



**MINUTES OF THE REGULAR
MEETING OF
THE BOARD OF DIRECTORS
OF
THE INLAND EMPIRE UTILITIES AGENCY*
WEDNESDAY, JUNE 18, 2014
10:00 A.M.**

DIRECTORS PRESENT:

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

STAFF PRESENT:

P. Joseph Grindstaff, General Manager
Christina Valencia, Chief Financial Officer/Assistant General Manager
Ernest Yeboah, Executive Manager of Operations/Assistant General Manager
Adham Almasri, Senior Engineer
Blanca Arambula, Deputy Manager of Human Resources
Kathleen Baxter, Supervisor of Contracts & Programs Administration
Kathryn Besser, Manager of External Affairs
Sharmeen Bhojani, Manager of Human Resources
Arin Boughan, Marketing Coordinator
Andrea Carruthers, Community Outreach & Education Coordinator II
Javier Chagoyen-Lazaro, Manager of Finance & Accounting
Tina Cheng, Budget Officer
Jason Gu, Grants Officer
Paula Hooven, Senior Financial Analyst
Julio Im, Senior Associate Engineer
Sylvie Lee, Manager of Planning and Environmental Compliance
Alex Lopez, Senior Financial Management Analyst
Liza Munoz, Senior Office Engineer
Sapna Nangia, Senior Internal Auditor
Craig Parker, Manager of Engineering
Jason Pivovarov, Senior Associate Engineer
Craig Proctor, Pretreatment and Source Control Supervisor
Jessica Sarmiento, Financial Analyst
Jeannette Smith, Accountant
Peter Soelter, Senior Internal Auditor IEUA Temp
Teresa Velarde, Manager of Internal Audit
Jeff Ziegenbein, Deputy Manager of Operations and Organic Management
April Woodruff, Board Secretary/Office Manager

OTHERS PRESENT:

Jack Allingham
John Bosler, CVWD
Jean Cihigoyenette, Cihigoyenette Grossberg & Clouse
Monica Greenberg, CSDA
Ryan Shaw, City of Ontario
Kathy Tiegs, CSDA

A regular meeting of the Board of Directors of the Inland Empire Utilities Agency* was held at the office of the Agency, 6075 Kimball Avenue, Bldg. A, Chino, California on the above date.

President Catlin called the meeting to order at 10:04 a.m., and he led the pledge of allegiance to the flag. A quorum was present.

President Catlin stated that members of the public may address the Board. President Catlin noted that he received a public comment request from Ms. Kathy Tiegs, Board Member of the California Special District Association.

Ms. Kathy Tiegs stated that she is here representing California Special District Association (CSDA) Board of Directors, Region 5, Seat B. She introduced Ms. Monica Greenberg from CSDA staff in Sacramento. She stated that Ms. Greenberg would like to update the IEUA on some of the greatest things that CSDA is now providing to their members. Ms. Greenberg stated that the CSDA was formed in 1969, to promote good governance and offer to their member agencies a variety of member benefits. She mentioned that there are approximately 2,300 special districts in California, and approximately 1,000 are CSDA members. Ms. Greenberg stated that the CSDA provides education and training, legal advice, industry-wide litigation, public relations support, as well as a robust education program and program development, many value added benefits and special member pricing programs, special district risk management, also many upcoming workshops, webinars, and revamped website. She mentioned the upcoming annual conference in September in Palm Springs. She also thanked the Board for their continued membership.

President Catlin asked if there were any changes/additions/deletions to the agenda. He stated that the PUBLIC HEARING AND ADOPTION OF ORDINANCE NO. 100, ESTABLISHING CLASSES OF WATER SERVICE AND REGULATING THE SALE AND DELIVERY OF IMPORTED WATER WITHIN THE IEUA SERVICE AREA, which is listed as Item # 2 on the agenda, will precede Item # 1, PUBLIC HEARING AND ADOPTION OF THE AGENCY'S BUDGET AND RATE RESOLUTIONS FOR FY 2014/15

NEW HIRE INTRODUCTIONS

General Manager P. Joseph Grindstaff introduced Ms. Kathryn Besser, Manager of External Affairs, who was hired on June 18, 2014.

