



**AGENDA
REGULAR WORKSHOP/MEETING OF THE
BOARD OF DIRECTORS**

**WEDNESDAY, MAY 6, 2020
10:00 A.M.**

**INLAND EMPIRE UTILITIES AGENCY*
Telecon: (415) 856-9169/Conference ID: 884 004 22#**

PURSUANT TO THE PROVISIONS OF EXECUTIVE ORDER N-25-20 ISSUED BY GOVERNOR GAVIN NEWSOM ON MARCH 12, 2020, AND EXECUTIVE ORDER N-29-20 ISSUED BY GOVERNOR GAVIN NEWSOM ON MARCH 17, 2020 ANY BOARD MEMBER MAY CALL INTO THE BOARD MEETING WITHOUT OTHERWISE COMPLYING WITH ALL BROWN ACT'S TELECONFERENCE REQUIREMENTS.

TELECONFERENCE ACCESSIBILITY FOR THE GENERAL PUBLIC:

In all efforts to prevent the spread of COVID-19, until further notice, the Inland Empire Utilities Agency will be holding all Board and Committee meetings by teleconferencing.

The meeting will be accessible at: (415) 856-9169 / Conf Code: 884 004 22#

This meeting is being conducted virtually by video and audio conferencing. There will be no public location available to attend the meeting; however, the public may participate and provide public comment during the meeting by calling into the number provided above. The public may also view the meeting live through the Agency's website. Alternatively, you may email your public comments to the Board Secretary/Office Manager April Woodruff at awoodruff@ieua.org no later than 24 hours prior to the scheduled meeting time. Your comments will then be read into the record during the meeting.

CALL TO ORDER OF THE INLAND EMPIRE UTILITIES AGENCY BOARD OF DIRECTORS MEETING

FLAG SALUTE

PUBLIC COMMENT

Members of the public may address the Board on any item that is within the jurisdiction of the Board; however, no action may be taken on any item not appearing on the agenda unless the action is otherwise authorized by Subdivision (b) of Section 54954.2 of the Government Code. Those persons wishing to address the Board on any matter, whether or not it appears on the agenda, are requested to email the Board Secretary no later than 24 hours prior to the scheduled meeting time or address the Board during the public comments section of the meeting. Comments will be limited to three minutes per speaker. Thank you.

ADDITIONS TO THE AGENDA

In accordance with Section 54954.2 of the Government Code (Brown Act), additions to the agenda require two-thirds vote of the legislative body, or, if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action came to the attention of the local agency subsequent to the agenda being posted.

1. CONSENT ITEMS

NOTICE: All matters listed under the Consent Calendar are considered to be routine and non-controversial and will be acted upon by the Board by one motion in the form listed below. There will be no separate discussion on these items prior to the time the Board votes unless any Board members, staff or the public requests specific items be discussed and/or removed from the Consent Calendar for separate action.

A. MINUTES

The Board will be asked to approve the minutes from the April 15, 2020 Board Meeting.

B. STATE REVOLVING FUND CLOSING RESOLUTION FOR THE BASELINE EXTENSION PROJECT

Staff recommends that the Board adopt Resolution No. 2020-5-4, authorizing IEUA to enter into a funding agreement with the State Water Resources Control Board and designating the General Manager to sign, for and on behalf of IEUA, the funding agreement for the Project and any amendments.

C. EPI-USE AMERICA CONTRACT EXTENSION APPROVAL

Staff recommends that the Board:

1. Approve a one-year extension for the EPI-USE America Contract No. 4600001414, for Application Management Services (AMS) support in the amount of \$25,000, and a not-to-exceed amount of \$205,000; and
2. Authorize the General Manager to execute the contract amendment.

2. WORKSHOP

A. FINANCIAL PLANNING OVERVIEW

3. ACTION ITEMS

A. APPROVAL OF UNDERWRITING SERVICES TO SUPPORT PROPOSED ISSUANCE OF INTERIM FINANCING AND REFUNDING OF EXISTING DEBT

Staff recommends that the Board:

1. Approve J.P. Morgan as the Lead Manager, Citi and SBMC Nikko as Co-Managers to underwrite the proposed interim financing transaction to support the RP-5 Expansion Project; and
2. Approve Citi as the Lead Manager and J.P. Morgan as the Co-Manager to underwrite the proposed fix-out of the 2008B Variable Rate Demand Bonds and refunding of existing debt that result in cost savings.

B. DEFERRAL OF MONTHLY WASTEWATER EQUIVALENT DWELLING UNIT RATE FOR FISCAL YEAR 2020/21

Staff recommends that the Board adopt Resolution No. 2020-5-1, to approve Option 1 and defer the effective date of adopted \$20.60 monthly wastewater EDU rate for FY 2020/21 from July 1, 2020 to January 1, 2021.

C. ADOPTION OF RESOLUTION NO. 2020-5-3, AMENDING THE 2018-2021 MEMORANDUMS OF UNDERSTANDING FOR ALL GROUPS

Staff recommends that the Board adopt Resolution No. 2020-5-3, approving an amendment to the 2018-2021 Memorandums of Understanding for the General Unit, Laboratory Unit, Operators' Association, Professional Unit, and Supervisors' Unit Employees, by adopting a Side Letter of Agreement.

4. GENERAL MANAGER'S COMMENTS

5. BOARD OF DIRECTORS' REQUESTED FUTURE AGENDA ITEMS

6. DIRECTORS' COMMENTS

7. ADJOURN

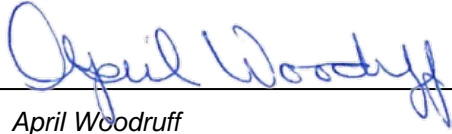
*A Municipal Water District

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Board Secretary (909) 993-1736, 48 hours prior to the scheduled meeting so that the Agency can make reasonable arrangements.

Proofed by: *SAL*

Declaration of Posting

I, April Woodruff, Board Secretary/Office Manager of the Inland Empire Utilities Agency*, A Municipal Water District, hereby certify that a copy of this agenda has been posted by 5:30 p.m. at the Agency's main office, 6075 Kimball Avenue, Building A, Chino, CA on Thursday, April 30, 2020.



April Woodruff

**CONSENT
CALENDAR
ITEM**

1A



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

**WEDNESDAY, APRIL 15, 2020
10:00 A.M.**

DIRECTORS PRESENT via Teleconference:

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

DIRECTORS ABSENT:

None

STAFF PRESENT:

Shivaji Deshmukh, General Manager
Daniel Solorzano, Technology Specialist I
Wilson To, Technology Specialist II
April Woodruff, Board Secretary/Office Manager

STAFF PRESENT via Teleconference:

Kathy Besser, Executive Manager of External Affairs & Policy Development/AGM
Christiana Daisy, Executive Manager of Engineering/AGM
Randy Lee, Executive Manager of Operations/AGM
Christina Valencia, Executive Manager of Finance & Administration/AGM
Jerry Burke, Manager of Engineering
Joseph Cundiff, Network Administrator
Robert Delgado, Manager of Operations & Maintenance
Don Hamlett, Acting Deputy Manager of ISS
Joel Ignacio, Senior Engineer
Scott Oakden, Manager of Operations & Maintenance
Cathleen Pieroni, Manager of Government Relations
Craig Proctor, Source Control/Environmental Resources Supervisor
Kevin Sayavong, Senior Associate Engineer
Albert VanBreukelen, Deputy Manager of Maintenance

OTHERS PRESENT via Teleconference:

Jean Cihigoyenette, JC Law Firm

A meeting of the Board of Directors of the Inland Empire Utilities Agency* was held electronically on the above date.

President Parker called the meeting to order at 10:01 a.m. Board Secretary/Office Manager April Woodruff took a voice roll call to establish a quorum.

PUBLIC COMMENT

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

ADDITIONS TO THE AGENDA

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

CONSENT ITEMS

President Parker asked if there were any Board members wishing to pull an item from the consent calendar for discussion. There was no one desiring to do so.

Upon motion by Director Elie, seconded by Director Camacho and the motion carried (5:0):

M2020-4-1

MOVED, to approve the Consent Calendar.

- A. The Board approved the minutes from the March 4, 2020 Board Workshop and March 18, 2020 Board Meeting.
- B. The Board approved the total disbursements for the month of February 2020, in the amount of \$19,430,809.40.
- C. The Board adopted:
 - 1. A position of "Support" for AB 2182 (Rubio, Blanca);
 - 2. A position of "Support" for AB 2560 (Quirk);
 - 3. A position of "Watch" for SB 1056 (Portantino); and
 - 4. A position of "Support" for SB 1099 (Dodd).
- D. The Board:
 - 1. Adopted Resolution No. 2020-4-1, for approval of the Administrative Services Agreement, Investment Advisory and Management Service Agreement, Trust Agreement, and Custody Agreement for the Agency's DC Plans with Empower Retirement for a five-year term effective April 28, 2020, with annual options to extend an additional five-years following an evaluation and recommendation by the DCP Administration Committee;

RESOLUTION 2020-4-1

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, AUTHORIZING AND DIRECTING THE PROPER OFFICERS IN THE NAME AND ON BEHALF OF IEUA TO EXECUTE AND ADOPT THE EMPOWER RETIREMENT SERVICES AGREEMENTS FOR THE 457(b) DEFERRED COMPENSATION AND 401(a) DEFINED CONTRIBUTION PLANS (for full text, see Resolution Book)

Continued...

M2020-4-1, continued

2. Approved the payment by the Agency, as the Plan Sponsor, of costs incurred through the process of evaluation of the DC Plans for a not-to-exceed amount of \$80,000; and
3. As the Plan Sponsor, authorized the General Manager to execute the Empower Retirement Agreements, subject to non-substantive changes.

E. The Board:

1. Awarded Contract No. 4600002877 to Viramontes Express Inc. to provide Biofilter Media Procurement, Delivery, and Replacement Services for a total aggregate not-to-exceed amount of \$745,000 over a 5-year period with a two one-year option to extend; and
2. Authorized the General Manager to execute the contracts, subject to non-substantive changes.

F. The Board:

1. Approved the Amendment to Task Order No. 1 of the Master Cost Sharing Agreement between IEUA and CBWM in the amount of \$195,909, increasing the contract from \$723,000 to a revised total not-to-exceed amount of \$918,909; and
2. Authorized the General Manager to finalize and execute the Amendment, subject to non-substantive changes.

G. The Board:

1. Awarded a professional photo documentation services consultant contract for the RP-5 Expansion, Project Nos. EN19001 and EN19006, to Multivista for the not-to-exceed amount of \$153,405; and
2. Authorized the General Manager to execute the contract, subject to non-substantive changes.

With the following roll call vote:

Ayes:	Elie, Camacho, Hofer, Hall, Parker
Noes:	None
Absent:	None
Abstain:	None

ACTION ITEMS

LAFCO SPECIAL DISTRICT ELECTION

General Manager Deshmukh stated that IEUA received a notification of an election for a regular LAFCO Special District Member. LAFCO has received nominations for two candidates for the position. Pursuant to the provisions of Government Code Section 56332, the voting period will commence as of March 24, 2020 and end at close of business on April 27, 2020. He stated that the vote shall be cast as directed by the Board of Directors at an Inland Empire Utilities Agency Board meeting, by roll call vote. The two candidates are Ms. Kimberly Cox, the Incumbent, a

Mojave Water Agency Director, who has served for over 15 years at LAFCO and brings more than 20 years in local government and Mr. T. Milford Harrison, a San Bernardino Valley Municipal Water District Director, who has been a member of the Association of San Bernardino County Special Districts Board for the last four years and brings twenty plus years of experience in city, county, regional and Special District government. General Manager Deshmukh explained that the original ballot must be signed by the President or other authorized signer, with the name of each Board Member next to their vote and must be received in the LAFCO office by 5:30 on April 27, 2020. He recommended to appoint the General Manager as the authorized signer on the ballot.

President Parker recommended that the IEUA Board of Directors support Mr. T. Milford Harrison. She stated that he has good qualifications and has worked with him on the SAWPA Commission for the past year and half. She stated that Mr. T. Milford Harrison will spend more time at the Special District meetings. Director Hofer agreed with President Parker's recommendation.

Vice President Hall recommended Ms. Kimberly Cox as she had worked with her and stated that Ms. Cox has always provided timely information.

Upon motion by President Parker, seconded by Director Hofer, and carried by roll call vote (4:1):

M2020-4-2

MOVED, to select T. Milford Harrison to serve in the position of a regular LAFCO Special District Member and appointed the General Manager as the authorized signer on the ballot.

With the following roll call vote:

Ayes:	Parker, Hofer, Elie, Camacho
Noes:	Hall
Absent:	None
Abstain:	None

ADOPTION OF RESOLUTION NO. 2020-4-3, APPROVING THE UPDATE OF THE AGENCY'S INVESTMENT POLICY

Executive Manager of Finance & Administration/AGM Christina Valencia stated that the Agency's Investment Policy is brought to the Board of Directors annually or whenever there are any substantial changes, pursuant to the Policy and California Government Code (CGC). As part of their annual review of the Policy, PFM, the Agency's financial advisors confirmed the Policy was compliant with CGC and did not recommend any significant changes. The Policy remains largely unchanged. The proposed changes consist of minor updates and clarifications.

Upon motion by Director Camacho, seconded by Director Hofer, and carried by roll call vote (5:0):

M2020-4-3

MOVED, to adopt Resolution 2020-4-3, approving the update of the Agency's Investment policy.

RESOLUTION 2020-4-3

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, APPROVING THE ANNUAL UPDATE OF THE AGENCY'S* INVESTMENT POLICY (for full text, see Resolution Book)

With the following roll call vote:

Ayes: Camacho, Hofer, Elie, Hall, Parker
Noes: None
Absent: None
Abstain: None

NRW EAST END FLOW METER REPLACEMENT CONSTRUCTION CONTRACT AWARD

Manager of Engineering Jerry Burke provided information on the project scope, the contractor selection, project budget and schedule of the NRW East End Flow meter replacement. Discussion ensued regarding the Agency's prequalification list, Agency bid process, project specifics regarding moving the manhole behind the curb.

Upon motion by Director Elie, seconded by Director Camacho, and carried by roll call vote (5:0):

M2020-4-4

MOVED, to:

1. Award a construction contract for the NRW East End Flow Meter Replacement Project, No. EN22002, to SCW Contracting Corp., in the amount of \$2,307,674;
2. Approve a contract amendment to Civiltec Engineering Inc., for engineering services during construction for the not-to-exceed amount of \$44,260, increasing the contract from \$232,144 to \$276,404 (19% increase); and
3. Authorize the General Manager to execute the contract and contract amendment, subject to non-substantive changes.

With the following roll call vote:

Ayes: Elie, Camacho, Hofer, Hall, Parker
Noes: None
Absent: None
Abstain: None

RP-1 ROOFING REPLACEMENT CONSTRUCTION CONTRACT AWARD

Manager of Engineering Jerry Burke presented information on the project location, project scope, contractor selection, project budget and schedule on the RP-1 roofing replacement. Discussion ensued regarding how construction projects have been impacted by the Coronavirus.

Upon motion by Director Hofer, seconded by Director Camacho, and carried by roll call vote (5:0):

M2020-4-5

MOVED, to:

1. Award a construction contract for the RP-1 Roofing Replacement Project, No. FM20002, to Exbon Development, Inc., in the amount of \$1,311,000;
2. Approve a total project budget amendment and Fiscal Year 2019/20 budget amendment in the General Administration (GG-10200) Fund for Project No. FM20002 in the amount of \$318,936, increasing the project from \$1,481,064 to \$1,800,000; and

Continued...

M2020-4-5, continued.

3. Authorize the General Manager to execute the budget amendment and contract, subject to non-substantive changes.

With the following roll call vote:

Ayes:	Hofer, Camacho, Elie, Hall, Parker
Noes:	None
Absent:	None
Abstain:	None

CONTRACT AWARD FOR ELECTRICAL REPAIR SERVICES

Deputy Manager of Maintenance Albert VanBreukelen provided a project background on the contract award for the electrical repair services.

Upon motion by Director Hofer, seconded by Director Camacho, and carried by roll call vote (5:0):

M2020-4-6

MOVED, to:

1. Approve the award of Contract No. 4600002881 to Superior Electric Motor Service, Inc. to provide repair, rebuild, or refurbishment services of electrical equipment for a total aggregate not-to-exceed amount of \$1,200,000 over a five-year period with a two one-year options to extend; and
2. Authorize the General Manager to execute the contracts.

With the following roll call vote:

Ayes:	Hofer, Camacho, Elie, Hall, Parker
Noes:	None
Absent:	None
Abstain:	None

INFORMATION ITEMS

FY 2020/21 PROPOSED BUDGET AMENDMENT FOR REGIONAL WASTEWATER AND RECYCLED WATER PROGRAMS

Executive Manager of Finance & Administration/AGM Christina Valencia gave a presentation on the proposed amendment for the Regional Wastewater Program and Recycled Water Program FY 2020/21 adopted budget. As part of the Agency's biennial budget process, staff conducts a mid-cycle review of the adopted budget for the second fiscal year to address any changes in assumptions or conditions. She highlighted the proposed changes to the combined total revenues, expenditures, and the projected impact to the net position. Discussion ensued regarding the proposed amendment to Operations & Administration expenses, the estimated impact of PFAS monitoring, and the member agencies implementation of the Agency's monthly wastewater EDU rate adopted in November 2019.

ENGINEERING AND CONSTRUCTION MANAGEMENT UPDATES

Manager of Engineering Jerry Burke gave updates on the following projects: RP-1 1158 RWPS Upgrades; RP-1 Mechanical Restoration and Upgrades; RP-4 Recycled Water Leak; 1158 West Reservoir Re-coating, painting and upgrades; and Lower Day Basin Improvements.

PRESENTATION ON IEUA'S PROPOSED "ASSET MANAGEMENT POLICY"

Senior Engineer Joel Ignacio gave a presentation on the Asset Management Program, maturity assessment, enterprising asset management strategy, and Asset Management Policy. Discussion ensued regarding where the Agency stands in its maturity assessment in comparison to similar local agencies.

OPERATIONS DIVISION QUARTERLY UPDATE

Manager of Regional Compost Operations Jeff Ziegenbein gave a presentation on the Operations Division Quarterly Update. Discussion ensued regarding the Agency's incident rates and adjustment to processes due to the Coronavirus.

MWD UPDATE

General Manager Deshmukh reported that the MWD Board met on April 14 and approved a \$3.9 billion biennial budget for FYs 2020/21 and 2021/22. He further reported that after lengthy discussion, the MWD Board approved rates and charges for FYs 2021 and 2022 with approximately 64 percent of the vote. He noted that the rates and charges reflect a 3 percent overall cost increase in 2021 and a 4 percent increase in 2022. The rates and charges had originally been proposed to represent a 5 percent increase in both years, however MWD staff reduced their original rate increase proposal in response to the changes in circumstances related to PFAS and the COVID pandemic.

He also stated that included in the motion to adopt the revised rates and charges was direction for MWD staff to return to the Board in September 2020, with updated information regarding the impacts that the COVID pandemic is having on MWD, its member agencies, and retailers. The Board will consider changing MWD's approved budget, as well as rates and charges at that time. MWD's Board recognizes that impacts from the COVID pandemic are not yet fully understood and, as such, has established a timeframe for reassessing the appropriateness of increasing rates and charges prior to their scheduled implementation on January 1, 2021.

CBWM UPDATE

General Manager Deshmukh reported that the Board approved a 30-day pause on the planning efforts to allow time for the parties to respond as needed to the COVID-19. He also shared that the draft SEIR (Subsequent Environmental Impact Report) for the OBMP (Optimum Basin Management Plan) Update was circulated on March 27. He noted that the comment period closes on May 11. The draft notice of potential storage limitation was issued to the parties. He continued that the water in storage is expected to reach the current storage threshold of 600,000 AF in June 2020 based on current activities. He stated that the CBWM Board approved a Task Order Amendment with WEI for work on the Basin Plan Amendment – presented this morning in the IEUA Board agenda.

SAWPA UPDATE

General Manager Deshmukh reported that the SAWPA Commission authorized their General Manager to execute an Agreement for Services with Kahn Soares & Conway, specifically with Tess Dunham - formerly with Somach Simmons & Dunn, to provide strategic and regulatory support for the Basin Monitoring Program Task Force, the Middle Santa Ana River Pathogen TMDL Task Force, and the Emerging Constituents Program Task Force.

He also stated that during the PA 24 Committee meeting on April 7, staff reviewed the proposed Brine Line Rates for FY 20/21. As the proposed rates would go up almost 6 percent across the board the Committee felt it was not the appropriate time to approve such a large rate increase.

While no decision was made, the Committee suggested to defer any rate increases until after July 1st and possibly even delay until January 2021. He commented that any shortfall would be pulled from the Brine Line reserves. This item will be brought back to the Committee at the May 5, 2020 meeting for a decision and recommendation to the Commission.

CBP UPDATE

General Manager Deshmukh reported that staff has continued working on developing program alternatives and modeling. Financial and economic valuation is expected to be completed mid-May for internal review. He stated that stakeholder workshops have been paused due to COVID-19 and is expected to resume in the May/June timeframe. Staff will be working on sending out a technical memo to the stakeholders. He added that the CBP Ad Hoc meeting is scheduled for April 30 where supply sources will be discussed. Staff is holding teleconference “check-in” calls and meetings with the California Water Commission staff regarding the CBP and to discuss recent relevant information. He noted that a meeting with the California Water Commission is scheduled for Thursday, April 16.

THE FOLLOWING ITEMS WERE RECEIVED AND FILED BY THE BOARD

TREASURER’S REPORT OF FINANCIAL AFFAIRS

PUBLIC OUTREACH AND COMMUNICATION

STATE LEGISLATIVE REPORT AND MATRIX FROM WEST COAST ADVISORS

FEDERAL LEGISLATIVE REPORT AND MATRIX FROM INNOVATIVE FEDERAL STRATEGIES

CALIFORNIA STRATEGIES, LLC MONTHLY ACTIVITY REPORT

AGENCY REPRESENTATIVES’ REPORTS

SAWPA REPORT

President Parker stated that the Commission directed SAWPA’s General Manager to submit a request for public assistance under the disaster relief in emergency assistance for funding that has been lost due to the COVID-19 situation.

MWD REPORT

Director Camacho had nothing additional to report.

REGIONAL SEWERAGE PROGRAM POLICY COMMITTEE REPORT

President Parker reported that the April 2, 2020 Policy Committee was cancelled.

CHINO BASIN WATERMASTER REPORT

Director Elie reported that the Safe Yield recalculation is moving forward. Discussion is taking place regarding storage limitation that may be reached in June 2020, and a notice has been released to all parties.

CHINO BASIN DESALTER AUTHORITY

President Parker reported that the CDA Board approved an amendment and restated agreement with General Manager Tom O’Neill. They approved construction projects, amendments to monitoring wells for the South Archibald Plume project, and an agreement with Michael Baker for on call construction survey and staking services. She reported that there was also an emergency repair needed to the 30-inch fiberglass reinforced influent pipeline that occurred at the CDA I Desalter.

INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY

There was nothing to report.

GENERAL MANAGER'S REPORT

General Manager Deshmukh gave an update on COVID-19 and its impact to the Agency. He stated that the Chino Creek Wetlands and Education parking lot has been closed off to the public in response to the directive from the San Bernardino County Acting Public Health Officer. Discussion ensued regarding COVID-19 impacts on water usage, sewer, and rain capture.

BOARD OF DIRECTORS' REQUESTED FUTURE AGENDA ITEMS

Director Hofer stated that he would like more information on the Agency's emergency and contingency plans if a natural catastrophe were to take place during this pandemic.

DIRECTORS' COMMENTS

Vice President Hall stated that she participated in AWWEE conference calls regarding COVID-19; Teleconference Town Hall Meeting with Assemblymember Freddie Rodriguez on April 13; and the San Bernardino Town Hall meeting hosted by Cal State Fullerton on April 13.

Director Elie stated that he participated as a panelist in the WaterNow to speak to water leaders regarding COVID-19 on April 3 and attended the Chino Valley Chamber of Commerce – Virus Update on April 14. He thanked all staff members on the way the Agency has responded and its ability to be nimble and responsive to the Agency's members and the public.

President Parker stated that these are extraordinary times and thanked staff for making many difficult decisions and being so flexible in light of the incredible change. She stated that she is very proud of how the Agency has handled this situation. She gave a special thank you to the Agency's maintenance, operation, and laboratory staff.

CLOSED SESSION

The Board went into Closed Session at 11:56 a.m., A. PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a) – CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION: (1) Chino Basin Municipal Water District vs. City of Chino, Case No. RCV51010 (2) Spicer vs. W.A. Rasic Construction, Case No. CIVDS 1711812; B. PURSUANT TO GOVERNMENT CODE SECTION 54956.9(d) – CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION: One case.

The meeting resumed at 12:32 p.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 Conference with Legal Counsel – Existing Litigation:

Chino Basin Municipal Water District vs. City of Chino, Case No. RCV51010

The Board did not discuss.

Regarding Conference with Legal Counsel – Existing Litigation:

Spicer vs. W.A. Rasic Construction, Case No. CIVDS 1711812

The Board discussed with no reportable action.

Regarding Conference with Legal Counsel – Anticipated Litigation:

One (1) Case

The Board did not discuss.

With no further business, President Parker adjourned the meeting at 12:33 p.m. in recognition of the Agency's essential staff members who have served the public and the Agency during this pandemic.

Steven J. Elie, Secretary/Treasurer

APPROVED: MAY 6, 2020

DRAFT

**CONSENT
CALENDAR
ITEM**

1B

Date: May 6, 2020

To: The Honorable Board of Directors

From: Shivaji Deshmukh, General Manager *SD*

Committee:

Executive Contact: Kathy Besser, Executive Manager of Ext. Aff. & Policy Dev./AGM

Subject: State Revolving Fund Closing Resolution for the Baseline Extension Project

Executive Summary:

On April 1, IEUA received the Clean Water State Revolving Fund (CWSRF) Loan agreement from the State Water Resources Control Board (SWRCB) for the Baseline Extension Project. This agreement was one of five IEUA projects that was included in the SWRCB's Intended Use Plan in 2018 to receive funding through low-interest loans. Since 2018, the SWRCB has implemented a new policy requiring loan agreements to be authorized at closing through board resolutions. The attached resolution has been drafted by IEUA's bond counsel and authorizes IEUA's General Manager to enter into the loan agreement.

This total costs of the project are estimated to be \$6,694,013. This SRF loan agreement includes a \$3,347,006 principal forgiveness grant, reducing the project costs by 50 percent. The remaining 50 percent of project costs will be funded through a 30-year loan with an interest rate of 1.4%.

