Subject: Adoption of the Agency’s Biennial Budget for Fiscal Years (FYs) 2019/20 and 2020/21, and FYs 2020-2029 Ten Year Capital Improvement Plan

**FY 2019/20 Rate Resolutions**

The Agency establishes the following service rates for Fiscal Year (FY) 2019/20 to support various types of services for different programs and for other local governmental agencies who may require the Agency’s staff support or use of Agency’s equipment. The highlights of the FY 2019/20 proposed resolutions are provided below and the respective resolution documents are presented in Attachment 4, Budget Adoption and Rate Resolutions: No. 2019-6-1 to 2019-6-8, and 2019-6-10.

**Resolution No. 2019-6-10, Board of Directors of the Inland Empire Utilities Agency, San Bernardino County, California, Approving and Adopting its Budget for Fiscal Years 2019/20 and 2020/2021**

This resolution affirms the Agency's action in adopting the FYs 2019/2020 and 2020/2021 proposed budget for various programs budget and service rates.

**Resolution No. 2019-6-1, Service Rates for Wastewater Discharges to the Regional Wastewater System for Septage, Commercial or Industrial Wastewater, and Excessive Strength Charges**

This resolution establishes service rates for processing and issuing permits to domestic, commercial, or industrial wastewater dischargers and wastewater haulers permitted by IEUA, service rates for processing and treatment of sanitary, commercial or industrial wastewater deliveries to the Inland Empire Utilities Agency (Agency)'s Regional Wastewater System, and service rates for application fees for processing and issuing of wastewater discharge permits to industrial wastewater generators who discharge directly through pipeline connections to the Regional Sewer System.

**Resolution No. 2019-6-2, Capacity Charges, Volumetric Charges, Strength Charges, Capital Improvement Project (CIP) Charges, IEUA Administrative Charges, and Application and Wastewater Discharge Permit Application Fees for the Etiwanda Wastewater Line (EWL)**

This resolution establishes a rate structure for the collection of costs associated for the sewerage service for the EWL under the Etiwanda Wastewater Line Disposal Agreement entered between County Sanitation Districts of Los Angeles County (CSDLAC) and Inland Empire Utilities Agency (Agency)

**Resolution No. 2019-6-3, Capacity Charges, Volumetric Charges, Strength Charges, Agency Program Charges and Application Fees for the Non-Reclaimable Wastewater System (NRWS)**

This resolution establishes a rate structure for the collection of costs associated for the sewerage service for the NRW north system under the NRWS *Wastewater Disposal Agreement No. 4830* entered between County Sanitation Districts of Los Angeles County (CSDLAC) and Inland Empire Utilities Agency (Agency)

**Resolution No. 2019-6-4, Capacity Charges, Volumetric Charges, Strength Charges, Capital Improvement Project (CIP) Charges, IEUA Administrative Charges, and Application and Wastewater Discharge Permit Application Fees for the Inland Empire Brine Line**

This resolution establishes initial and monthly capacity charges, volumetric flow charges, CIP charges, trucked wastewater delivery charges and excessive strength charges, application fees for processing applications for Capacity Right Agreements and Wastewater Discharge Permits for the use of the Inland Empire Utilities Agency (Agency)'s Brine Line, NRW south system.

**Resolution No. 2019-6-5, Laboratory Rates**

This resolution establishes rates on a variety of laboratory analyses for local governmental agencies who enter into agreement with the Agency for laboratory analysis services. The rates support the laboratory staff time and supplies associated with laboratory analyses. The FY 2018/19 laboratory rates remain consistent with prior year rates.

**Resolution No. 2019-6-6, Extra-Territorial Sewer Charges**

This resolution establishes an extra-territorial (ET) monthly sewer service charge for system users located within our contracting agencies boundaries outside the Inland Empire Utilities Agency service area. This monthly ET charge is in addition to the adopted Regional Sewer service rate. The FY 2019/20 ET monthly sewer service rate is determined based on the Agency-wide assessed valuation for FY 2018/19 as reported by the San Bernardino County Auditors Property Tax Division and the estimated number of billable equivalent dwelling units (EDU) projected in the Agency’s FY 2018/19 Regional Wastewater Operations and Maintenance fund budget. The FY 2019/20 monthly ET rate is set at $16.48 per EDU, in addition to the adopted monthly EDU rate of $20.00.

**Resolution No. 2018-6-7, Imported Water Rates**

This resolution establishes rates for delivery of imported water supplies; and the rates are based on the approved and adopted rates by the Metropolitan Water District of Southern California (MWD) Board on April 10, 2018. The rates of sales of imported water are direct pass-through charged by Metropolitan for each class of water (Tier 1 and Tier 2) to the IEUA member agencies.

