AGENDA

FOR SAN BERNARDING COUNTY

SAN BERNARDINO CITY COUNCIL CHAMBERS 300 NORTH D STREET, FIRST FLOOR, SAN BERNARDINO

REGULAR MEETING OF MAY 20, 2015

9:00 A.M. - CALL TO ORDER - FLAG SALUTE

ANNOUNCEMENT: Anyone present at the hearing who is involved with any of the changes of organization to be considered and who has made a contribution of more than \$250 in the past twelve (12) months to any member of the Commission will be asked to state for the record the Commission member to whom the contribution has been made and the matter of consideration with which they are involved.

- Swear in Board of Supervisor Regular Member Robert Lovingood
- 2. Election of Chair and Vice-Chair for Commission

CONSENT ITEMS:

The following consent items are expected to be routine and non-controversial and will be acted upon by the Commission at one time without discussion, unless a request has been received prior to the hearing to discuss the matter.

- 3. Approval of Minutes for Regular Meeting of April 15, 2015
- 4. Approval of Executive Officer's Expense Report
- 5. Ratify Payments as Reconciled for Month of April 2015 and Note Cash Receipts
- Note Receipt of Proposal Initiated by Property Owner Petition Pursuant to Government Code Section 56857 -- LAFCO 3191- Reorganization to Include Annexation to the City of Rialto and West Valley Water District and Detachment From San Bernardino County Fire Protection District, its Valley Service Zone and County Service Area 70 (Boral Roofing LLC)

PUBLIC HEARING ITEMS:

- 7. Consent Items Deferred for Discussion
- 8. Consideration of:
 - A. Review of Mitigated Negative Declaration prepared by the City of Chino Hills for General Plan Amendment 14GPA01, Zone Change 14ZC01, Tentative Parcel Map 19539, Site Plan Review 14SPR02, Major Variance 14MJV02, Minor Variance 14MNV06, and Development Agreement for the Fairfield Ranch Commons Project, as CEQA Responsible Agency for LAFCO 3183 and LAFCO 3184:

- B. LAFCO 3183 Sphere of Influence Amendments for the City of Chino (Reductions) and City of Chino Hills (Expansions); and,
- C. LAFCO 3184 Reorganization to Include Detachments from the City of Chino and Annexations to the City of Chino Hills
- Consideration of: (1) CEQA Statutory Exemption for LAFCO 3174 and (2) LAFCO 3174

 Service Review for Water Conservation within the Valley Region (Continued from April 15, 2015 Hearing)
- 10. Review and Adoption of Final Budget for Fiscal Year 2015-16 including the following:
 - a) Adoption of Final Budget and Apportionment
 - Approval of Proposed Amendment to LAFCO Benefit Plan Section 5: Flexible Spending Plan

DISCUSSION ITEMS:

- 11. Status Report on Conditions Imposed on LAFCO 3157 Sphere of Influence Establishment for County Service Area 120 (*Continued from April 15, 2015 Hearing*)
- 12. Discussion of Status of Potential Proposal to Activate Latent Authority for East Valley Water District to Provide the Services of Wastewater Treatment, Disposal, and Recycling
- 13. Legislative Update Report

INFORMATION ITEMS:

- 14. Executive Officer's Oral Report
- 15. Commissioner Comments

(This is an opportunity for Commissioners to comment on issues not listed on the agenda, provided that the subject matter is within the jurisdiction of the Commission and that no action may be taken on off-agenda items unless authorized by law.)

16. Comments from the Public

(By Commission policy, the public comment period is limited to five minutes per person for comments related to items under the jurisdiction of LAFCO.)

The Commission may adjourn for lunch from 12:00 to 1:30 p.m. The Commission may take action on any item listed in this Agenda whether or not it is listed For Action. In its deliberations, the Commission may make appropriate changes incidental to the above-listed proposals.

Materials related to an item on this Agenda submitted to the Commission or prepared after distribution of the agenda packet will be available for public inspection in the LAFCO office at 215 N. D St., Suite 204, San Bernardino, during normal business hours, on the LAFCO website at www.sbclafco.org, and at the hearing.

Current law and Commission policy require the publishing of staff reports prior to the public hearing. These reports contain technical findings, comments, and recommendations of staff. The staff recommendation may be accepted or rejected by the Commission after its own analysis and consideration of public testimony.

IF YOU CHALLENGE ANY DECISION REGARDING ANY OF THE ABOVE PROPOSALS IN COURT, YOU MAY BE LIMITED TO RAISING ONLY THOSE ISSUES YOU OR SOMEONE ELSE RAISED DURING THE PUBLIC TESTIMONY PERIOD REGARDING THAT PROPOSAL OR IN WRITTEN CORRESPONDENCE DELIVERED TO THE LOCAL AGENCY FORMATION COMMISSION AT, OR PRIOR TO, THE PUBLIC HEARING.

The Political Reform Act requires the disclosure of expenditures for political purposes related to a change of organization or

reorganization proposal which has been submitted to the Commission, and contributions in support of or in opposition to such measures, shall be disclosed and reported to the same extent and subject to the same requirements as provided for local initiative measures presented to the electorate (Government Code Section 56700.1). Questions regarding this should be directed to the Fair Political Practices Commission at www.fppc.ca.gov or at 1-866-ASK-FPPC (1-866-275-3772).

