

**MINUTES FOR THE
SPECIAL
JOINT FY's 2015/16 THROUGH 2010/20 RATE BUDGET WORKSHOP
OF
THE BOARD OF DIRECTORS OF
THE INLAND EMPIRE UTILITIES AGENCY*
AND
REGIONAL POLICY COMMITTEE,
WEDNESDAY, FEBRUARY 4, 2015
10:00 A.M.**

IEUA DIRECTORS PRESENT

Michael Camacho, Vice President
Steven J. Elie, Secretary/Treasurer
Jasmin A. Hall
Gene Koopman

IEUA DIRECTOR ABSENT

Terry Catlin, President

REGIONAL POLICY COMMITTEE MEMBERS PRESENT

Jim Bowman, City of Ontario
Jim Curatalo, Cucamonga Valley Water District
Earl Elrod, City of Chino
Peter Rogers, City of Chino Hills
Jesse Sandoval, City of Fontana

REGIONAL POLICY COMMITTEE MEMBERS ABSENT

Paul Eaton, City of Montclair
Debbie Stone, City of Upland

STAFF PRESENT

P. Joseph Grindstaff, IEUA
Tom Ash, IEUA
Chris Berch, IEUA
John Bosler, CVWD
Pietro Cambiaso, IEUA
Tina Cheng, IEUA
Carrie Corder, CVWD
Jason Gu, IEUA
Paula Hooven, IEUA
Majid Karim, IEUA
Mark Kinsey, MVWD
Sylvie Lee, IEUA
Alex Lopez, IEUA
Sapna Nangia, IEUA
Steve Nix, City of Chino Hills
Jesus Plasencia, City of Chino
Jason Pivovaroff, IEUA
Craig Proctor, IEUA
Jessica Sarmiento, IEUA
Justin Scott-Coe, MVWD
Ryan Shaw, City of Ontario
Jeannette Smith, IEUA
Christina Valencia, IEUA

Teresa Velarde, IEUA
Ernest Yeboah, IEUA

OTHERS PRESENT

Jean Cihigoyenetché, IEUA General Counsel
Robert Grantham, Carollo Engineers, Inc.
Toby Weissert, Carollo Engineers, Inc.

A Special Workshop was held at the office of the Agency, 6075 Kimball Avenue, Bldg. B., Chino, California on the above date.

IEUA Vice-President Camacho called the meeting to order at 10:02 a.m., and he led the pledge of allegiance to the flag. A quorum was present.

IEUA Vice-President Camacho stated that members of the public may address the Board. There was no one desiring to do so.

IEUA Vice-President Camacho asked if there were any changes/additions/deletions to the agenda.

General Counsel Jean Cihigoyenetché stated that he is requesting one addition to the Agenda. He said that it is a Closed Session matter that concerns a consideration and potential approval of a non-disclosure agreement in the Chino Basin Watermaster issue. He mentioned that this agreement was offered to the Agency for consideration after the posting of the Agenda. Mr. Cihigoyenetché reported that there was a pending meeting on Friday, which staff would like to attend; however, staff will be unable to attend, unless this particular agreement is executed.

Upon motion by Director Elie, seconded by Director Hall, and unanimously carried:

M2015-2-1

MOVED, to approve the addition of a Closed Session Item that concerns a consideration and potential approval of a non-disclosure agreement in the Chino Basin Watermaster issue.

RATE BUDGET WORKSHOP FOR FISCAL YEARS 2015/16 THROUGH 2019/20

General Manager Joseph Grindstaff opened the workshop by stating that this is a complex process. He stated that there will be six different rates presented today, and that this process will take some time. He mentioned that RP-2 is below the 566 elevation and susceptible to flooding when the dam is raised. He reported that the Agency will have to move the RP-2 processes by 2021, which is approximately a \$125 million project. He stated that RP-1 was built in the 1940's, and will need to be evaluated once RP-2 is completed. Mr. Grindstaff stated that there are some key items that are forcing the Agency to consider large infrastructure projects, which are driving rate increases on the regional wastewater side. Mr. Grindstaff stated that the Agency has been a deficit for the last several years with regard to water and recycled water funds, requiring the Agency to borrow monies from other funds. Therefore, he would like to go through the process to determine what the Agency should be charging – there were some equity issues identified by staff as we are going through the process. He stated that he expects the process to take a couple of months. He extended his appreciation for all who have attended this workshop. He stated that as the Agency goes further into this process and numbers are finalized, the important question will be - How will the process be implemented so there is no damage to the economy, as well as making sure that there's equity amongst all the agencies, and is what the Agency is proposing is fair?

IEUA Chief Financial Officer/AGM Christina Valencia stated that the Agency's consultant Mr. Rob Grantham, from Carollo Engineers (Carollo) will be presenting an overview of the rate study analysis methodology and recommended approach. She stated that Mr. Rob Grantham has been the one facilitating the rate structures on the connection fees. Ms. Valencia noted that some of the materials that were provided are subject to change as staff is still working through the process.