**Resolution No. 2018-6-8, Equipment Rental Fees**:

This resolution provides rental equipment rates for local governmental agencies that may occasionally require the use of Agency equipment. The rates cover the Agency’s labor cost, materials and supplies, and fuel costs. The cost for rental equipment in FY 2019/20 increases slightly to allow for increased fuel costs.

In the following section, the Additional Background Information, including the Sources and Uses of Funds reports for each of the Agency’s program funds, proposed projects, and rate resolutions for Agency’s service fees and charges. The proposed budget for these programs is consistent with the IEUA Business Goals of *Fiscal Responsibility, Water Reliability, Wastewater Management, Environmental Stewardship,* and *Business Practices.*

**Additional Background Information**

Appendix A1 – Adopted Multi-Year Rates and Effective Dates

Appendix A-2 – Biennial Budget Key Assumptions

Appendix B – FY 2019/20 and FY 2020/21 NC Fund Proposed Budget and Rates

Appendix C1 – Budget Summary of FYs 2019/20 and 2020/21

Appendix D1 – D7 – Program Fund Reports and Proposed Capital Project Lists (Regional Wastewater Capital, Regional Wastewater Operations, Recycled Water, Recharge Water, Water Resources, Non-Reclaimable Wastewater, and Administrative Services Funds)

Rate Resolutions:

2019-6-10 Budget Adoption

2019-6-1 Regional Rate for Wastewater Discharge

2019-6-2 NRWS Etiwanda Wastewater Line (EWL) Rate

2019-6-3 NRWS (CSDLAC) Rate for Volumetric, Strength Charges

2019-6-4 NRW Inland Empire Brine Line (IEBL) Rate

2019-6-5 Laboratory Fees

2019-6-6 Extra Territorial Sewer Service Charges

2019-6-7 Establishing Imported Water Rates

2019-6-8 Equipment Rental Rates

**Appendix A-1: Adopted Multi-Year Rates and Effective Dates**

**Wastewater Connection Fees**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Rate Description | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19  Projected | FY 2019/20  Projected |
| Wastewater Connection Fee | $5,415 | $6,009 | $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 | 5,155 | 5,223 | 4,000 | 4,000 |

**Monthly EDU Sewage Rates**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Rate Description | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 |
| EDU Volumetric Rate | $15.89 | $17.14 | $18.39 | $19.59 | $20.00 |
| Effective Date | 10/01/15 | 7/01/16 | 7/01/17 | 7/01/18 | 7/01/19 |

**Recycled Water Rates**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Rate Description | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19  Projected | FY 2019/20  Projected |
| 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 | 33,146 | 34,335 | 32,000 | 35,800 |

**Water Connection Fees**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Rate Description | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19  Projected | FY 2019/20  Projected |
| 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 |
| Meter Equivalent Units (MEUs) | 1,346 | 4,984 | 5,455 | 4,800 | 4,700 |

**Appendix A2: Biennial Budget Key Assumptions**

|  |  |
| --- | --- |
| Revenues and Other Funding Sources | Expenses and Other Uses of Funds |
| 4,000 new wastewater connections per year | 3% average growth for O&M expenses |
| 3.4 million volumetric EDU @ 0.25% annual growth | Eliminates vacancy factor in staffing to support succession plan |
| Recycled Water Deliveries:  FY 2019/20 35,800 AF  FY 2020/21 36,000 AF | Addition of several major construction projects within the next two-year period |
| 4,700 and 4,630 new water connections (MEU) for FY 2019/20 & FY 2020/21, respectively | Leverage professional services to achieve effective maintenance approach |
| 4% (FY 2019/20) and 3% (FY 2020/21) growth in property tax receipts.  Property tax allocated to Regional Capital fund remains at 65%, and “fixed amount” allocation to Regional O&M, Recycled Water, and Administrative Service funds, based on FY 2016/17 budget amendment. |  |
| Capital Improvement Plan (CIP) partially funded by low interest SRF loans and grants |  |

**Appendix B: FY 2019/20 and FY 2020/21 Non-Reclaimable Wastewater Fund Proposed Budget and Rates**

The Non-Reclaimable Wastewater (NWR) fund records the transactions for the acquisition, construction, expansion, replacement, and operation of the Agency’s non-reclaimable wastewater sewer lines, interceptors, and appurtenant facilities.

