




Date: June 15, 2016

To: The Honorable Board of Directors

Through: Finance, Legal, and Administration Committee (06/08/16)

From:  P. Joseph Grindstaff  
General Manager

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Subject: FY 2016/17 Budget Amendment, Rates and Fees, and Inter-fund Loans

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### RECOMMENDATION

It is recommended that the Board of Directors approve:

1. The amendments to the FY 2016/17 adopted budget for all Agency's funds;
2. The Non-Reclaimable Wastewater (NC) fund Rate Resolution Nos. 2016-6-1 through 2016-6-3;
3. The Regional Wastewater Operations & Maintenance (RO) fund Rate Resolution 2016-6-4;
4. The Water Resources (WW) fund Rate Resolution Nos. 2016-6-7 and 2016-6-15;
5. Rate Resolution No. 2016-6-5 for Laboratory Fees, 2016-6-6 for Equipment Rental, and 2016-6-9 for the Fontana Extra-Territorial Charge;
6. An inter-fund loan from the RO fund to the WW fund for a not-to-exceed amount of \$3.2 million in FY 2016/17 to support purchase of supplemental water supplies;
7. The forgiveness of the inter-fund loan from the Administrative Service (GG) fund to the WW fund in the amount of \$4.3 million in FY 2015/16; and
8. The allocation of property tax receipts in excess of \$13.7 million from the Regional RO, Recycled Water (WC), and GG funds to the WW fund beginning in FY 2016/17, and

maintain allocation of 65% of property tax receipts to the Regional Wastewater Capital Improvement (RC) fund.

**BACKGROUND**

On May 18, 2016, a review of the budget amendments to the FY 2016/17 adopted budget, along with the proposed potable water rates were presented to the IEUA Board of Directors (Board). Not included in the overview was the NC fund due to pending updates on the pass-through rates for FY 2016/17. The amendments to FY 2016/17 adopted budget for the RC, RO, WC, and Recharge Water (RW) funds were also presented to the Regional Technical and Policy Committees (Regional Committees) on May 26, 2016 and June 2, 2016, respectively. The proposed Ten Year Capital Improvement Plan (TYCIP) for fiscal years (FYs) 2016/17 – 2025/26 were also presented to the Board on April 20, the Regional Committees on April 28 and May 5, respectively.

Following is a summary of the proposed changes (amendments) to the FY 2016/17 O&M adopted budget, including the proposed rates and amendments for the NC Fund and the proposed multi-year rates for the WW fund. Also included is an overview of the FYs 2016/17 – 2025/26 TYCIP recommended for approval by the Regional Committees and adopted by the Board on May 18, 2016.

**FY 2016/17 Amended Budget (All Funds)**

Total revenue and other sources of funds of \$257.9 million adopted for FY 2016/17 is being reduced to \$229 million. A summary of the adjustments that account for the \$28.9 million reduction is provided in Table 1.

**Table 1: FY 2016/17 Changes to Total Revenues (\$Millions)**

Revenues	Adopted FY 2016/17	Amended FY 2016/17	Increase/ (Decrease)	Key Assumptions
MWD Water Sales (pass-through)	\$42.1	\$28.7	(\$13.4)	Deliveries reduced from 60,000 AF to 45,000 AF (5,000AF IEUA storage)
Connection Fees	30.6	20.0	(10.6)	New wastewater connections cut from 4,580 to 3,000 units. New water connection units cut from 4,167 to 2,730 units
User Charges	76.7	71.9	(4.8)	Lower water revenues from proposed new water rates partially offset by an increase in volumetric EDU charges
Grants/Loans	31.3	28.0	(3.3)	Decrease due to changes in related project timeline execution
Interest Revenue	1.3	0.6	(0.7)	Lower interest rate projection
Property taxes	42.4	44.7	2.3	Higher growth in FY 2015/16
Inter-Fund Loan	2.0	3.2	1.2	From RO Fund to WW Fund to support purchase of supplemental water
Other Revenues	13.7	14.1	0.4	Contract reimbursements
Recycled Water Sales	17.8	17.8	0.0	No change

<b>Total</b>	<b>\$257.9</b>	<b>\$229.0</b>	<b>(\$28.9)</b>
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The total expenses and other uses of funds adopted for FY 2016/17 were \$227.7 million. The amended FY 2016/17 budget reflects an increase of \$6.3 million to \$234.0 million. The primary driver is an increase in Capital Improvement Plan (CIP) and special O&M expenditures due to changes in project schedules, which is offset by lower imported MWD water purchases, as shown in Table 2.

**Table 2: FY 2016/17 Changes to Total Expenses (\$Millions)**

Expenses	Adopted FY 2016/17	Amended FY 2016/17	Increase/ (Decrease)	Change in Key Assumptions
Capital Projects	\$52.5	\$60.4	\$7.9	Change in project scope and schedule
Operating Expenses	65.7	73.2	7.5	Increase in special O&M project costs
Inter-Fund Loans	2.0	3.2	1.2	Higher amount to support purchase of supplemental water
Employment Cost	42.7	43.3	0.6	Reduction in vacancy factor from 3% to 2% to support succession planning
MWD Water Purchases	42.1	31.9	(10.2)	Deliveries reduced from 60,000 AF to 45,000 AF (5,000 AF IEUA storage)
Debt Service Costs	22.7	22.0	(0.7)	Change in the Wineville SRF loan repayment to FY 2017/18
<b>Total</b>	<b>\$227.7</b>	<b>\$234.0</b>	<b>\$6.3</b>	

## TYCIP

The FYs 2016/17 – 2025/26 TYCIP was adopted by the Board in May 2016. Since then, projects and respective budget realignments have resulted in an increase of \$13.5 million to the adopted TYCIP, from \$732.6 million to \$746.1 million. The increase is primarily due to the inclusion of additional projects anticipated to be fully funded by grants and contributions. These additional projects include; conservation program carry forward projects of \$11.2 million, Chino Creek Wetlands and Educational Park Upgrades project of \$1.9 million, and construction of a recycled water lateral north of California Institute of Men (CIM) of \$0.4 million.

Table 3 provides a comparison by fund of the FYs 2016-2025 and adopted FYs 2017-2026 TYCIP. The increase of \$54.1 million is primarily due to adjustments in project execution timeline, changes in scope of work, and increase in project costs. One example is the increase in total project budget from \$20 million to \$25 million for construction of the water quality laboratory.

**Table 3: FY 2015/16 and FY 2016/16 TYCIP by Fund (\$ Millions)**

Fund	FYs 2016-2025 TYCIP	FYs 2017-2026 TYCIP	Increase (Decrease)
Regional Wastewater Capital Improvement (RC)	\$348.9	\$386.4	\$37.5
Recycled Water (WC)	75.2	85.5	10.3
Regional Wastewater O&M (RO)	131.0	139.7	8.7
Recharge Water (RW)	49.3	53.2	3.9

Fund	FYs 2016-2025 TYCIP	FYs 2017-2026 TYCIP	Increase (Decrease)
Administrative Services (GG)	9.5	13.1	3.6
Non-Reclaimable Wastewater (NC)	17.2	11.1	(6.1)
Water Resources (WW)	60.9	57.1	(3.8)
<b>TOTAL</b>	<b>\$ 692.0</b>	<b>\$ 746.1</b>	<b>54.1</b>

The CIP for FY 2016/17 reflects a net increase of \$7.9 million, from \$52.5 million to \$60.4 million (Table 4). The increase is primarily in the Regional Wastewater Program (RC and RO funds) for projects such as: Agency wide pump efficiencies and lighting improvements, RP-4 safety improvements, and RP-5 solids treatment facility. The higher CIP for the Regional Wastewater program is partially offset by a decrease in the WC fund regional recycled water intertie projects with the City of Pomona and Jurupa Community Services District (JCSD).

**Table 4: FY 2016/17 Changes to Capital Improvement Plan (\$Millions)**

Fund	Adopted FY 2016/17	Amended FY 2016/17	Increase (Decrease)
RO fund	\$11.8	\$19.3	\$7.5
RC fund	15.4	20.0	4.6
GG fund	0.9	2.9	2.0
NC fund	1.1	1.7	0.6
WC fund	18.6	11.9	(6.7)
RW fund	4.7	4.6	(0.1)
<b>Total</b>	<b>\$52.5</b>	<b>\$60.4</b>	<b>\$7.9</b>

**Debt service**

Total amended debt service in FY 2016/17 is \$25.2 million; slightly higher than the \$24.7 million projected in the adopted budget (Table 5).