Staff's Recommendation:

Adopt Resolution No. 2020-5-4, authorizing IEUA to enter into a funding agreement with the State Water Resources Control Board and designating the General Manager to sign, for and on behalf of IEUA, the funding agreement for the Project and any amendments.

Budget Impact *Budgeted (Y/N):* N *Amendment (Y/N):* Y *Amount for Requested Approval:*

Account/Project Name:

EN17049.00 - Baseline Recycled Water Pipeline Extension

Fiscal Impact (explain if not budgeted):

None.

Prior Board Action:

None.

Environmental Determination:

Negative Declaration

This project was subject to a Negative Declaration/EIR and an addendum as prepared and approved in 2017.

Business Goal:

The Baseline Recycled Water Pipeline Extension Consulting Engineering Services Contract Award is consistent with IEUA's business goal of water reliability; specifically, the recycled water objective that IEUA will maximize the use of recycled water to enhance regional water reliability.

Attachments:

Attachment 1 - Resolution No. 2020-5-4

RESOLUTION NO. 2020-5-4

RESOLUTION OF THE INLAND EMPIRE UTILITIES AGENCY* AUTHORIZING THE EXECUTION AND DELIVERY OF AN INSTALLMENT SALE AGREEMENT BETWEEN THE INLAND EMPIRE UTILITIES AGENCY* AND THE STATE WATER RESOURCES CONTROL BOARD RELATING TO THE DROUGHT RELIEF BASELINE EXTENSION PROJECT AND APPROVING OTHER MATTERS IN CONNECTION THEREWITH

WHEREAS, the Inland Empire Utilities Agency* (the “Agency”), a municipal water district duly organized and existing under and pursuant to the Constitution and laws of the State of California, proposes to undertake the financing of certain improvements to the Agency’s wastewater system known as the Drought Relief-Baseline Extension Project the “Project”); and

WHEREAS, the State of California has established its Clean Water State Revolving Fund (the “CWSRF”) pursuant to Chapter 6.5 of Division 7 of the California Water Code, as required by Title VI of the federal Water Pollution Control Act; and

WHEREAS, this Board has determined that it is in the best interest of the Agency to obtain a loan (the “SRF Loan”) from the CWSRF for the purpose of financing all or a portion of the Project; and

WHEREAS, the SRF Loan will be evidenced by an Installment Sale Agreement (the “Financing Agreement”) between the Agency and the California State Water Resources Control Board (the “CSWRCB”); and

WHEREAS, this Board has determined to authorize the execution and delivery of the Financing Agreement for the purpose of financing all or a portion of the Project and to approve certain matters in connection therewith;

NOW, THEREFORE, the Board of Directors (the “Board”) of the Inland Empire Utilities Agency* hereby finds, determines, declares and resolves as follows:

1. The incurrence of the SRF Loan in the principal amount not to exceed \$6,694,013 to finance all or a portion of the Project is hereby approved. The incurrence of the SRF Loan is determined to be consistent with the Agency’s debt policy and to the extent the incurrence of the SRF Loan is not in compliance with the Agency’s debt policy, such noncompliance is waived in accordance with the terms of the Agency’s debt policy.

2. The Financing Agreement in substantially the form on file with the Agency is hereby approved. Each of the President, the Vice President, the General Manager or the written designee thereof (each an “Authorized Officer”) is hereby individually authorized and directed to execute and deliver the Financing Agreement with such changes, insertions and omissions as may be recommended by General Counsel or Stradling Yocca Carlson & Rauth, A Professional Corporation (“Bond

* A municipal water district.

Counsel”) and approved by the Authorized Officer executing the same, said execution being conclusive evidence of such approval.

3. The Board of Directors acknowledges that the good faith estimates required by Section 5852.1 of the California Government Code are disclosed in Exhibit A to this resolution and are available to the public at the meeting at which this resolution is approved.

4. Each Authorized Officer, the General Manager, the Executive Manager of Finance and Administration/Assistant General Manager or the written designee thereof and any other proper officer of the Agency, acting singly, is authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the Financing Agreement and this resolution.

5. Unless otherwise defined herein, all terms used herein and not otherwise defined shall have the meanings given such terms in the Financing Agreement unless the context otherwise clearly requires.

6. This Resolution shall take effect immediately.

ADOPTED this 6th day of May, 2020.

Kati Parker
President of the Inland Empire Utilities Agency* and
the Board of Directors thereof

ATTEST:

Steven J. Elie
Secretary of the Inland Empire Utilities
Agency* and the Board of Directors thereof

(SEAL)

* A Municipal Water District

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN BERNARDINO)

I, Steven J. Elie, Secretary of the Inland Empire Utilities Agency*, DO HEREBY CERTIFY that the foregoing Resolution being No. 2020-5-4, was adopted at a regular Board Meeting on May 6, 2020, of said Agency by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Steven J. Elie
Secretary of the Inland Empire Utilities
Agency* and the Board of Directors thereof

* A Municipal Water District

EXHIBIT A

GOOD FAITH ESTIMATES

The good faith estimates set forth herein are provided with respect to the SRF Loan in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the Inland Empire Utilities Agency by the Municipal Advisor.

Principal Amount. The Municipal Advisor has informed the Agency that, based on the Agency's financing plan and current market conditions, its good faith estimate of the aggregate amount of the Installment Sale Agreement for the 2015 Drought Relief – Baseline Extension Project to be sold is \$6,694,013, (the "Estimated Gross Principal Amount"). If conditions are met providing for the principal forgiveness outlined in the Loan Agreement, the aggregate net amount of the SRF Loan is \$3,347,007 (the "Estimated Net Principal Amount").

True Interest Cost of the SRF Loan. The Municipal Advisor has informed the Agency that, assuming that the Estimated Gross Principal Amount of the SRF Loan is executed, and based on the expected interest rates prevailing at the time of preparation of such estimate, their good faith estimate of the true interest cost of the SRF Loan, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the SRF Loan, is 1.40%.

Finance Charge of the SRF Loan. The Municipal Advisor has informed the Agency that, assuming that the SRF Loan is executed, their good faith estimate of the finance charge for the SRF Loan, which means the sum of all fees and charges paid to third parties (or costs associated with the SRF Loan), is \$0.00.

Amount of Proceeds to be Received. The Municipal Advisor has informed the Agency that, assuming that the Estimated Gross Principal Amount of the SRF Loan is executed, and based on estimated interest rates prevailing at the time of preparation of such estimate, their good faith estimate of the amount of proceeds expected to be received by the Agency for sale of the SRF Loan, less the finance charge of the SRF Loan, as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the SRF Loan, is \$6,694,013.

Total Payment Amount. The Municipal Advisor has informed the Agency that, assuming that the Estimated Gross Principal Amount of the SRF Loan is executed, and based on interest rates prevailing at the time of preparation of such estimate, their good faith estimate of the total payment amount, which means the sum total of all payments the Agency will make to pay debt service on the SRF Loan, plus the finance charge for the SRF Loan, as described above, not paid with the proceeds of the SRF Loan, calculated to the final maturity of the SRF Loan, is \$8,189,842, which excludes any reserves or capitalized interest paid or funded with proceeds of the SRF Loan (which may offset such total payment amount).

If conditions are met providing for the principal forgiveness outlined in the Loan Agreement, assuming that the Estimated Gross Principal Amount of the SRF Loan is executed, and based on interest rates prevailing at the time of preparation of such estimate, their good faith estimate of the total payment amount (net of the principal forgiveness), which means the sum total of all payments the Agency will make to pay debt service on the SRF Loan, plus the finance charge for the SRF Loan, as described above, not paid with the proceeds of the SRF Loan, calculated to the final maturity of the

SRF Loan, is \$4,094,921, which excludes any reserves or capitalized interest paid or funded with proceeds of the SRF Loan (which may offset such total payment amount).

The foregoing estimates constitute good faith estimates only as of April 24, 2020, and are based on information provided in the draft SRF Loan agreement at the time of preparation of such estimates. The actual principal amount of the SRF Loan issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of the entering into the SRF Loan being different than the date assumed for purposes of such estimates, (b) the actual principal amount of SRF Loan sold being different from the Estimated Gross Principal Amount, (c) the actual amortization of the SRF Loan being different than the amortization assumed for purposes of such estimates, (d) the actual interest rates at the time of sale of the SRF Loan being different than those estimated for purposes of such estimates, (e) other market conditions, (f) occurrence of principal forgiveness as expected or the timing therein, or (g) alterations in the Agency's financing plan, or a combination of such factors. The actual date of execution of the SRF Loan and the actual principal amount of the SRF Loan sold will be determined by the Agency based on the timing of the need for proceeds of the SRF Loan and other factors. Factors such as the final loan repayment schedule, any changes to the interest rate on the SRF Loan, timing of the execution of the SRF loan and/or the forgiveness of a portion of the SRF Loan principal may be affected by factors beyond the control of the Agency, or the Municipal Advisor.

**CONSENT
CALENDAR
ITEM**

1C

Date: May 6, 2020

To: The Honorable Board of Directors

From: Shivaji Deshmukh, General Manager



Committee:

Executive Contact: Christina Valencia, Executive Manager of Finance & Administration/AGM

Subject: EPI-USE America Contract Extension Approval

Executive Summary:

This is a request for the Board of Directors to approve a one-year extension for EPI-USE America ("EPI-USE") Application Management Services (AMS) contract 4600001414, which is set to expire on 4/30/2020. The requested extension is for 5/1/2020 to 4/30/2021.

EPI-USE consultants supported the implementation of the Agency's Human Resources and Payroll modules in 2013. Since, then their expertise and design of the system has enabled us to automate nearly all of the rules for payroll processing in place today. Although BIS staff can resolve most day-to-day issues, over the years, EPI-USE have proven to be a reliable and essential resource in addressing complex, and often times, urgent issues beyond staff's expertise. With their business acuity and SAP insight, they are quick to understand the issues and effectively guide BIS staff in implementing corrective measures. Recent examples of EPI-USE support is the transition of the Agency's 457(b) and 401(a) deferred compensation plans to Empower and rapid implementation of the Family First Coronavirus Response Act (FFCRA).

If approved, the one-year extension will secure EPI-USE resources to support system configuration changes that may arise from the upcoming 2021 labor negotiations. Staff will plan to issue a request for proposal for these services prior to the termination of the one-year extension.

Staff's Recommendation:

1. Approve a one-year extension for the EPI-USE America Contract No. 4600001414, for Application Management Services (AMS) support in the amount of \$25,000, and a not-to-exceed amount of \$205,000; and
2. Authorize the General Manager to execute the contract amendment.

Budget Impact *Budgeted (Y/N): Y Amendment (Y/N): N Amount for Requested Approval:*

Account/Project Name:

Fund 10200, Cost Center 118100, Functional Area 100000, GL 520980

Fiscal Impact (explain if not budgeted):

Prior Board Action:

On September 19, 2012, the Board authorized the General Manager to finalize the negotiation for a two-year Application Management Services (AMS) support agreement for a not-to-exceed amount of \$90,000. The Agency had extended the contract to the maximum number of years as allowed by the Agency's Procurement Ordinance 101, Section 3.2.C ("Multi-year procurement terms and extension limits"). This request will also cause the overall contract to exceed twice the original contract amount.

Environmental Determination:

Not Applicable

Business Goal:

The use of SAP and its maintenance are aligned with the Agency's goal for Business Practices – Efficiency and Effectiveness, aiming to apply best industry practices in all processes to maintain and improve the quality and value of the services we provide to our member agencies and the public.

Attachments:

None

**WORKSHOP
ITEM**

2A



Inland Empire Utilities Agency

April 21, 2020

PFM Financial Advisors LLC

601 S. Figueroa
Suite 4500
Los Angeles, CA 90041

213.489.4075
pfm.com



Market Update



Recent Events – Effect of COVID-19 on the Municipal Markets

• While volatile, interest rates have remained relatively low from a historical perspective

- Beginning the week of March 9th, Municipal and US Treasury rates experienced extreme volatility, as global equity and financial markets were impacted by concerns of global economic downturns due to the spread of COVID-19
- As investors sought liquidity over all else, municipal and treasury rate movements became disjointed