The Non-Reclaimable Wastewater program has budgeted total revenues and other funding sources of $18.5 million and $19.7 million for FYs 2019/20 and 2020/21, respectively. The primary funding source for the Non-Reclaimable Wastewater fund are the pass-through rates from the Sanitation District of Los Angeles County (CSDLAC) for the north system and the Santa Ana Watershed Project Authority (SAWPA) for the south system. Revenues also include fees for agency program charges, capacity fees (CIP), wastewater connection fees transferred from Regional Wastewater Capital Improvement fund, and interest income.

***Non-Reclaimable Wastewater System (NRWS) Rates:*** For board review and approval are the FY 2019/20 pass-through rates of Sanitation District of Los Angeles County (CSDLAC) for the north NRWS and the Santa Ana Watershed Project Authority (SAWPA) for the south NRWS. The CSDLAC annual rate structure for the NRW north system is updated based on the 2014 agreement. The NRW south system rates are based on SAWPA rates. Both NRWS rates are effective July 1, 2019 as listed in Table B-1.

The Agency recovers the NRWS program costs through capacity charges for the north system, and for FY 2019/20 the capacity charge per unit is $20.25. The NRWS south system program costs are recovered through a fifty percent operating surcharge imposed on volumetric, capacity, and strength charges for non-recycled water users.

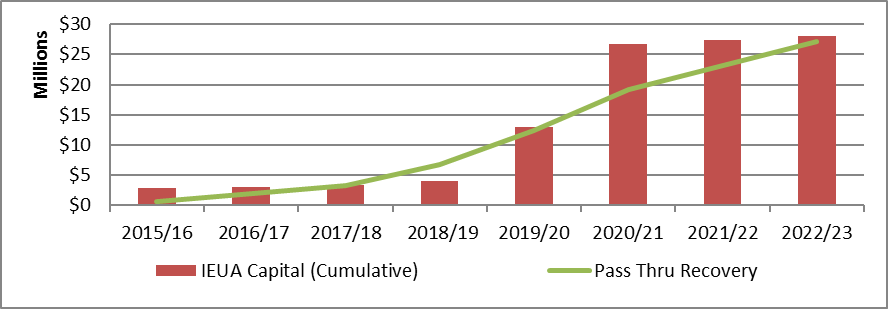
**Table B-1: NRW Proposed Program Rates – North and South Systems**

|  | | |
| --- | --- | --- |
| Rate Description | 2018/19 | 2019/20 Adopted |
| North System | 14,258 CU | 14,005 CU |
| Flow/mg | $912 | **$940** |
| COD/klb | $161 | **$166** |
| TSS/klb | $456 | **$470** |
| Peak/gpm | $346 | **$357** |
| CU Purchase | $4,172 | **$4,172** |
| CU Lease | $208.60/CU/Yr. | **$208.60/CU/Yr.** |
|  |  |  |
| South System |  |  |
| Capacity/cu | $406.60 | **$418.67** |
| Flow/mg | $946.00 | **$979.00** |
| BOD/klb | $307.00 | **$316.00** |
| TSS/klb | $429.00 | **$442.00** |

A total of $9.7 million in capital project costs is budgeted for FY 2019/20 and $13.7 million is budgeted in FY 2020/21. The proposed capital project budget includes $0.7 million for the Agency’s CSDLAC capital charges share funded through a state revolving fund (SRF) loan. The loan totals $4.4 million with the final payment scheduled in FY 2019/20. The loan and is supported by the Non-Reclaimable Wastewater fund reserves. The executed CSDLAC agreement requires the Agency to pay a $4.4 million share of their existing SRF loan with an annual interest rate of 2.3 percent for a six-year term.

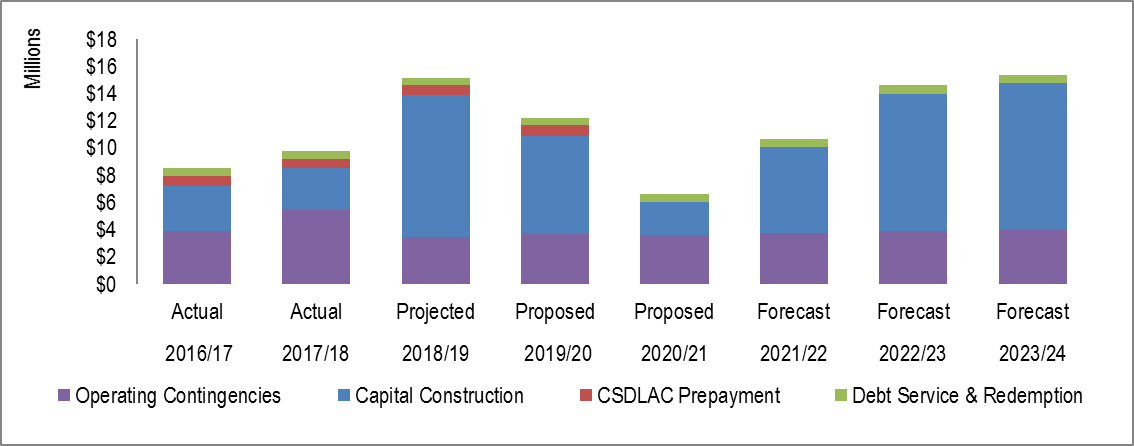
In October 2012 the Board agreed to defer the FY 2011/12 CSDLAC 4Rs capital costs of $2.6 million to mitigate the fiscal impact to the Northern system customers. Due to this deferral, recovery of the Agency’s capital expenditures for the NRW program were deferred. In FY 2015/16 the CSDLAC 4Rs capital costs were fully paid and the Agency began to recover its deferred capital costs. Full recovery of the Agency’s capital costs is projected to be reached in FY 2022/23.