A person with a disability may contact the LAFCO office at (909) 383-9900 at least 72-hours before the scheduled meeting to request receipt of an agenda in an alternative format or to request disability-related accommodations, including auxiliary aids or services, in order to participate in the public meeting. Later requests will be accommodated to the extent feasible.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

215 North "D" Street, Suite 204, San Bernardino, CA 92415-0490 (909) 383-9900 • Fax (909) 383-9901 E-mail: lafco@lafco.sbcounty.gov www.sbclafco.org

DATE: MAY 13, 2015

FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer

TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: AGENDA ITEM #2 - ELECTION OF CHAIR AND VICE-CHAIR

Pursuant to Rule of Order #2, the Commission selects its Chair and Vice-Chair annually at the May hearing. Rule of Order #2 also limits the positions to no more than two consecutive one-year terms in the respective offices. Last year the Commission extended the term of the existing Chair and Vice-Chair for one year due to pending discussion related to the Executive Officer. That extension has been completed.

Any regular voting member of the Commission may be appointed to these positions. Chair Curatalo and Vice-Chair Cox would not be eligible for these positions under current Commission policies. However, if it is desired by the Commission to override the policy, as was done last year, the process would require four affirmative votes to do so.

Staff will be happy to respond to any questions prior to or at the hearing.

/krm

DRAFT - ACTION MINUTES OF THE LOCAL AGENCY FORMATION COMMISSION HEARING OF APRIL 15, 2015

REGULAR MEETING 9:00 A.M. APRIL 15, 2015

PRESENT:

COMMISSIONERS: Jim Bagley James Ramos

Kimberly Cox, Vice-Chair Janice Rutherford, Alternate

James Curatalo, Chair Sunil Sethi, Alternate

Steve Farrell, Alternate Diane Williams

Larry McCallon

STAFF: Kathleen Rollings-McDonald, Executive Officer

Paula de Sousa, LAFCO Legal Counsel

Samuel Martinez, Assistant Executive Officer Angela Schell, Administrative Assistant Rebecca Lowery, Clerk to the Commission

ABSENT:

COMMISSIONERS: Robert Lovingood Acquanetta Warren, Alternate

STAFF: Clark Alsop, LAFCO Legal Counsel

CONVENE REGULAR SESSION OF THE LOCAL AGENCY FORMATION COMMISSION - CALL TO ORDER - 9:04 A.M. - SAN BERNARDINO CITY COUNCIL CHAMBERS

Chairman Curatalo calls the regular session of the Local Agency Formation Commission to order and leads the flag salute.

CONSENT ITEMS – APPROVE STAFF RECOMMENDATION:

The following consent items are expected to be routine and non-controversial and will be acted upon by the Commission at one time without discussion, unless a request has been received prior to the hearing to discuss the matter.

- 1. Approval of Minutes for Regular Meeting of March 18, 2015 and Special Meeting of March 2, 2015 (Tour of Water Conservation Facilities)
- 2. Approval of Executive Officer's Expense Report
- 3. Ratify Payments as Reconciled for Month of March 2015 and Note Cash Receipts

LAFCO considered the items listed under its consent calendar, which includes a Visa Justification, the Executive Officer expense report and staff report outlining the staff recommendations for the reconciled payments. Copies of each report are on file in the LAFCO office and are made part of the record by their reference here.

Commissioner McCallon moves approval of the consent calendar, second by Commissioner Williams. There being no opposition, the motion passes unanimously with the following vote: Ayes: Bagley, Cox, Curatalo, McCallon, Rutherford Williams. Noes: None. Abstain: None. Absent: Lovingood (Ms. Rutherford voting in his stead), Ramos.

PUBLIC HEARING ITEMS:

ITEM 4. CONSENT ITEMS DEFERRED FOR DISCUSSION

No items deferred for discussion.

ITEM 5. CONSIDERATION OF: (1) CEQA STATUTORY EXEMPTION FOR LAFCO 3174 AND (2) LAFCO 3174 – SERVICE REVIEW FOR WATER CONSERVATION WITHIN THE VALLEY REGION (TO BE CONTINUED TO MAY 20, 2015 HEARING)

Executive Officer Kathleen Rollings-McDonald presents the staff report for LAFCO 3174, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here.

Ms. McDonald states that staff learned that the required posting of the Notice of Hearing for this proposal was not done correctly; therefore, staff is requesting that LAFCO 3174 be continued to the May 20, 2015 hearing to allow for correction to required posting and advertisement.

Commissioner Cox moves approval of continuation, second by Commissioner Rutherford. There being no opposition, the motion passes unanimously with the following vote: Ayes: Bagley, Cox, Curatalo, McCallon, Rutherford, Williams. Noes: None. Abstain: None. Absent: Lovingood (Ms. Rutherford voting in his stead), Ramos.

ITEM 6. PRELIMINARY BUDGET REVIEW FOR FISCAL YEAR 2015-16 TO INCLUDE: A) PROPOSED BUDGET FOR FISCAL YEAR 2015-16; B) PROPOSED AMENDMENTS TO POLICY 202 COMPENSATION, SECTION B SALARY RANGES AND SECTION E ONE-TIME INCENTIVES TO REFLECT COUNTY EXEMPT COMPENSATION PLAN CHANGES

Chairman Curatalo opens the public hearing.

LAFCO conducts a public hearing for the review and adoption of the Preliminary Budget for Fiscal Year 2015-16. Notice of this hearing has been advertised as required by law through publication in *The Sun*, a newspaper of general circulation. Individual notice of this hearing was provided to affected and interested agencies, County departments, all Cities/Towns, Independent Special Districts and the County.

Executive Officer Kathleen Rollings-McDonald presents the report for the Preliminary Budget Review for Fiscal Year 2015-16, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here.