• Tax-exempt to Treasury Ratios Increase

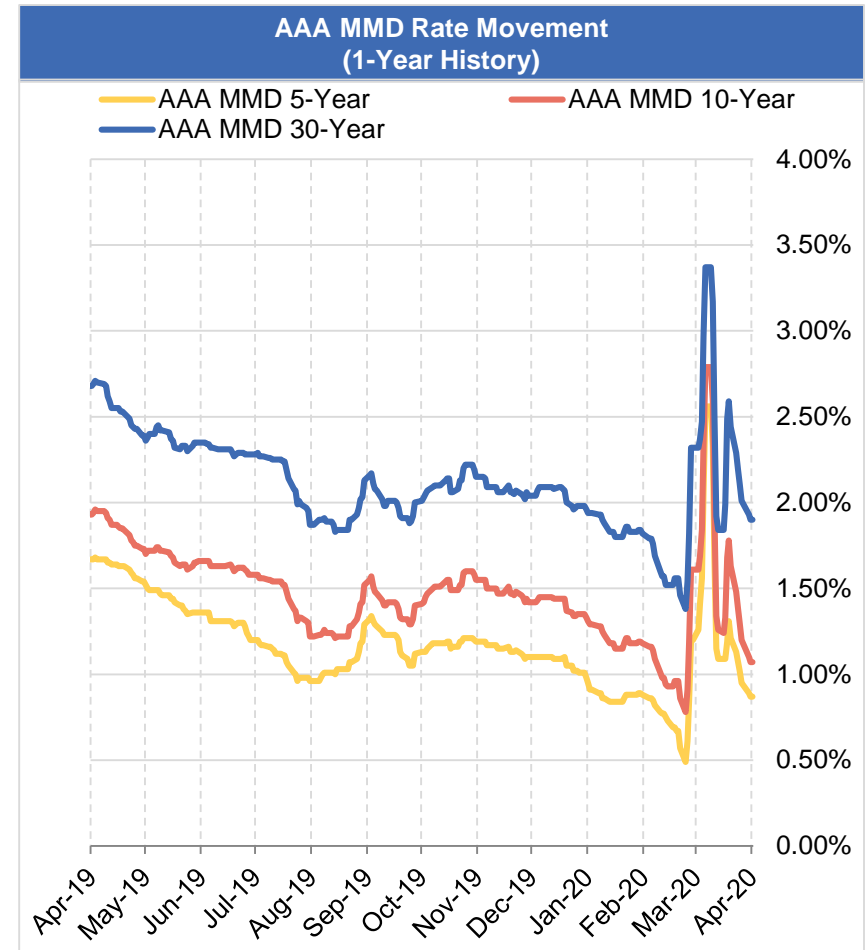
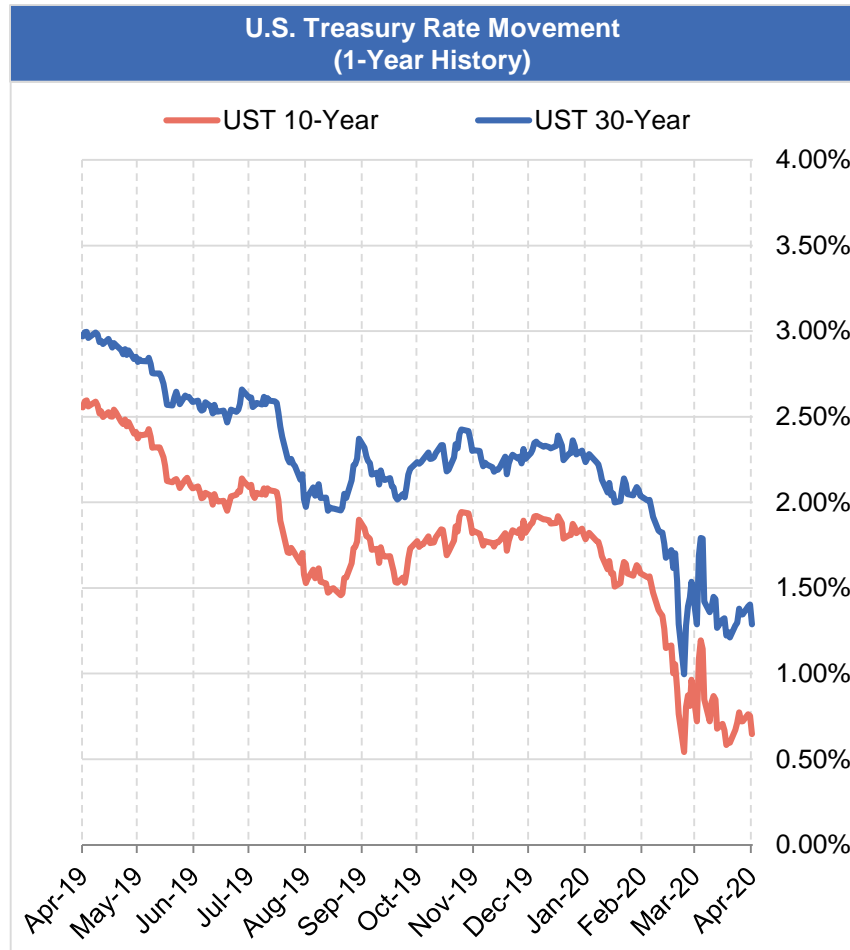
- The global rush for liquidity has led to a dislocation between the US Treasury and Municipal markets, driving tax-exempt/Treasury ratios to levels that have not been seen since the start of the 2008 financial crisis
- As the municipal market stabilizes and investors re-emerge as buyers of municipal tax-exempt debt, these ratios should normalize

• Short-Term Markets – Selling pressures drive sharp movements in rates with a recent return to normalized levels

- Redemptions in short-term money market funds caused short-term municipal supply / demand imbalances, which resulted in severe challenges in remarketing municipal short-term debt and sharp increases in variable rates
- New facilities implemented by the Fed, allowing for the use of highly-rated, short-term municipals as eligible collateral, provided benefit to short-term municipal markets.



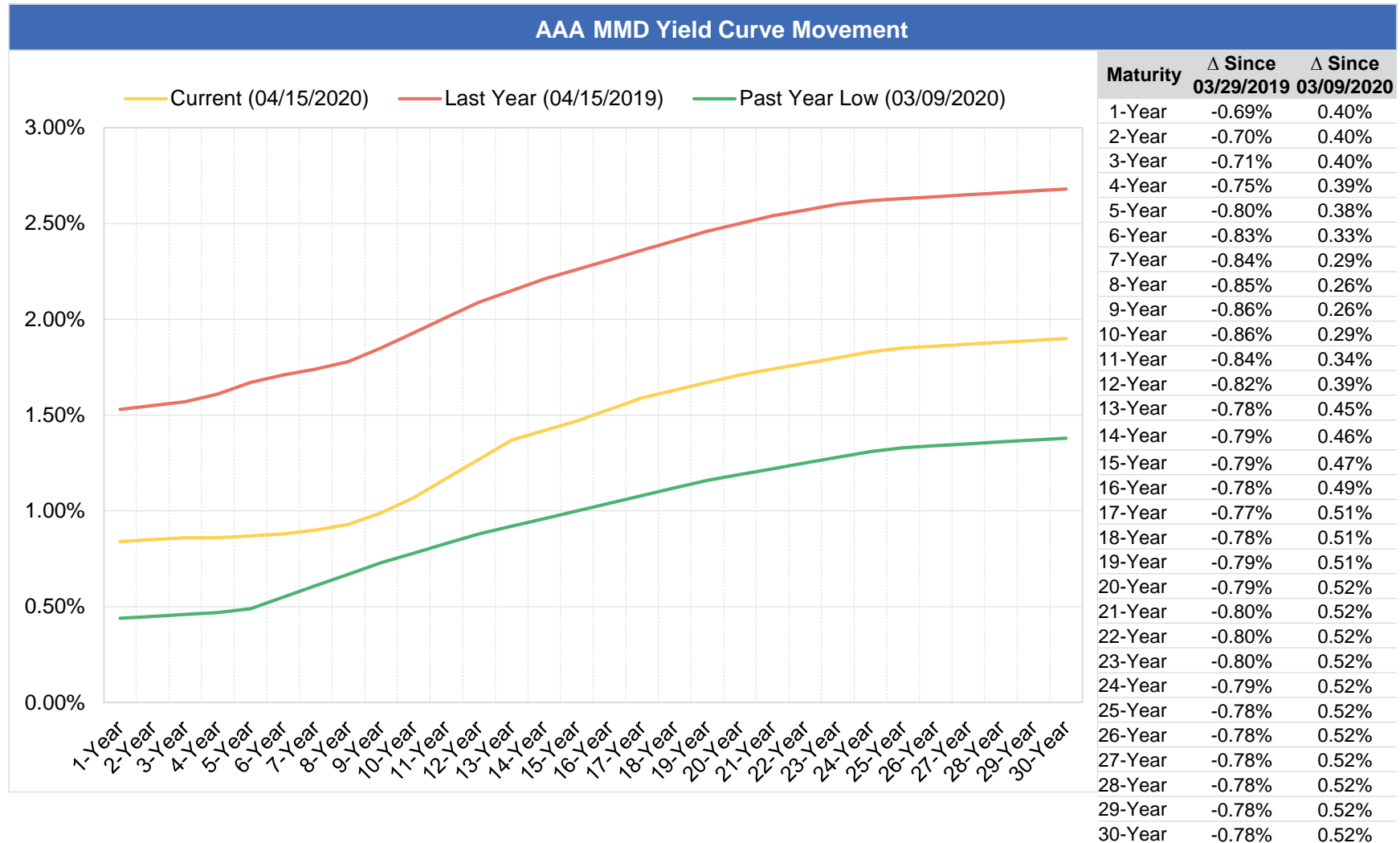
U.S. Treasury & AAA MMD Rate Movement



Source: Thomson Reuters



Recent AAA MMD Yield Curve Movement



Source: Thomson Reuters



Overview of Financing Opportunities



Financing Opportunities

- IEUA is contemplating financings designed to:
 - Provide funding for the RP-5 Expansion Project;
 - Refinance outstanding variable rate bonds; and
 - Refinance outstanding obligations for savings
- Each of these financings have their own sets of considerations, including:
 - Impact on IEUA's financial position and capital improvement plans
 - Economics
 - Savings



RP-5 Expansion Project WIFIA Loan



WIFIA Loan Program Overview

- The Water Infrastructure Finance and Innovation Act (“WIFIA”) loan program is administered by the EPA providing qualified municipal utilities access to low cost loans
- Benefits of the WIFIA loan program include:
 - Low interest rates;
 - Flexible draw provisions; and
 - Flexible repayment provisions;
- Based on rates as of April 20, 2020, IEUA’s loan would have a fixed interest rate of 1.18%* for 35 years
- Borrowers are able to fund up to 49% of Eligible Project Costs through a WIFIA loan
- Final repayment up to 35 years after substantial completion

** Final WIFIA loan rate subject to interest rates at time of loan closing.*



RP-5 Expansion Project

- Financing for the RP-5 Expansion Project is expected to come from several sources:
 - \$101.7 million pay-go
 - \$101.5 million SRF loan
 - \$196.4 million WIFIA Loan

RP-5 Project Costs by Fiscal Year										
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	Totals
WIFIA Loan	-	-	-	-	\$25,940,116	\$100,675,084	\$69,821,245	-	-	\$196,436,445
SRF Loan	-	-	-	-	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$1,530,000	\$101,530,000
Pay-Go	\$81,343	\$8,319,274	\$11,520,849	\$8,369,503	\$10,000,000	\$10,000,000	\$24,408,120	\$23,020,865	\$6,011,476	\$101,731,429
Totals	\$81,343	\$8,319,274	\$11,520,849	\$8,369,503	\$60,940,116	\$135,675,084	\$119,229,365	\$48,020,865	\$7,470,590	\$399,697,874

- To further lower costs, the Agency is also exploring the use of interim financing notes to fund WIFIA loan draws in 2021 – 2023
 - The interim financing notes would be repaid within five years by a draw on the WIFIA loan
 - The use of interim financing notes is subject to the relationship of short-term borrowing rates and the final WIFIA loan rate

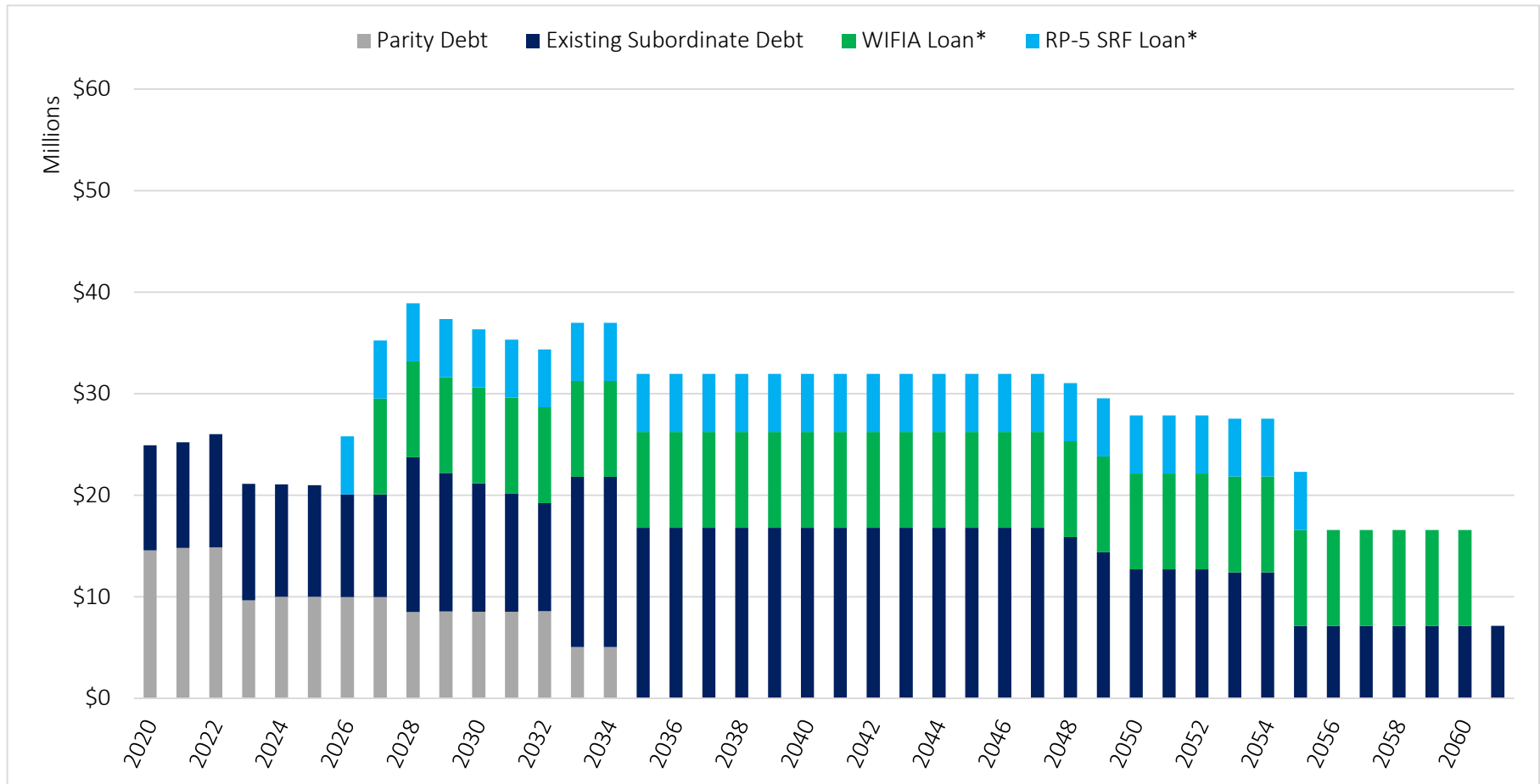


IEUA's WIFIA Loan Provisions

- Key characteristics of IEUA's WIFIA loan
 - \$196.4 million loan amount
 - 35-year level repayment structure beginning November 1, 2026
 - Interest rate set at closing and fixed for life of loan
 - Secured by Wastewater System Revenues on a subordinate basis to existing Parity Lien Obligations (same lien as SRF loans)
 - No Debt Service Reserve Fund
 - Callable at any time (and partially redeemable on a ratable basis)
 - Interest on WIFIA loan draws capitalized until November 1, 2026



IEUA Debt Service – After RP-5 Expansion Project Borrowings



* Preliminary, subject to change.