Deputy Manager of Operations and Organic Management Jeff Ziegenbein introduced Mr. Arin Bougham, Marketing Coordinator, who was hired on May 27, 2014.

The Board welcomed Ms. Besser and Mr. Bougham to the IEUA team.

1. PUBLIC HEARING AND ADOPTION OF ORDINANCE NO. 100, ESTABLISHING CLASSES OF WATER SERVICE AND REGULATING THE SALE AND DELIVERY OF IMPORTED WATER WITHIN THE IEUA SERVICE AREA

President Catlin called the Public Hearing to order. President Catlin stated that the purpose of this hearing is to provide the public an opportunity to submit comments on the proposed Ordinance No. 100, establishing classes of water service and regulating the sale and delivery of imported water within the IEUA service area.

Manager of Planning and Environmental Compliance Sylvie Lee stated the purpose of the hearing and introduced the hearing panel members.

Ms. Lee stated that during the process of establishing the new water rates for the coming fiscal year, Agency staff identified revisions needed in Ordinance No. 70, which was adopted in November, 2000. She mentioned that the purpose of this Ordinance is to establish the rates for delivery of imported water and supplemental water; it promotes the conservation and reuse of water resources, and provides procedures for complying with requirements of Metropolitan Water District. Ms. Lee stated that as a result, Ordinance No. 100 has been developed to include the revisions, and upon approval, will supersede Ordinance No. 70. She stated that the main objective of the proposed Ordinance No. 100 is to include provisions to obtain funds to support the supplemental water supply sources and develop the water use efficiency program. She noted that a main revision in Ordinance No. 100 was to update the definition of the Administrative Charge to include other components such as; the O&M debt service and depreciation, and also to include the terms of Capacity Charge and Conservation Charge, which have always been included as part of the rates for the Agency's water resources plan. She also noted that a new term of Drought Charge has been added, which will allow for new programs needed to meet reduced water supplies in the region brought on by cyclical drought conditions. Ms. Lee reported that another key revision to the Ordinance No. 100 is changing the date of the meter data submission from April 1 to January 1, of each year. Ms. Lee noted that there were no comments received during Agency's review period.

President Catlin opened the Public Hearing at 10:13 a.m. President Catlin asked if there was anyone who would like to make a public comment. He also verified that there were no written comments. Hearing no comments, the Public Hearing was closed at 10:13 a.m.

Upon motion by Director Hall, seconded by Director Koopman, the motion carried (5-0):

M2014-6-2

MOVED, to adopt Ordinance No. 100, establishing classes of water service and regulating the sale and delivery of imported water within the IEUA service area.

**ORDINANCE NO. 100
ORDINANCE OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE
UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA,
ESTABLISHING CLASSES OF WATER SERVICE AND REGULATING
THE SALE AND DELIVERY OF IMPORTED WATER WITHIN THE IEUA
SERVICE AREA**

(for full text , see Ordinance Book)

With the following roll call vote:

Ayes: Hall, Elie, Camacho, Koopman, Catlin
Noes: None
Absent: None
Abstain: None

2. PUBLIC HEARING AND ADOPTION ON THE AGENCY'S BUDGET AND RATE RESOLUTIONS FOR FY 2014/15

President Catlin called the Public Hearing to order. President Catlin stated that the purpose of this hearing is to provide the public an opportunity to submit comments on the Agency's Budget and Rate Resolutions for FY 2014/15.

Chief Financial Officer/Assistant General Manager Christina Valencia stated the purpose of the hearing and introduced the hearing panel members.

Ms. Valencia mentioned that the budget process began with multiple Board workshops between January and March. She also stated that pursuant to the Regional Sewage Service Contract, was presented to the Regional Technical and Regional Policy Committees, the Regional Wastewater, Recycled Water, and Recharge Water Program, which was recently added a couple of years ago. Numerous workshops were also held for the Water Fund and NRW program. She noted that nothing significant has changed since the beginning of the budget process. Ms. Valencia gave a brief review of the proposed rates and the adopted rates, and the overall Agency Budget. She highlighted the FY 2014/15 Budget key assumptions. She stated on revenues and other funding sources, there are 3,000 new EDU connections; 3.2 million total number of billable volumetric EDU's; 32,000 AF total recycled water deliveries and 65,000 AF of imported water deliveries; 3% increase in property tax receipts; and \$13 million low interest State Revolving Fund loan and grant proceeds for the recycled water construction projects. She stated on expenses and other uses of funds, there is a permanent reduction of five full time equivalent positions; 3% COLA partially offset by an additional 1% employee funded PERS contribution rate; refunding of the unfunded accrued liabilities (UALs) for retirement benefits; retirement of high-interest bonds; and a Capital Improvement Plan based on the adopted TYCIP. Ms. Valencia reported that there is no change in the adopted rates for the Regional Wastewater and Recycled Water Program. She reported that for the Non-Reclaimable Wastewater Program, the North System is changing its rate structure based on a renegotiated contract with the County Sanitation District of Los Angeles County. She stated that there are significant increases to a handful of industries, including the Inland Empire Regional Composting Authority and the IEUA RP-1 Centrate. She reported a 4-5% increase on the South System pass-through rates. Ms. Valencia reported that a NRW workshop was held on June 5, and there were no significant concerns or issues raised from the industries. She stated that two workshops were held in May, for the Proposed Water Resource rates. Three options were presented, and the recommended option is to increase the surcharge by \$2, effective July 1, with a temporary increase of \$0.35 to the monthly meter charge to support the drought program, to be implemented next year. Ms. Valencia reviewed the overall budget. She reported there will be a total net operating deficit estimated at \$7.5 million, and operating expenses are up significantly from \$76 million to \$91 million primarily due to higher employment, chemicals, utilities, and professional services, related to R&R projects. She reported that overall there will be a decrease in total fund reserves of \$9 million, which is a result of paying down the Unfunded Liabilities and high interest rate bonds. She reported that for the Capital Improvement Program, the budget is \$29 million for next year. She stated 82% is concentrated in the Recycled Water and Wastewater Programs. Ms. Valencia gave a quick overview of the inter-fund loan. She noted that there will be a new inter-fund loan, which staff will be requesting approval from the Board today. She stated this new inter-fund loan from the Administrative Services Fund to the Water Resources Fund for \$1.2 million is needed to replenish reserves that are projected to go into a deficit next year. She reported that the Agency is trending favorably on the debt coverage ratio, compared to the Board's targets that were established in 2012. Ms. Valencia concluded her presentation by stating that there were two official comments of opposition to the rate increases for the Water Resources fund from Cucamonga Valley Water District and the City of Ontario.

President Catlin opened the Public Hearing at 10:25 a.m. President Catlin asked if there was anyone who would like to make a public comment. He also verified that there were no written comments. Hearing no comments, the Public Hearing was closed at 10:25 a.m.

Director Jasmin A. Hall mentioned that she spoke to the City of Fontana. She mentioned that there were comments from the City of Fontana that they did not agree to the rates as well.

Ms. Valencia responded that the only item that the City of Fontana had raised concern over, was the proposed re-allocation of property taxes in future years; therefore, it was not applicable to the proposed budget, as there is no change in the property tax allocation in FY 2014/15.

General Manager P. Joseph Grindstaff noted that the City of Fontana supported the Budget at the Policy Committee. He stated that he understood that the City of Fontana was concerned about the re-allocation of property taxes for future years, and that he assured them there will be opportunities to discuss budget changes for future years prior to adoption.

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

M2014-6-3

MOVED, to adopt Resolution No. 2014-6-1, approving the Agency's FY 2014/15 budget, including the Agency-wide and departmental goals and objectives as outlined in the Budget; and Rate Resolution Nos. 2014-6-2 through 2014-6-9, and 2014-6-13.

RESOLUTION NO. 2014-6-1

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, APPROVING AND ADOPTING ITS BUDGET FOR FISCAL YEAR 2014/2015 *(for full text, see Resolution Book)*

RESOLUTION NO. 2014-6-2

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING INITIAL AND MONTHLY CAPACITY CHARGES, VOLUMETRIC CHARGES, EXCESS STRENGTH CHARGES, CAPITAL IMPROVEMENT PROJECT (CIP) CHARGES, IEUA ADMINISTRATIVE CHARGES, APPLICATION AND WASTEWATER DISCHARGE PERMIT APPLICATION FEES FOR THE INLAND EMPIRE BRINE LINE (BRINE LINE) FOR FISCAL YEAR 2014/15
(for full text, see Resolution Book)

RESOLUTION NO. 2014-6-3

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING SERVICE RATES FOR WASTEWATER HAULERS TO THE REGIONAL WASTEWATER SYSTEM FOR SEPTAGE, COMMERCIAL OR INDUSTRIAL WASTEWATERS, AND EXCESSIVE STRENGTH CHARGES FOR FISCAL YEAR 2014/15 *(for full text, see Resolution Book)*

Continued.....

M2014-6-3, continued.

RESOLUTION NO. 2014-6-4

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING CAPACITY CHARGES, VOLUMETRIC CHARGES, STRENGTH CHARGES, AGENCY PROGRAM CHARGES, AND APPLICATION FEES FOR THE NON-RECLAIMABLE WASTEWATER SYSTEM (NRWS) FOR FISCAL YEAR 2014/15 *(for full text, see Resolution Book)*

RESOLUTION NO. 2014-6-5

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING IMPORTED WATER RATES AND SUPPLEMENTAL SURCHARGE
(for full text, see Resolution Book)

RESOLUTION NO. 2014-6-6

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING RETAIL METER CHARGE RATE COVERING READINESS-TO-SERVE STANDBY CHARGE REVENUE DEBT
(for full text, see Resolution Book)

RESOLUTION NO. 2014-6-7

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING EQUIPMENT RENTAL RATES FOR FISCAL YEAR 2014/2015
(for full text, see Resolution Book)

RESOLUTION NO. 2014-6-8

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING CHARGES FOR LABORATORY ANALYSIS FOR FISCAL YEAR 2014/15
(for full text, see Resolution Book)

RESOLUTION NO. 2014-6-9

RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING EXTRA-TERRITORIAL SEWER SERVICE CHARGE FOR SYSTEM USERS OUTSIDE THE AGENCY'S BOUNDARIES FOR FISCAL YEAR 2014/15
(for full text, see Resolution Book)

Continued.....

M2014-6-3, continued.

RESOLUTION NO 2014-6-13
RESOLUTION OF THE BOARD OF DIRECTORS OF THE INLAND
EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY,
CALIFORNIA, ESTABLISHING CAPACITY CHARGES, VOLUMETRIC
CHARGES, STRENGTH CHARGES, CAPITAL IMPROVEMENT PROJECT
(CIP) CHARGES IEUA ADMINISTRATIVE CHARGES, APPLICATION AND
WASTEWATER DISCHARGE PERMIT APPLICATION FEES FOR THE
ETIWANDA WASTEWATER LINE (EWL) FOR FISCAL YEAR 2014/2015
(for full text, see Resolution Book)

3. PUBLIC HEARING AND ADOPTION OF ORDINANCE NO. 99, REGULATING THE
AVAILABILITY AND USE OF THE NON-RECLAIMABLE WASTEWATER SYSTEM
(NRWS) AND ETIWANDA WASTEWATER LINE (EWL) IN THE INLAND EMPIRE
UTILITIES AGENCY (IEUA)

President Catlin called the Public Hearing to order. President Catlin stated that the purpose of this hearing is to provide the public an opportunity to submit comments on the proposed Ordinance No. 99, regulating the availability and use of the Non-Reclaimable Wastewater System (NRWS) in the IEUA.

Pretreatment and Source Control Supervisor Craig Proctor stated the purpose of the hearing and introduced the hearing panel members.