**Table 5: FY 2016/17 Changes to Debt Service (\$Millions)**

	Adopted FY 2016/17	Amended FY 2016/17	Increase (Decrease)
Principal	\$12.5	\$12.0	(\$0.5)
Interest	9.8	9.6	(\$0.2)
Financial Expenses	0.4	0.4	0.0
<b>Subtotal</b>	<b>\$22.7</b>	<b>\$22.0</b>	<b>(\$0.70)</b>
Inter-fund Loan	2.0	3.2	1.2
<b>Total</b>	<b>\$24.7</b>	<b>\$25.2</b>	<b>\$0.05</b>

The amended FY 2016/17 budget includes a \$3.2 million inter-fund loan from the RO fund to the WW fund to support the purchase of supplemental water. A summary of the inter-fund loans and repayment schedule is provided in Table 6.

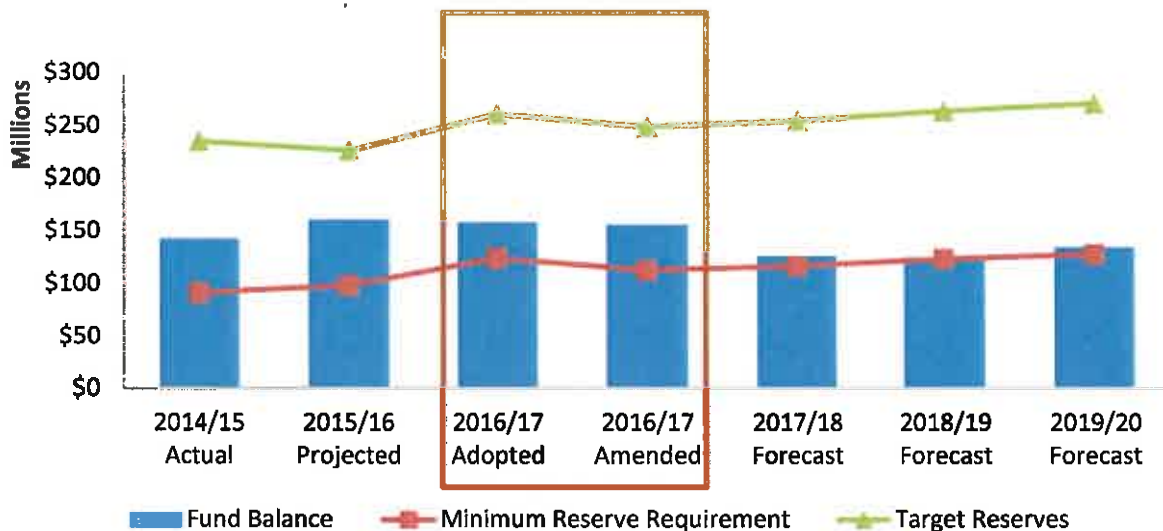
**Table 6: Repayment Schedule of Inter-Fund Loans (\$Millions)**

Inter Fund Loan Issued	From	To	Loan Amount	Proposed Repayment Amount FY 2016/17	Repayment Schedule
2007/08	NC fund	WC fund	\$9.0	\$0	2019/20 \$2.0 2020/21 \$2.0 2021/22 \$2.0 2022/23 \$2.0 2023/24 \$1.0 <b>Total \$9.0</b>
	RC fund	WC fund	\$3.0	\$0	2022/23 \$1.0 2023/24 \$1.0 2024/25 \$1.0 <b>Total \$3.0</b>
2009/10	NC fund	WC fund	\$6.0	\$0	2023/24 \$1.0 2024/25 \$2.0 2025/26 \$3.0 <b>Total \$6.0</b>
	RC fund	WC fund	\$10.5	\$0	2022/23 \$1.0 2023/24 \$5.0 2024/25 \$4.5 <b>Total \$10.5</b>
2014/15	GG fund	WW fund	\$4.3	\$0	<b>Board to approve request from member agencies to forgive loan</b>
2016/17	RO fund	WW fund	\$3.2	\$0	2024/25 \$0.5 2025/26 \$0.5 2026/27 \$0.5 2027/28 \$0.5 2028/29 \$0.5 2029/30 \$0.5 2030/31 \$0.2 <b>Total \$3.2</b>
	<b>Grand Total</b>		<b>\$36.0</b>	<b>\$0</b>	<b>\$36.0</b>

**Consolidated Fund Balance**

Based on net changes to total revenues and expenses, the consolidated fund balance is projected to be \$2.5 million lower; decreased from \$157.8 million to \$155.3 million at the end of FY 2016/17 as shown in Figure 1.

**Figure 1: Consolidated Fund Balance (\$Millions)**



Offsetting the proposed reduction in total revenues and other funding sources and proposed increase in total expenses and other uses of funds is a higher projected ending fund balance for FY 2015/16. The projected ending fund balance for the current fiscal year is projected be approximately \$30 million higher than estimated in the FY 2015/16 adopted budget. The primary driver for the projected higher ending fund balance is lower capital project costs and higher than anticipated property tax receipts.

***Non Reclaimable Wastewater (NC) Fund***

The NC 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 primary funding source for the NC fund are the pass-through rates from the Sanitation District of Los Angeles County (SDLAC) for the north system and the Santa Ana Watershed Project Authority (SAWPA) for the south system. As a result, the north and south systems have different rate structures and rates.

On average, the amended rates for FY 2016/17 for the north system are decreasing by 9% and the south system rates are increasing by 3%. A key change for the north system is the reduction in total capacity units (CU) allocated to the industries from 13,611 to 13,505 CUs. In accordance with the agreement, total CUs are adjusted annually based on the prior fiscal year’s actual flow and strength data.

On May 19, 2016 Agency staff facilitated a workshop for the NRW industries to provide an overview of the proposed rates for FY 2016/17. Listed in Table 7 are the pass-through rates for FYs 2015/16 and 2016/17 for the north and south systems.

**Table 7: NRW North and South System Pass-Through Rates**

Rate Description	Current FY 2015/16	Amended FY 2016/17
<b>North System</b>	<b>13,611 CU</b>	<b>13,505 CU</b>
Flow/mg	\$948	<b>\$915</b>
COD/klb	\$210	<b>\$180</b>
TSS/klb	\$433	<b>\$436</b>
Peak/mg	\$360	<b>\$348</b>
CU Purchase	\$5,150	<b>\$4,172</b>
CU Lease	\$257.50/CU/Yr.	<b>\$208.60/CU/Yr.</b>
<b>South System</b>		
Capacity/CU	\$351.17	<b>\$368.76</b>
Flow/mg	\$817.00	<b>\$858.00</b>
BOD/klb	\$301.00	<b>\$307.00</b>
TSS/klb	\$420.00	<b>\$429.00</b>

In addition to the pass-through rates which fully recover operating and capital costs from SDLAC and SAWPA, the Agency collects a capacity charge from the NRW industries in the north system. A 50% operating surcharge on the volumetric, capacity and strength charges for non-recycled water users is collected from NRW industries in the south system. The Agency's capacity charge and operating surcharge support the Agency's program costs. For FY 2016/17, the north system capacity charge is \$26.54 per CU.

The NC fund FY 2016/17 amended revenue and other funding sources are estimated at \$11.4 million, a decrease of 3.1 million compared to the adopted budget of \$14.5 million. The decrease is primarily due to a decrease in user charges due to reduced pass-through excess strength charges from SDLAC and the deferral for repayment of the inter fund loan due from the WC fund to FY 2019/20 . Table 8 highlights the changes in major revenue and other funding sources.

**Table 8: NC Fund Major Revenues and Other Funding Sources**

\$Millions	Major Funding Sources	Adopted FY2016/17	Amended FY 2016/17	Increase (Decrease)	Key Assumptions
Non-Reclaimable (NC) fund	Other Revenues	\$2.4	\$0.3	(\$2.1)	Deferral of \$2 million inter-fund loan repayment from WC fund to FY 2019/20
	Excess User Fees (SS)	4.8	3.7	(1.1)	Fees for wastewater strength composition*
	Agency Program Charges	4.7	4.8	0.1	Administrative, operational, and capacity surcharges, which includes a portion of the Agency capital costs.
	Volumetric Fees	2.0	2.0	0.0	Monthly fee based on adopted fees and metered wastewater flows.

