



**MINUTES OF THE REGULAR
MEETING OF
THE
INLAND EMPIRE UTILITIES AGENCY
BOARD OF DIRECTORS**

**WEDNESDAY, DECEMBER 6, 2017
10:00 A.M.**

DIRECTORS PRESENT:

Steven J. Elie, President
Michael Camacho, Vice President
Jasmin A. Hall, Secretary/Treasurer
Paul Hofer
Kati Parker

STAFF PRESENT:

Halla Razak, General Manager
P. Joseph Grindstaff, General Manager Emeritus
Christopher Berch, Executive Manager of Engineering/AGM
Kathy Besser, Executive Manager of External Affairs & Policy Development/AGM
Randy Lee, Executive Manager of Operations/AGM
Christina Valencia, Executive Manager of Finance & Administration/AGM
Connie Campbell, Accounting Supervisor
Javier Chagoyen-Lazaro, Manager of Finance & Accounting
Tina Cheng, Budget Officer
Connie Gibson, Executive Assistant
Warren Green, Manager of Contracts & Procurement
Jason Gu, Grants Officer
Sylvie Lee, Manager of Planning & Environmental Resources
Rick Mykitta, Manager of Operations and Maintenance
Kanes Pantayatiwong, Manager of Business Information Services
Jessica Sarmiento, Financial Analyst II
Shaun Stone, Manager of Engineering
Teresa Velarde, Manager of Internal Audit
April Woodruff, Board Secretary/Office Manager

OTHERS PRESENT:

Jean Cihigoyenette, JC Law Firm
Sarah Meacham, PFM Asset Management LLC
Richard Babbe, PFM Asset Management LLC
Greg Tross, JC Law Firm

A regular meeting of the Board of Directors of the Inland Empire Utilities Agency* was held at the office of the Agency, 6075 Kimball Avenue, Bldg. A, Chino, California on the above date.

President Elie called the meeting to order at 10:03 a.m. and General Manager Halla Razak led the pledge of allegiance to the flag. A quorum was present.

President Elie welcomed Ms. Halla Razak as the new General Manager of the Inland Empire Utilities Agency (Agency) to her first Agency Board meeting.

President Elie stated that members of the public may address the Board. There was no one desiring to do so.

President Elie asked if there were any changes/additions/deletions to the agenda. There were no changes/additions/deletions to the agenda.

WORKSHOP

INVESTMENT ADVISORY AND MANAGEMENT SERVICES WORKSHOP

Executive Manager of Finance and Administration/AGM Christina Valencia stated that historically the Agency investment portfolio has been handled in-house. On average, over the last four years, the Agency's investment portfolio has been just under \$100 million. As part of the investment policy, staff has annually authorized brokers and dealers to solicit bids and to purchase the investments. Because the Agency lacks the expertise and tools in-house to actively monitor market conditions, a passive investment strategy of purchasing and holding investments until maturity has been the common practice. In doing so, investment opportunities may be being missed. In April, Director Hofer had asked about the Agency's investment practices and if staff had considered handling the investment of Agency funds differently. Staff conducted a preliminary evaluation of the benefits, costs, and risks of engaging an investment advisor for the Agency. Staff found that to obtain the level of expertise of an investment advisor, it would require the hiring of an investment officer as Agency staff and provide them essential tools to successfully mimic what an investment advisor would do. A low annual cost estimate for this option would be about \$240,000, which would include salary and subscription to those tools. Another option would be to engage an investment advisor to manage the Agency portfolio at a set fee based on what they manage. Staff found this second option to be the most optimal. In September, staff issued a Request for Proposal (RFP) and received three proposals. After careful evaluation, staff found PFM Asset Management LLC (PFM) to be the most qualified firm. In November, the recommendation to award PFM an investment advisory and management services contract was made to the Finance and Administration Committee. Based on the questions and discussion with the Finance and Administration Committee members. Director Hall recommended this item be presented to all of the Board of Directors.

Manager of Finance & Accounting Javier Chagoyen-Lazaro presented a high-level view of the composition and analysis of the investment portfolio, the Agency's investment policy, the Agency's current process, comparison of investment yield with agencies in the area, the importance of having an independent investment advisor, and decision process of the selection of PFM.

PFM Engagement Manager Sarah Meacham and Senior Managing Consultant Richard Babbe provided an overview of the firm, the services they provide, and their strategy for the Agency portfolio. Discussion ensued about Agency staff time required in this relationship, PFM fees, specifics of PFM services, the investment processes, audit process with investments, transparency of investments to the public, and Agency's process of broker selections. This item will be brought back for approval to the Finance and Administration Committee on December 13 and to the Board on December 20th.

(Director Camacho left the meeting room at 10:48 a.m.)