Mr. Proctor stated the proposed revisions in Ordinance No. 99 are necessary to align with the new wastewater disposal agreement between IEUA and the County Sanitation Districts of Los Angeles County (CSDLAC), which becomes effective on Jul 1, 2014. He stated that the key proposed changes in the Ordinance include revising the definitions section, removing unnecessary prohibitions, and making sure all prohibitions align with CSDLAC and include the eight federally mandated prohibitions. He further stated that the bulk of the changes are related to capacity right acquisition and assignment language, including determining capacity for industries, assigning of capacity to existing industries, capacity purchases and lease options for both existing and new industries, annual capacity unit allocation adjustments for existing industries, transferring of capacity at same location to property or business owner, and revising capacity termination requirements to cover IEUA's O&M and CIP costs. Mr. Proctor stated that the Ordinance also delineates the Etiwanda wastewater line from the non-reclaimable wastewater system, as that system is under a separate agreement with the Sanitation District. Lastly, he stated it phases out the recycled water credit program over ten years. Mr. Proctor said that Los Angeles County is the actual pretreatment control authority for our area, the Ordinance has to be as stringent as Los Angeles County; therefore, the proposed changes have been reviewed by CSDLAC, and they have agreed with the changes. He mentioned that there have been several workshops with all the customers, and there were no comments on the proposed changes. He noted that there were no comments during the review period.

President Catlin opened the Public Hearing at 10:30 a.m. President Catlin asked if there was anyone who would like to make a public comment. He also verified that there were no written comments. Hearing no comments, the Public Hearing was closed at 10:30 a.m.

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

M2014-6-4

MOVED, to adopt Ordinance No. 99, regulating the availability and use of the Non-Reclaimable Wastewater System and Etiwanda Wastewater Line in the IEUA.

**ORDINANCE NO. 100
ORDINANCE OF THE BOARD OF DIRECTORS OF THE INLAND EMPIRE
UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA,
REGULATING THE AVAILABILITY AND USE OF THE NON-
RECLAIMABLE WASTEWATER IN THE IEUA**
(for full text , see Ordinance Book)

With the following roll call vote:

Ayes: Hall, Elie, Camacho, Koopman, Catlin
Noes: None
Absent: None
Abstain: None

Director Jasmin A. Hall stated that although she has no issues with the content of Ordinance No. 99, she requested that staff reformat the Ordinance for clearer reference and reading. She stated that it is a formatting issue and that it will not impact the substance of the Ordinance.

4. CONSENT CALENDAR

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

M2014-6-5

MOVED, to approve the Consent Calendar.

- A. The Board approved the minutes from the May 21, 2014 Board Meeting, and the June 4, 2014 Board Workshop.
- B. The Board approved the total disbursement for the month of April 2014, in the amount of \$13,766,006.09.
- C. The Board adopted Resolution No. 2014-6-10, establishing the Appropriation Limits for Fiscal Year 2014/15.

**RESOLUTION NO. 2014-6-10
RESOLUTION OF THE INLAND EMPIRE UTILITIES AGENCY, A
MUNICIPAL WATER DISTRICT, SAN BERNARDINO COUNTY,
CALIFORNIA, ESTABLISHING APPROPRIATION LIMITS FOR
FISCAL YEAR 2014/15**
(for full text , see Resolution Book)

- D. The Board adopted Resolution No. 2014-6-11, approving the annual update of the Agency's Investment Policy.

Continued.....

M2014-6-5, continued.

**RESOLUTION NO. 2014-6-11
RESOLUTION OF THE INLAND EMPIRE UTILITIES AGENCY, A
MUNICIPAL WATER DISTRICT, SAN BERNARDINO COUNTY,
CALIFORNIA, APPROVING THE ANNUAL UPDATE OF THE
AGENCY'S INVESTMENT POLICY**
(for full text , see Resolution Book)

E. The Board adopted the Inland Empire Regional Composting Authority (IERCA) Budget for FY 2014/15.

F. The Board:

1. Approved an amendment to Contract No. 4600001588 with Lee & Ro, Inc. for additional consulting services on the RP-5 Flow Equalization and Effluent Monitoring, Project No. EN11031, for the not-to-exceed fee of \$182,293; and
2. Authorized the General Manager to execute the consultant contract amendment.