Ms. McDonald provides a review of the proposed budget for Fiscal Year 2015-16. She says that staff began the required budget review by considering potential changes to the Schedule of Fees, Deposits and Charges and determined that no additional changes for Fiscal Year 2015-16 would be proposed; therefore, no action will be required from the Commission. She says that the most significant change in salaries and benefits is the employer retirement rate which is forecast for FY 15-16 to be 33.58% which is a signal that a leveling off of the rates to address fund losses from the

recession is occurring.

Ms. McDonald states that staff has chosen to expand the forecasting for an additional year to identify significant changes which are on the horizon for the Commission; which are (1) the end of the lease at the current staff office requiring relocation (FY 2016-17) and (2) the recruitment of a permanent LAFCO Executive Officer (FY 2017-18).

Ms. McDonald says that the activity levels are starting to rise, that as of today eight proposals are in process, and that more are anticipated to be received. She reviews the salaries and expenditures chart and notes the changes for FY 2014-15 are required. Ms. McDonald states that up until March of 2015, there were no significant changes to discuss in the Salaries and Benefits categories for the Comimssion; however, the Board of Superivsors has adopted changes to the Exempt Compensation Plan which has an effect on the Commission as it mirrors this Benefit Plan for its employees. She says that two directly affect compensation during the current fiscal year: (1) a one-time incentive payment of \$1,750 for each full-time employee and (2) the addition of a new top step (Step 14) in the salary schedule and the addition of new substeps preceding the current Step 1. She notes that a copy of the amended spreadsheet reflecting updated information in forecasts is at each Commissioners place.

Ms. McDonald reviews the retirement rates chart and notes that staff has outlined for the Commission the division the employer share retirement rates into normal cost (those which provide for current employee obligations) and the Unfunded Acturial Accrued liability (repayment of losses from the recession).

Ms. McDonald reviews the services and supplies and says that these are the daily and general operational costs for the Commission. Ms. McDonald notes that these expenditures reflect that the costs are being held in a steady pattern and the Commission will see an increase in FY 2016-15 when the office relocates at the end of the current lease.

(It is noted that Commissioner Ramos arrives at the dias at 9:19 a.m.)

Ms. McDonald says that the funding of \$20,000 related to the infrastructure impovements required due to the County's move from the building where the LAFCO office is located will carry forward into FY 2015-16. Ms. McDonald also notes that the budget includes funding required to provide a host for the housing of the video recording of hearings accessible on the Commission's website. This service is currently provided by the City of San Bernardino. She says that the budget includes appropriation authority to look at other options for this service; in addition, software updates and new software to allow for manipulation of large pieces of data for service reviews are included in the appropriation authority request.

Ms. McDonald says that as part of the special study for the Daggett, Newberry, and Yermo Community Services District, the Commission directed staff to arrange for a training on board governance. She says that the training was well received and the Commission expressed its intent to continue to provide training for the government agencies within the County. She asks that the Commission establish as a policy item an educational program and says that staff is developing three programs to be offered to the agencies: (1) a webinar that will be provided by the California Special Districts Association (CSDA) regarding the Brown Act; (2) local training, that will also be provided by CSDA regarding Community Leadership; and (3) training through the Institute of Local Governement on Partnering with Communities. She notes that the Fiscal Indicators Program is up and will now transition to the annual update process to that it can remain current.

Ms. McDonald reviews revenues projections and says that staff if proposing an increase to the apportionment in the amount of 2%. She details the apportionment amounts for the County, the Cities and the Special Districts, noting that the special districts have established their own methodology for the distribution of the special district's share of the apportionment. She says that staff will inform the cities and the special districts of the increase in the LAFCO apportionment rate and the proposed distribution in the required notification of the proposed budget. Ms. McDonald reviews the projected proposal numbers and the projected activity forecast.

Ms. McDonald reviews the Reserve Funds and says that the reserve funds have been maintained. She reviews staff's recommendations which include the adoption of language changes to the Human Resources Policies for Section 202 Compensation, Sections B and E; the determination that there are no amendment for the Scheulde of Fees, Charges and Deposits for Fiscal Year 2015-16; the adoption of the Proposed Budget for FY 2015-16; the direction to forward the adopted proposed budget to all the independent special districts, cities, and the County for comment; and schedule a public hearing for May 20, 2015 for the formal adoption of the Final Budget for FY 2015-16.

Chariman Curatalo asks for comments from the public. There are none; and he closes the public hearing.

Commissioner Ramos moves approval of the preliminary budget and updates to the policy and procedure manual, second by Commissioner McCallon. There being no opposition, the motion passes unanimously with the following vote: Ayes: Bagley, Cox, Curatalo, McCallon, Ramos, Rutherford, Williams. Noes: None. Abstain: None. Absent: Lovingood (Ms. Rutherford voting in his stead).

DISCUSSION ITEMS:

ITEM 7. STATUS REPORT ON CONDITIONS IMPOSED ON LAFCO 3157 – SPHERE OF INFLUENCE ESTABLISHMENT FOR COUNTY SERVICE AREA 120 (TO BE CONTINUED TO MAY 20, 2015 HEARING)

Executive Officer Kathleen Rollings-McDonald presents the report for LAFCO 3157, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here.

Ms. McDonald states that the Commission continued discussion of the status report regarding the conditions imposed upon LAFCO 3157. She says that LAFCO made this request in order to provide staff and Special Legal Counsel the ability to fully evaluate the County's response to conditions imposed through the approval of LAFCO 3157. She says that the Commission's Legal Counsel for LAFCO 3157, Ms. Holly Whatley from Colantuono, Highsmith & Whatley, PC, could not be present at today's hearing due to a prior commitment. Therefore, staff is recommending that the status report for LAFCO 3157 be continued to the May 20, 2015 hearing.