Ms. Valencia gave a PowerPoint presentation on the proposed multi-year rates for fiscal years 2015/16 through 2019/20, and the key objectives being fiscal responsibility, water reliability, wastewater management, workplace environment, and business practices. She provided a rate summary for the Regional Wastewater, Recycled Water and Water Resources Programs. She explained how the economic volatility, over the past 10 years, has impacted some of the Agency's funding sources. She reported that the Agency has achieved \$245 million in cost containment over the last six years. Ms. Valencia highlighted the baseline budget assumptions using revenues, expenses, and other funding sources. She proposed a multi-year rate structure for the Regional Wastewater Program, Recycled Water Program, and the Water Resources Program. Ms. Valencia introduced the "One Water" connection fee comprised of a "buy in" component and an "incremental" component on a per meter equivalent unit (MEU) basis. Ms. Valencia invited Mr. Robert Grantham to present the Carollo Engineers' connection fee and rate study.

Mr. Grantham stated that the funding strategy is based upon a comprehensive and integrated approach for the water rates, wastewater rates, water connection fees, and the wastewater connection fees. He explained that the connection fee is one time charge imposed on new or upsized connections to compensate for the cost of providing system capacity. He said that the key connection fee objectives are to meet legal compliance, provide equitable allocation of program costs between existing and future customers, achieve "growth pays for growth", and regional infrastructure, water resource sustainability and reliability. He stated that the three basic types of connection fees are the system buy in approach, incremental cost approach, and hybrid/combined approach. He stated that based on the characteristics of the Agency's systems and existing excess capacity, Carollo recommends the hybrid approach for the Agency's connection fees. Mr. Grantham expressed a need for a defined process to allocate costs to either existing or future ratepayers. He further discussed the range for the wastewater connection fees per EDU, and the range for the water connection fees per MEU. He went on to state the objectives for the water rate as being the equitable allocation of program costs to member agencies, sustainable rate structure that account for future changing conditions, and a reliable and predictable revenue stream and cost structure. Mr. Grantham stated the components of the existing and proposed rate structure are the recovery of the readiness-to-serve (RTS), program administration, existing conservation and drought resiliency programs, and recycled water rates.

Ms. Valencia presented the Ten-Year Capital Improvement Plan (TYCIP) by fund and funding for \$908 million TYCIP. She provided a list of major projects included in the TYCIP. She reviewed the total outstanding principal debt project through 2025, with or without an early bond repayment. Ms. Valencia concluded her presentation by reiterating the benefits of the proposed rate changes.

At the conclusion of the presentations, discussion ensued regarding the timing urgency for the City of Fontana to file their Proposition 218 requirements. Policy Committee Member Elrod moved to approve the EDU volumetric rates to ensure the City of Fontana meets the deadline. The action will be taken at the next Regional Policy Committee meeting scheduled for February 26, 2015.

Director Elie thanked Ms. Valencia and her staff, as well as Carollo Engineers for a wonderful presentation. He also stated that Mr. Ernest Yeboah and his team deserve special recognition for keeping the Agency's operations running on "spit and glue", and doing everything possible to save costs and continue to keep the Agency operating.

With no further business, the Regional Policy Committee Chairman Bowman closed the Regional Policy Committee meeting at 11:36 a.m.

IEUA Vice President Camacho called the IEUA Board meeting to order at 11:36 a.m.

2. CLOSED SESSION

The Board went into Closed Session at 11:36 a.m., A. PURSUANT TO GOVERNMENT CODE SECTION 54957 – PERSONNEL MATTERS – PUBLIC EMPLOYEE PERFORMANCE EVALUATION: (1) Manager of Internal Audit; (2) Board Secretary/Office Manager; B. PURSUANT TO GOVERNMENT A. PURSUANT TO GOVERNMENT CODE SECTION 54956.9 – CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION: One (1) Case;

The meeting resumed at 11:58 a.m. and General Counsel Jean Cihigoyenetché stated that the below-mentioned matters were discussed in Closed Session, and the Board took the following actions:

Regarding Public Employee Performance Evaluation:

Manager of Internal Audit

Board Secretary/Office Manager

The Board took no reportable action.

Regarding Conference with Legal Counsel – Anticipated Litigation:

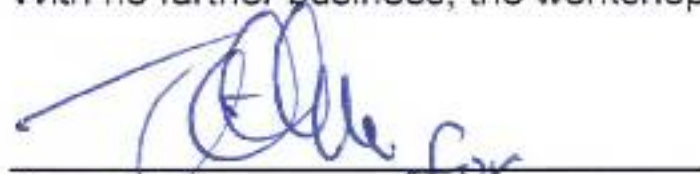
One (1) Case

Upon motion by Director Hall, seconded by Director Elie, and unanimously carried:

M2015-2-2

MOVED, to approve the Facilitation and Non-Disclosure Agreement provided by Chino Basin Watermaster.

With no further business, the workshop was adjourned at 12:01 p.m.


Secretary

APPROVED: