment, economic conditions, and revenue and expenditure forecasts, the LRPF provides the most cost-effective funding strategy to support the operations and capital requirements in line with established policies and goals.

Development of the LRPF is supported by the Agency's financial model which has been enhanced to support a timeline of 50 years, multiple "what if" scenarios to highlight the fiscal impact of a variation of inputs, and on-screen graphic presentations to more effectively communicate scenario alternatives and outcomes. The Agency's long range financial model will allow integration of the Agency's various long term planning initiatives, some of which include the Ten-Year Capital Improvement Plan, Facilities Master Plan Update, Recycled Water Program Strategy, Integrated Water Resources Plan, Energy Management Plan and Asset Management Plan. Integrating these critical initiatives into the financial planning process will help ensure the Agency has the appropriate funding, fund reserves, and other essential resources necessary to fulfill its mission, vision, and values.

PROGRAMS

As a municipal water district, the Agency engages in primarily enterprise operations supported by user charges and fees, which are recorded in enterprise funds. In some cases, a program consists of a group of enterprise funds, such as the Regional Wastewater program comprised of the Regional Wastewater Operations & Maintenance (Regional Operations) and Regional Wastewater Capital Improvement (Regional Capital) funds and by extension the Inland Empire Regional Composting Authority. Figure 1-8 below provides an overview of the Agency's fund structure.

Figure 1-8: Inland Empire Utilities Agency (IEUA) Fund Structure



Each individual enterprise fund is classified in either a Major Fund or Non-Major Fund group. Each fund group is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, including related liabilities and residual equities or balances. Changes in the fund group are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Table 1-11 contains definitions of Major and Non-Major Fund groups. The definitions are consistent with the Agency's audited FY 2015/16 Comprehensive Annual Financial Report (CAFR).

Table 1-11: Definition of Major and Non-Major Fund Groups

Major Funds	Non-Major Funds
The Major Fund Group accounts for: • the resources devoted to funding the operating, capital, and debt service costs associated with the operation • asset acquisition and capital construction, improvement and expansion of the Agency's domestic wastewater treatment plant facilities • the recycled water distribution system, and the recharge water basins. • the management and distribution of wholesale and potable water, the development and implementation of regional water conservation initiatives, and water resource planning. The following programs make up the Major Fund group: ■ Regional Wastewater ■ Recycled Water ■ Water Resources	The Non-Major Funds record: • capital and operating costs associated with the non-reclaimable wastewater system including the acquisition, expansion, and construction of the interceptors, and appurtenant facilities and treatment capacity • the administrative and overhead expenses for the various departments, the operational and administrative support for the Chino Basin Desalter • the purchase of common Agency assets The following funds/programs make up the Non-Major Funds group: ■ Administrative Services ■ Non-Reclaimable Wastewater ■ Recharge Water

Details of each programs' purpose, initiatives, rates, biennial budget, and forecasts for the next three fiscal years, as well as the programs' reflection of the Agency's mission, goals, and objectives to service the region are included in the Program/Fund section of this document.

PROGRAM RATES AND FEES

In 2015, Carollo Engineering completed a comprehensive analysis of the Agency's Regional Wastewater, Recycled Water and Water Resources user charges and fees. A key objective of the engineering study was to ensure user charges and fees were structured to equitably recover costs from those benefiting from the services, as legally mandated. Another key objective, and key policy principal for the Agency's Board of Directors, was to set rates and fees that fully recover the cost of providing the service. Historically, the Agency has used property tax receipts to subsidize the cost of providing services and supporting capital investments needed to maintain and improve existing facilities and infrastructure not recovered by rates and fees. Completion of the engineering studies by Carollo in 2015 resulting in the adoption of multiyear rates for the Agency's Regional Wastewater, Recycled Water, and Water Resources programs, including the establishment of a water connection fee for new connections or upgrades to the Agency's regional water system. Another significant change was the restructuring of the potable water rates to equitably recover associated costs, including the pass-through charges from the Metropolitan Water District of Southern California (MWD). In collaboration with member agencies and the building industry, rate adjustments were implemented over a multiyear period to lessen the impact to ratepayers. Following is a summary of the major user charges and fees that support the Agency's various programs.

Wastewater Volumetric Rates

The Agency's wastewater volumetric rates support the operations and maintenance of the regional wastewater system which includes the collection, treatment, and disposal of municipal wastewater. The Agency utilizes equivalent dwelling units (EDUs) as a unit of measure and for forecasting the amount of water used by an average household.

The Agency's Board of Directors adopted five-year EDU volumetric rates in 2015 intended to achieve full cost of service by FY 2018/19 based on certain key assumptions. Table 1-12 shows the FY 2017/18 and FY 2018/19 adopted rates of $18.39 and $19.59 per EDU effective July 1, are the third and fourth year rates of the five-year period. Based on actual costs in FY 2015/16 and projected actuals for FY 2016/17, the Agency is on track to meet its cost of service objective at the end of the 5-year period. Projected growth in number of monthly EDUs is estimated at 0.25% each year.

Table 1-12: Adopted EDU Volumetric Rates FYs 2015/16 – 2019/20

Rate Description	2015/16	2016/17	2017/18	2018/19	2019/20
EDU Volumetric Rate	$15.89	$17.14	**$18.39**	**$19.59**	$20.00
Effective Date	10/1/15	7/1/16	7/1/17	7/1/18	7/1/19
EDU Units	3,215,268	3,281,664	3,289,868	3,298,092	3,306,338

Wastewater Connection Fees

The wastewater connection fee is restricted to support the acquisition, construction, improvement, and expansion of the Agency's regional wastewater system. System growth and available capacity are measured by Equivalent Dwelling Units (EDUs). Revenues from wastewater connection fees in FY 2017/18 are estimated to be to $18.9 million and increase just under $1.0 million to $19.9 million in FY 2018/19. Table 1-13 shows the adopted multi-year fees through FY 2019/20 and projected number of new connections per fiscal year.

Table 1-13: Adopted Wastewater Connection Fees FYs 2015/16 – 2019/20

Rate Description	2015/16	2016/17	2017/18	2018/19	2019/20
Wastewater Connection Fee	$5,338	$5,712	**$6,309**	**$6,624**	$6,955
Effective Date	1/01/16	1/01/17	7/01/17	7/01/18	7/01/19
Wastewater Connection Units	4,774	3,000	3,000	3,000	2,700

Water Connection Fee

A water connection fee was established in 2015 to support future capital investment and expansion of the Agency's regional water system. The Agency's regional water system is comprised of potable water, recycled water, and groundwater recharge facilities. Included in IEUA's long term planning documents is the expansion of the Agency's regional recycled water distribution system and groundwater recharge facilities, as well as continual development of local water supplies.

Water connection fee revenue for FY 2017/18 is projected to be $4.2 million and $4.4 million for FY 2018/19. Water connection fee rates are set per meter equivalent unit (MEU). One MEU is equivalent to a 5/8" and 3/4" meter size (standard size of a residential meter). Shown in Table 1-14 are the adopted water connection fees through FY 2019/20 and the number of new connections projected by fiscal year.

Table 1-14: Adopted Water Connection Fees FYs 2015/16 – 2019/20

Rate Description	2015/16	2016/17	2017/18	2018/19	2019/20
Water Connection Fee (for 5/8" and 3/4" meter size)	$693	$1,455	**$1,527**	**$1,604**	$1,684
Effective Date	1/01/16	1/01/17	7/01/17	7/01/18	7/01/19
New Meter Equivalent Units (MEUs)	985	2,730	2,730	2,730	2,457

Recycled Water Program Rates

The recycled water volumetric rates support the costs associated with the operations and maintenance of the Agency's water recycling facilities, operating costs for the groundwater recharge basins not reimbursed by Chino Basin Watermaster (Watermaster), including the Agency's pro-rata share for basins recharged with recycled water, and debt service costs related to the financing of existing facilities and infrastructure. Total recycled water sales in FY 2017/18 are projected to be $17.2 million and $18.2 million in FY 2018/19. Adopted recycled water rates through FY 2019/20, along with historical, budgeted, and forecasted deliveries by fiscal year are summarized on Table 1-15.