Note: Debt service for the Series 2008B is based on an assumed amortization of generally level annual payments



Refunding of Variable Rate Bonds



Series 2008B VRDBs

- Series 2008B VRDBs are variable rate demand bonds which bear a variable rate of interest, reset on a weekly basis
- For marketing purposes, investors require that the Series 2008B VRDBs be secured by an LOC
- Currently, SMBC provides the LOC at a cost of 40 basis points per annum, which expires January 15, 2021
- At or prior to expiration, the LOC must either be renewed or replaced

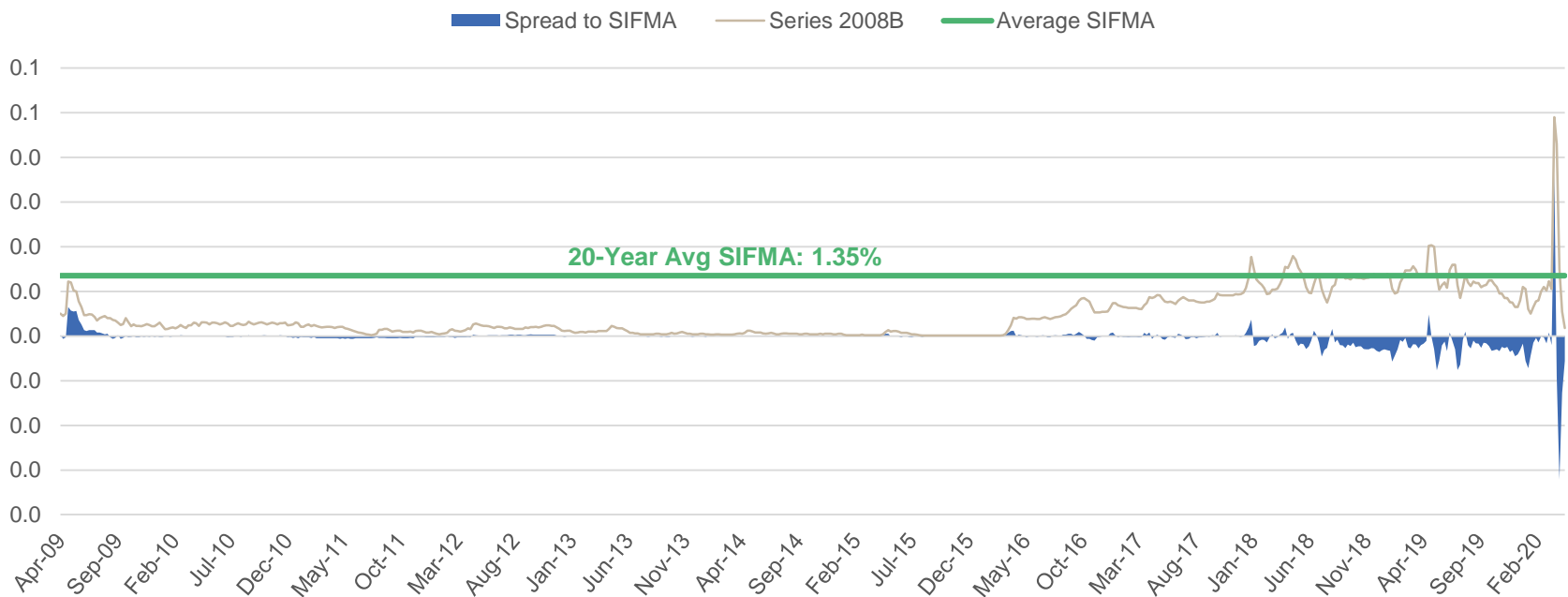
Issuer Name	Inland Empire Utilities Agency	
Series Name	Variable Rate Demand Revenue Refunding Bonds Series 2008B	
Par Size	\$44,060,000	
Dated Date	4/14/2008	
Due Date	June 1	
LOC	SMBC (1/15/2021)	
	Par	Coupon
2020	2,180,000	VAR
2021	2,270,000	VAR
2022	2,355,000	VAR
2023	2,430,000	VAR
2024	2,550,000	VAR
2025	2,650,000	VAR
2026	2,755,000	VAR
2027	2,865,000	VAR
2028	2,970,000	VAR
2029	3,100,000	VAR
2030	3,220,000	VAR
2031	3,350,000	VAR
2032	3,480,000	VAR
Par Outstanding	\$36,175,000	



Series 2008B VRDO Performance and Reset History

- ◆ The Series 2008B VRDBs have performed well with an average interest rate reset (not including ongoing fees – LOC, remarketing agent fees, etc...) of 0.47%
- These low interest rates were, in part, due to low Fed Funds Rate
- March 2020 experienced significant short-term volatility related to COVID-19 concerns

Series 2008B Resets

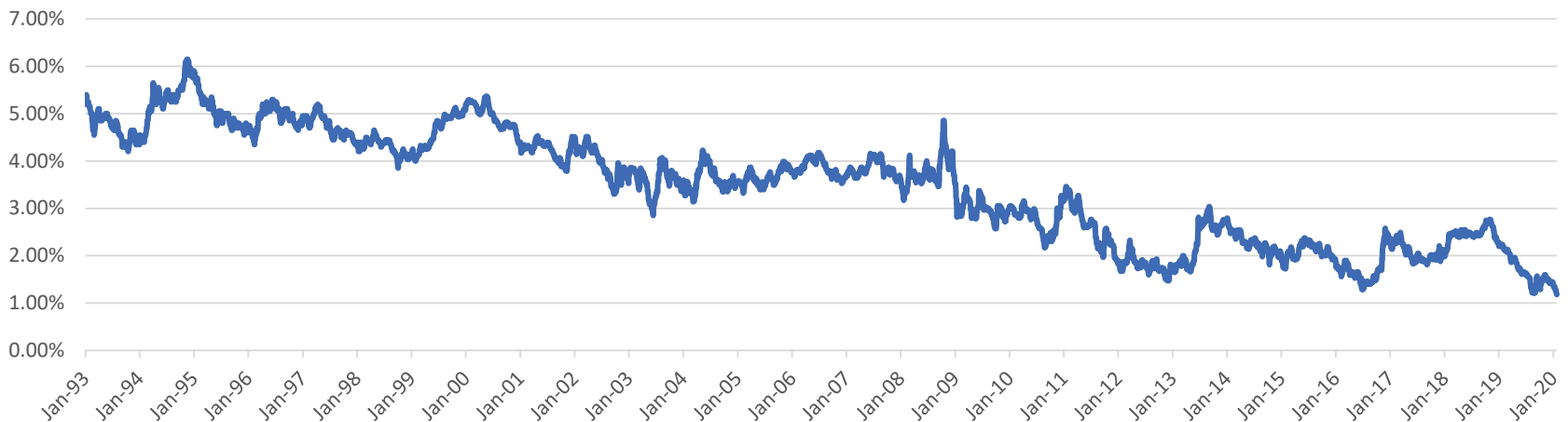




Fixed Rate Refunding Opportunity

- With today's low fixed rates, IEUA has the opportunity to refund the Series 2008B VRDBs at a fixed interest rate of 1.39% (True Interest Cost)

10yr MMD (1993 – Present)



Fixed Rate Refunding Benefits and Considerations

Benefits

- No interest rate risk – interest rate fixed at pricing
- No bank risk – no LOC bank required
- Fixed rate cost of financing of 1.39% in today's market
- Frees up future variable rate borrowing capacity while locking historically low fixed rates

Considerations

- No guarantee of future variable rates –variable rates could remain lower than cost of fixed rate refunding
- Issuance expenses related to refunding



Comparison of Options – Variable Rate Analysis

- The table below compares the net cost at current SIFMA and the various SIFMA Averages
- Variable rate assumptions:
 - SIFMA: Averages over time periods shown
 - Spread to SIFMA: (-4 bps) average Series 2008B VRDB spread to SIFMA since 2008
 - LOC Fee: 40 bps (current LOC fee)
 - Remarketing agent fee: 5 bps
- For purposes of these analyses we did not take into account related issuance expenses, including staff time, which may be incurred in connection with LOC renewals / replacements

Series 2008B Net Cost	
April 21, 2020 2008B Reset	1.15%
10-year SIFMA Average	0.94%
20-year SIFMA Average	1.76%
30-year SIFMA Average	2.27%
Fixed Rate Refunding	1.43%



Additional IEUA Refunding Opportunities



IEUA Refunding Opportunities

- While volatile, interest rates are still low from a historical perspective, providing IEUA the opportunity to refinance portions of its outstanding obligations for savings

Two Refunding Components

- SRF Loans (\$32.2 million across seven loans)
- 2010A Bonds (\$5.1 million)

SRF Loan Refunding Targets

Number	Rate	Maturity	Outstanding
4846110	2.50%	2020 – 2023	\$152,020
4846120	2.50%	2020 – 2023	159,547
4846130	2.50%	2020 – 2024	1,568,512
4846140	2.40%	2021 – 2025	1,602,508
4846160	2.60%	2020 – 2024	413,959
4899110	2.20%	2021 – 2028	6,791,836
5319110	2.60%	2020 - 2034	21,513,543

Summary of Refunding Results

	SRF Loan Refunding	2010A Refunding
Refunding Par	\$24,090,000	\$5,015,000
Refunded Par	32,201,924	5,075,000
PV Savings (\$)	1,877,267	\$176,477
PV Savings (%)	5.83%	3.48%
Avg. Annual Savings	363,490 (2021 – 2035)	86,231 (2021 – 2022)



Next Steps



Next Steps

WIFIA Loan

- The Agency is proceeding with executing the WIFIA loan with EPA in late May
 - Approval request will be brought before the Board at the May 20th meeting

Refundings

- The Agency competitively procured a financing team and is developing legal and disclosure documents for a public sale
- Targeting June 17th Board meeting for approval
- Pricing expected in late June 2020

Interim Financing Notes

- The Agency competitively procured a financing team and is currently monitoring the economics of interim financing notes
- To the extent possible, the interim financing note sale will be combined with the refunding
- If, however, it is not economic to sell interim financing notes in June, IEUA and its financial advisor will monitor the market on an ongoing basis until market conditions make it advantageous to do so

**ACTION
ITEM**

3A

Date: May 6, 2020

To: The Honorable Board of Directors

From: Shivaji Deshmukh, General Manager ASD

Committee:

Executive Contact: Christina Valencia, Executive Manager of Finance & Administration/AGM

Subject: Approval of Underwriting Services to Support Proposed Issuance of Interim Financing and Refunding of Existing Debt

Executive Summary:

As reported to the Board of Directors on March 18, 2020, a Request for Proposal (RFP) was issued on February 19, 2020 for underwriting services to assist the Agency in evaluating the potential use of short-term interim financing to support the RP-5 Expansion Project. Today's current interest rate environment may provide the Agency an opportunity to utilize short-term interim financing bond anticipation notes (BANs), to lower the all-in cost of the WIFIA loan. While the decision to use interim financing will depend on market conditions and whether short-term interest rates are more favorable than the long-term US Treasury rate that is the basis for the WIFIA loan, the Agency needs to be prepared to leverage the most favorable financing opportunities. The RFP also requested the responders to assess opportunities to "fix-out" the Series 2008B Variable Debt Obligation Bonds (2008B Bonds) to reduce future interest rate risk and potentially refinance existing debt for debt service savings. Proposals were received from four firms; Citigroup Global Markets Inc. (Citi), Goldman Sachs, and J.P. Morgan submitted proposals to serve as senior managers on both transactions; 1) interim financing and 2) the 2008B Bonds "fix-out" and refunding of SRF loans. Sumitomo Mitsui Bank Corporation (SMBC), together with their affiliate, SMBC Niko Securities America, Inc. ("SMBC Nikko") submitted a proposal for a co-manager role on both transactions. After a careful review of the responses, staff recommends structuring underwriting teams to take advantage of their understanding of IEUA, relative strengths of the firms and their strong distribution capabilities and access to institutional and retail buyers, specifically in California. Total underwriting fees and expenses are estimated to be under 0.50% of the total par amount of \$269 million, to be included in the final par amount and annual debt service costs.