\$Millions	Major Funding Sources	Adopted FY 2016/17	Amended FY 2016/17	Increase (Decrease)	Key Assumptions
	Capacity Fees	0.6	0.6	0.0	Monthly fee charged to the holders of capacity rights in the South system to cover capital.
	<b>Total</b>	<b>\$14.5</b>	<b>\$11.4</b>	<b>(\$3.1)</b>	

\*Strength charges are calculated on Total Suspended Solids (TSS), Chemical Oxygen Demand (COD), and Biochemical Oxygen Demand (BOD).

The amended NC fund FY 2016/17 total expenses and other uses of funds are estimated at \$11.9 million; approximately \$0.4 million lower than the adopted budget of \$12.3 million (Table 9). The decrease is mainly due to lower excess strength pass-through charges from SDLAC; partially offset by an increase in SAWPA capital expenditures.

**Table 9: NC Fund Major Expenses & Other Uses of Funds**

\$Millions	Major Uses of Funds	Adopted FY 2016/17	Amended FY 2016/17	Increase (Decrease)	Key Assumptions
Non-Reclaimable (NC) fund	Operating Fees	\$7.2	\$6.1	(\$1.1)	SDLAC and SAWPA pass through fees
	Capital Expenditures	1.1	1.7	0.6	Includes \$0.7M SDLAC capital charges (4R's) funded through the SRF loan and capital project costs.
	Other Expenses	0.1	0.2	0.1	Capital transfer to support agency-wide asset acquisition.
	Administration & Operations	3.4	3.4	0.0	Agency employment, chemicals, materials & supplies, professional fees, utilities, and other operating costs. Also includes Regional Brine Management pipe cleaning, and meter maintenance costs to support the Agency's NRW system.
	Debt Service	0.5	0.5	0.0	2008A Bond and Inland Empire Brine Line loan principal and interest payments.
	<b>Total</b>	<b>\$12.3</b>	<b>\$11.9</b>	<b>(\$0.4)</b>	

Capital expenditures are also increasing from the adopted budget at \$1.1 million to \$1.7 million. A list of major capital projects is provided in Table 10.



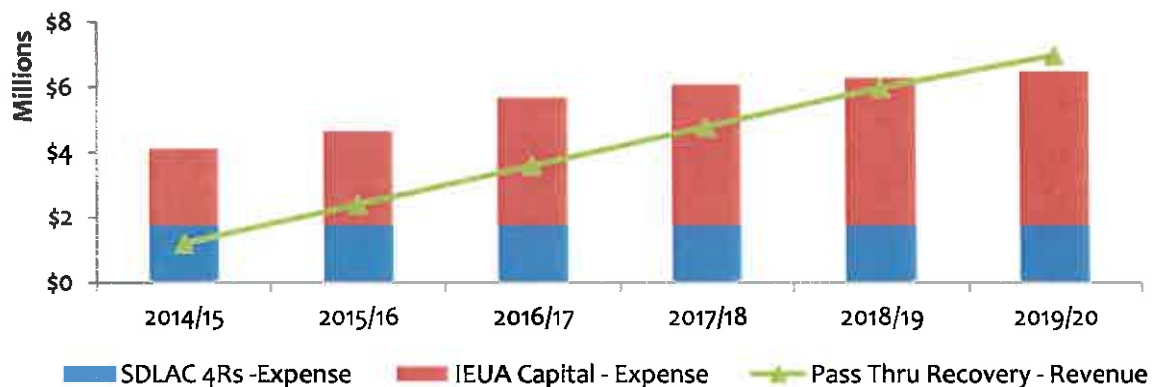
**Table 10: NC Fund Changes in Major Capital Projects**

\$Millions	Project	Adopted FY 2016/17	Amended FY 2016/17
NC Fund Capital Projects	NRW Manhole Upgrade	\$0.35	\$0.35
	SBCFCD NRW Easement	0.0	0.52
	NRW East End Flowmeter Replacement	0.0	0.18
	<b>Sub-total</b>	<b>\$0.35</b>	<b>\$1.05</b>
	SDLAC Capital Replacement 4Rs SRF Installment	0.74	0.69
	<b>Total Capital Projects</b>	<b>\$1.09</b>	<b>\$1.74</b>

For the past years, recovery of the Agency capital expenditures has been deferred until the outstanding SDLAC relocation, reconstruction, repair, and replacement (4Rs) capital costs were fully paid in FY 2015/16. Deferring recovery of the Agency’s capital costs and the Board’s agreement to use NC fund reserves to support the repayment of SDLAC SRF loan significantly helped to mitigate the fiscal impact to the north system NRW customers resulting from the negotiation of the new agreement with SCLAC in 2014.

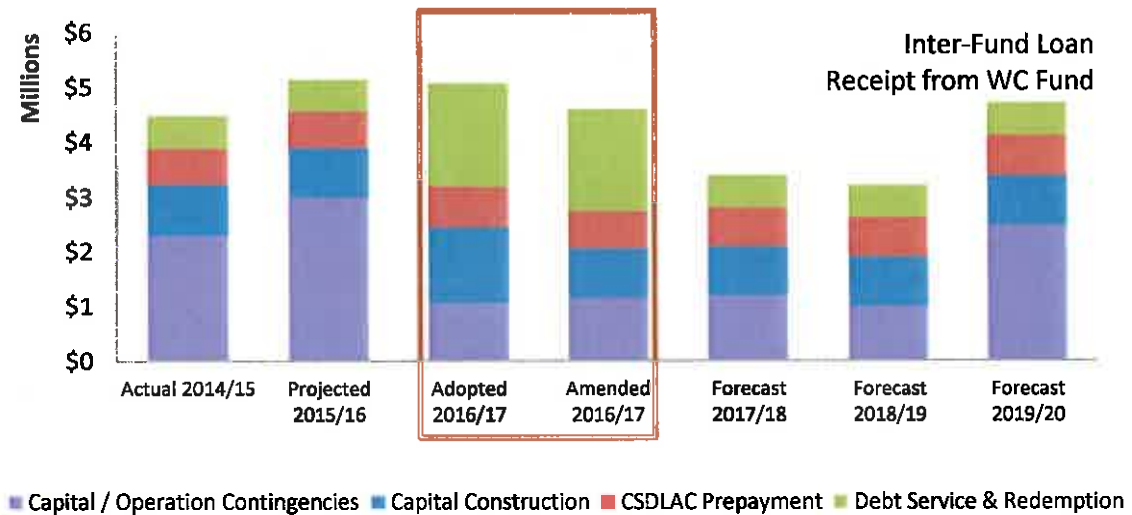
Starting in FY 2016/17, the Agency’s capital expenditures will be recovered through the collection of \$1.2 million from the north NRW users. Full recovery of the Agency’s capital cost is projected to be reached in FY 2019/20 (Figure 2).

**Figure 2: Recovery of Capital Expenditures**



The FY 2016/17 ending fund balance is projected to be \$4.6 million, approximately \$0.5 million lower than the adopted budget’s fund balance of \$5.1 million. Future receipt of the inter-fund loan repayment from the WC fund is projected to improve the ending fund balance beginning in FY 2019/20 (Figure 3).

**Figure 3: NC Fund Reserve by Type**



**Water Resources (WW) Fund**

**Proposed Water Rates**

In 2014 the Agency engaged Carollo Engineering to perform a rate study analysis of the potable water rates. The study identified some structural deficiencies in the existing rate structure. The final report issued in March 2015 (IEUA 2015 Water Rate Study) recommended restructuring of the rates to better align the collection and incurrence of program costs. Given the potential fiscal impact to ratepayers, water member agencies requested, and the Board agreed, to defer implementation of the proposed rate re-structuring to FY 2016/17. As a result, the water rates remained unchanged in FY 2015/16.

**AF Surcharge**

The AF surcharge, currently at \$15 per acre foot (AF), applied to MWD imported water deliveries will be eliminated on September 30, 2016. Under the proposed water rates, program costs partially supported by the AF surcharge will be supported by the meter equivalent unit (MEU) rate effective October 1, 2016.