Table 1-15: Recycled Water Program Rates FYs 2015/16 – 2019/20

Rate Description	2015/16	2016/17	2017/18	2018/19	2019/20
Direct Delivery/Acre Foot (AF)	$350	$410	**$470**	**$480**	$490
Groundwater Recharge/Acre Foot (AF)	$410	$470	**$530**	**$540**	$550
Effective Date	10/01/15	7/01/16	7/01/17	7/01/18	7/01/19
AF Deliveries	32,331	32,400	35,500	36,700	37,800

Non-Reclaimable Wastewater (NRW) Rates

The Agency operates a non-reclaimable wastewater system (NRWS) collections system which includes pipelines and pump stations to export the high-salinity industrial wastewater generated within the Agency's service area for treatment and eventual discharge to the Pacific Ocean. The NRWS is comprised of two separate collection systems independent of the Agency's regional wastewater system: The North System which discharges to the Sanitation District of Los Angeles County (SDLAC) treatment facility in the city of Carson, and the South System which discharges to the Santa Ana Watershed Project Authority (SAWPA) and the Orange County Sanitation District (OCSD) facility in Fountain Valley. The treated brine is then discharged to the Pacific Ocean. The NRW rates are primarily based on pass-through charges from SDLAC and SAWPA for volumetric, capacity, and strength as summarized in Table 1-16.

Table 1-16: NRW System Rates FYs 2016/17 and 2017/18

Rate Description	2016/17	2017/18
Effective Date	7/1/2016	07/01/17
North System SDLAC	13,505 CU	14,252 CU
Flow/mg	$915	$919
COD/klb	$180	$172
TSS/klb	$436	$446
Peak/mg	$348	$349
South System (SAWPA)		
Capacity/cu	$368.76	$387.24
Flow/mg	$858.00	$901.00
BOD/klb	$307.00	$307.00
TSS/klb	$429.00	$429.00

Potable Water Rates

A comprehensive analysis of the potable water rates was a key part of the engineering rate study completed by Carollo Engineering in 2015. The IEUA 2015 Water Rate Study issued in March 2015 identified some structural deficiencies in the existing rate structure and recommended significant restructuring of the rates to better align the collection and incurrence of program costs.

Following a year of close collaboration with water member agencies, in June 2016 the IEUA Board of Directors approved changes in water rates structure and adopted a seven-year implementation period for the full recovery of the MWD Readiness to Serve (RTS) pass-through fees. The new water rates are applied to monthly meter equivalent units (MEUs), similar to the structure used by water member agencies. The Readiness to Serve (RTS) Pass-Through costs are prorated amongst the water agencies based on their average water use over the last ten years, consistent with the methodology used by MWD. Revenue generated from these rates is recorded in the Agency's Water Resources fund. Some of the significant changes include:

- MEU rate will support the water resource program costs,
- A seven-year phased implementation of the Metropolitan Water District (MWD) readiness to serve Ten Year Rolling Average (RTS TYRA) direct charge to member agencies, and
- Use of property taxes to support pass-through RTS fees not recovered through the TYRA direct charge during the seven-year implementation period.

The adopted MEU rate through FY 2019/20 and the RTS Recovery percentage rate through FY 2022/23 are summarized on Table 1-17.

Table 1-17: Water Rates Multi-Year Rates

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
RTS Recovery	15%	**30%**	**45%**	60%	75%	90%	100%
Effective Date	10/01/16	07/01/17	07/01/18	07/01/19	07/01/20	07/01/21	07/01/22
Meter Equivalent Units (MEU)	$0.90	**$0.95**	**$0.99**	$1.04	Adjustments based on CPI		

Total imported water deliveries of 50,000 AF are budgeted in FY 2017/18 and FY 2018/19. The "pass-through" sale of imported water deliveries is estimated at $34.2 million in FY 2017/18 and $36.0 million in FY 2018/19.