(Director Camacho re-entered the meeting room at 10:50 a.m.)

SAP WORKSHOP

Manager of Business Information Systems Kanen Pantayatiwong stated that he will be presenting part one of the two part series on Systems Application for Production (SAP), which was requested by Director Parker. He stated that part two of the SAP workshop that will focus on the

computerized maintenance management system (CMMS) will be presented by the Operations Division in January. He gave an overview of the history of the selection of the SAP system, implementation stages, function of SAP, support team, challenges the Agency faces, future steps, and long term plans.

Discussion ensued regarding staff working on the SAP system, fiscal plans of the coming year for SAP, training process, contract with the consultants, and plan and timeline of improvements.

(Director Hall left the meeting room at 11:05 a.m.)

(Director Hall re-entered the meeting room at 11:08 a.m.)

(Director Camacho left the meeting at 11:39 a.m.)

PROPOSED IEUA ADMINISTRATIVE HANDBOOK

General Counsel Jean Cihigoyenette stated that there has been many drafts that have been reviewed, edited, and discussed between staff and his office in this twelve month process. He stated that today he will be covering the first draft of the IEUA Administrative Handbook presented to the Board of Directors. The bylaws written in 1997 were reviewed and updated with current information and the issue of organizational meetings was neutralized. This handbook includes sections that provide a guideline for the Board of Directors on how to interact with the public, staff, and each other. It also incorporates the provisions of the conflict of interest laws and a complete investigation process for complaints. He stated that this handbook presented to the Board today is for consideration and discussion, is only part of the overall package. With the assistance of Greg Tross, there has been a review and update of all Agency administrative policies as well.

General Counsel Jean Cihigoyenette provided clarification in response to the Directors' questions about different sections of the handbook.

DRAFT RESOLUTION ESTABLISHING A POLICY FOR ROTATION OF BOARD OFFICERS

General Counsel Jean Cihigoyenette presented the draft resolution of the rotation of Board Officers being brought to the Board for comments and discussion. He stated that this agenda item was requested by Director Hofer and aligns with a similar resolution from Western Municipal Water District, which was presented at that time. This draft resolution offers the process whereby officers of the Board of Directors will be appointed going forward if this resolution is approved. Currently, the Agency operates under the Water District Act, which provides that in each odd number year, the Board of Directors will hold an election for officers – President, Vice President, Secretary/Treasurer. This resolution, if passed, will change this process to be more automatic by assigning a rotation annually. Mr. Cihigoyenette stated that there is a provision within this draft resolution stating that if at any given time a majority of the Board then seated elects do not to follow this process, then this process can be changed.

President Elie stated the qualifications to become a Director is to be a voter in a designated division, the same qualifications may not apply to being President of the Board as it comes with much more responsibility and leadership. President Elie stated that a blind rotation is not in the best interest of any Agency and may be a disservice to the Agency's constituents. President Elie emphasized his strong opposition to the rotation of Board Officers for the Agency.

Director Hofer stated that the Agency has grown tremendously from being a small Agency with one purpose. He stated that everyone on the Board of Directors has been elected by the people to represent them. Each district is an equal representative for this Agency. He stated that after carefully reviewing this resolution and evaluating what will be in the best interest of the Agency, he supports the rotation of officers.

Director Hall stated her support for the rotation of Board Officers. She stated that she believes that each Director has the ability to come into the chairmanship as Board President and do a great job for the Agency. If a Director would not like to fulfill the role as President, then they will have the ability to make the decision to pass.

Mr. Cihigoyenette stated that he will circulate the resolution from Western Municipal Water District, history of Board Officers at the Agency, and survey of neighboring agencies to the Board of Directors.

CLOSED SESSION

The Board went into Closed Session at 11:57 a.m.; A. PURSUANT TO GOVERNMENT CODE SECTION 54954.5 – PUBLIC EMPLOYMENT: General Manager

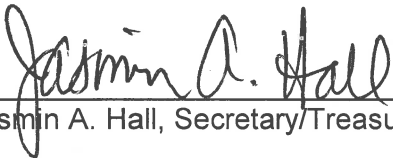
The meeting resumed at 12:13 p.m., and General Counsel Jean Cihigoyenette stated that the below-mentioned matters were discussed in Closed Session, and the Board took the following actions:

Regarding Conference with Legal Counsel – Existing Litigation:

Mwembu vs. IEUA, Case No. CIVDS 1415762

The Board unanimously (4-0) approved a settlement agreement with Mr. Mwembu.

With no further business, President Elie adjourned the meeting at 12:14 p.m. in honor of the first responders fighting a number of fires in Southern California for their safe return to their families.



Jasmin A. Hall, Secretary/Treasurer

APPROVED: JANUARY 17, 2018