**Readiness to Serve (RTS) Pass-Through Fees**

Currently IEUA collects the MWD RTS pass-through fees through the monthly meter charge. The meter charge is based on an account or fixed basis regardless of the meter size. MWD bills RTS based on water use over a ten year rolling average (TYRA). Under the proposed restructuring, the Agency will pass through RTS using MWD’s TYRA methodology. This change has a significant impact to water agencies that purchase a greater portion of the MWD water deliveries. Member agencies requested an extended phase-in period of seven (7) years in alignment with the implementation of the proposed recycled water surcharge for use over entitlement (Resolution No. 2016-6-17).

### **Monthly Meter Charge/MEU Rate**

Under the proposed rates, the monthly meter charge rate will be restructured from an account based to a MEUs, effective October 1, 2016. One MEU will be equivalent to a 5/8" or 3/4" meter. A higher MEU will be applied to larger size meters. For example, a 1" meter will be equivalent 2.5 MEUs. The revenue generated from MEUs will support the water resource program costs, a portion of which was previously supported by the acre foot (AF) surcharge rate.

The use of the MEU rate to support a primarily "fixed" program cost will provide more stable funding for the management of regional water resource initiatives, including the Agency's regional conservation and water use efficiency programs.

### **Proposed Water Rates**

Since January 2016, numerous review sessions with the water member agencies were held to analyze the program costs to be supported by the proposed water rates. Throughout this review period, significant changes were made to refine the program costs to be supported by the proposed rates and the implementation period. Some of the significant changes include;

- Removal of direct costs associated with the Santa Ana River Conservation and Conjunctive Use Program (SARCCUP), Integrated Water Resources Plan (IRP) Phase II projects, and purchases of supplemental water supplies from program costs to be supported by the MEU rate,
- Seven year phased implementation of the MWD RTS Ten Year Rolling Average (TYRA) direct charge to member agencies,
- Use of property taxes to cover the RTS fees not recovered through the TYRA direct charge during the seven year implementation period,
- Reduction in the minimum fund balance reserves from \$6 million to \$1.6 million (Operating Contingency only). The significant reduction is due to the elimination of the reserve to support payment to MWD in the event of default by a water agency. The recommendation from the member agencies is for the Agency to rely on reserves already maintained by each of the water agencies. The Agency's Water Ordinance 104 was updated to reflect this, and
- Forgiveness of the \$4.3 million inter-fund loans due to the GG fund by the WW fund, as formally requested the member agencies on May 11, 2016.

All of these significant changes, including the forgiveness of the inter-fund loans, are reflected in the proposed rates as summarized in Table 11.

**Table 11: Proposed Multi-Year Water Rates**

	FY 2015/16 Current	FY 2016/17 Amended	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
AF Surcharge	\$15.0	*\$15.00	n/a	n/a	n/a	n/a	n/a	n/a
RTS Ten Year Rolling Average	n/a	15% ~\$7.82	30% ~\$16.02	45%	60%	75%	90%	100%
Water Meter Rate/Account	\$2.105	*\$2.105	n/a	n/a	n/a	n/a	n/a	n/a
MEU	n/a	\$0.90	\$0.95	\$0.99	\$1.04	Adjustments based on CPI		

\*Only effective through September 30, 2016.

**Other Funding Sources**

Beginning in FY 2014/15, the Board approved the reallocation of \$1.5 million annually of property taxes from the GG fund to the WW fund to support program costs not covered by existing rates and charges. In addition to the \$3 million of property tax reallocated to date (\$1.5 million in FY 2014/15 and \$1.5 million in FY 2016/17), additional transfers will be needed to support the seven year phased implementation of the RTS TYRA, as well as regional water resources initiatives not supported by the proposed rates, such as SARCCUP, IRP Phase II drought resiliency projects, and supplemental water purchases and storage.

To appropriately support these regional water resource initiatives not supported by the proposed rates, the property tax allocation to the WW fund will need to be increased. In order to mitigate the impact to the other funds receiving property taxes and sustain the current level of funding, the future property tax receipts in excess of \$13.7 million, (\$9.5 million to RO, \$2.2 million to WC and \$2.0 million to GG) will be reallocated to the WW fund. The sum allocation to the RO, WC, GG and WW funds of \$13.7 million represents approximately 35% of the Agency’s total property tax receipts. No change is proposed for the remaining 65% allocated to the RC fund. Consistent with past practice, the RC fund will continue to be allocated approximately 65% of total property tax receipts, including related future growth. Table 12 provides a summary of projected property taxes to be reallocated to the WW fund.

**Table 12: Reallocation of Property Taxes to WW Fund**

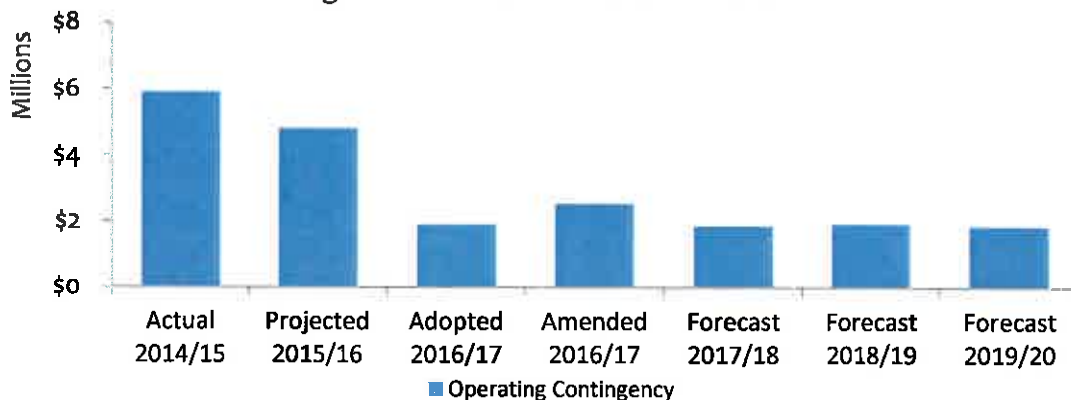
\$ Millions	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2020/22	Total
Property Taxes (RTS Deficit)	\$2.7	\$2.3	\$1.8	\$1.4	\$0.9	\$0.4	\$9.5
Other property tax support	\$1.2	\$0.1	\$2.3	\$2.8	\$2.7	\$3.5	\$12.6
<b>Total Property Tax Allocation</b>	<b>\$3.9</b>	<b>\$2.4</b>	<b>\$4.1</b>	<b>\$4.2</b>	<b>\$3.6</b>	<b>\$3.9</b>	<b>\$22.1</b>

In addition to the property tax allocations, inter-fund loans have also been needed to support program costs in prior years. At the end of FY 2014/15 a total of \$4.3 million in inter-fund loans

was issued to support both operating costs (\$1.3 million) and expansion of the turf removal program (\$3 million) in response to the drought crisis. Reflected in the proposed water rates is Board approval to forgive repayment of this inter-fund loan in FY 2015/16. Another \$3.2 million loan from the RO fund is proposed in FY 2016/17 to support the purchase of supplemental water supplies.

The WW fund estimated ending fund balance for FY 2016/17 of \$2.5 million is slightly higher than the \$1.9 million reported in the adopted budget. As shown in Figure 4 below, the fund balance is projected to slightly decline over the ensuing three fiscal years. The primary drivers are higher project expenditures such as the SARCCUP and other regional water resources initiatives beginning in FY 2017/18.

**Figure 4: WW Fund Reserve Balance**



**Adopted Multi-Year Rates**

In May 2015, the Board adopted multi-year rates for the wastewater connection fee, EDU volumetric rate, new water connection fee, and recycled water rates. To lessen the impact on the development community, the increase to the connection fees as recommended by the rate study were phased in over multiple years. No change is proposed for the adopted multi-year rates for the Regional Wastewater and Recycled Water programs.

***New Connection Fees***

The new connection fees for FY 2016/17 will include different rates for the first and second half of the fiscal year; \$5,415 per unit, from July 1, 2016 to December 31, 2016, and \$6,009 per unit starting January 1, 2017 through June 30, 2017 (Table 13).

