



# GENERAL MANAGER'S MESSAGE

The Honorable Board of Directors  
Inland Empire Utilities Agency

June 19, 2019

I am pleased to submit the Inland Empire Utilities Agency (IEUA/Agency) biennial budget for Fiscal Years 2019/20 and 2020/21 (Budget) and the Ten-Year Capital Improvement Plan for Fiscal Years 2019/20 – 2028/29 (TYCIP). The Budget and TYCIP are balanced plans to effectively address the challenges ahead by prioritizing funding for cost-efficient operations, timely replacement and rehabilitation of aging assets, investment in expansion and improvement of facilities to meet anticipated growth, recruitment of critical positions to support succession planning, and continuing efforts to secure the \$207 million conditional funding award for the Chino Basin Program.

The Budget and TYCIP are consistent with the Agency's long-term planning documents and Board-adopted Business Goals of fiscal responsibility, work environment, business practices, water reliability, wastewater management, and environmental stewardship.

## FISCAL RESPONSIBILITY

Sustainable cost containment continues to be the basis for the Budget of \$282 million in Total Uses of Funds for Fiscal Year (FY) 2019/20, with an overall increase of two percent compared to the current FY 2018/19 budget of \$276 million. Increases in employment expenses due to increases in pension contribution rates, benefit costs, cost of living adjustments and succession planning were offset by reductions in contract work and non-capital project costs as part of the Agency's commitment to cost containment.

- ◆ Total Uses of Funds for FY 2020/21 are projected to increase significantly to \$369 million primarily due to higher capital project costs of \$179 million compared to \$94 million planned for FY 2019/20.
- ◆ Over the two-year budget period, Total Revenues and Other Funding Sources are projected to be \$290 million in FY 2019/20 and \$369 million in FY 2020/21, primarily driven by the RP-5 Expansion Project and new debt needed to support construction costs.
- ◆ User charges are based on the multi-year rate adjustment adopted by the Board of Directors in 2015 for FYs 2015/16 – 2019/20. Any future rate adjustments will be based on the 2019 Rate Study Update slated for completion in early fall 2019.

## WATER RELIABILITY

As a regional purveyor of potable water, ensuring water reliability and resiliency for the region is fundamental to the Agency's mission. In July 2018, the California Water Commission (CWC) awarded \$207 million in conditional funding to the Chino Basin Program (CBP). The CBP is a first-of-its-kind water program that will help the region move beyond traditional water management practices and into a new era of water optimization. The CBP closely aligns with regional planning

efforts, including Chino Basin Watermaster's Optimum Basin Management Plan and Integrated Water Resources Plan.

Also included in the TYCIP over the two-year budget period is over \$40 million to expand and improve the Agency's regional recycled water distribution system (RRWDS) and groundwater recharge capacity. Two capital projects included in 2020 are new recycled water connections with the city of Pomona and Jurupa Community Services District (JCSD). Upon completion, the new recycled water interties will provide a new source of recycled water supply to the Chino Basin.

## WASTEWATER MANAGEMENT

Since 2014, the Agency's service area has recorded approximately of 5,000 new connections per year to its regional wastewater system. Although there are some signals of a possible U.S. economic slowdown in the next two years, forecasts from our contracting member agencies and the Building Industry Association point toward steady growth continuing over the next ten years in the Agency's service area. To ensure the Agency is ready to meet the future demand, a key focus of the Agency's FYs 2019/20 & 2020/21 budgets and FYs 2020-2029 TYCIP is expansion and improvement of facilities.

## ENVIRONMENTAL STEWARDSHIP

The Agency is committed to protection of the environment through conservation and sustainable practices implemented on a regional and watershed basis. As one of ten agencies participating in the Santa Ana River Multiple Species Habitat Conservation Plan, the Agency works closely with the U.S. Fish and Wildlife Service to mitigate any potential impact to federally listed endangered, threatened or special status species from future water projects in the Upper Santa Ana River region.

## CONCLUSION

The Agency is committed to sustainably enhancing the quality of life in the Inland Empire. We look forward to the future and will continue to demonstrate fiscal responsibility while implementing a strategic resource plan to maintain a clean, reliable and resilient water supply through pioneering stewardship initiatives for the region.

Respectfully submitted,



Shivaji Deshmukh, P.E.

General Manager