Commissioner McCallon moves approval of continuation, second by Commissioner Williams. There being no opposition, the motion passes unanimously with the following vote: Ayes: Bagley, Cox, Curatalo, McCallon, Ramos, Rutherford, Williams. Noes: None. Abstain: None. Absent: Lovingood (Ms. Rutherford voting in his stead).

INFORMATION ITEMS:

ITEM 8. LEGISLATIVE UPDATE REPORT

Executive Officer Kathleen Rollings-McDonald presents the Legislative staff report, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here.

Ms. McDonald says that the report includes information regarding significant items.

Ms. McDonald says that for AB 851, the stakeholder review process continues and the first set of agreed upon amendments has been received from Legislative Counsel. She says that the first committee hearing on this bill will be on the 22nd of April before the Assembly Local Government Committee and that she will be attending at the request of CALAFCO. She says a letter of support from San Bernardino LAFCO was forwarded to Assembly Member Mayes and that for the most part the bill has been received a positive response.

Ms. McDonald says that for SB 239, the bill proposes to define an out-of-agency service agreement for fire protection services outside an agency's boundary as a change of organization and proposes the addition of a new section of LAFCO law which removes the discretion that the governing bodies of public agencies providing fire protection services have to evaluate their position on contracting to provide extra-territorial service through the inclusion of mandatory pre-approval of the contract by affected labor associations. She says that staff is concerned about the effect of this new precedent on establishing procedures for out-of-agency service agreements and the injection of labor representatives into the LAFCO process and says that staff is recommending that the Commission oppose SB 239.

Ms. McDonald says that for AB 402, the Commission's position of support if amended has been forwarded to Assembly member Dodd and to the Assembly Local Government committee. She says that the proposed changes supported in this bill excludes some of the language which was included to provide safeguards in the processes that reflect the Commission's directives. She says that staff will continue to monitor the progress of this bill.

Ms. Mc Donald says that for AB 1532 that this is the annual CALAFCO sponsored cleanup bill that addresses non-substantive changes to the Cortese-Knox-Hertzberg Local Government Reorganization Act.

Ms. McDonald ask for approval of staff's recommendation to note receipt of the staff report and file, to indicate the Commission's opposition to SB 239, indicate support of AB 1532, and authorize the LAFCO Chairman to sign the letters identifying the Commission's positions and mail the letters as appropriate.

Commissioner Cox says that a letter of appreciation should be send to Chad Mayes for his support in the work of AB 851. Commissioner Ramos asks that a fact sheet on AB 851 be provided for distribution.

Commissioner Cox moves approval of staff recommendations, second by Commissioner Williams. There being no opposition, the motion passes unanimously with the following vote: Ayes: Bagley, Cox, Curatalo, McCallon, Ramos, Rutherford, Williams. Noes: None. Abstain: None. Absent: Lovingood (Ms. Rutherford voting in his stead).

ITEM 9. EXECUTIVE OFFICER'S ORAL REPORT

Executive Officer Kathleen Rollings-McDonald says that the agenda for May will be a large one and that the election of Chair and Vice-Chair will be on the May agenda, along with the swearing in of

Commissioner Lovingood for his second term. She says that the hearing for June might be cancelled and the July agenda will be a large one.

ITEM 10. COMMISSIONER COMMENTS

Commissioner McCallon asks for an update regarding the East Valley Water District and asks what can be done about their moving forward with the wastewater treatment plant, since wastewater is not one of their designated services.

Executive Officer Kathleen Rollings-McDonald says that a report on the status of the issue can requested by the Commission and the steps necessary for the Water District to expand its authorized services to allow for the operation of a regional wastewater treatment plant. She says that staff can provide an outline to be placed on the May agenda for the Commission's review and comment.

ITEM 11 COMMENTS FROM THE PUBLIC

No Comments

HEARING IS ADJOURNED AT 10:01 A	<u>M.</u>
ATTEST:	
REBECCA LOWERY Clerk to the Commission	
	LOCAL AGENCY FORMATION COMMISSION

JAMES CURATALO, Chairman

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE COMMISSION THE

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

215 North D Street, Suite 204, San Bernardino, CA 92415-0490 (909) 383-9900 • Fax (909) 383-9901 E-MAIL: lafco@lafco.sbcounty.gov www.sbclafco.org

DATE: MAY 11, 2015

FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer

TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: AGENDA ITEM #4 - APPROVAL OF EXECUTIVE OFFICER'S

EXPENSE REPORT

RECOMMENDATION:

Approve the Executive Officer's Expense Report for Procurement Card Purchases for April 2015 as presented.

BACKGROUND INFORMATION:

The Commission participates in the County of San Bernardino's Procurement Card Program to supply the Executive Officer a credit card to provide for payment of routine official costs of Commission activities as authorized by LAFCO Policy #4(H). Staff has prepared an itemized report of purchases that covers the billing period of March 23, 2015 through April 22, 2015.

It is recommended that the Commission approve the Executive Officer's expense report as shown on the attachments.