Staff's Recommendation:

1. Approve J.P. Morgan as the Lead Manager, Citi and SBMC Nikko as Co-Managers to underwrite the proposed interim financing transaction to support the RP-5 Expansion Project; and
2. Approve Citi as the Lead Manager and J.P. Morgan as the Co-Manager to underwrite the proposed fix-out of the 2008B Variable Rate Demand Bonds and refunding of existing debt that result in cost savings.

Budget Impact *Budgeted (Y/N): Y Amendment (Y/N): N Amount for Requested Approval:*

Account/Project Name:

If interim financing is issued, related principal, interest, and cost of issuance will be supported by the WIFIA loan secured for RP-5 Expansion Project. Issuance cost for the 2008B fix-out and refunding of existing debt will be included in the final par amount and associated annual debt

Fiscal Impact (explain if not budgeted):

None

Prior Board Action:

Environmental Determination:

Not Applicable

Business Goal:

Leveraging low interest borrowing to is consistent with the IEUA Business Goal of Fiscal Responsibility to ensure capital projects are completed at the lowest cost to ratepayers.

Attachments:

Attachment 1 - Background

Background

Subject: Approval of Underwriting Services to Support Proposed Issuance of Interim Financing and Refunding of Existing Debt

As reported to the Board of Directors on March 18, 2020, a Request for Proposal (RFP) was issued on February 19, 2020 for underwriting services to assist the Agency in evaluating the potential use of short-term interim financing to support the RP-5 Expansion Project.

The RP-5 Expansion project, with an estimated cost of \$400.4 million, is the largest construction project ever undertaken by the Agency. Currently the funding sources for the RP-5 Expansion Project include a low interest State Fund Revolving Fund (SRF) loan of \$101.5 million, a Water Infrastructure Finance and Innovation Act (WIFIA) loan of \$196.4 million and pay-go of \$102.5 million.

Today's current interest rate environment may provide the Agency an opportunity to utilize short-term interim financing bond anticipation notes (BANs), to lower the all-in cost of the WIFIA loan. While the decision to use interim financing will depend on market conditions and whether short-term interest rates are more favorable than the long-term US Treasury rate that is the basis for the WIFIA loan, the Agency needs to be prepared to leverage the most favorable financing opportunities. The RFP also requested the responders to assess opportunities to "fix-out" the Series 2008B Variable Debt Obligation Bonds (2008B Bonds) to reduce future interest rate risk and potentially refinance existing debt for debt service savings.

Proposals were received from four firms; Citigroup Global Markets Inc. (Citi), Goldman Sachs, and J.P. Morgan submitted proposals to serve as senior managers on both transactions; 1) interim financing and 2) the 2008B Bonds "fix-out" and refunding of certain SRF loans and outstanding bonds. Sumitomo Mitsui Bank Corporation (SMBC), together with their affiliate, SMBC Niko Securities America, Inc. ("SMBC Nikko") submitted a proposal for a co-manager role on both transactions.

Some of the factors considered by the evaluation team, comprised of the Executive Manager of Finance & Administration/AGM, Manager of Finance & Accounting and the Agency's Financial Advisors, included;

- Firm's national and California rankings,
- Sales network capability to promote institutional and retail demand nationally and in California,
- Recommended strategy for use of interim financing and fix-out structure for the 2008B Bonds and refunding of existing debt,
- Ability to underwrite and market the Agency's securities,
- Demonstrated expertise of the professionals assigned to the Agency's team,
- Overall quality of the proposal,
- Competitive fees, and
- Understanding of the Agency's role in its service area and the regional significance of the RP-5 Expansion project.

After a careful review of the responses, staff recommends structuring underwriting teams to take advantage of their understanding of IEUA, relative strengths of the firms and their strong distribution capabilities and access to institutional and retail buyers, specifically in California.

Both Citi and J.P. Morgan are equally qualified and have significant experience structuring interim financing programs associated with WIFIA loans. Citi has served as the Agency's lead underwriter for over 20 years. J.P. Morgan has been the #1 underwriter of California water/wastewater bonds since 2015. The lead banker for J.P. Morgan, a former Director of PFM, served as the Agency's financial advisor for several years. SMBC Nikko is also well-suited to serve as co-manager given their strong credit support of the Agency's Series 2008B Variable Rate Demand Revenue Refunding Bonds since January 2016 and familiarity with the Agency's outstanding debt obligations.

In consideration of the above factors, it is recommended that following firms be approved as part of the Agency's underwriting teams;

Table 1: Recommended Underwriting Teams

Transaction	*Estimated Par Amount	Firm	Role
Interim Financing	\$195 million	J.P. Morgan	Lead Manager
		Citi	Co-Manager
		SMBC Nikko	Co-Manager
2008B Bonds Fix-Out and Refunding of Existing Debt	\$74 million	Citi	Lead Manager
		J.P. Morgan	Co-Manager

*Subject to change based on market conditions.

Based on the estimated financing par amount and negotiated fees, total underwriting fees and expenses are estimated to be under 0.50% of the total par amount of \$269 million. These costs and other related issuance costs, such as bond counsel and financing advisory fees, will be included in the final par amount and annual debt service costs.

Staff recommends the Board approve the Underwriting Teams as summarized in Table 1.

**ACTION
ITEM**

3B

Date: May 6, 2020

To: The Honorable Board of Directors

From: Shivaji Deshmukh, General Manager *SD*

Committee:

Executive Contact: Christina Valencia, Executive Manager of Finance & Administration/AGM

Subject: Deferral of Monthly Wastewater Equivalent Dwelling Unit Rate for Fiscal Year 2020/21

Executive Summary:

On November 20, 2019, the Board approved monthly Wastewater Equivalent Dwelling Unit Rates (EDU) for Fiscal Years 2020/21 and 2021/22, as requested by member agencies and unanimously recommended by the Regional Committees. Since then, the outbreak of the COVID-19 pandemic and the drastic measures undertaken at the federal, state and local levels to contain the spread of the virus have significantly altered our lives, our communities and our economy. While it is still too early to quantify the economic impact this crisis will have on our member agencies and the communities we serve, economists worry the longer this disruption lasts, the more likely it is for an economic recession.

The current pandemic associated to COVID-19 has created uncertainty in many communities and the Agency service area is no exception in these unprecedented times. In an effort to mitigate the fiscal impact to our ratepayers, and address concerns already raised by some of member agencies, staff prepared an evaluation for the Board to consider a deferral on the effective date for the monthly wastewater EDU rate adopted in November 2019 for fiscal year 2020/21. The evaluation considered two options; Option 1 Six Month Deferral: Defer the effective date of the adopted rate for FY 2020/21 from July 1, 2020 to January 1, 2021, or Option 2 Twelve Month Deferral: Maintain the current rate unchanged in FY 2020/21, and implement the rate as adopted for FY 2021/22 effective July 1, 2021.

Staff's Recommendation:

Adopt Resolution 2020-5-1, to approve Option 1 and defer the effective date of adopted \$20.60 monthly wastewater EDU rate for FY 2020/21 from July 1, 2020 to January 1, 2021.

Budget Impact *Budgeted (Y/N):* N *Amendment (Y/N):* Y *Amount for Requested Approval:*

Account/Project Name:

Fiscal Impact (explain if not budgeted):

The revenue shortfall will be covered by a combination of deferral of non-critical projects and expenses, and the use of Operating Contingency to support essential operating and capital costs not recovered by rates.

Prior Board Action:

On November 20, 2019, the Board of Directors approved resolution 2019-11-2 adopting multi-year EDU rates for FYs 2020/21 from \$20.00 per EUD to \$20.60 and \$21.22 per EDU for FY 2021/22.

Environmental Determination:

Not Applicable

Business Goal:

The deferral of the monthly EDU Rates for FY 2020/21 is consistent with the IEUA Business Goals of Fiscal Responsibility, Water Reliability, Wastewater Management, Environmental Stewardship, and Business Practices to support the Agency service area in a reliable manner.

Attachments:

Attachment 1 - Background

Attachment 2 - PowerPoint

Attachment 3 - Resolution 2020-5-1

Background

Subject: Deferral of Monthly Wastewater Equivalent Dwelling Unit Rate for Fiscal Year 2020/21

In November 20, 2019, the Board adopted the monthly Wastewater Equivalent Dwelling Unit (EDU) Rate for Fiscal Years 2020/21 and 2021/22, as requested by member agencies and unanimously recommended by the Regional Committees.

Table 1. Adopted Monthly EDU Rate

Program	Rate Description	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
		Current	Adopted November 2019		Proposed		
	Effective Date		Jul 1, 2020	July 1, 2021			
Regional Wastewater	Monthly EDU	\$20.00	\$20.60	\$21.22	To be updated after completion of Pilot Return to Sewer Study and subsequent EDU analysis (Estimated completion date: Spring 2023)		

Since then, the outbreak of the COVID-19 pandemic and the drastic measures undertaken at the federal, state, and local levels to contain the spread of the virus have significantly altered our lives, our communities, and our economy. While it is still too early to quantify the economic impact this crisis will have on our member agencies and the communities we serve, economists worry the longer this disruption lasts, the more likely it is for an economic recession. With millions filing for unemployment as businesses are forced to shut down and the measures taken by the State to mitigate the fiscal impact to residents; utility providers may experience a high level of delinquencies.

In an effort to mitigate the fiscal impact to our ratepayers, and address concerns already raised by some of our member agencies, staff prepared an evaluation for the Board to consider a deferral on the monthly EDU rate adopted in November 2019 for fiscal year 2020/21.

The evaluation considered two options;

- **Option 1 Six Month Deferral:** Defer the effective date of the adopted rates for FY 2020/21 from July 1, 2020 to January 1, 2021. Implement the rate as adopted for FY 2021/22 effective July 1, 2021; or
- **Option 2 Twelve Month Deferral:** Maintain the current rate unchanged for FY 2020/21. Implement the rate as adopted for FY 2021/22 effective July 1, 2021.

The revenue shortfall to the Regional Wastewater Operations and Maintenance fund is estimated to be \$1,000,000 for Option 1 and \$2,000,000 for Option 2, as reported on Table 2.

Table 2. Proposed Deferral of Adopted Monthly EDU Rate

Fiscal Year	Effective Date	Adopted Rates	Option 1	Option 2
2019	Jul 1, 2018	\$19.59		
2020	Jul 1, 2019	\$20.00		
2021	Jul 1, 2020	\$20.60	\$20.00	\$20.00
2021	Jan 1, 2021		\$20.60	
2022	Jul 1, 2021	\$21.22	\$21.22	\$21.22
2023		To be updated after completion of Pilot Return to Sewer Study and subsequent EDU analysis (Estimated completion date: Spring 2023)		
2024				
2025				
Estimated Revenue Shortfall			\$1.0 M	\$2.0M

To mitigate the impact of the estimated revenue shortfall, non-critical projects and expenses will be deferred and Operating Contingency reserves will be used to support essential operating and capital costs not recovered by rates. Consistent with the Board adopted Reserve Policy, Operating Contingency reserves can only be drawn upon if the Agency's operating revenues are not sufficient to pay operating expenses. Draws from these reserves shall be replenished within twelve months after use.

Three of the seven contracting member agencies, cities of Chino, Chino Hills, and Fontana, have initiated a Proposition 218 (Prop 218) to implement the Agency's adopted EDU rates and adjust their local service rates. Public hearings for the cities of Chino Hills and Fontana are scheduled for May 12, 2019. The city of Chino is delaying their Prop 218 until July 2020. The city of Upland adopted local service rates through FY 2020/21 and reported that they will be reducing their local service rate to absorb the Agency's adopted rate increase for FY 2020/21. The remaining three member agencies adopted local service rates through FY 2022/23 and FY 2023/24 and included an allowance to support IEUA increases for those fiscal years. Pursuant to Prop 218 requirements, these three member agencies are only required to notify their ratepayers of the rate change thirty days prior to the effective date.

Based on the estimated revenue shortfall, staff recommends Option 1; a deferral of the effective date from July 1, 2020 to January 1, 2021 for the adopted monthly wastewater EDU rate. Should the Board approve Option 1 or 2, the three member agencies with Prop 218 already underway, may elect to suspend their process and defer their rate increases in alignment with the Agency.

In addition to the monthly EDU rate, the 2020 Rate Study Update also included a review of the Agency's connection fees, recycled water rates, and meter equivalent unit (MEU) rates. The proposed rates and fees are summarized on Table 3.

Table 3. Proposed Rates

Program	Rate Description	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
		Current	Proposed				
Regional Wastewater	Wastewater Connection Fee per EDU	\$6,955	\$7,164	\$7,379	To be updated after completion of Pilot Return to Sewer Study and subsequent EDU analysis (Estimated completion date: Spring 2023)		
Water Resources	Monthly MEU	\$1.04	\$1.06	\$1.08	\$1.10	\$1.12	\$1.14
Recycled Water	Water Connection Fee per MEU	\$1,684	\$1,735	\$1,787	\$1,841	\$1,896	\$1,953
	Direct Delivery Use per /21AF	\$490	\$505	\$520	Limited to 2 years to continue rate-structure evaluation		
	Groundwater Recharge per AF	\$550	\$565	\$580			

In addition to the monthly EDU rate, the Board may also want to consider options to defer the proposed increases for the connection fees, recycled water rates, and meter equivalent unit (MEU) rates listed on Table 3. An overview of the estimated fiscal impact of deferring the proposed rate increases for Fiscal Years 2020/21 and 2021/22, including the adopted monthly wastewater EDU rate, is summarized on Table 4.