G. The Board:

1. Awarded the construction contract for the RP-4 Headworks Replacement, Project No. EN09021, to J.R. Filanc Construction, Inc. for their low bid of \$1,135,000; and
2. Authorized the General Manager to execute the construction contract.

ACTION ITEMS

A. CONSTRUCTION CONTRACT AWARD FOR THE WINEVILLE EXTENSION RECYCLED WATER PIPELINE, SEGMENT A

Manager of Engineering Craig Parker gave a PowerPoint presentation on the Wineville Extension Recycled Water Pipeline, Segment A, construction contract award. He reminded the Board that there is a 30 year SRF loan at 1% for this project 30-year loan, and it also has a \$4 million dollar grant. He mentioned that this project has been pre-qualified. Mr. Parker stated that this project will take water to RP-3 for recharge and pick up customers along the way in Ontario and Fontana, and will have 18,000 feet of pipeline. He said that this segment is in the City of Ontario. He stated that out of 14 pre-qualified, this project received 5 good bids, with CCL Contracting being awarded the bid. Mr. Parker stated that the total project cost is \$13,357,000, with an estimated completion date of July 2015.

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

M2014-6-6

MOVED, to:

1. Award the construction contract for the Wineville Extension Recycled Water Pipeline, Segment A, Project No. EN06025, to CCL Contracting, Inc., for their low bid of \$10,197,000; and
2. Authorize the General Manager to execute the construction contract.

B. ON-CALL CONSTRUCTION MANAGEMENT SUPPORT AND INSPECTION SERVICES CONTRACT AMENDMENT

Manager of Engineering, Craig Parker gave a PowerPoint presentation on the On-Call Construction Management Support and Inspection Services contract amendment. Mr. Parker stated that staff is bringing this item back to the Board to request that the Board extend the term of the contract to complete a couple projects, as well as a couple of new projects. He stated that due to unforeseen changed condition delays experienced on the 930 Zone Recycled Water Reservoir and Pipeline Projects, IERCF Conveyor Project delays and future capital improvement projects, staff is recommending that Butier be awarded an amendment for a not-to-exceed amount of \$1,625,000, with a two-year extension. Mr. Parker noted that the \$1,625,000 is not new appropriations, it is embedded in the current capital project budget.

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

M2014-6-7

MOVED, to:

1. Approve a contract amendment to Butier Engineering Inc., for on-call "as needed" construction management support and inspection services for a not-to-exceed total amount of \$1,625,000 for a term of two years; and
2. Authorize the General Manager to execute the consultant contract amendment.

C. EASEMENT ACQUISITIONS FOR IEUA PIPELINE IN SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT RIGHT-OF-WAY

Manager of Engineering Craig Parker gave a PowerPoint on the easement acquisition for IEUA pipelines in the San Bernardino County Flood Control District right-of-way. Mr. Parker stated that the Agency is close to a resolution on this item. He reported that he had a meeting with the San Bernardino Flood Control District, and have come to a fair and reasonable agreement. He stated that back in the early 2000's, the county decided to begin charging for use of their right-of-way with license fee agreements. He stated that the fees became excessive and the Agency decided to cease payments. Mr. Parker stated that after futile legal discussions, it was decided to conduct formal easements and pay for the rights thus avoiding long-term fees. He reported that there are 17 separate easements, and most of the legal descriptions and appraisal reports have been completed. He stated that the next step is finding out exactly what the county would like written into the appraisal reports. Mr. Parker stated that the most critical easements are

for the Wineville project, which need to be completed in the next couple of months to keep the project on schedule. He stated that the rest should be completed by the end of this calendar year. Mr. Parker mentioned that this will be a \$2 million fee; however, there will be no other fee after payment, as the Agency will own the rights.

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

M2014-6-8

MOVED, to:

1. Pre-approve the easement acquisitions for IEUA pipelines within San Bernardino County Flood Control District right-of-way for a not-to-exceed amount of \$2,080,000;
2. Approve the creation of a new project, San Bernardino County Flood Control District Sewer Easements, within the Regional Wastewater Capital (RC) Fund, with a total project budget of \$275,000 from reserves in the RC Fund;
3. Approve the creation of a new project, San Bernardino County Flood Control District Recycled Water Easements, within the Recycled Water Capital (WC) Fund, with a total project budget of \$1,100,000 from reserves in the WC Fund;
4. Approve the creation of a new project, San Bernardino County Flood Control District NRW Easements, within the Non-Reclaimable Wastewater Capital (NC) Fund, with a total project budget of \$515,000 from reserves within the NC Fund; and
5. Authorize the General Manager to execute the pipeline easements.

6. INFORMATION ITEMS

A. REGIONAL CONTRACT REVIEW – REVIEW OF TEN YEAR FORECAST

B. REGIONAL CONTRACT REVIEW – SURVEY OF COMPARABLE AGENCIES

Manager of Internal Audit Teresa Velarde gave a PowerPoint presentation on the Regional Sewage Service Contract review. She briefly highlighted the Regional Contract review prior audits. She mentioned that the Regional Contract is a 50-year contract and is set to expire in 2023. She further stated that the Agency is on the path of renegotiating the contract. Ms. Velarde reported that she has separated this audit into three different audit reports to direct attention to the separate areas that will be covered in the audit. She reported the Regional Contract Review ten-year forecast and comparable survey has been completed, and the Application of Exhibit J is in progress. She stated that the purpose of the audit is to evaluate how each of the seven member agencies approach to their ten-year forecast, the information that comes to IEUA, and how the Planning Department compiles the information received. Ms. Velarde provided her observations and recommendations of the ten-year forecast review. A brief discussion ensued regarding the observation of over-forecasting. Ms. Velarde stated that the overarching recommendation in moving forward with renegotiation to the contract is for all the parties to sit down determine what everyone needs to get out of this ten-year forecast, and what information IEUA needs in order to plan adequately – start building when it is necessary to build – and what information could the member agencies provide that would be the most reliable information for the Agency, just taking a step

back and revamping the process. Ms. Velarde also reported that a survey of comparable agencies was conducted to compare what processes the Agency has to those similar comparable agencies. She provided the observations that should be considered when renegotiating the contract.

President Catlin thanked Ms. Velarde and her staff for their hard work on the Regional Contract Review audits.

C. PLANNING AND ENVIRONMENTAL COMPLIANCE UPDATE

Manager of Planning and Environmental Compliance Sylvie Lee reported there were no non-compliance issues. She mentioned that there will be an Integrated Resources Plan and the Recycled Water Program strategy Board Workshop in August. Ms. Lee further stated that staff is in the process of getting proposals to talk about the rates for the Water Resources fund, and may come before the Board next month, to provide the results of the proposals.

D. MWD UPDATE

General Manager P. Joseph Grindstaff reported that the big issue for MWD continues to be the drought. He stated that it continues to be dry and the projections are that there is a 70% chance that it will remain dry until next year. He said if that is the case, we will probably be entering into a drought shortage allocation plan. He mentioned that discussions with MWD will begin in August, they are convening their stakeholders to start talking about the process – if they use the baselines from the past, everyone is already at the baseline, therefore a new baseline needs to be established, and what methodology would be used to allocate the shortage.

(Director Camacho left the meeting room at 11:00 a.m.)

(Director Camacho entered the meeting room at 11:05 a.m.)

THE FOLLOWING INFORMATION ITEMS WERE RECEIVED AND FILED BY THE BOARD:

