AGENDA

WORKSHOP
OF THE
BOARD OF DIRECTORS

WEDNESDAY, MARCH 1, 2017
10:00 A.M.

INLAND EMPIRE UTILITIES AGENCY*
AGENCY HEADQUARTERS
EVENT ROOM – BUILDING B
6075 KIMBALL AVENUE
CHINO, CALIFORNIA 91708

CALL TO ORDER
OF THE INLAND EMPIRE UTILITIES AGENCY BOARD OF DIRECTORS
WORKSHOP 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 complete and submit to the Board Secretary a “Request to Speak” form which are available on the table in the Board Room. Comments will be limited to five 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. WORKSHOPS
   A. [BUDGET WORKSHOP]
Materials related to an item on this agenda submitted to the Agency, after distribution of the agenda packet, are available for public inspection at the Agency’s office located at 6075 Kimball Avenue, Chino, California during normal business hours.

2. **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.

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**Declaration of Posting**

1. April Woodruff, Board Secretary 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, February 23, 2017.

April Woodruff
Biennial Budget

- Adoption of two "one-year" budgets, beginning FY 2015/16 and FY 2016/17
- Appropriation limited to a single year
- Mid-cycle review to identify significant adjustments needed for the second year budget

Improve goal-setting and budgetary process

- Realistic timeframes for completing goals
- Produce a more policy-oriented budget process
- Focus on mid and long term planning
- Reduce staff time and effort in preparing annual budget, with shorter budget preparation/revision time in the second year
- Provide certainty, stability, and transparency
Business Outreach Program

• IEUA received >$429M in State & Federal funding
  • Applied for an additional $396M in State & Federal funding
• IEUA’s Current Ten Year Capital Improvement Plan (TYCIP) is approximately $735M
  • Includes 28 projects with potential partial or full State/Federal funding
  • Approximately $396M or 54% of all TYCIP projects
• Opportunity to enhance and grow IEUA’s Program
  • All Goods & Services
    • Materials, Supplies, Service providers, Consultants, Construction
Business Outreach Program

Ensure opportunity and encourage participation by Disadvantaged Business Enterprises (DBEs) in Procurement under EPA Financial Assistance Agreements

- Strict EPA Guidelines to ensure opportunity
  - Fair Share Objectives
  - Six Good Faith Efforts
    - New Contract Administration Requirements
    - Record Keeping & Reporting
    - Bidders List
- Bidders must meet or exceed EPA DBE Certifications
- Non-Compliance means potential loss of all awarded funds for project and potential restrictions from additional funding opportunities

☑ EPA guidelines currently applied by IEUA
Proposed Business Outreach Program

- Model after Metropolitan Water District
  - Market, outreach, and train DBEs and local businesses
  - Specify incentives in solicitations
  - Initial participation goal of 3%

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<th>Program Requirement</th>
<th>Preference Points on Proposals</th>
<th>Preference in Bid Reduction</th>
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<td>5%</td>
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<tr>
<td>Local Business</td>
<td>5 points</td>
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</table>

*Maximum $$ value subject to scale of project.

Based on 100 point scale
Agency Funds

* FY 2016/17 Amended Fund Balances as of the July 1, 2016

IEUA Service Area *$155.3 Million

- Administrative Services *$15.7 Million
- Recharge Water *$2.7 Million
- Recycled Water *$16.6 Million
- Water Resources *$2.5 Million
- Non-Reclaimable Wastewater *$4.6 Million

Regional Wastewater

- Capital *$67.5 Million
- Operations *$45.6 Million

Regional Water Portfolio
- Regional Collaboration
- Regional Water Resources Planning
Sources of Funds

“Where monies come from”

+ $10M RDA taxes


Millions

Property Tax Connection Fees User Charges Debt Proceeds/Grants Other Sources of Funds Water Sales Recycled Water Sales Cost Reimbursement Adopted Budget 2015 5yrs forecast

Inland Empire Utilities Agency
A Municipal Water District
Sources of Funds

“Where monies come from”

Last year of 3 years rates. Higher Recycled Water sales.

Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>Property Tax</th>
<th>Connection Fees</th>
<th>User Charges</th>
<th>Debt Proceeds/Grants</th>
<th>Other Sources of Funds</th>
<th>Water Sales</th>
<th>Recycled Water Sales</th>
<th>Adopted Budget</th>
<th>2015 5yrs forecast</th>
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Consolidated Trends – All Funds

Sources of Funds
“Where monies come from”

- Lower Imported Water Sales
- Lower Debt Proceeds/Grants

Millions

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Inland Empire Utilities Agency
A Municipal Water District
Sources of Funds

“Where monies come from”

5 year rates for wastewater and recycled water
New water connection fee
Consolidated Trends – All Funds

Sources of Funds
“Where monies come from”

Higher Debt Proceeds/Grants
Higher Cost Reimbursements related to RMPU*


Millions

Property Tax  Connection Fees  User Charges  Debt Proceeds/Grants  Cost Reimbursement
Other Sources of Funds  Water Sales  Recycled Water Sales  Adopted Budget  2015 5yrs forecast
Sources of Funds

“Where monies come from”

Steady Property tax revenue stream
### Property Tax Fund Allocation

#### 2011/12 - 2019/20

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<tr>
<th>Year</th>
<th>Regional Wastewater Capital</th>
<th>Water Fund</th>
<th>Administrative Services</th>
<th>Recycled Water</th>
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**Legend:**
- Regional Wastewater Capital
- Water Fund
- Administrative Services
- Regional Wastewater Operation
- Recycled Water

**Notation:**
- Actual
- Amended
- Forecast
Property Tax Fund Allocation

- 65% allocated to Regional Wastewater Capital fund.
- 35% allocated to other funds.
  - Fixed amount as shown
  - Balance to Water Resources fund.

Beginning allocation to Water Resources fund from Administrative Services fund
Consolidated Trends – All Funds

Uses of Funds
“How monies are spent”

- O&M Expense
- Capital Projects Expense
- Debt Service


Consolidated Trends – All Funds

Uses of Funds
“How monies are spent”

Lower Capital project expenses

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<tr>
<th>Year</th>
<th>O&amp;M Expense</th>
<th>Capital Projects Expense</th>
<th>Debt Service</th>
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Inland Empire Utilities Agency
A Municipal Water District
Consolidated Trends – All Funds

Uses of Funds
“How monies are spent”

Beginning funding OPEB unfunded liabilities $3.5M
Consolidated Trends – All Funds

Uses of Funds
“How monies are spent”

- Early repayment of 2005A bonds $15M
- Continue funding unfunded liabilities $8M
Consolidated Trends – All Funds

Uses of Funds
“How monies are spent”

Lower MWD water purchases
Transition to project program management plan

Millions


O&M Expense Capital Projects Expense Debt Service
Adopted Budget 2015 5yrs forecast
Consolidated Trends – All Funds

Uses of Funds
“How monies are spent”

Higher Capital project and O&M project expenses

Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual</th>
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<th>Forecast</th>
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Legend:
- O&M Expense
- Capital Projects Expense
- Debt Service
- Adopted Budget
- 2015 5yrs forecast
Higher fund balances due to lower capital project expenses
Higher capital project expenses
Administrative Services Fund

**Agency-wide Costs**

- **Uses of Funds**:
  - Employment costs: $49.2
  - Capital improvement projects (CIP): $2.9
  - Operations & maintenance (O&M): $10.0
  - Transfers Out: $2.0

- **Sources of Funds**:
  - Cost Allocations: $55.4
  - Property tax: $2.0
  - Contract cost reimbursements: $1.5
  - Transfers In: $2.9

**Fund Balance**

- **FY 2016/17 Amended Budget as adopted June 15, 2016**
  - **Uses of Funds**: $64.1
    - Employment costs: $49.2
    - Capital improvement projects (CIP): $2.9
    - Operations & maintenance (O&M): $10.0
    - Transfers Out: $2.0
  - **Sources of Funds**: $61.8
    - Cost Allocations: $55.4
    - Property tax: $2.0
    - Contract cost reimbursements: $1.5
    - Transfers In: $2.9
  - **Fund Balance**: $15.7
    - Operating Contingency: $1.7
    - Self-insurance & Other: $6.0
    - Retirement Unfunded Liabilities: $8.0
2015 5YR forecast for FY 2017/18 to FY 2019/20 assumed 290 FTEs, with a vacancy factor of 3% for a total of 281 active FTEs.

FY 2017/18 Elimination of vacancy factor and creation of a pooled bank to support succession planning.

**Employment Cost**

- Wages
- Benefits
- UAL funding
- Updated forecast
- 2015 5YR forecast

*FTE, full time equivalent employee

UAL, unfunded accrued liabilities (employee retirement)

**Employment cost allocated by Program**

<table>
<thead>
<tr>
<th>Program</th>
<th>Allocation</th>
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<tr>
<td>Regional Wastewater Operations</td>
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<td>Recycled Water</td>
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<tr>
<td>Non-Reclaimable Wastewater</td>
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<tr>
<td>Recharge Water</td>
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<tr>
<td>Water Resources</td>
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<td>Regional Composting Authority</td>
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<td>Chino Basin Desalter Authority</td>
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<td><strong>TOTAL</strong></td>
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Administrative Services Fund Trends

Net Sources of Funds
“Where monies come from”

Net Uses of Funds
“How monies are spent”

- Property Tax
- Cost Reimbursement - JPA
- Other Revenues
- Inter-fund Transfers In
- Adopted Budget

- O&M Expenses
- Capital Projects
- Debt Service
- Inter-fund Transfers Out
- Adopted Budget

$4.3 million loan to Water Resources Fund, forgiven June 2016
Recharge Water Fund

Groundwater Recharge Basins (19)

Uses of Funds $7.3
- Operations & Maintenance (O&M) $1.8
- Capital improvement projects (CIP) $4.6
- Debt service $0.9

Sources of Funds $7.1
Contributions
- Watermaster $5.4
- IEUA $1.7
  - Recycled water surcharge
  - Property tax

Fund Balance $2.7
- Operating Contingency $1.6
- Capital Construction $0.5
- Debt Service Reserve $0.6

FY 2016/17 Amended Budget as adopted June 15, 2016
Recycled Water Fund

**Regional Recycled Water Distribution System**

**Uses of Funds**
- Operations & Maintenance (O&M): $12.6
- Capital improvement projects (CIP): $11.9
- Debt service: $6.7
- Transfers Out: $2.8

**Sources of Funds**
- Recycled Water Sales: $17.9
- Direct use
- Groundwater recharge
- MWD LPP rebate
- Water Connection fees: $2.9
- Property tax: $2.2
- Contract Reimbursements: $1.1
- Debt Proceeds/Grants: $13.0
- Transfer In: $1.5

**Fund Balance**
- Actual: $16.5
- Amended: $4.2
- Forecast: $6.1

**FY 2016/17 Amended Budget as adopted June 15, 2016**

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<th>Source of Funds</th>
<th>Amount ($ Million)</th>
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<td>Direct use</td>
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<td>Transfer In</td>
<td>$1.5</td>
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**Fund Balance**
- Operating Contingency: $4.2
- Construction: $6.1
- Debt Service: $6.2
## Recycled Water Fund

### Inter-Fund Loans Due from Recycled Water Fund to:

<table>
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<tr>
<th>Fiscal Year</th>
<th>Inter Fund Loans Due from Recycled Water Fund to:</th>
<th>Inter-Fund Loans $ Million</th>
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<td><strong>$28.5</strong></td>
<td></td>
</tr>
</tbody>
</table>
Recycled Water Fund


<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Effective Date</strong></td>
<td>10/01/15</td>
<td>7/01/16</td>
<td>7/01/17</td>
<td>7/01/18</td>
<td>7/01/19</td>
<td></td>
</tr>
<tr>
<td><strong>Direct Delivery/AF</strong></td>
<td>$290</td>
<td>$350</td>
<td>$410</td>
<td>$470</td>
<td>$480</td>
<td>$490</td>
</tr>
<tr>
<td><strong>Groundwater Recharge/AF</strong></td>
<td>$335</td>
<td>$410</td>
<td>$470</td>
<td>$530</td>
<td>$540</td>
<td>$550</td>
</tr>
</tbody>
</table>

(AF) acre foot
Cost of service was the key driver for adopted rates.

Water Connection Fee

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>Effective Date</strong></td>
<td>1/01/16</td>
<td>7/01/16</td>
<td>01/01/17</td>
<td>7/01/17</td>
<td>7/01/18</td>
<td>7/01/19</td>
</tr>
<tr>
<td><strong>Water Connection Fee /MEU</strong></td>
<td>N/A</td>
<td>$693</td>
<td>$693</td>
<td>$1,455</td>
<td>$1,527</td>
<td>$1,604</td>
</tr>
</tbody>
</table>

Phased implementation, assumes annual 5% increases beginning 1/1/17.
Recycled Water Fund Trends

Funding Sources
“Where monies come from”

Uses of Funds
“How monies is spent”
Recycled Water Cost of Service

1,000 AF higher sales than projected
$0.5 M lower pumping cost

Adopted Budget
FY 2015/16 as adopted June 17, 2015
Recycled Water Cost of Service

2,800 AF lower sales than projected
$2.0 M lower expenses

Adopted Budget
FY 2015/16 as adopted June 17, 2015
Water Resources Fund

**Exports of Funds**
- Imported water purchases: $31.9
- MWD Readiness to serve fee (RTS): $3.2
- Water use efficiency projects: $5.7
- Program support: $2.3
- Santa Ana River Watershed Projects: $2.0

**Sources of Funds**
- Imported water sales: $28.7
- MWD RTS pass through: $0.5
- Meter equivalent charges: $3.9
- Water connection fees: $0.3
- Property tax: $2.0
- Grants/rebates: $2.4
- Inter fund loan: $3.2

**Fund Balance**
- FY 2016/17: $2.5
- Operating Contingency

**Inland Empire Utilities Agency**
A Municipal Water District
Water rates effective October 1, 2016 approved on June 15, 2016. At the request of water member agencies, the Board approved:

- 7 year phase-in of RTS to be supported by property taxes, estimated at $16 million
- Forgiveness of $4.3 million inter-fund loan due to Administrative Services fund
- Use property taxes to support future purchases of supplemental water

<table>
<thead>
<tr>
<th>RTS TYRA 7YR Phase In (Estimated rate per AF)</th>
<th>FY 16/17</th>
<th>FY 17/18</th>
<th>FY 18/19</th>
<th>FY 19/20</th>
<th>FY 20/21</th>
<th>FY 21/22</th>
<th>FY 22/23</th>
</tr>
</thead>
<tbody>
<tr>
<td>15%</td>
<td>$7.82</td>
<td>$16.02</td>
<td>$24.69</td>
<td>$34.75</td>
<td>$46.95</td>
<td>$59.26</td>
<td>$67.45</td>
</tr>
<tr>
<td>30%</td>
<td>~$16.02</td>
<td>~$24.69</td>
<td>~$34.75</td>
<td>~$46.95</td>
<td>~$59.26</td>
<td>~$67.45</td>
<td></td>
</tr>
<tr>
<td>45%</td>
<td>~$24.69</td>
<td>~$34.75</td>
<td>~$46.95</td>
<td>~$59.26</td>
<td>~$67.45</td>
<td></td>
<td></td>
</tr>
<tr>
<td>60%</td>
<td>~$34.75</td>
<td>~$46.95</td>
<td>~$59.26</td>
<td>~$67.45</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>75%</td>
<td>~$46.95</td>
<td>~$59.26</td>
<td>~$67.45</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>90%</td>
<td>~$59.26</td>
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</tr>
<tr>
<td>100%</td>
<td>~$67.45</td>
<td></td>
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</table>

MEU rate: $/MEU

<table>
<thead>
<tr>
<th>FY 16/17</th>
<th>FY 17/18</th>
<th>FY 18/19</th>
<th>FY 19/20</th>
<th>FY 20/21</th>
<th>FY 21/22</th>
<th>FY 22/23</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0.90</td>
<td>$0.95</td>
<td>$0.99</td>
<td>$1.04</td>
<td>Adjustments based on CPI</td>
<td></td>
<td></td>
</tr>
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</table>

*RTS TYRA – Readiness to Serve Ten Year Rolling Average consistent with MWD cost allocation methodology.*
Water Resources Fund Trends

Sources of Funds
“Where monies come from”

Uses of Funds
“How monies are spent”
Regional Wastewater Capital Improvement Fund

Support growth in service area

FY 2016/17 Amended Budget as adopted June 15, 2016

Uses of Funds $51.5
- Capital improvement projects (CIP) $20.0
- Debt service 13.5
- Program support 9.5
- Transfers Out 8.5

Sources of Funds $49.2
- Property tax $29.1
- Connection fees 17.2
- Debt Proceeds/Grants 2.9

Fund Balance $67.5
- Construction $19.7
- CCRA held by member agencies 32.6
- Debt Service 15.2
### Regional Wastewater Capital Improvement Fund


<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Effective Date</strong></td>
<td></td>
<td>7/01/15</td>
<td>1/01/16</td>
<td>7/01/16</td>
<td>01/01/17</td>
<td>7/01/17</td>
</tr>
<tr>
<td><strong>Wastewater Connection Fee/EDU</strong></td>
<td>$5,107</td>
<td>$5,107</td>
<td>$5,415</td>
<td>$5,415</td>
<td>$6,009</td>
<td>$6,309</td>
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</table>

*Phased implementation, assumes annual 5% increases beginning 1/1/17 for both connection fees.*

---

**New EDU Connection Comparative of Member Agency and Agency Forecasts to Actual Units**

- **Actual EDU's Connected**
- **Member Agency Forecast**
- **IEUA Forecast**

---

*Inland Empire Utilities Agency*  
*A Municipal Water District*
Regional Wastewater Capital Fund Trends