DEPARTMENTS

The Agency's Work Plan serves as the basis for the goals and objectives developed by each department and included in the FYs 2017/18 and 2018/19 biennial Operating Budget. Each department updates their respective goals and objectives and develops measurable Key Performance Indicators (KPIs). These departmental KPIs serve as criteria for policy makers, management, and other stakeholders to measure the degree of goal attainment. The departmental budgets delineate the assignment and management of responsibilities and the human, financial, and capital resources necessary to support the Agency's mission, vision, and policy goals. Details on department budgets, goals and objectives, staffing, major initiatives, and performance and workload indicators are presented by division and department in the Department section.

JOINT POWERS AUTHORITIES (JPAs)

Inland Empire Regional Composting Authority

The Inland Empire Regional Composting Authority (IERCA) was formed February 2002 as a Joint Power Authority (JPA) to divert organic solids from landfill disposal and to become a consumer of recycled organic products generated from within the community. The JPA was entered into by the Agency and the Sanitation District No. 2 of Los Angeles County (SDLAC) to implement their shared goal of developing a sustainable biosolids management project.

In 2007, the two joint powers agencies completed construction of the 410,000 square feet facility called the Inland Empire Regional Composting Facility (IERCF) on approximately 22 acres of land in the City of Rancho Cucamonga. The property is ideally situated in an industrial area adjacent to the Agency's Regional Water Recycling Plant No. 4 (RP-4). The proximity of the facility to the RP-4 provides opportunities to improve staffing options and optimize energy usage at the locations.

In 2013, IERCF was honored with the Governor's Environmental and Economic Leadership Award (GEELA) award for the design and construction of North America's largest, fully enclosed composting facility, which produces approximately 230,000 cubic yards of compost per year. The facility utilizes aerated static pile composting technology to process a mixture of biosolids, green waste, and wood waste to generate Class A exceptional quality compost for use in local agriculture and/or horticulture markets. All of the facility's emissions are processed through a biofilter to meet air quality requirements.

The Agency is responsible for the operational and administrative activities of the IERCF and employs all of the staff assigned to the facility. Employment costs for IERCF staff are recorded in the Agency's Regional Wastewater Operations and Maintenance (RO) Fund. Labor costs are fully reimbursable to the Agency. IERCA costs by and equally shared by the JPA partners.

Starting in FY 2010/11, the IERCA Board implemented a tipping fee revenue base in lieu of partner contributions to cover operations and maintenance expenses for the IERCF. The tipping fee for FY 2017/18 will be $56.0 per wet ton of biosolids, and is budgeted to pay for operating expenses and a portion of capital replacement and rehabilitation (R&R) costs. The fee is projected to generate revenue of $9.7 million based on budgeted tonnage of 145,000. The Agency's share of the IERCA tipping fee revenue is budgeted in the Regional Wastewater Operations & Maintenance fund under biosolids recycling costs. The annual budget of nearly $4.5 million assumes that 100 percent of the biosolids generated from the Agency's regional water recycling plants will be transported to the IERCA composter for processing.

Chino Basin Desalter Authority

The CDA was formed in September 2001 as a Joint Power Authority (JPA) to manage and operate the Chino Desalter No. 1 (CDA 1). Chino Desalter No. 2 (CDA 2) is being managed and operated by Jurupa Community Services District (JCSD). The members of the JPA include the cities of Chino, Chino Hills, Ontario and Norco, the JCSD, the Santa Ana River Water Company, the Inland Empire Utilities Agency, and the Western Municipal Water District. There are eight directors, one from each entity, on the CDA Board. As an ex-officio member of the JPA, the Agency has appointed one of its Board of Directors to sit on the JPA Board as a non-voting member to participate in all discussions concerning issues before the CDA Board of Directors.

The Agency manages the day to day operations of the Chino Desalter No. 1 facility (CDA 1) located in the southern part of the city of Chino. Since it started operations in September 2000, CDA 1 is designed to produce 9,200 acre feet per year (AFYI) of desalinated water. The Agency also administers some grants related to the CDA Expansion Projects which include a $52.0 million grant awarded by the California Department of Public Health (CDPH), $26.0 million United States Bureau of Reclamation Title XVI grants for the Lower Chino Dairy Area Desalination Demonstration, and Reclamation Project, and other future state and federal grants that IEUA receives on behalf of the CDA.