**Table 13: Adopted Wastewater Connection Fee Rates**

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

**EDU Volumetric Rate**

To achieve full cost of service, or recovery of O&M, replacement and rehabilitation (R&R), and debt service costs, the Board adopted the rates for FYs 2015/16 to 2019/20, as shown in Table 14. Effective July 1, 2016, the monthly EDU volumetric rate will be \$17.14 per EDU.

**Table 14: Adopted EDU Volumetric Rates**

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

**Water Connection Fee**

The new water connection fee was initially set at \$693 per MEU per residential unit (based on 5/8” and 3/4” meter sizes) with an effective date of January 1, 2016, as reported on Table 15. This represents 50 percent of the proposed rate in 2015 Water Connection Fee Update Final Report (April 16, 2015). Additionally, to lessen the impact on new development, the implementation of the proposed fees is phased in over a period of 18 months with annual adjustment of 5 percent beginning January 1, 2017.

**Table 15: Adopted Water Connection Fee**

	FY 2015/16	FY 2016/17		FY 2017/18	FY 2018/19	FY 2019/20
Effective Date	1/01/16	7/01/16	01/01/17	7/01/17	7/01/18	7/01/19
Water Connection Fee /MEU	\$693	\$693	\$1,455	\$1,527	\$1,604	\$1,684

**Recycled Water Rates**

As recommended by the Board in May 2015, the adopted five (5) year recycled water rates as indicated in Table 16, achieve full cost of service over three years, and comply with the threshold established by the Board to keep recycled water rates at 70 percent of the MWD Untreated Tier 1 rate. The “70 percent” threshold ensures that rates remain affordable and recycled water continues to be a good value for the region.

**Table 16: Recycled Water Program Proposed Multi-Year Rates**

	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
<i>Effective Date</i>	10/01/15	7/01/16	7/01/17	7/01/18	7/01/19
Direct Delivery/AF	\$350	\$410	\$470	\$480	\$490
Groundwater Recharge/AF	\$410	\$470	\$530	\$540	\$550

**Conclusion**

The Agency is committed to adopt rates and fees that fully recover the cost of providing the services. Adoption of multi-year rates has allowed the Agency to implement incremental annual adjustments that help to mitigate the fiscal impact to its member agencies and their ratepayers. Achieving full cost of service funding for the Agency’s essential programs is crucial in maintaining a high quality level of service and in safeguarding the Agency’s financial position (funding and appropriation commitment under the Fiscal Responsibility Business goal). The rates adopted in 2015 for the five-year period support this commitment, as well as the proposed new water rates for FYs 2016/17 – 2019/20.

Member water agencies and other stakeholders collaborated closely with Agency staff in reviewing and evaluating the proposed changes to existing water rate structure and the proposed implementation period. The proposed changes to the water rate structure will more equitably collect costs and provide more stable revenue to support program costs. Providing reliable and sustainable water supplies is essential to ensuring the region can continue to prosper from future economic development.

The proposed amended budget for the Agency’s programs is consistent with the IEUA Business Goals of *Fiscal Responsibility, Water Reliability, Wastewater Management, Environmental Stewardship and Business Practices*.

**PRIOR BOARD ACTION**

On June 20, 2015, the Board adopted the biennial FYs 2015/16 and 2016/17 Operating Budget and FY’s 2015/16 through 2024/25 TYCIP.

**IMPACT ON BUDGET**

None.

**Attachments:**

Appendix A – The Sources and Uses of Fund reports for All Funds (Consolidated), NC, WW, RC, RO, WC, RW, and GG funds

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

	2014/2015	2015/2016	2015/2016	2016/2017	2016/2017
	ACTUAL	AMENDED BUDGET	PROJECTED ACTUAL	ADOPTED BUDGET	AMENDED BUDGET
<b>REVENUES</b>					
User Charges	\$63,557	\$67,041	\$67,582	\$76,665	\$71,875
Property Tax - O&M	1,828	1,793	1,972	1,891	1,972
Cost Reimbursement from JPA	5,256	5,483	5,117	5,738	5,913
Contract Cost reimbursement	752	2,453	2,398	1,593	1,618
Interest Revenue	436	1,036	634	1,321	609
Recycled Water Sales	12,047	14,022	14,022	17,814	17,814
Water Sales	34,147	34,659	26,514	42,062	28,671
<b>TOTAL REVENUES</b>	<b>\$118,023</b>	<b>\$126,486</b>	<b>\$118,239</b>	<b>\$147,085</b>	<b>\$128,473</b>
<b>OTHER FINANCING SOURCES</b>					
Property Tax - Debt , Capital, Reserves	\$39,118	\$39,364	\$44,184	\$40,500	\$42,733
Connection Fees	16,074	23,329	23,281	30,636	20,068
State Loans	22,714	15,202	5,002	23,641	17,293
Grants	5,918	8,942	4,686	7,710	10,716
Capital Contract Reimbursement	714	2,931	1,634	5,419	5,675
Other Revenues	1,330	895	1,389	913	875
Sale of Capacity	0	0	215	0	0
Loan Transfer from Internal Fund	14,808	2,000	0	2,000	3,200
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>\$99,675</b>	<b>\$92,664</b>	<b>\$80,371</b>	<b>\$110,819</b>	<b>\$100,559</b>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>\$217,698</b>	<b>\$219,150</b>	<b>\$198,610</b>	<b>\$257,904</b>	<b>\$229,032</b>
<b>EXPENSES</b>					
Employment Expense	\$36,510	\$41,183	\$40,178	\$42,737	\$43,326
Contract Work/Special Projects	5,045	28,235	10,326	16,117	23,709
Utilities	9,064	11,100	9,700	11,617	11,608
Operating Fees	12,599	13,334	12,329	13,651	11,791
Chemicals	4,192	4,641	4,498	4,524	4,674
Professional Fees and Services	7,133	9,874	9,267	8,539	9,794
Office and Administrative Expense	1,614	1,852	1,662	2,465	2,608
Biosolids Recycling	3,800	4,359	4,335	4,300	4,469
Materials & Supplies	2,273	2,912	2,990	2,883	2,867
MWD Water Purchases	34,147	34,659	29,460	42,062	31,856
Other Expenses	1,454	1,697	1,424	1,596	1,652
<b>TOTAL EXPENSES</b>	<b>\$117,832</b>	<b>\$153,844</b>	<b>\$126,168</b>	<b>\$150,492</b>	<b>\$148,355</b>
<b>CAPITAL PROGRAM</b>					
CSDLAC 4Rs	\$658	\$738	\$673	\$738	\$689
IERCA investment	0	0	0	500	500
Capital Construction & Expansion	53,161	51,306	32,558	51,292	59,199
<b>TOTAL CAPITAL PROGRAM</b>	<b>\$53,819</b>	<b>\$52,043</b>	<b>\$33,231</b>	<b>\$52,530</b>	<b>\$60,388</b>
<b>DEBT SERVICE</b>					
Financial Expenses	\$3,752	\$549	\$240	\$349	\$349
Interest	9,616	9,601	9,285	9,810	9,638
Principal	26,655	11,281	11,827	12,528	11,999
Short Term Inter-Fund Loan	14,808	2,032	0	2,032	3,216
<b>TOTAL DEBT SERVICE</b>	<b>\$54,831</b>	<b>\$23,463</b>	<b>\$21,351</b>	<b>\$24,718</b>	<b>\$25,201</b>
<b>TRANSFERS IN (OUT)</b>					
<b>TOTAL INTERFUND TRANSFERS IN (OUT)</b>					
<b>FUND BALANCE</b>					
Net Increase (Decrease)	(\$8,784)	(\$10,199)	\$17,859	\$30,165	(\$4,912)
Beginning Fund Balance July 01	\$151,132	\$142,348	\$142,348	\$127,671	\$160,207
<b>ENDING BALANCE AT JUNE 30</b>	<b>\$142,348</b>	<b>\$132,148</b>	<b>\$160,207</b>	<b>\$157,836</b>	<b>\$155,296</b>
<b>RESERVE BALANCE SUMMARY</b>					
Operating Contingency	\$31,618	\$27,937	\$32,099	\$27,997	\$30,011
Capital Construction	6,687	2,589	18,292	6,364	23,652
CCRA Capital Construction	41,023	43,824	40,472	45,913	32,608
Water Connection	0	0	0	0	1,088
Rehabilitation/Replacement (R&R)	26,495	17,912	30,210	26,830	8,677
CSDLAC Prepayment	658	738	673	738	689
Debt Service	20,169	22,107	22,145	29,370	25,758
Self-Insurance Program	6,000	6,000	6,000	6,000	6,000
Employee Retirement Benefit	9,697	11,043	10,316	14,625	8,024
Sinking Fund	0	0	0	0	18,788
<b>ENDING BALANCE AT JUNE 30</b>	<b>\$142,348</b>	<b>\$132,148</b>	<b>\$160,207</b>	<b>\$157,836</b>	<b>\$155,296</b>