Sources of Funds
“Where monies come from”

- Connection Fees
- Property Tax
- Debt Proceeds/Grants
- Other
- Inter-Fund Transfers In
- Adopted Budget

Uses of Funds
“How monies are spent”

- Program Support
- Capital Improvement Projects
- Debt Service
- Inter-Fund Transfers Out
- Adopted Budget
## Regional Wastewater Operations and Maintenance Fund

### Regional Water Recycling Plants and Facilities

- **Uses of Funds**: $89.7
  - Operations & Maintenance (O&M): $62.5
  - Rehabilitation & Replacement (R&R): 19.3
  - IERCA Labor: 3.5
  - Debt Service/Inter Fund Loan: 3.4
  - Transfer Out: 1.0

- **Sources of Funds**: $87.8
  - EDU volumetric: $56.3
  - Property tax: 9.6
  - IERCA Reimbursements: 3.5
  - Debt Proceeds/Grants: 12.3
  - Transfers Out: 6.1

### Fund Balance

- **FY 2016/17 Amended Budget as adopted June 15, 2016**
- **Fund Balance**: $45.6
  - Operating Contingency: $19.8
  - Capital Replacement: 24.5
  - Debt Service: 1.3

### Fund Balance Chart

- **Millions**: $0, $10, $20, $30, $40, $50, $60, $70
Regional Wastewater O&M Fund
Adopted Rates


<table>
<thead>
<tr>
<th>Contracting Agency</th>
<th>EDU Billing Units (5 Year Average)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chino</td>
<td>11%</td>
</tr>
<tr>
<td>Chino Hills</td>
<td>9%</td>
</tr>
<tr>
<td>Cucamonga Valley Water District (CVWD)</td>
<td>24%</td>
</tr>
<tr>
<td>Fontana</td>
<td>19%</td>
</tr>
<tr>
<td>Montclair</td>
<td>5%</td>
</tr>
<tr>
<td>Ontario</td>
<td>22%</td>
</tr>
<tr>
<td>Upland</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

(EDU) Equivalent Dwelling Unit

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Monthly EDU Rate</td>
<td>$14.39</td>
<td>$15.89</td>
<td>$17.14</td>
<td>$18.39</td>
<td>$19.59</td>
<td>$20.00</td>
</tr>
</tbody>
</table>
Regional Wastewater Operations & Maintenance Cost of Service

Lower O&M due to higher vacancy factor and cost containment measures
Regional Wastewater Operations Trends

Funding Sources

“Where monies come from”

Uses of Funds

“How monies are spent”
Non Reclaimable Wastewater

Sanitation District of Los Angeles County – North System
Santa Ana Watershed Project Authority – South System

Exports export high-salinity industrial wastewater for treatment and discharge to the Pacific Ocean

North: 39 customers
South: 15 customers

Uses of Funds $11.9
- Operating Fees $6.1
- Operations & Maintenance 3.4
- System improvements 1.7
- Debt 0.6
- Transfers Out 0.1

Sources of Funds $11.1
- Operating Fees Pass Thru $6.3
- Agency Programs Charges 4.8

Fund Balance $4.6
- Operating Contingency $1.1
- Capital Construction 1.6
- Debt Service Reserve 1.9

FY 2016/17 Amended Budget as adopted June 15, 2016
### Next Step

<table>
<thead>
<tr>
<th>Timeline in 2017</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 8</td>
<td>IEUA Finance Committee review of Wastewater, Recycled Water, and Water Resources proposed biennial budget (FY 2017/18 and FY 2018/19)</td>
</tr>
<tr>
<td>March 15</td>
<td>IEUA board review proposed biennial budget of the above programs.</td>
</tr>
<tr>
<td>March 23</td>
<td>Regional Technical Committee review proposed biennial budget of the above programs</td>
</tr>
<tr>
<td>April 6</td>
<td>Regional Policy Committee review proposed biennial budget of the above programs</td>
</tr>
<tr>
<td>April 12/ April 19</td>
<td>IEUA Finance Committee/Board review proposed biennial budget of Non-reclaimable Wastewater, Recharge Water, and Administrative Services programs</td>
</tr>
<tr>
<td>May</td>
<td>Final presentation to IEUA Finance Committee and Board of Directors. Final presentation to Regional Technical Committee.</td>
</tr>
<tr>
<td>June</td>
<td>Final presentation to Regional Policy Committee. Approval by IEUA Board of Directors</td>
</tr>
</tbody>
</table>