**Table B-2: Recovery of Deferred CSDLAC 4Rs and IEUA Capital Expenditures**



The Non-Reclaimable Wastewater ending fund balance for FY 2019/20 is estimated at $12.2 million, and $6.6 million for FY 2020/21. The FY 2020/21 the decrease in fund balance, as shown below, can be mainly attributed to increasing capital project costs beginning in FY 2019/20. A total of $15 million of inter-fund loans have been issued to the Recycled Water fund. The fund balance begins increasing in FY 2021/22, as shown in Figure B-3, the increase is due to a combination of inter-fund loan repayments from Recycled Water fund and decreasing capital project costs.

**Figure B-1: NRW Fund Estimated Ending Fund Balance**



**Appendix C1: Budget Summary of FYs 2019/20 and 2020/21 ($ Millions)**

|  | Actual | Projected Actual | Biennial Budget | | Forecast | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Fiscal Year | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
| Operating Revenues | | $153.9 | $159.4 | $164.3 | $169.1 | $174.4 | $180.8 | $186.7 |
| Operating Expense | (143.7) | (154.0) | (162.0) | (162.0) | (163.3) | (168.9) | (174.7) |
| Operating Net Increase (Decrease) | **$10.2** | **$5.4** | **$2.3** | **$7.1** | **$11.1** | **$11.9** | **$12.0** |
| Other Sources of Funds | 112.8 | 98.6 | 125.3 | 199.8 | 215.9 | 186.3 | 162.1 |
| Debt Service | (21.9) | (24.8) | (26.8) | (28.0) | (28.5) | (25.7) | (33.3) |
| Capital Program | (56.9) | (63.5) | (93.6) | (179.3) | (153.1) | (101.2) | (100.9) |
| Non-Operating Increase (Decrease) | **$34.0** | **$10.3** | **$4.9** | **($7.5)** | **$34.3** | **$59.4** | **$27.9** |
| Total Increase (Decrease) | 44.3 | 15.7 | 7.1 | (0.4) | 45.4 | 71.3 | 40.0 |
| Beginning Fund Balance | $184.7 | $229.0 | $244.6 | $251.7 | $251.3 | $296.7 | $368.0 |
| Ending Fund Balance | **$229.0** | **$244.6** | **$251.7** | **$251.3** | **$296.7** | **$368.0** | **$408.0** |

*Totals may not tie due to rounding*

**Appendix C-2: Consolidated Fund Budget FYs 2016/17 to FY 2023/24**



**Appendix C-3: Consolidated Fund Budget by Fund**



**Appendix D-1: Regional Wastewater Capital Improvement Fund Budget**



**Regional Wastewater Capital Improvement Fund**

**Proposed Capital Project List**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Major Projects ($Millions) | FY 2019/20 | FY 2020/21 | FY 2021/22 to  FY 2023/24 | TYCIP  Total |
| RP-5 Expansion | $11.00 | $90.00 | $119.00 | $304.90 |
| CCWRF Asset Management Improvements | 6.8 | 7.5 | 6 | 26.9 |
| RP-1 Flare Improvements | 5 | - | - | 5 |
| Collection System Upgrades | 0.5 | 0.5 | 1.5 | 5 |
| RP-1 Solids & Liquid Treatment Expansion | 0.2 | - | - | 80.5 |
| All Other Capital Projects | 1.8 | 4.7 | 100.9 | 92.3 |
| Total | **$25.30** | **$102.70** | **$227.40** | **$514.60** |