KRM/rcl

Attachments



COUNTY OF SAN BERNARDINO PROCUREMENT CARD PROGRAM

Page <u>1</u> of <u>1</u>

MONTHLY PROCUREMENT CARD PURCHASE REPORT

Card Number	Cardholder	Billing Period
	Kathleen Rollings-McDonald	3/23/15 to 4/22/15

Date	Vendor Name	Receipt/ Invoice No.	ltem Description	Purpose	\$ Amount	Reconciled (R) Disputed (D)	Sales Tax Included on invoice (Yes or No)
3-24	Advanced Copy Systems	1	Monthly Payment	Sharp Photo Copier	907.14	R	Υ
3-25	The Mexico Cafe	2	Meal – Rollings-McDonald	Meeting with BBCCSP	16.84	R	N
3-27	Paypal Southern Cal	3	Registration – Rollings- McDonald	SCAG – Conference Registration	250.00	R	N
3-27	Thomson West	4	Monthly Payment	Law Library Updates	169.92	R	N
4-06	Southwest	5	Air Fare – Rollings-McDonald	ALGC Committee Meeting on AB 851	278.50	R	N
4-08	Southwest	6	Air Fare – Rollings-McDonald	CALAFCO Legislative Meeting	303.50	R	N
4-13	CDW Government	7	Adobe Software	Software Upgrade	609.00	R	N
4-20	Grass Valley Courtyard Suites	8	Hotel - Serrano	CALAFCO Annual Staff Conference	365.10	R	Y
4-22	Southwest	9	Air Fare – Rollings-McDonald	CALAFCO Disincorporation Meeting	97.50	R	N

The undersigned, under penalty of perjury, states the above information to be true and correct. If an unauthorized purchase has been made, the undersigned authorizes the County Auditor/Controller-Recorder to withhold the appropriate amount from their payroll check after 15 days from the receipt of the cardholder's Statement of Account.

Cardholder (Print & Sign)	Date
Kathleen Rollings-McDonald Withthe Miles Intelliged	5/5/15

Approving Official (Print & Sign)	Date
James Curatalo, Chairman	5/20/15

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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DATE: MAY 11, 2015

FROM: KATHLEEN ROLLINGS-McDØNALD, Executive Officer

TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: AGENDA ITEM #5 - RATIFY PAYMENTS AS RECONCILED FOR

MONTH OF APRIL 2015 AND NOTE REVENUE RECEIPTS

RECOMMENDATION:

Ratify payments as reconciled for the month of April 2015 and note revenue receipts for the same period.

BACKGROUND INFORMATION:

Staff has prepared a reconciliation of warrants issued for payments to various vendors, internal transfers for payments to County Departments, cash receipts and internal transfers for payments of deposits or other charges that cover the periods of April 1 through April 30, 2015.

Staff is recommending that the Commission ratify the payments for April 2015 outlined on the attached listings and note the revenues received.

KRM/rcl

Attachment

MONTHLY RECONCILIATION OF PAYMENTS

VOUCHER	LOCALINE	NARE	WARRANT	WARRANT	
DOCUMENT ID	ACCOUNT	NAME	NUMBER	DATE	AMOUNT
PV8908342	2445	ROSENOW SPEVACEK GROUP INC	8629189	4/1/2015 \$	210.00
PV8908343 - 44		ALREADY PROCESSED			
PV8908345	2445	ROSENOW SPEVACEK GROUP INC	8629863	4/2/2015	
PV8908346	1235	SPECIAL DISTRICTS RISK MGMT	8629885	4/2/2015 \$	461.00
PV8908347	2445/2940	JIM BAGLEY	8634806	4/13/2015 \$	606.80
PV8908348	2445/2940	KIMBERLY COX	8634807	4/13/2015 \$	262.10
PV8908349	2445/2940	JAMES V CURATALO	8635620	4/14/2015	228.75
PV8908350	2445	STEVEN FARRELL	8634856	4/13/2015 \$	218.98
PV8908351	2445/2940	ROBERT A LOVINGOOD	8634825	4/13/2015 \$	400.00
PV8908352	2445/2940	ACQUANETTA WARREN	8634763	4/13/2015	218.40
PV8908353	2445/2940	DIANE WILLIAMS	8634790	4/13/2015 \$	459.80
PV8908354	2424	TOM DODSON & ASSOCIATES	3246534	4/13/2015	
PV8908355	9800	STATE BOARD OF EQUALIZATION - FOR LAFCO 3181 COMPLETION	8630974	4/6/2015	
PV8908356	2905	INLAND EMPIRE PROPERTIES	3247070	4/17/2015	
PV8908357	2085	CALIFORNIA NEWS SERVICE - DAILY JOURNAL	8637645	4/17/2015	
PV8908358	2080	JAMES LONGTIN - LOCAL GOVERNMENT PUBLICATIONS	8637668	4/17/2015	
TOTAL	2000	O WILD ESTATIN ESSALE SOVERWINENT TOBERS THORIC	0001000	\$1172010	
TOTAL		MONTH OF APRIL 2015 INTERNAL TRANSFERS PROCESSED		4	17,000.00
JVIB 09062037D	2037	MARCH 2015 PHONE		4/6/2015	
JVIB 09062038D	2038	MARCH 2015 LONG DISTANCE		4/6/2015	
JVCS 20150409059	2305	STAPLES SERVICE CHARGE		4/9/2015	
JVCS 20150409059	2305	STAPLES SERVICE CHARGE		4/9/2015	
JVCS 20150409059	5012	STAPLES SUPPLIES		4/9/2015	
JVCS 20150409059	5012	STAPLES SUPPLIES		4/9/2015 \$	
JVATXRT16389	2308	CAL-CARD PAYMENT - APRIL		4/28/2015 \$	
JVPURRT15100	2310	PACKAGING - MAIL		4/20/2015 \$	
JVPURRT15102 JVPURRT15107	2310 2310	PRESORT FLATS - MAIL INTER-OFFICE MAIL	-	4/20/2015 \$ 4/20/2015 \$	
JVPURRT15107	2310	PACKAGING - MAIL		4/20/2015 \$	
JVPURRT15098	2310	1ST CLASS PRESORT POSTAGE		4/21/2015	
JVPURRT15935	2323	PRINTING SERVICES - OFFICE ENVELOPES WITH RETURN ADDRESS	-	4/28/2015	
JVIB 09062410AC	2410	MARCH 2015 DATA PROCESSING		4/6/2015	
JVIB 09062410AG	2410	MARCH 2015 DATA PROCESSING		4/6/2015	
JVIB 09062410AG	2410				
JVIB 09062410E	2410	MARCH 2015 DATA PROCESSING			
		MARCH 2015 DATA PROCESSING			·
JVIB 09062410U	2410	MARCH 2015 DATA PROCESSING		4/6/2015 \$	
JVIB 09062410Y	2410	MARCH 2015 DATA PROCESSING		4/6/2015	
JVATXRT14507	2415	COWCAP		4/9/2015	
JVIB 09062420J	2420	MARCH 2015 ISD OTHER IT SERVICES		4/6/2015	
JVIB 09062421D	2421	MARCH 2015 ISD DIRECT		4/6/2015	683.84
JV890RT14602	2424	COB FILING - NOE FOR LAFCO SC#392		4/14/2015	50.00
JV890RT16144	2424	COB FILING - NOE FOR LAFCO SC#393		4/29/2015	50.00
JV890RT14603	2445	ROV LAFCO 3181 INV 2346		4/14/2015	540.64
TOTAL				9	8,455.2