Table 4. Estimated Fiscal Impact of Deferring Proposed Rates for FYs 2020/21 and 2021/22

Program	Rate/Fee	Option 1 6 months Deferral	Option 2 12 months Deferral
Wastewater Operations	Monthly Wastewater EDU rate	\$1,020,000	\$2,040,000
Wastewater Capital	Wastewater Connection fee	\$418,000	\$836,000
Water Resources	Monthly MEU rate	\$47,000	\$94,000
Recycled Water	Water Connection fee	\$120,000	\$240,000
Recycled Water	Recycled Water rates	\$240,000	\$480,000
Total Estimated Revenue Shortfall		\$1,845,000	\$3,690,000

Based on the estimated revenue shortfall, staff recommends Option 1 to defer the effective date from July 1, 2020 to January 1, 2021 for the proposed connection fees, recycled water rates, and

meter equivalent unit (MEU) rates. The estimated revenue shortfall will be offset by a combination of delaying non-critical projects and expenses and the use of Operating Contingency reserves. Staff will include the Board's recommendation for the proposed connection fees, recycled water rates, and meter equivalent unit (MEU) rates as part of the FY 2020/21 proposed budget amendment for the Regional Wastewater Capital Improvement Fund, Recycled Water and Water Resources programs for the Board's consideration at the June Board meeting.

Proposal to Defer Effective Date of FY 2020/21 Rates and Fees

Rate Summary

Program	Rate Description	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
		Current	Adopted November 2019		Proposed		
Regional Wastewater	Monthly EDU	\$20.00	\$20.60	\$21.22	To be updated after completion of Pilot Return to Sewer Study and subsequent EDU analysis (Estimated completion date: Spring 2023)		
	Wastewater Connection Fee per EDU	\$6,955	\$7,164	\$7,379			
Water Resources	Monthly MEU	\$1.04	\$1.06	\$1.08	\$1.10	\$1.12	\$1.14
Recycled Water	Water Connection Fee per MEU	\$1,684	\$1,735	\$1,787	\$1,841	\$1,896	\$1,953
	Direct Delivery Use per AF	\$490	\$505	\$520	Limited to 2 years to continue rate-structure evaluation		
	Groundwater Recharge per AF	\$550	\$565	\$580			

Wastewater Monthly EDU Rate

Member Agency Status of IEUA Pass-Through EDU Rate

Agency	Status	Adopted Rates	Outreach
Chino	In process, need to increase local service rate, but can defer to align with IEUA effective date. Deferring Prop 218 Notice to July.	FY 2022/23	Prop 218
Chino Hills	In process, includes an increase to local service rate. Currently in the 45-day period. Public hearing set for May 12. Council has asked staff to bring back rates with an effective date of January 1.	FY 2020/21 – 2024/25	Prop 218
Montclair	Adopted 5-year rates beginning FY 2019/20. Included a 5% annual allowance for IEUA pass-through.	FY 2023/24	30-day Notification
Fontana	In process, includes an increase to local service rate, (FYs 20/21 – 24/25). Public hearing is set for May 12. Property tax roll data due in August.		Prop 218
Ontario	Adopted 4-year rates beginning FY 2019/20. Included a 10% annual allowance for IEUA pass-through.	FY 2022/23	30-day Notification
Upland	Will reduce local rate to absorb IEUA increase. Will need to increase rates in FY 2021/22.	FY 2020/21	None
CVWD	Adopted 5-year rates beginning FY 2019/20. Included a 30% annual allowance for IEUA pass-through.	FY 2023/24	30-day Notification

Proposed Options to Defer Rate Increases

	Monthly Sewer per EDU	Wastewater Connection Fee per EDU	Monthly per MEU	Water Connection Fee per MEU	Direct Delivery Use per AF	Groundwater Recharge per AF
Option 1	6 months Deferral <ul style="list-style-type: none"> FY 2020/21 defer effective date to January 1, 2021. No change to future fiscal year adopted / proposed rate increases 					
Option 2	12 months Deferral <ul style="list-style-type: none"> FY 2020/21 maintain current rates/fees unchanged FY 2021/22 <ul style="list-style-type: none"> Monthly EDU rate implement adopted rate effective July 1, 2021 All other rates and fees, adjust proposed increase to recover revenue shortfall from prior fiscal year deferral 					

Monthly Wastewater EDU Rate

\$/Equivalent Dwelling Unit (EDU)

			3%	0%-3%, 3%	0%, 6%	
Fiscal Year Ending June 30	Effective date	Adopted Rates	Adopted Rates	Option 1	Option 2	Projected Annual EDUs
2019	Jul 1, 2018	\$19.59				3,428,579
2020	Jul 1, 2019	\$20.00				3,389,878
2021	Jul 1, 2020		\$20.60	\$20.00	\$20.00	3,398,353
2021	Jan 1, 2021			\$20.60		
2022	Jul 1, 2021		\$21.22	\$21.22	\$21.22	3,406,849
2023			To be updated after completion of Pilot Return to Sewer Study and subsequent EDU analysis. (Estimated completion date: Spring 2023)			3,415,366
2024						3,423,928
2025						3,432,464
Estimated Revenue Shortfall				\$1.0 M	\$2.0M	

Wastewater Connection Fee \$/EDU

			3%	0%-3%, 3%	0%, 6%		
Fiscal Year Ending June 30	Effective date	Adopted Rates	Current Proposal	Option 1	Option 2		Projected New EDUs
2019	Jul 1, 2018	\$6,624					3,459
2020	Jul 1, 2019	\$6,955					4,000
2021	Jul 1, 2020		\$7,164	\$6,955	\$6,955		4,000
2021	Jan 1, 2021			\$7,164			
2022	Jul 1, 2021		\$7,379	\$7,379	\$7,379		4,000
2023			To be updated after completion of Pilot Return to Sewer Study and subsequent EDU analysis. (Estimated completion date: Spring 2023)				3,500
2024							3,500
2025							3,500
Estimated Revenue Shortfall			-	\$418,000	\$836,000		

Water Resources Monthly Rate \$/Meter Equivalent Unit (MEU)

			2%	0%-2%, 2%	0%, 4%, 2%		
Fiscal Year Ending June 30	Effective date	Adopted Rates	Current Proposal	Option 1	Option 2		Projected Annual MEUs
2019	Jul 1, 2018	\$0.99					4,865,664
2020	Jul 1, 2019	\$1.04					4,717,428
2021	Jul 1, 2020		\$1.06	\$1.04	\$1.04		4,731,580
2021	Jan 1, 2021			\$1.06			
2022	Jul 1, 2021		\$1.08	\$1.08	\$1.08		4,745,775
2023			\$1.10	\$1.10	\$1.10		4,760,012
2024			\$1.12	\$1.12	\$1.12		4,774,292
2025			\$1.14	\$1.14	\$1.14		4,788,615
Estimated Revenue Shortfall			-	\$ 47,000	\$ 94,000		

Water Connection Fee \$/MEU

			3%	0%-3%, 3%	0%, 6%		
Fiscal Year Ending June 30	Effective date	Adopted Rates	Current Proposal	Option 1	Option 2		Projected New MEUs
2019	Jul 1, 2018	\$1,604					4,800
2020	Jul 1, 2019	\$1,684					4,700
2021	Jul 1, 2020		\$1,735	\$1,684	\$1,684		4,700
2021	Jan 1, 2021			\$1,735			
2022	Jul 1, 2021		\$1,787	\$1,787	\$1,787		4,700
2023			\$1,841	\$1,841	\$1,841		4,700
2024			\$1,896	\$1,896	\$1,896		4,700
2025			\$1,953	\$1,953	\$1,953		4,700
Revenue shortfall			-	\$120,000	\$240,000		

Recycled Water Direct Use Rate \$/Acre Foot (AF)

				3%	0%-3%, 3%	0%, 6%		
Fiscal Year Ending June 30	Effective date	Adopted Rates	Rate Study Evaluation	Current Proposal	Option 1	Option 2		Projected Direct Use AF
2019	Jul 1, 2018	\$480						16,135
2020	Jul 1, 2019	\$490						18,500
2021	Jul 1, 2020		Evaluation of fixed and variable rate structure	\$505	\$490	\$490		19,000
2021	Jan 1, 2021				\$505			
2022	Jul 1, 2021			\$520	\$520	\$520		19,000
2023				Limited to 2 years to continue rate- restructure evaluation				19,000
2024								19,000
2025								19,400
Estimated Revenue Shortfall			-	-	\$ 143,000	\$ 286,000		

Recycled Water Recharge Rate \$/AF

				3%	0%-3% 3%	0%, 6%		
Fiscal Year Ending June 30	Effective Date	Adopted Rates	Rate Study Evaluation	Current Proposal	Option 1	Option 2		Projected Recharge AF
2019	Jul 1, 2018	\$540						11,542
2020	Jul 1, 2019	\$550						12,700
2021	Jul 1, 2020		Evaluation of fixed and variable rate structure	\$565	\$550	\$550		12,900
2021	Jan 1, 2021				\$565			
2022	Jul 1, 2021			\$580	\$580	\$580		13,100
2023				Limited to 2 years to continue rate-restructure evaluation				13,800
2024								13,800
2025								13,800
Estimated Revenue Shortfall: Recharge				-	\$ 97,000	\$194,000		
Estimated Revenue Shortfall: Direct Use				-	<u>\$143,000</u>	<u>\$286,000</u>		
Total Estimated Revenue Shortfall					\$ 240,000	\$480,000		

Total Estimated Revenue Shortfall

Revenue shortfall will be offset by a combination of:

- Deferral of non-critical projects expenses, and
- Use of Operating Contingency reserves

Agency Program	Rate/Fee	Option 1 6 Month Deferral	Option 2 12 Month Deferral
Regional Wastewater	Monthly Wastewater EDU rate	\$1,020,000	\$2,040,000
	Wastewater Connection fee	\$418,000	\$836,000
Water Resources	Monthly MEU rate	\$47,000	\$94,000
Recycled Water/Water Resources	Water Connection fee	\$120,000	\$240,000
Recycled Water	Recycled Water rates	<u>\$240,000</u>	<u>\$480,000</u>
Total Estimated Revenue Shortfall		\$1,845,000	\$3,690,000

Recommendation

- Adoption of Resolution 2020-05-01 to approve Option 1 and defer the effective date of the adopted \$20.60 monthly wastewater EDU rate for FY 2020/21 from July 1, 2020 to January 1, 2021.

RESOLUTION NO. 2020-5-1

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, REVISING THE ESTABLISHED SERVICE RATES FOR IMPROVEMENT DISTRICT "C" FOR FISCAL YEAR 2020/21 THROUGH YEAR 2021/22

WHEREAS, the Board of Directors approved on November 20, 2019 the monthly wastewater Equivalent Dwelling Unit (EDU) for Fiscal Years 2020/21 and 2021/22, as requested by member agencies and unanimously recommended by the Regional Committees;

WHEREAS, since the approval of the rates, the outbreak of the COVID-19 pandemic and the drastic measures undertaken at the federal, state, and local levels to contain the spread of the virus have significantly altered our lives, our communities, and our economy;

WHEREAS, the Board of Directors is aware of the potential economic impact this pandemic may have on member agencies and communities we serve:

NOW, THEREFORE, the Board of Directors hereby RESOLVES, DETERMINES, AND ORDERS the following on the equivalent dwelling unit (EDU) rates,

Section 1. Effective January 1, 2021, the total service rate for the operation and maintenance of the regional sewage system and the treatment of the domestic sewage, shall be \$20.60 per equivalent dwelling unit (EDU) per month.

Section 2. Effective July 1, 2021, the total service rate for the operation and maintenance of the regional sewage system and the treatment of the domestic sewage shall be \$21.22 per equivalent dwelling unit (EDU) per month.

Section 6. The provisions of the Regional Sewage Service Contract and any amendments thereto are hereby applicable and will remain in full force and effect.

Section 7. That upon the effective date of this Resolution, Resolution No. 2019-11-2 is hereby rescinded.

ADOPTED this 6th day of May, 2020.

Kati Parker, President of the Inland
Empire Utilities Agency* and of the
Board of Directors thereof

ATTEST:

Steven J. Elie, Secretary of the Inland Empire
Utilities Agency* and of the Board
of Directors thereof

* A Municipal Water District

STATE OF CALIFORNIA)
)SS
COUNTY OF SAN BERNARDINO)

I, Steven J. Elie, Secretary/Treasurer of the Inland Empire Utilities Agency*, DO
HEREBY CERTIFY that the foregoing Resolution being No. 2020-5-1 was adopted at a Board
Meeting on May 6, 2020, of said Agency by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Steven J. Elie, Secretary/Treasurer of
the Inland Empire Utilities Agency*
and of the Board of Directors thereof

(SEAL)

* A Municipal Water District

**ACTION
ITEM**

3C

Date: May 6, 2020

To: The Honorable Board of Directors

From: Shivaji Deshmukh, General Manager *SD*

Committee:

Executive Contact: Shivaji Deshmukh, General Manager

Subject: Adoption of Resolution No. 2020-5-3, Amending the 2018 - 2021 Memorandums of Understanding for All Groups

Executive Summary:

Agency employees must use accrued floating holiday hours by June 30th of each fiscal year or forfeit any unused hours. Eligible employees have the option of cashing out up to seventy percent (70%) of their annual accrued vacation hours once a year.