**Appendix D-2: Regional Wastewater Operations & Maintenance Fund Budget**



**Regional Wastewater Operations & Maintenance Fund**

**Proposed Capital Project List**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Major Projects ($Millions) | FY 2019/20 | FY 2020/21 | FY 2021/22 to  FY 2023/24 | TYCIP  Total |
| RP-1 Mechanical Restoration Upgrades | $8.90 | $1.00 |  | $9.90 |
| RP-4 Influent Screen Replacement | 2.9 |  |  | 2.9 |
| RP-1 Primary Effluent Conveyance Improvement | 2.7 |  |  | 2.7 |
| RSS Haven Avenue Repair & Replace from Airport to Mission | 2 | 4 |  | 6 |
| SCADA Enterprise System | 2 | 3.5 | 3 | 8.5 |
| RP-4 Process Improvements | 1.9 | 1 | 3.2 | 6.1 |
| All Other Capital Projects | 5.5 | 11.5 | 17.5 | 71.7 |
| Total | **$25.90** | **$21.00** | **$23.70** | **$107.80** |

**Appendix D-3: Recycled Water Fund Budget**



**Recycled Water Fund**

**Proposed Capital Project List**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Major Projects ($Millions) | FY  2019/20 | FY  2020/21 | FY 2021/22 to FY 2023/24 | TYCIP  Total |
| Recycled Water Intertie to City of Pomona | $2.00 | $3.00 | $61.00 | $80.00 |
| Recycled Water Intertie to Jurupa Community Services District | 1.0 | 18.5 | 11.8 | 31.3 |
| Baseline Recycled Water Pipeline Extension | 5.7 | 0 | 0 | 5.7 |
| RP-1 1158 Recycled Water Pump Station Upgrades | 4.7 | 0 | 0 | 4.7 |
| Napa Lateral (San Bernardino Speedway, CSI, Prologis) | 1.6 | 0 | 0 | 1.6 |
| All Other Capital Projects | 3.7 | 2.3 | 10.8 | 81.1 |
| Total | **$18.70** | **$23.80** | **$83.60** | **$204.40** |

**Appendix D-4: Recharge Water Fund Budget**



**Recharge Water Fund**

**Proposed Capital Project List**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Major Projects ($Millions) | FY 2019/20 | FY 2020/21 | FY 2021/22 to  FY 2023/24 | TYCIP  Total |
| Recharge Master Plan | $5.00 | $9.80 | $0.00 | $14.80 |
| All Other Capital Projects | 0 | 3.4 | 8.3 | 11.7 |
| Total | **$5.00** | **$13.23** | **$8.30** | **$26.50** |

**Appendix D-5: Water Resources Fund Budget**



**Water Resources Fund**

**Proposed Capital Project List**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Major Projects ($Millions) | FY 2019/20 | FY 2020/21 | FY 2021/22 to  FY 2023/24 | TYCIP  Total |
| Chino Basin Program Planning | $6.60 | $2.60 | $2.60 | $11.70 |
| All Other Capital Projects | 0 | 1.0 | 12.0 | 13.0 |
| Total | **$6.60** | **$3.60** | **$14.60** | **$24.70** |

**Appendix D-6: Non-Reclaimable Wastewater Fund Budget**



**Non-Reclaimable Wastewater Fund**

**Proposed Capital Project List**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Major Projects ($Millions) | FY 2019/20 | FY 2020/21 | FY 2021/22 to FY 2023/24 | TYCIP  Total |
| Philadelphia Lift Station Force Main Improvements | $5.00 | $13.50 | $0.00 | $18.50 |
| NRW Pipeline Relining along Cucamonga Creek | 2.2 |  |  | 2.2 |
| East End Flowmeter Replacement | 1.6 |  |  | 1.6 |
| NRWS Manhole Upgrades | 0.2 | 0.2 | 0.6 | 2 |
| All Other Capital Projects |  |  | 1.5 | 6.2 |
| Total | **$9.00** | **$13.70** | **$2.10** | **$30.50** |

**Appendix D-7: Administrative Services Fund Budget**



**Administrative Services Fund**

**Proposed Capital Project List**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Major Projects ($Millions) | FY 2019/20 | FY 2020/21 | FY 2021/22 to FY 2023/24 | TYCIP  Total |
| Agency-wide Vehicle Replacement | $0.50 | $0.30 | $1.00 | $3.50 |
| Agency SCADA1 Integration with SAP | 0.3 | 0.2 |  | 0.5 |
| Headquarters Campus Driveway Improvements | 0.4 |  |  | 0.4 |
| BizNet Infrastructure Replacement Project | 0.3 | 0.1 |  | 0.4 |
| ICP2 Instrument | 0.2 |  |  | 0.2 |
| All Other Capital Projects | 0.6 | 0.5 | 1.3 | 8.6 |
| Total | **$2.30** | **$1.20** | **$2.30** | **$13.60** |