MONTHLY RECONCILIATION OF PAYMENTS

	•	MONTH OF APRIL 2015 CASH REC	EIPTS				
DEPOSIT					DEPOSIT		
DOCUMENT ID	ACCOUNT	DESCRIPTION			DATE	AMO	JNT
JVTZ RT150413053	8500	INTEREST			4/24/2015	\$	1,410.5
CR890A11991	9545	INDIVIDUAL NOTICE			4/21/2015	\$	700.00
CR890A11991	9555	LEGAL FEES		,	4/21/2015	\$	1,150.00
CR890A11991	9660	ENVIRONMENTAL			4/21/2015	\$	800.00
CR890A12305	9660	ENVIRONMENTAL			4/28/2015	\$	100.00
TOTAL						\$	4,160.5
		MONTH OF APRIL 2015 INTERNAL TRANSFE	RS RECEIVED				
TRANSFER					TRANSFER		
DOCUMENT ID	ACCOUNT	NAME			DATE	AMO	JMT
		NONE					
TOTAL						\$	-
	e de	. 0_					
Rebl	elle films	ry		5/11/2015			
REBECCA L	OWERY, Clerk to	hé-Commission	· · · · · · · · · · · · · · · · · · ·	DATE			
RECONCILIATION APPR	ROVED BY:						
Acothie	Allso	het Tares	F	5/11/2015			
		EEN ROLLINGS-McDONALD, Executive Officer		DATE	-		

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

215 North D Street, Suite 204, San Bernardino, CA 92415-0490 (909) 383-9900 • Fax (909) 383-9901 E-MAIL: lafco@lafco.sbcounty.gov www.sbclafco.org

DATE: MAY 4, 2015

FROM: KATHLEEN ROLLINGS/McDONALD, Executive Officer

TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #6 – Note Receipt of Proposal Initiated by Landowner

Petition -- LAFCO 3191 - Reorganization to Include Annexations to the City of Rialto and West Valley Water District and Detachments from San Bernardino County Fire Protection District, its Valley Service Zone, and

County Service Area 70 (Boral Roofing LLC)

State law requires that any proposal involving annexation to a special district that has not been initiated by resolution of the district shall be placed on the next available Commission agenda as an informational item (Government Code Section 56857(a)). Boral Roofing LLC has submitted a petition initiating a reorganization proposal which includes the annexation of 19 +/- acres to the West Valley Water District (WVWD) along with the annexation to the City of Rialto. The purpose of the reorganization is to consolidate the property owner's land holdings within the City of Rialto for future expansion of the existing industrial development. A map of the proposed reorganization is included as an attachment to this report.