Due to the challenges facing employees from the coronavirus pandemic, the Agency has engaged with the bargaining units to provide members with some measure of relief and enhanced benefits to aid and support employees during the present situation. The Agency and all Units have reached an agreement to amend the 2018 - 2021 Memorandums of Understanding (MOUs) to provide two additional benefits. These benefits will be extended to the Unrepresented and Executive employee groups as well.

They are as follows:

1. Rollover unused floating holiday hours into FY 2020/2021.
2. Provide employees with a special one-time option of cashing out up to 70% of their vacation leave balance.

Staff's Recommendation:

Adopt Resolution No. 2020-5-3, approving an amendment to the 2018-2021 Memorandums of Understanding for the General Unit, Laboratory Unit, Operators' Association, Professional Unit, and Supervisors' Unit Employees, by adopting a Side Letter of Agreement.

Budget Impact Budgeted (Y/N): N Amendment (Y/N): N Amount for Requested Approval:

Account/Project Name:

Fiscal Impact (explain if not budgeted):

Funding is appropriated in the FY 2019/20 and 2020/21 Budget.

Prior Board Action:

On August 1, 2018, the Board of Directors approved a Memorandums of Understanding for the General Unit, Laboratory Unit, Professional Unit, and Supervisors' Unit Employees.

On August 15, 2018, the Board of Directors approved a Memorandum of Understanding for the Operators' Association Employees.

Environmental Determination:

Not Applicable

Business Goal:

Workplace Environment: IEUA is committed to providing a dynamic work environment with a highly skilled and dedicated workforce.

Attachments:

Attachment 1 - Resolution No. 2020-5-3 with the following side letters:

- Side Letter of Agreement between IEUA and the General Unit
- Side Letter of Agreement between IEUA and the Laboratory Unit
- Side Letter of Agreement between IEUA and the Operators' Association
- Side Letter of Agreement between IEUA and the Professional Unit
- Side Letter of Agreement between IEUA and the Supervisors' Unit

RESOLUTION NO. 2020-5-3

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND
EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY,
CALIFORNIA, APPROVING AN AMENDMENT TO THE 2018 - 2021
MEMORANDUM OF UNDERSTANDING FOR THE GENERAL UNIT,
LABORATORY UNIT, OPERATORS' ASSOCIATION, PROFESSIONAL
UNIT, AND SUPERVISORS' UNIT EMPLOYEES, BY ADOPTING A SIDE
LETTER OF AGREEMENT**

WHEREAS, the Board of Directors of the Inland Empire Utilities Agency* approved a Memorandum of Understanding for the General Unit, Laboratory Unit, Professional Unit, and Supervisors' Unit Employees on August 1, 2018 and the Operators' Association Employees on August 15, 2018, and

WHEREAS, the representatives of the Agency have met and conferred with duly authorized representatives of the General Unit, Laboratory Unit, Operators' Association, Professional Unit, and Supervisors' Unit regarding the proposed amendment to the MOU and reached consensus via a side letter of agreement, and

WHEREAS, this Agreement would provide for the following change: provide unit members the benefit of rolling over unused floating holiday hours into fiscal year 2020/2021 and a one-time special vacation cash out option due to coronavirus circumstances.

WHEREAS, the Agency also adopts the same resolution for the Unrepresented and Executive Management Personnel Manuals.

NOW, THEREFORE, the Board of Directors of the Inland Empire Utilities Agency* does hereby RESOLVE, DETERMINE AND ORDER as follows:

Section 1. The Side Letter of Agreement between the Inland Empire Utilities Agency and the General Unit, Laboratory Unit, Operators' Association, Professional Unit, and Supervisors' Unit Employees is hereby adopted and set forth in Exhibit "1" of this resolution.

Section 2. That this Board of Directors does hereby order that the General Unit, Laboratory Unit, Operators' Association, Professional Unit, and Supervisors' Unit Side Letter of Agreement be included herein as part of the Units Memorandum of Understanding.

ADOPTED the 6th day of May, 2020.

Kati Parker
President of the Inland Empire
Utilities Agency* and of the
Board of Directors thereof

ATTEST:

Steven J. Elie
Secretary/Treasurer of the Inland Empire
Utilities Agency* and of the
Board of Directors thereof

*A Municipal Water District

STATE OF CALIFORNIA)
COUNTY OF) SS
SAN BERNARDINO)

I, Steven J. Elie, Secretary/Treasurer of the Inland Empire Utilities Agency*, DO
HEREBY CERTIFY that the foregoing Resolution being No. 2020-5-3, was adopted at a regular
Board Meeting on May 6, 2020, of said Agency by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Steven J. Elie
Secretary/Treasurer of the Inland Empire
Utilities Agency* and of the
Board of Directors thereof

*A Municipal Water District

Side Letter of Agreement
Between
The Inland Empire Utilities Agency
And
The General Employees' Association, General Unit

The Inland Empire Utilities Agency (Agency) and The General Employees' Association, the General Unit (GU) have agreed to the following amendments to the Memorandum of Understanding (MOU) which is in effect for the period of July 1, 2018 through June 30, 2021.

Section 13.05 (Holidays) is hereby amended as follows to include:

- I. Unused Floating Holidays. All unused floating holiday hours that were accrued during the 2019-2020 fiscal year shall not be forfeited if not used on or prior to June 30, 2020. All unused floating holiday hours that were accrued during the 2019-2020 fiscal year shall be rolled over to the 2020-2021 fiscal year. All unused floating holiday hours for the 2019-2020 fiscal year and the newly accrued floating holidays for the 2020-2021 fiscal year shall be forfeited if not used on or prior to June 30, 2021.

Section 13.06 (Vacation Leave) is hereby amended as follows to include:

- N. COVID-19 Vacation Leave Cash Out. A one-time, pandemic-related, vacation leave cash out shall be offered by the Agency during the final week of April 2020. All employees who accrue vacation hours shall be eligible to cash out accrued vacation hours. An employee may cash out, up to seventy (70) percent of their accrued vacation leave balance, as of April 18, 2020. Vacation cash out election forms shall be due to payroll no later than May 21, 2020. Vacation cash out payments shall be included on the regular payroll paycheck of June 5, 2020.

The effective date of the is agreement shall be April 23, 2020.

The Parties hereto have caused this Side Letter of Agreement to be executed on the 23rd day of April 2020.

BY: Thomas Swezey #0634

DATE: April 22, 2020

Thomas Swezey
General Employees' Association President

BY: _____

DATE: _____

Shivaji Deshmukh P.E.
IEUA General Manager

Side Letter of Agreement
Between
The Inland Empire Utilities Agency
And
The Laboratory Unit

The Inland Empire Utilities Agency (Agency) and The Laboratory Unit (LU) have agreed to the following amendments to the Memorandum of Understanding (MOU) which is in effect for the period of July 1, 2018 through June 30, 2021.

Section 12.04 (Holidays) is hereby amended as follows to include:

- K. Unused Floating Holidays. All unused floating holiday hours that were accrued during the 2019-2020 fiscal year shall not be forfeited if not used on or prior to June 30, 2020. All unused floating holiday hours that were accrued during the 2019-2020 fiscal year shall be rolled over to the 2020-2021 fiscal year. All unused floating holiday hours for the 2019-2020 fiscal year and the newly accrued floating holidays for the 2020-2021 fiscal year shall be forfeited if not used on or prior to June 30, 2021.

Section 12.05 (Vacation Leave) is hereby amended as follows to include:

- N. COVID-19 Vacation Leave Cash Out. A one-time, pandemic-related, vacation leave cash out shall be offered by the Agency during the final week of April 2020. All employees who accrue vacation hours shall be eligible to cash out accrued vacation hours. An employee may cash out, up to seventy (70) percent of their accrued vacation leave balance, as of April 18, 2020. Vacation cash out election forms shall be due to payroll no later than May 21, 2020. Vacation cash out payments shall be included on the regular payroll paycheck of June 5, 2020.

The effective date of the is agreement shall be April 23, 2020.

The Parties hereto have caused this Side Letter of Agreement to be executed on the 23rd day of April 2020.

BY: Krystle Suetani
Krystle Suetani
The Laboratory Unit President

DATE: 4/22/2020

BY: _____
Shivaji Deshmukh P.E.
IEUA General Manager

DATE: _____

Side Letter of Agreement

Between

The Inland Empire Utilities Agency

And

The Inland Empire Operators' Association

The Inland Empire Utilities Agency (Agency) and The Inland Empire Operators' Association (IEOA) have agreed to the following amendments to the Memorandum of Understanding (MOU) which is in effect for the period of July 1, 2018 through June 30, 2021.

Section 11.04 (Holidays) is hereby amended as follows to include:

- H. Unused Floating Holidays. All unused floating holiday hours that were accrued during the 2019-2020 fiscal year shall not be forfeited if not used on or prior to June 30, 2020. All unused floating holiday hours that were accrued during the 2019-2020 fiscal year shall be rolled over to the 2020-2021 fiscal year. All unused floating holiday hours for the 2019-2020 fiscal year and the newly accrued floating holidays for the 2020-2021 fiscal year shall be forfeited if not used on or prior to June 30, 2021.

Section 11.05 (Vacation Leave) is hereby amended as follows to include:

- N. COVID-19 Vacation Leave Cash Out. A one-time, pandemic-related, vacation leave cash out shall be offered by the Agency during the final week of April 2020. All employees who accrue vacation hours shall be eligible to cash out accrued vacation hours. An employee may cash out, up to seventy (70) percent of their accrued vacation leave balance, as of April 18, 2020. Vacation cash out election forms shall be due to payroll no later than May 21, 2020. Vacation cash out payments shall be included on the regular payroll paycheck of June 5, 2020.

The effective date of the is agreement shall be April 23, 2020.

The Parties hereto have caused this Side Letter of Agreement to be executed on the 23rd day of April 2020.

BY: VHR575

DATE: 22 April 2020

Victor Rodriguez
The Inland Empire Operators' Association President

BY: _____

DATE: _____

Shivaji Deshmukh P.E.
IEUA General Manager

Side Letter of Agreement
Between
The Inland Empire Utilities Agency
And
The Professional Unit

The Inland Empire Utilities Agency (Agency) and The Professional Unit (PU) have agreed to the following amendments to the Memorandum of Understanding (MOU) which is in effect for the period of July 1, 2018 through June 30, 2021.

Section 13.04 (Holidays) is hereby amended as follows to include:

- G. Unused Floating Holidays. All unused floating holiday hours that were accrued during the 2019-2020 fiscal year shall not be forfeited if not used on or prior to June 30, 2020. All unused floating holiday hours that were accrued during the 2019-2020 fiscal year shall be rolled over to the 2020-2021 fiscal year. All unused floating holiday hours for the 2019-2020 fiscal year and the newly accrued floating holidays for the 2020-2021 fiscal year shall be forfeited if not used on or prior to June 30, 2021.

Section 13.05 (Vacation Leave) is hereby amended as follows to include:

- O. COVID-19 Vacation Leave Cash Out. A one-time, pandemic-related, vacation leave cash out shall be offered by the Agency during the final week of April 2020. All employees who accrue vacation hours shall be eligible to cash out accrued vacation hours. An employee may cash out, up to seventy (70) percent of their accrued vacation leave balance, as of April 18, 2020. Vacation cash out election forms shall be due to payroll no later than May 21, 2020. Vacation cash out payments shall be included on the regular payroll paycheck of June 5, 2020.

The effective date of the is agreement shall be April 23, 2020.

The Parties hereto have caused this Side Letter of Agreement to be executed on the 23rd day of April 2020.

BY: Glenn Edwards 1173

DATE: 4/22/2020

Glenn Edwards
The Professional Unit Acting President/Vice President

BY: _____

DATE: _____

Shivaji Deshmukh P.E.
IEUA General Manager

Side Letter of Agreement
Between
The Inland Empire Utilities Agency
And
The Supervisors' Unit

The Inland Empire Utilities Agency (Agency) and The Supervisors' Unit (SU) have agreed to the following amendments to the Memorandum of Understanding (MOU) which is in effect for the period of July 1, 2018 through June 30, 2021.

Section 13.04 (Holidays) is hereby amended as follows to include:

- F. Unused Floating Holidays. All unused floating holiday hours that were accrued during the 2019-2020 fiscal year shall not be forfeited if not used on or prior to June 30, 2020. All unused floating holiday hours that were accrued during the 2019-2020 fiscal year shall be rolled over to the 2020-2021 fiscal year. All unused floating holiday hours for the 2019-2020 fiscal year and the newly accrued floating holidays for the 2020-2021 fiscal year shall be forfeited if not used on or prior to June 30, 2021.

Section 13.05 (Vacation Leave) is hereby amended as follows to include:

- O. COVID-19 Vacation Leave Cash Out. A one-time, pandemic-related, vacation leave cash out shall be offered by the Agency during the final week of April 2020. All employees who accrue vacation hours shall be eligible to cash out accrued vacation hours. An employee may cash out, up to seventy (70) percent of their accrued vacation leave balance, as of April 18, 2020. Vacation cash out election forms shall be due to payroll no later than May 21, 2020. Vacation cash out payments shall be included on the regular payroll paycheck of June 5, 2020.

The effective date of the is agreement shall be April 23, 2020.

The Parties hereto have caused this Side Letter of Agreement to be executed on the 23rd day of April 2020.

BY: Lucia Diaz #971

Lucia Diaz
The Supervisors' Unit President

DATE: 4/12/2020

BY: _____

Shivaji Deshmukh P.E.
IEUA General Manager

DATE: _____