The Agency's CDA 1 related costs, primarily comprised of employment costs, are recorded in the Administrative Service fund. Included in the FY 2017/18 Administrative Services Fund budget is an estimated CDA contract cost reimbursement budget of approximately $1.5 million.

INLAND EMPIRE UTILITIES AGENCY
FISCAL YEARS 2017/18 AND 2018/19 BIENNIAL BUDGET
SOURCES AND USES OF FUNDS - BY PROGRAM FUND (In Thousands)

	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18 PROPOSED BUDGET								FY 2018/19
	ACTUAL	ACTUAL	PROJECTED ACTUAL	Administrative Services Program	Non-Reclaimable Wastewater Program	Regional Wastewater Capital Improvement Fund	Regional Wastewater Operations & Maintenance Program	Recharge Water Program	Recycled Water Program	Water Resources Program	TOTAL	PROPOSED BUDGET
REVENUES												
User Charges	$63,557	$66,355	$71,466	$0	$11,810	$0	$60,634	$0	$0	$5,312	$77,755	$82,885
Property Tax	1,828	1,943	1,972	1,972	0	0	0	0	0	0	1,972	1,972
Cost Reimbursement JPA	5,256	5,258	6,078	1,473	0	0	3,825	1,058	0	0	6,355	6,460
Contract Cost reimbursement	273	79	576	0	0	0	93	38	0	390	521	493
Interest Revenue	436	762	835	130	143	226	454	15	140	54	1,162	1,492
Recycled Water Sales	12,047	13,468	15,891	0	0	0	0	0	17,245	0	17,245	18,188
Water Sales	34,147	18,654	27,429	0	0	0	0	0	0	34,167	34,167	36,040
TOTAL REVENUES	$117,544	$106,519	$124,246	$3,575	$11,953	$226	$65,006	$1,110	$17,385	$39,923	$139,178	$147,530
OTHER FINANCING SOURCES												
Property Tax - Debt and Capital	$39,118	$43,688	$42,733	$0	$0	$29,930	$9,549	$0	$2,170	$2,425	$44,074	$45,455
Regional System Connection Fees	15,074	25,907	19,875	0	0	18,927	0	0	4,169	0	23,096	24,251
State Loans	22,714	9,330	3,519	0	0	0	7,901	1,414	0	0	9,314	19,251
Grants	5,918	6,208	11,507	0	0	0	3,389	0	388	2,194	5,970	8,244
Capital Cost Reimbursement	1,193	1,841	1,330	0	0	0	0	772	345	0	1,117	2,903
Other Revenues	1,330	2,009	915	2	100	1	776	0	0	0	879	898
Sale of Capacity	0	215	0	0	0	0	0	0	0	0	0	0
Loan Transfer from Internal Fund	14,808	0	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER FINANCING SOURCES	$100,155	$89,199	$79,879	$2	$100	$48,858	$21,614	$2,186	$7,071	$4,619	$84,450	$101,002
TOTAL REVENUES AND OTHER FINANCING SOURCES	$217,698	$195,719	$204,125	$3,577	$12,053	$49,084	$86,619	$3,296	$24,456	$44,543	$223,628	$248,533
EXPENSES												
Employment Expenses	$36,510	$39,300	$43,150	$1,545	$2,391	$4,157	$30,052	$592	$4,257	$2,462	$45,457	$46,046
Contract Work/Special Projects	5,045	9,596	14,709	1,407	125	900	5,971	325	2,151	5,829	16,708	19,415
Utilities	9,064	8,837	9,585	772	71	0	6,671	72	2,182	0	9,768	10,053
Operating Fees	12,599	11,290	11,863	21	6,639	246	2,018	7	10	2,968	11,908	12,215
Chemicals	4,192	3,943	4,407	0	130	0	4,419	0	0	0	4,549	4,681
Professional Fees and Services	7,133	6,083	8,702	4,847	130	364	4,089	877	686	242	11,234	10,630
Office and Administrative expenses	1,615	1,798	1,884	2,320	23	0	4	16	4	60	2,427	2,593
Biosolids Recycling	3,800	3,798	4,486	28	25	0	4,307	0	0	0	4,360	4,462
Materials & Supplies	2,273	2,817	2,963	674	104	0	2,161	68	218	0	3,225	3,191
MWD Water Purchases	34,147	18,654	27,429	0	0	0	0	0	0	34,167	34,167	36,040
Other Expenses	1,454	775	221	(6,322)	471	1,591	4,410	54	1,142	290	1,638	1,650
TOTAL EXPENSES	$117,832	$106,892	$129,399	$5,292	$10,109	$7,258	$64,103	$2,011	$10,650	$46,019	$145,441	$150,976
CAPITAL PROGRAM												
CSDLAC 4Rs	$658	$673	$689	$0	$705	$0	$0	$0	$0	$0	$705	$721
IERCA investment	0	0	0	0	0	500	0	0	0	0	500	500
Capital Construction and Expansion	53,161	22,420	33,747	2,476	1,094	26,450	24,063	1,729	12,134	0	67,945	77,150
TOTAL CAPITAL PROGRAM	$53,819	$23,094	$34,435	$2,476	$1,799	$26,950	$24,063	$1,729	$12,134	$0	$69,150	$78,371
DEBT SERVICE												
Financial Expenses	$257	($100)	$246	$31	$0	$175	$0	$89	$2	$0	$297	$296
Interest	9,616	9,234	8,507	0	341	3,140	179	259	2,568	0	6,487	6,508
Principal	26,655	11,827	61,999	0	454	8,791	172	683	5,159	0	15,259	15,360
Short Term Inter-Fund Loan	14,808	0	0	0	0	0	0	0	0	0	0	0
TOTAL DEBT SERVICE	$51,336	$20,961	$70,753	$31	$796	$12,105	$352	$1,031	$7,729	$0	$22,043	$22,164
TRANSFERS IN (OUT)												
Capital Contribution	$0	$0	$0	$1,065	($36)	$2,954	($3,947)	$288	($324)	$0	$0	$0
Debt Service	0	0	0	0	0	(2,914)	0	515	2,399	0	0	0
Operation support	0	0	0	1,407	(48)	0	(1,311)	628	(676)	0	0	0
Capital - Connection Fees Allocation	0	0	0	1,378	293	(1,671)	0	0	0	0	0	0
One Water	0	0	0	32	0	0	0	56	(352)	264	0	0
TOTAL INTERFUND TRANSFERS IN (OU	$0	$0	$0	$3,883	$208	($1,631)	($5,259)	$1,487	$1,047	$264	$0	$0
FUND BALANCE												
Net Increase (Decrease)	($5,289)	$44,772	($30,461)	($339)	($442)	$1,140	($7,157)	$13	($5,009)	($1,212)	($13,007)	($2,978)
Beginning Fund Balance July 01	147,632	142,343	187,114	17,397	6,742	38,172	64,316	3,397	19,274	7,355	156,653	143,646
ENDING BALANCE AT JUNE 30	$142,343	$187,114	$156,653	$17,058	$6,299	$39,312	$57,159	$3,410	$14,265	$6,142	$143,646	$140,669
RESERVE BALANCE SUMMARY												
Operating Contingencies	$31,316	$34,561	$34,648	$2,446	$3,635	$0	$20,093	$2,327	$3,550	$5,678	$37,728	$37,863
Capital Expansion & Replacement	6,989	10,813	10,440	0	1,358	1,894	0	500	2,119	0	5,871	4,372
CCRA Capital Construction	41,023	55,201	18,337	0	0	11,514	0	0	0	0	11,514	14,386
Water Connection	0	0	501	0	0	0	0	0	0	0	0	0
Rehabilitation/Replacement	26,490	43,327	19,527	0	0	0	22,895	0	0	0	22,895	22,895
CSDLAC Prepayment	658	673	689	0	705	0	0	0	0	0	705	721
Water Resource Capital	0	0	3,682	0	0	0	0	0	0	464	464	0
Debt Service & Redemption	20,169	22,173	29,199	0	602	25,904	1,169	583	8,596	0	36,854	35,945
Self Insurance Program	6,000	5,675	6,000	6,000	0	0	0	0	0	0	6,000	6,000
Employee Retirement Benefit	9,696	9,491	9,887	8,612	0	0	0	0	0	0	8,612	8,698
Sinking Fund	0	5,200	23,742	0	0	0	13,003	0	0	0	13,003	9,788
ENDING BALANCE AT JUNE 30	$142,343	$187,114	$156,653	$17,058	$6,299	$39,312	$57,159	$3,410	$14,265	$6,142	$143,646	$140,669

**Numbers may not total due to rounding*

INLAND EMPIRE UTILITIES AGENCY
FISCAL YEARS 2017/18 AND 2018/19 BIENNIAL BUDGET
ALL FUNDS - SOURCES AND USES OF FUNDS (In Thousands)

	2014/2015 ACTUAL	2015/2016 ACTUAL	2016/2017 AMENDED BUDGET	2016/2017 PROJECTED ACTUAL	2017/2018 PROPOSED BUDGET	2018/2019 PROPOSED BUDGET	2019/2020 FORECAST	2020/2021 FORECAST	2021/2022 FORECAST
REVENUES									
User Charges	$63,557	$66,355	$71,876	$71,466	$77,755	$82,885	$85,165	$88,286	$91,508
Property Tax - O&M	1,828	1,943	1,972	1,972	1,972	1,972	1,972	1,972	1,972
Cost Reimbursement from JPA	5,256	5,258	5,913	6,078	6,355	6,460	6,599	6,742	6,887
Contract Cost reimbursement	273	79	1,618	576	521	493	493	493	493
Interest Revenue	436	762	609	835	1,162	1,492	1,621	1,548	1,381
Recycled Water Sales	12,047	13,468	17,814	15,891	17,245	18,188	19,100	20,266	21,486
Water Sales	34,147	18,654	28,671	27,429	34,167	36,040	38,250	40,710	42,980
TOTAL REVENUES	**$117,544**	**$106,519**	**$128,473**	**$124,246**	**$139,178**	**$147,530**	**$153,200**	**$160,016**	**$166,708**
OTHER FINANCING SOURCES									
Property Tax - Debt , Capital, Reserves	$39,118	$43,688	$42,733	$42,733	$44,074	$45,455	$46,404	$47,371	$48,358
Connection Fees	15,074	25,907	20,068	19,875	23,096	24,251	22,916	24,921	24,322
Debt Proceeds	0	0	0	0	0	0	100,000	100,000	75,000
State Loans	22,714	9,330	14,406	3,519	9,314	19,251	12,798	5,785	4,261
Grants	5,918	6,208	10,715	11,507	5,970	8,244	13,159	9,218	3,130
Capital Contract Reimbursement	1,193	1,841	5,675	1,330	1,117	2,903	4,787	1,520	1,517
Other Revenues	1,330	2,009	875	915	879	898	919	939	961
Sale of Capacity	0	215	0	0	0	0	0	0	0
Loan Transfer from Internal Fund	14,808	0	3,200	0	0	0	2,000	2,000	2,000
TOTAL OTHER FINANCING SOURCES	**$100,155**	**$89,199**	**$97,671**	**$79,879**	**$84,450**	**$101,002**	**$202,982**	**$191,753**	**$159,549**
TOTAL REVENUES AND OTHER FINANCING SOURCES	**$217,698**	**$195,719**	**$226,144**	**$204,125**	**$223,628**	**$248,533**	**$356,182**	**$351,770**	**$326,256**
EXPENSES									
Employment Expense	$36,510	$39,300	$43,335	$43,150	$45,457	$46,046	$47,024	$48,283	$50,494
Contract Work/Special Projects	5,045	9,596	30,931	14,709	16,708	19,415	21,784	14,960	5,210
Utilities	9,064	8,837	11,596	9,585	9,768	10,053	10,353	10,663	10,983
Operating Fees	12,599	11,290	11,453	11,863	11,908	12,215	12,559	12,918	13,280
Chemicals	4,192	3,943	4,674	4,407	4,549	4,681	4,822	4,966	5,115
Professional Fees and Services	7,133	6,083	10,725	8,702	11,234	10,630	10,611	10,808	11,125
Office and Administrative Expense	1,615	1,798	2,501	1,884	2,427	2,593	2,549	2,905	2,689
Biosolids Recycling	3,800	3,798	4,415	4,486	4,360	4,462	4,596	4,733	4,875
Materials & Supplies	2,273	2,817	3,055	2,963	3,225	3,191	3,293	3,392	3,493
MWD Water Purchases	34,147	18,654	31,856	27,429	34,167	36,040	38,250	40,710	42,980
Other Expenses	1,454	775	1,853	221	1,638	1,650	1,652	1,689	1,725
TOTAL EXPENSES	**$117,832**	**$106,892**	**$156,394**	**$129,399**	**$145,441**	**$150,976**	**$157,492**	**$156,028**	**$151,969**
CAPITAL PROGRAM									
CSDLAC 4Rs	$658	$673	$689	$689	$705	$721	$737	$0	$0
IERCA investment	0	0	500	0	500	500	500	500	0
Capital Construction & Expansion	53,161	22,420	59,725	33,747	67,945	77,150	122,397	187,165	130,778
TOTAL CAPITAL PROGRAM	**$53,819**	**$23,094**	**$60,914**	**$34,435**	**$69,150**	**$78,371**	**$123,634**	**$187,665**	**$130,778**
DEBT SERVICE									
Financial Expenses	$257	($100)	$349	$246	$297	$296	$415	$300	$296
Interest	9,616	9,234	9,638	8,507	6,487	6,508	11,710	16,829	19,886
Principal	26,655	11,827	11,999	61,999	15,259	15,360	18,651	21,065	23,238
Short Term Inter-Fund Loan	14,808	0	3,216	0	0	0	2,000	2,000	2,000
TOTAL DEBT SERVICE	**$51,336**	**$20,961**	**$25,201**	**$70,753**	**$22,043**	**$22,164**	**$32,776**	**$40,193**	**$45,420**
FUND BALANCE									
Net Increase (Decrease)	($5,289)	$44,772	($16,365)	($30,461)	($13,007)	($2,978)	$42,280	($32,116)	($1,910)
Beginning Fund Balance July 01	$147,632	$142,343	$187,114	$187,114	$156,653	$143,646	$140,669	$182,948	$150,832
ENDING BALANCE AT JUNE 30	**$142,343**	**$187,114**	**$170,749**	**$156,653**	**$143,646**	**$140,669**	**$182,948**	**$150,832**	**$148,922**
RESERVE BALANCE SUMMARY									
Operating Contingencies	$31,316	$34,561	$37,360	$34,648	$37,728	$37,863	$37,097	$41,099	$43,635
Capital Expansion & Replacement	6,989	10,813	30,854	10,440	5,871	4,372	43,092	11,090	11,120
CCRA Capital Construction	41,023	55,201	21,587	18,337	11,514	14,386	33,165	42,823	36,160
Water Connection	0	0	1,088	501	0	0	0	0	0
Rehabilitation/Replacement	26,490	43,327	19,527	19,527	22,895	22,895	17,383	5,175	2,059
CSDLAC Prepayment	658	673	689	689	705	721	737	0	0
Water Resource Capital	0	0	0	3,682	464	0	0	0	5,603
Debt Service & Redemption	20,169	22,173	31,770	29,199	36,854	35,945	37,212	37,204	37,211
Self Insurance Program	6,000	5,675	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Employee Retirement Benefit	9,696	9,491	7,314	9,887	8,612	8,698	8,262	7,441	7,132
Sinking Fund	0	5,200	14,559	23,742	13,003	9,788	0	0	0
ENDING BALANCE AT JUNE 30	**$142,343**	**$187,114**	**$170,749**	**$156,653**	**$143,646**	**$140,669**	**$182,948**	**$150,832**	**$148,922**

**Numbers may not total due to rounding*