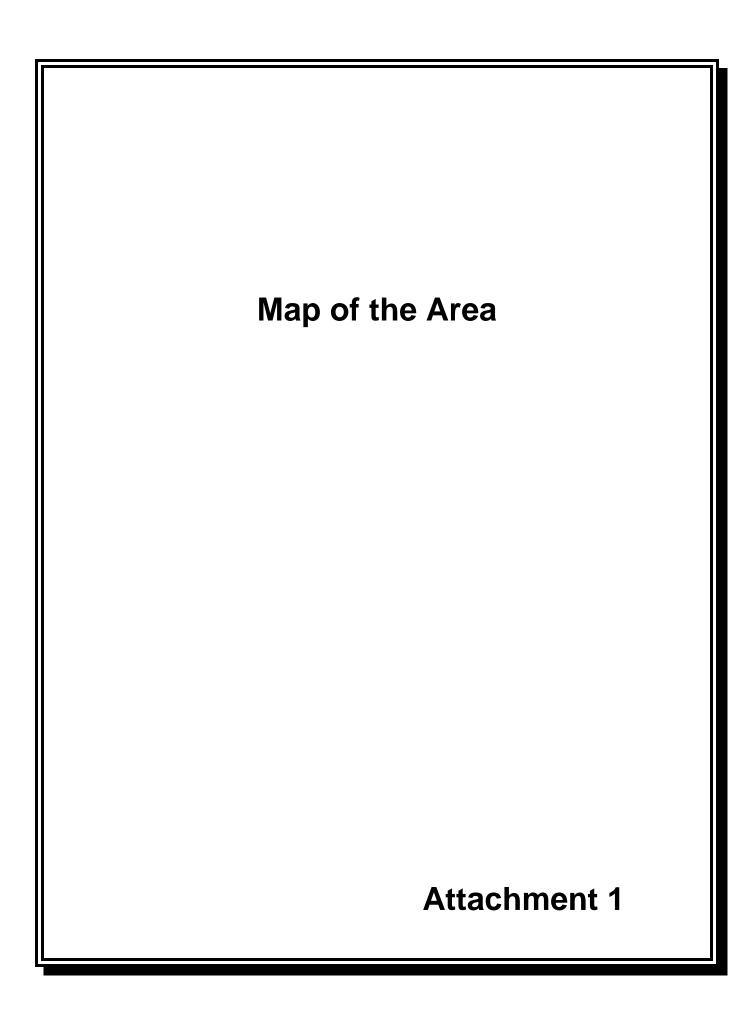
Government Code Section 56857(a) sets in motion a 60-day time period in which the district involved may submit a resolution of opposition to the annexation proposal. This 60-day time period begins with the Commission's hearing on May 20th and will expire on July 20th.

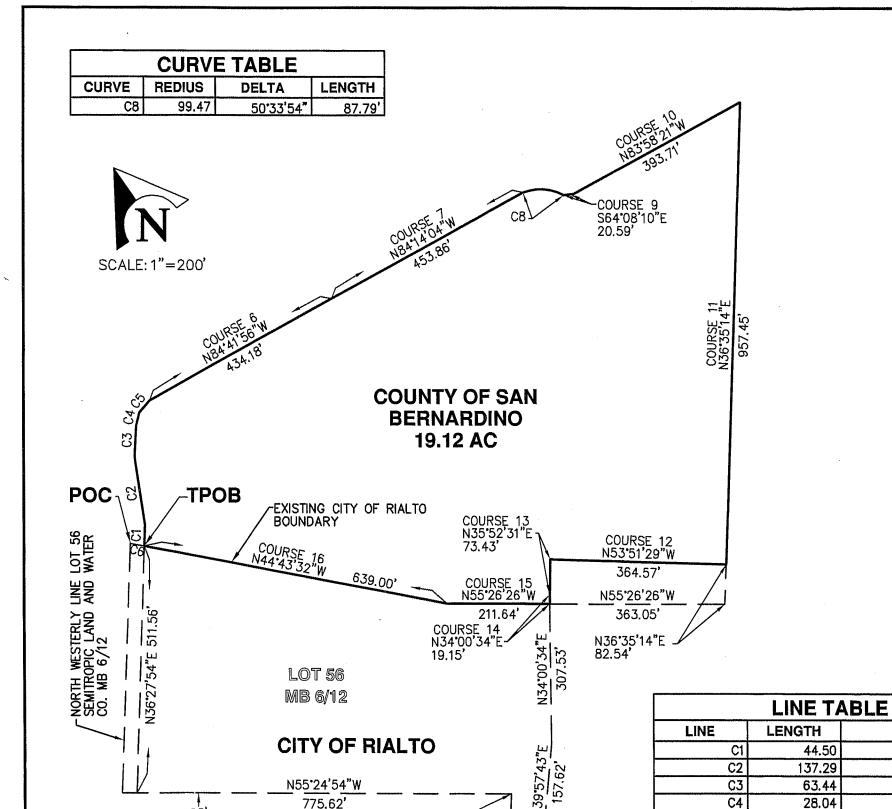
No action is required of the Commission other than to note receipt of the proposal.

KRM/sm

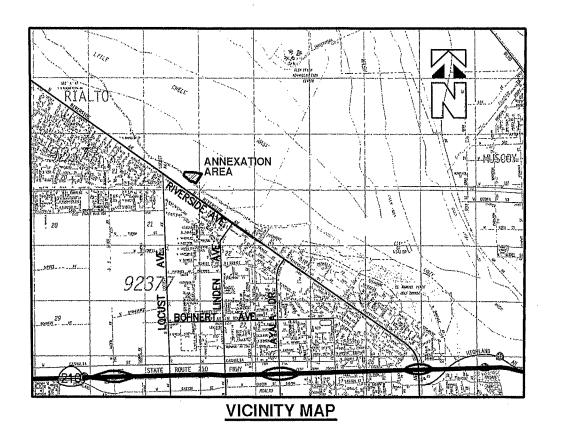
Attachments:

- 1 -- Map of the Area
- 2 -- Application





RIVERSIDE AVE 536'35'06'