E. TREASURER’S REPORT OF FINANCIAL AFFAIRS

F. THE SANTA ANA WATERSHED PROJECT AUTHORITY BUDGET FOR FY 2014/15

G. PUBLIC OUTREACH AND COMMUNICATION

H. LEGISLATIVE REPORT FROM INNOVATIVE FEDERAL STRATEGIES

I. LEGISLATIVE REPORT FROM THE DOLPHIN GROUP

J. LEGISLATIVE REPORT FROM AGRICULTURAL RESOURCES

K. CALIFORNIA STRATEGIES, LLC MONTHLY ACTIVITY REPORT

L. WATER RESOURCES REFORM AND DEVELOPMENT ACTION (WRRDA)

M. 2014 LEGISLATIVE TRACKING MATRIX

N. ENGINEERING AND CONSTRUCTION MANAGEMENT FY 2013/14 MONTHLY UPDATE

O. REPORT OF OUTSTANDING RECOMMENDATIONS

P. FINANCIAL AUDITING AND SINGLE AUDITING SERVICES CONTRACT

Q. INTERNAL AUDIT DEPARTMENT STATUS REPORT FOR JUNE 2014

7. AGENCY REPRESENTATIVES' REPORTS

A. SAWPA REPORT

President Catlin reported that the SAWPA meeting yesterday (June 17) was a routine meeting. He said that there will be a SAWPA/OCSD Chino II Tour and Galleano Winery luncheon scheduled on June 27.

B. MWD REPORT

Director Camacho reported that he had no additional comments.

C. REGIONAL SEWERAGE PROGRAM POLICY COMMITTEE REPORT

President Catlin reported that at the June 5, Policy Committee, the Committee approved the proposed IEUA budget.

D. CHINO BASIN WATERMASTER REPORT

Director Elie reported that there were safe yield discussions in small groups about moving forward to try and address the issue of the baseline that was discussed last month, and he is cautiously optimistic that there will be a number that is agreed upon. He said the harder question will be – what to do about that given the overdraft and what's allocated already in Peace II as far as the overdraft – what it means and how is it made up. He stated that there is a growing concern about subsidence in the MZ-1 Area – the Pomona/Monte Vista area. He stated that this is being reviewed by the Subsidence Committee and is something that needs to be addressed. Director Elie also reported that Watermaster received a letter from CDA on May 27. He stated that CDA had requested that Watermaster become involved in the remediation of the Chino Airport Groundwater Plume, as it impacted CDA Well #18, which at the time was part of the hydraulic control plan. Director Elie stated that CDA has withdrawn that request to Watermaster.

8. GENERAL MANAGER'S REPORT

The General Manager's Report was received and filed by the Board.

General Manager P. Joseph Grindstaff provided an update on the bond negotiations. He stated that there was a press report the other day that a deal was struck; however the deal that was struck was apparently within the Senate, and no one is sure that there is a 2/3 vote in the Senate. Mr. Grindstaff stated that the Governor wants a bond below \$10 million. He stated there are still members that are insisting on different things in order for a bond to come together. He said that this is a difficult thing to overcome, and we will have to wait and see.

9. BOARD OF DIRECTORS REQUESTED FUTURE AGENDA ITEMS

There were no requested future agenda items.

10. BOARD OF DIRECTORS' COMMENTS

There were no Board comments.

11. CLOSED SESSION

The Board went into Closed Session at 11:15 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) Martin vs. IEUA, Case No. CIVRS 1000767; (3) Sheilds vs. IEUA, Case No. CIVRS 1301638; (4) Desaddi vs. IEUA, Case No. CIVRS 1304617; (5) Kaveh Engineering and Construction Inc. Corp vs. IEUA, Case No. CIVRS 1402048 B. PURSUANT TO

GOVERNMENT CODE SECTION 54956.9 – CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION: Two (2) Cases;

The meeting resumed at 12:08 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:

Martin vs. IEUA, Case No. CIVRS 1000767

Sheilds vs. IEUA, Case No. CIVRS 1301638

Desaddi vs. IEUA, Case No. CIVRS 1304617

Kaveh Engineering and Construction Inc. Corp. vs. IEUA, Case No. CIVRS 1402048

The Board took no reportable action.

Regarding Conference with Legal Counsel – Existing Litigation:

Chino Basin Municipal Water District vs. City of Chino, Case No. RCV51010
The Board did not discuss this item.

Regarding Conference with Legal Counsel – Anticipated Litigation:

Case No. 1 and 2

The Board took no reportable action.

With no further business, President Catlin adjourned the meeting at 12:10 p.m. in celebration of the great Martha Davis' birthday.

Steven J. Elie, Secretary/Treasurer

APPROVED: JULY 16, 2014