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

	2014/2015	2015/2016	2015/2016	2016/2017	2016/2017
	ACTUAL	AMENDED BUDGET	PROJECTED ACTUAL	ADOPTED BUDGET	AMENDED BUDGET
<b>REVENUES</b>					
Property Tax	\$1,828	\$1,793	\$1,972	\$1,891	\$1,972
Cost Reimbursement from JPA	1,238	1,391	1,391	1,439	1,473
Contract Cost reimbursement	-	-	-	-	-
Interest Revenue	87	215	215	279	100
<b>TOTAL REVENUES</b>	<b>\$3,153</b>	<b>\$3,398</b>	<b>\$3,578</b>	<b>\$3,610</b>	<b>\$3,545</b>
<b>OTHER FINANCING SOURCES</b>					
Other Revenues	\$157	\$34	\$34	\$34	\$2
Sale of Capacity	0	0	0	0	0
Loan Transfer from Internal Fund	0	0	0	0	0
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>\$157</b>	<b>\$34</b>	<b>\$34</b>	<b>\$34</b>	<b>\$2</b>
<b>EXPENSES</b>					
Employment Expenses	\$1,319	\$2,030	\$1,964	\$2,137	\$1,472
Contract Work/Special Projects	387	1,425	1,513	450	1,793
Utilities	438	699	678	723	703
Operating Fees	7	6	6	6	10
Professional Fees and Services	2,651	4,254	4,243	3,967	4,883
Office and Administrative expenses	1,537	1,370	1,380	1,983	2,126
Biosolids Recycling	33	25	25	25	25
Materials & Supplies	418	438	514	505	488
Other Expenses	(1,103)	(7,921)	(6,445)	(7,202)	(7,662)
<b>TOTAL EXPENSES</b>	<b>\$5,686</b>	<b>\$2,327</b>	<b>\$3,879</b>	<b>\$2,594</b>	<b>\$3,838</b>
<b>CAPITAL PROGRAM</b>					
Capital Expansion & Construction	\$1,098	\$1,770	\$2,058	\$938	\$2,855
Rehab & Replacement	0	0	0	0	0
<b>TOTAL CAPITAL PROGRAM</b>	<b>\$1,098</b>	<b>\$1,770</b>	<b>\$2,058</b>	<b>\$938</b>	<b>\$2,855</b>
<b>DEBT SERVICE</b>					
Financial Expenses	\$3,503	\$18	\$18	\$18	\$21
Interest	0	0	0	0	0
Principal	0	0	0	0	0
<b>TOTAL DEBT SERVICE</b>	<b>\$7,811</b>	<b>\$2,018</b>	<b>\$18</b>	<b>\$18</b>	<b>\$21</b>
<b>TRANSFERS IN (OUT)</b>					
Capital Contribution	\$1,098	\$1,638	\$1,630	\$571	\$2,487
Capital - Connection Fees Allocation	-	684	401	355	355
One Water	-	27	27	13	13
Property Tax Transfer	-	-	-	-	(2,000)
<b>TOTAL INTERFUND TRANSFERS IN (OUT)</b>	<b>\$1,098</b>	<b>\$2,349</b>	<b>\$2,058</b>	<b>\$938</b>	<b>\$855</b>
<b>FUND BALANCE</b>					
Net Income (Loss)	(\$10,188)	(\$334)	(\$285)	\$1,031	(\$2,312)
Beginning Fund Balance July 01	\$28,528	\$18,340	\$18,340	\$20,691	\$18,055
<b>ENDING FUND BALANCE AT JUNE 30</b>	<b>\$18,340</b>	<b>\$18,006</b>	<b>\$18,055</b>	<b>\$21,722</b>	<b>\$15,743</b>
<b>RESERVE BALANCE SUMMARY</b>					
Operating Contingency	\$2,643	\$963	\$1,739	\$1,097	\$1,719
Self-Insurance Program	6,000	6,000	6,000	6,000	6,000
Employee Retirement Benefit	9,697	11,043	10,316	14,625	8,024
<b>ENDING BALANCE AT JUNE 30</b>	<b>\$18,340</b>	<b>\$18,006</b>	<b>\$18,055</b>	<b>\$21,722</b>	<b>\$15,743</b>

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

	2014/2015	2015/2016	2015/2016	2016/2017	2016/2017
	ACTUAL	AMENDED BUDGET	PROJECTED ACTUAL	ADOPTED BUDGET	AMENDED BUDGET
<b>REVENUES</b>					
User Charges	\$10,902	\$11,725	\$11,041	\$12,144	\$11,052
Interest Revenue	35	85	35	90	90
<b>TOTAL REVENUES</b>	<b>\$10,938</b>	<b>\$11,810</b>	<b>\$11,076</b>	<b>\$12,234</b>	<b>\$11,142</b>
<b>OTHER FINANCING SOURCES</b>					
Other Revenues	\$355	\$117	\$569	\$117	\$110
Loan Transfer from Internal Fund	0	0	0	2,000	0
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>\$355</b>	<b>\$117</b>	<b>\$784</b>	<b>\$2,117</b>	<b>\$110</b>
<b>EXPENSES</b>					
Employment Expenses	\$2,195	\$2,030	\$1,964	\$2,137	\$2,121
Contract Work/Special Projects	55	226	16	210	210
Utilities	83	72	74	75	86
Operating Fees	6,662	7,020	6,451	7,231	6,074
Chemicals	101	170	170	175	175
Professional Fees and Services	33	150	144	148	173
Biosolids Recycling	12	25	25	25	25
Materials & Supplies	53	108	109	107	107
Other Expenses	93	598	488	530	562
<b>TOTAL EXPENSES</b>	<b>\$9,288</b>	<b>\$10,401</b>	<b>\$9,441</b>	<b>\$10,639</b>	<b>\$9,534</b>
<b>CAPITAL PROGRAM</b>					
CSDLAC 4Rs SRF Loan	\$658	\$738	\$673	\$738	\$689
Capital Expansion/Construction	2,356	1,218	551	350	1,040
<b>TOTAL CAPITAL PROGRAM</b>	<b>\$3,015</b>	<b>\$1,956</b>	<b>\$1,224</b>	<b>\$1,088</b>	<b>\$1,729</b>
<b>DEBT SERVICE</b>					
Financial Expenses	(\$8)	\$2	\$2	\$2	\$1
Interest	473	385	449	376	425
Principal	150	159	159	168	159
<b>TOTAL DEBT SERVICE</b>	<b>\$615</b>	<b>\$545</b>	<b>\$609</b>	<b>\$546</b>	<b>\$584</b>
<b>TRANSFERS IN (OUT)</b>					
Capital Contribution	(\$37)	(\$56)	(\$55)	(\$19)	(\$85)
Property Tax Transfer	0	194	130	134	134
<b>TOTAL INTERFUND TRANSFERS IN (OUT)</b>	<b>(\$37)</b>	<b>\$139</b>	<b>\$75</b>	<b>\$115</b>	<b>\$50</b>
<b>FUND BALANCE</b>					
Net Income (Loss)	(\$1,662)	(\$836)	\$661	\$2,194	(\$545)
Beginning Fund Balance July 01	\$6,163	\$4,502	\$4,502	\$2,900	\$5,162
<b>ENDING FUND BALANCE AT JUNE 30</b>	<b>\$4,502</b>	<b>\$3,666</b>	<b>\$5,162</b>	<b>\$5,094</b>	<b>\$4,617</b>
<b>RESERVE BALANCE SUMMARY</b>					
Operating Contingency	\$2,295	\$1,547	\$3,001	\$1,066	\$1,153
Capital Construction	939	835	904	1,388	904
CSDLAC Prepayment	658	738	673	738	689
Debt Service	609	546	584	1,902	1,871
<b>ENDING BALANCE AT JUNE 30</b>	<b>\$4,502</b>	<b>\$3,666</b>	<b>\$5,162</b>	<b>\$5,094</b>	<b>\$4,617</b>

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

	2014/15	2015/2016	2015/2016	2016/2017	2016/2017
	ACTUAL	AMENDED BUDGET	PROJECTED ACTUAL	ADOPTED BUDGET	AMENDED BUDGET
<b>REVENUES</b>					
Contract Cost reimbursement	\$12	\$0	\$0	\$0	\$0
Interest Revenue	94	365	128	545	135
<b>TOTAL REVENUES</b>	<b>\$105</b>	<b>\$365</b>	<b>\$128</b>	<b>\$545</b>	<b>\$135</b>
<b>OTHER FINANCING SOURCES</b>					
Property Tax - Debt and Capital	\$26,414	\$26,752	\$28,212	\$27,554	\$29,058
Regional System Connection Fees	15,074	22,647	22,647	26,161	17,136
State Loans	0	2,888	0	0	2,888
Grants	50	0	0	0	0
Other Revenues	0	6	1	6	6
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>\$41,538</b>	<b>\$52,292</b>	<b>\$50,860</b>	<b>\$53,721</b>	<b>\$49,088</b>
<b>EXPENSES</b>					
Employment Expenses	\$3,230	\$3,535	\$3,437	\$3,171	\$4,021
Contract Work/Special Projects	1,007	908	307	750	2,950
Operating Fees	233	240	240	247	247
Professional Fees and Services	312	321	345	299	399
Other Expenses	1,457	1,605	1,310	1,790	1,899
<b>TOTAL EXPENSES</b>	<b>\$6,239</b>	<b>\$6,609</b>	<b>\$5,638</b>	<b>\$6,258</b>	<b>\$9,516</b>
<b>CAPITAL PROGRAM</b>					
IERCA investment	\$0	\$0	\$0	\$500	\$500
Work In Progress	4,318	14,015	9,580	14,845	19,504
<b>TOTAL CAPITAL PROGRAM</b>	<b>\$4,318</b>	<b>\$14,015</b>	<b>\$9,580</b>	<b>\$15,345</b>	<b>\$20,004</b>
<b>DEBT SERVICE</b>					
Financial Expenses	\$207	\$381	\$45	\$248	\$233
Interest	6,204	6,043	5,775	6,125	5,991
Principal	23,083	7,078	7,074	7,279	7,274
Short Term Inter-Fund Loan	10,500	0	0	0	0
<b>TOTAL DEBT SERVICE</b>	<b>\$39,994</b>	<b>\$13,502</b>	<b>\$12,894</b>	<b>\$13,652</b>	<b>\$13,499</b>
<b>TRANSFERS IN (OUT)</b>					
Capital Contribution	(\$1,023)	(\$1,608)	(\$1,520)	\$1,014	(\$1,943)
Debt Service	(350)	(1,925)	(1,925)	(1,964)	(1,937)
Operation support	0	(6,000)	0	0	0
Capital - Connection Fees Allocation	0	(4,318)	(4,780)	(4,600)	(4,600)
<b>TOTAL INTERFUND TRANSFERS IN (OUT)</b>	<b>(1,373)</b>	<b>(13,852)</b>	<b>(8,224)</b>	<b>(5,550)</b>	<b>(8,480)</b>
<b>FUND BALANCE</b>					
Net Income (Loss)	(\$10,282)	\$4,680	\$14,652	\$13,461	(\$2,276)
Beginning Fund Balance July 01	65,455	55,174	55,174	53,321	69,825
<b>ENDING FUND BALANCE AT JUNE 30</b>	<b>\$55,174</b>	<b>\$59,853</b>	<b>\$69,825</b>	<b>\$66,782</b>	<b>\$67,549</b>
<b>RESERVE BALANCE SUMMARY</b>					
Capital Construction	\$32	\$441	\$13,765	\$1,724	\$16,667
CCRA Capital Construction	41,023	43,824	40,472	45,913	32,608
Debt Service	0	15,588	15,588	16,144	15,273
Sinking Fund	0	0	0	0	3,000
<b>ENDING BALANCE AT JUNE 30</b>	<b>\$55,174</b>	<b>\$59,853</b>	<b>\$69,825</b>	<b>\$66,782</b>	<b>\$67,549</b>

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

	<b>2014/2015</b>	<b>2015/16</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2016/17</b>
	<b>ACTUAL</b>	<b>AMENDED BUDGET</b>	<b>PROJECTED ACTUAL</b>	<b>ADOPTED BUDGET</b>	<b>AMENDED BUDGET</b>
<b>REVENUES</b>					
User Charges	\$46,965	\$49,696	\$50,921	\$55,023	\$56,381
Cost Reimbursement JPA	3,423	3,350	3,240	3,526	3,526
Contract Cost Reimbursement	123	531	531	93	93
Interest Revenue	195	154	154	150	182
<b>TOTAL REVENUES</b>	<b>\$50,706</b>	<b>\$53,731</b>	<b>\$54,846</b>	<b>\$58,792</b>	<b>\$60,182</b>
<b>OTHER FINANCING SOURCES</b>					
Property Tax Revenues	\$9,140	\$9,054	\$9,549	\$9,326	\$9,549
State Loans	0	948	0	7,657	7,657
Grants	332	3,525	525	3,525	3,525
Other Revenues	763	738	738	757	757
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>\$10,235</b>	<b>\$14,265</b>	<b>\$10,812</b>	<b>\$21,264</b>	<b>\$21,487</b>
<b>EXPENSES</b>					
Employment Expenses	\$24,338	\$27,887	\$26,973	\$29,348	\$29,552
Contract Work/Special Projects	1,053	12,065	3,354	4,110	7,640
Utilities	6,398	7,331	6,595	7,687	7,690
Operating Fees	1,819	2,283	1,847	2,339	1,915
Chemicals	4,092	4,471	4,328	4,349	4,499
Professional Fees and Services	2,979	3,640	2,922	2,721	2,812
Office and Administrative expenses	20	406	206	406	406
Biosolids Recycling	3,755	4,233	4,223	4,188	4,354
Materials & Supplies	1,621	2,096	2,113	2,020	2,028
Other Expenses	741	5,652	4,623	4,857	5,149
<b>TOTAL EXPENSES</b>	<b>\$46,815</b>	<b>\$70,064</b>	<b>\$57,183</b>	<b>\$62,025</b>	<b>\$66,046</b>
<b>CAPITAL PROGRAM</b>					
Capital Construction & Expansion (WIP)	9,336	\$12,588	\$8,899	\$11,794	\$19,281
<b>TOTAL CAPITAL PROGRAM</b>	<b>\$9,336</b>	<b>\$12,588</b>	<b>\$8,899</b>	<b>\$11,794</b>	<b>\$19,281</b>
<b>DEBT SERVICE</b>					
Financial Expenses	(\$5)	\$2	\$0	\$2	\$0
Interest	159	214	214	214	214
Short Term Inter-Fund Loan	0	0	0	0	3,200
<b>TOTAL DEBT SERVICE</b>	<b>\$154</b>	<b>\$216</b>	<b>\$214</b>	<b>\$216</b>	<b>\$3,415</b>
<b>TRANSFERS IN (OUT)</b>					
Capital Contribution	\$1,274	\$82	\$1,727	(\$1,545)	\$1,025
Operation support	0	6,000	0	0	0
Capital - Connection Fees Allocation	0	3,440	4,249	4,111	4,111
<b>TOTAL INTERFUND TRANSFERS IN (OUT)</b>	<b>\$1,274</b>	<b>\$9,522</b>	<b>\$5,976</b>	<b>\$2,566</b>	<b>\$5,136</b>
<b>FUND BALANCE</b>					
Net Income (Loss)	\$5,909	(\$5,350)	\$5,337	\$8,589	(\$1,936)
Beginning Fund Balance July 01	\$36,306	\$42,215	\$42,215	\$32,053	\$47,553
<b>ENDING FUND BALANCE AT JUNE 30</b>	<b>\$42,215</b>	<b>\$36,865</b>	<b>\$47,553</b>	<b>\$40,642</b>	<b>\$45,617</b>
<b>RESERVE BALANCE SUMMARY</b>					
Operating Contingency	\$15,605	\$19,238	\$17,628	\$18,500	\$19,840
Rehabilitation/Replacement (R&R)	26,395	17,412	29,710	20,830	8,677
Debt Service	216	216	216	1,312	1,312
Sinking Fund	0	0	0	0	15,788
<b>ENDING BALANCE AT JUNE 30</b>	<b>\$42,215</b>	<b>\$36,865</b>	<b>\$47,553</b>	<b>\$40,642</b>	<b>\$45,617</b>

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

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

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

	2014/2015 ACTUAL	2015/2016 AMENDED BUDGET	2015/2016 PROJECTED ACTUAL	2016/2017 ADOPTED BUDGET	2016/2017 AMENDED BUDGET
<b>REVENUES</b>					
Contract Cost reimbursement	\$480	\$5	\$0	\$0	\$0
Interest Revenue	0	192	77	216	84
Water Sales	12,047	14,022	14,022	17,814	17,814
<b>TOTAL REVENUES</b>	<b>\$12,527</b>	<b>\$14,219</b>	<b>\$14,099</b>	<b>\$18,030</b>	<b>\$17,898</b>
<b>OTHER FINANCING SOURCES</b>					
Property Tax - Debt/Capital	\$2,064	\$2,058	\$2,170	\$2,120	\$2,170
Connection Fees	0	683	614	4,475	2,932
State Loans	22,714	11,367	5,002	15,985	6,749
Grants	4,901	4,417	4,161	2,125	6,285
Capital Contract Reimbursement	110	1,444	127	718	1,136
Other Revenues	32	0	14	0	0
Loan Transfer from Internal Fund	10,500	0	0	0	0
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>\$40,321</b>	<b>\$19,969</b>	<b>\$12,089</b>	<b>\$25,422</b>	<b>\$19,252</b>
<b>EXPENSES</b>					
Employment Expenses	\$4,080	\$3,300	\$3,462	\$3,419	\$3,653
Contract Work/Special Projects	343	2,332	1,178	2,225	3,289
Utilities	2,033	2,877	2,231	3,010	3,026
Operating Fees	159	216	215	152	352
Professional Fees and Services	737	704	692	654	683
Materials & Supplies	114	183	168	169	159
Other Expenses	197	1,356	1,119	1,283	1,357
<b>TOTAL EXPENSES</b>	<b>\$7,862</b>	<b>\$10,968</b>	<b>\$9,065</b>	<b>\$10,911</b>	<b>\$12,519</b>
<b>CAPITAL PROGRAM</b>					
Work In Progress	\$35,295	\$19,898	\$9,949	\$16,630	\$11,899
<b>TOTAL CAPITAL PROGRAM</b>	<b>\$35,295</b>	<b>\$19,898</b>	<b>\$9,949</b>	<b>\$16,630</b>	<b>\$11,899</b>
<b>DEBT SERVICE</b>					
Financial Expenses	(\$31)	\$2	(\$36)	\$2	\$1
Interest	2,773	2,816	2,816	2,822	2,803
Principal	2,815	3,412	3,962	4,433	3,919
Short Term Inter-Fund Loan	0	0	0	2,000	0
<b>TOTAL DEBT SERVICE</b>	<b>\$5,557</b>	<b>\$6,230</b>	<b>\$6,742</b>	<b>\$9,257</b>	<b>\$6,722</b>
<b>TRANSFERS IN (OUT)</b>					
Capital Contribution	(\$1,649)	(\$370)	(\$2,034)	(\$459)	(\$1,941)
Debt Service	0	1,465	1,465	1,465	1,465
Operation support	(400)	(466)	(466)	(791)	(506)
One Water	0	(130)	(130)	(378)	(378)
<b>TOTAL INTERFUND TRANSFERS IN (OUT)</b>	<b>(\$2,049)</b>	<b>\$499</b>	<b>(\$1,165)</b>	<b>(\$164)</b>	<b>(\$1,361)</b>
<b>FUND BALANCE</b>					
Net Income (Loss)	\$2,285	(\$2,409)	(\$733)	\$4,490	\$4,649
Beginning Fund Balance July 01	10,351	12,636	12,636	14,391	11,963
<b>ENDING BALANCE AT JUNE 30</b>	<b>\$12,636</b>	<b>\$10,227</b>	<b>\$11,903</b>	<b>\$18,881</b>	<b>\$16,552</b>
<b>RESERVE BALANCE SUMMARY</b>					
Operating Contingency	\$2,554	\$3,656	\$3,022	\$3,637	\$4,173
Water Connection	0	0	0	0	1,088
Capital Construction	5,217	813	3,123	2,751	5,025
Rehabilitation/Replacement (R&R)	100	500	500	3,000	0
Debt Service	4,765	5,258	5,258	9,493	6,266
<b>ENDING BALANCE AT JUNE 30</b>	<b>\$12,636</b>	<b>\$10,227</b>	<b>\$11,903</b>	<b>\$18,881</b>	<b>\$16,552</b>

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

	2014/15 ACTUAL	2015/2016 AMENDED BUDGET	2015/2016 PROJECTED ACTUAL	2016/2017 ADOPTED BUDGET	2016/2017 AMENDED BUDGET
<b>REVENUES</b>					
User Charges	\$5,690	\$5,620	\$5,620	\$9,498	\$4,443
Contract Cost reimbursement	138	1,867	1,867	1,500	1,465
Interest Revenue	12	14	14	31	8
Water Sales	34,147	34,659	26,514	42,062	28,671
<b>TOTAL REVENUES</b>	<b>\$39,987</b>	<b>\$42,160</b>	<b>\$34,015</b>	<b>\$53,091</b>	<b>\$34,587</b>
<b>OTHER FINANCING SOURCES</b>					
Property Tax - Debt and Capital	\$1,500	\$1,500	\$4,253	\$1,500	\$1,956
Grants	\$565	\$1,000	\$0	\$2,000	\$865
Loan Transfer from Internal Fund	4,308	2,000	0	0	3,200
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>\$6,373</b>	<b>\$4,500</b>	<b>\$4,253</b>	<b>\$3,500</b>	<b>\$6,021</b>
<b>EXPENSES</b>					
Employment Expenses	\$949	\$1,750	\$1,750	\$1,842	\$1,828
Contract Work/Special Projects	2,200	11,138	3,959	8,372	7,707
Operating Fees	3,715	3,562	3,562	3,669	3,185
Professional Fees and Services	239	157	278	157	157
Office and Administrative expenses	50	60	60	60	60
MWD Water Purchases	34,147	34,659	29,460	42,062	31,856
Other Expenses	69	406	329	338	347
<b>TOTAL EXPENSES</b>	<b>\$41,369</b>	<b>\$51,733</b>	<b>\$39,397</b>	<b>\$56,501</b>	<b>\$45,140</b>
<b>DEBT SERVICE</b>					
Inter-Fund Loan	\$0	\$32	\$0	\$32	\$16
<b>TOTAL DEBT SERVICE</b>	<b>\$0</b>	<b>\$32</b>	<b>\$0</b>	<b>\$32</b>	<b>\$16</b>
<b>TRANSFERS IN (OUT)</b>					
One Water	\$0	\$41	\$41	\$269	\$269
Property Tax Transfer	0	0	0	0	2,000
<b>TOTAL INTERFUND TRANSFERS IN (OUT)</b>	<b>\$0</b>	<b>\$41</b>	<b>\$41</b>	<b>\$269</b>	<b>\$2,269</b>
<b>FUND BALANCE</b>					
Net Income (Loss)	\$4,991	(\$5,063)	(\$1,088)	\$328	(\$2,280)
Beginning Fund Balance July 01	\$916	\$5,906	\$5,906	\$1,572	\$4,818
<b>ENDING FUND BALANCE AT JUNE 30</b>	<b>\$5,906</b>	<b>\$844</b>	<b>\$4,818</b>	<b>\$1,899</b>	<b>\$2,539</b>
<b>RESERVE BALANCE SUMMARY</b>					
Operating Contingency	\$5,906	\$844	\$4,818	\$1,899	\$2,539
<b>ENDING BALANCE AT JUNE 30</b>	<b>\$5,906</b>	<b>\$844</b>	<b>\$4,818</b>	<b>\$1,899</b>	<b>\$2,539</b>