DATE PREPARED 12/31/14



BEARING

C5

C6

^ZN53**'**24**'**54"W 70.67' 32.64

29.39

N36°27'54"E

N26'05'25"E

N37'35'38"E

N47°26'20"E

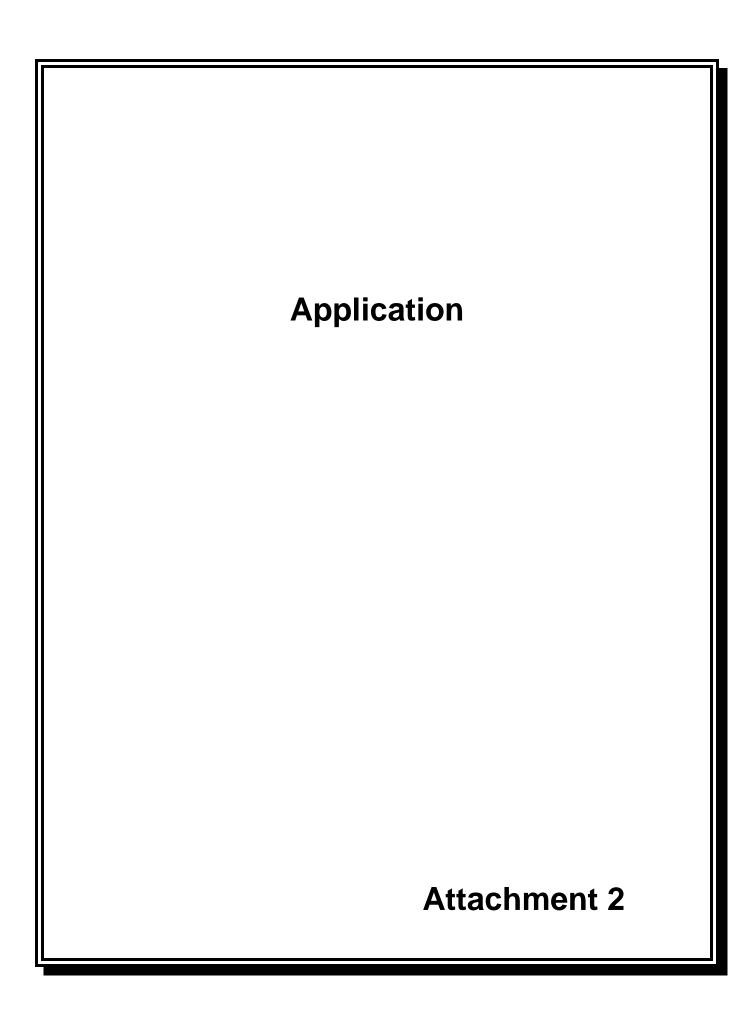
N75"5'43"E

N44"43'32"W

W.J. McKEEVER, INC.

CIVIL ENGINEERING

900 E. WASHINGTON STREET, SUITE 208 COLTON, CALIFORNIA 92324 PH.: (909) 825-8048 FAX: (909) 825-8639



SAN BERNARDINO LAFCO APPLICATION AND PRELIMINARY ENVIRONMENTAL DESCRIPTION FORM

INTRODUCTION: The questions on this form and its supplements are designed to obtain enough data about the proposed project site to allow the San Bernardino LAFCO, its staff and others to adequately assess the project. By taking the time to fully respond to the questions on the forms, you can reduce the processing time for your project. You may also include any additional information which you believe is pertinent. Use additional sheets where necessary, or attach any relevant documents.

		R 1	0 (-	116	
	APPLICANT:		Routing		
		Marie Jo		مرح مان	_
	oswell, c		East, S	3/te 3/t)
	1770) 6	<u> 300</u> 552 - 334			
PHONE:	\	552 - 33			
FAX: E-MAIL ADI	\		seph@bor	مارميم	
	JNL00		- Pillo Dai		
<i>5-</i> (000		<u> </u>	inden A	venues	
Does the ap	plication posse	ss 100% written	consent of eacl	landowner in	the subject territory?
Does the ap	plication posse	ss 100% written	consent of eacl	n landowner in or change.	the subject territory?
Does the ap	plication posse	ss 100% written , provide writter e proposed acti	consent of eacl authorization fo	n landowner in or change. uested. Re	the subject territory?
Does the ap YES <u>V</u> Indicate the	plication posse NO If YES reasons that th なれる iハ	ss 100% written i, provide writter e proposed acti	consent of eacl authorization fo on has been req	n landowner in or change. uested. <u>Re</u> alto. T	the subject territory?
Does the ap (ES <u>V</u>) Indicate the ANNEX	reasons that the for the Bo	ss 100% written i, provide writter e proposed acti to the Coral Roofing L	consent of each authorization for has been required by the following of th	n landowner in or change. uested. Re alto TI	the subject territory? quest were are full
Does the ap ZES 2 Indicate the ANNEX Parcels	plication posse NO If YES reasons that th a fion int for the Br	ss 100% written i, provide writter e proposed acti to the Coral Roofing L	consent of each authorization for the consent of th	n landowner in or change. uested. Re alto TI	the subject territory?
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Does the applement of the officer of the visual the pound the p	plication posse NO If YES reasons that th Ation INT For the Br Pansion of roposal create is	ss 100% written i, provide writter e proposed action oral knoting be the City the fried a totally or subs	consent of each authorization for the consent of th	n landowner in or change. uested. Re alto Tone plat um into to	the subject territory? quest nere are full is in the Cou

LAND USE AND DEVELOPMENT POTENTIAL

lotal	land area (defined in acres): 28. 02.
	ent dwelling units in area classified by type (Single Family detached, multi-family (duplex, f 10-unit), apartments)
Appro	oximate current population in area:
Indica desig	ate the General Plan designation(s) of the affected city (if any) and uses permitted by this nation(s): Specific Plan WH Specific Plan Overlay
San E	Bernardino County General Plan designation(s) and uses permitted by this designation(s):
	Industrial
region subje <u>No</u> +h.e	exation or Reorganization, provide a discussion of the land use plan's consistency with the nal transportation plan as adopted pursuant to Government Code Section 65080 for the ct territory: Secial land use concerns. The property is consistent with Section 65080 for the Section 65080 for the Section of the City of Rial to General Plan and the City of Rial to General Plan and the City of Rial to General have losen veniewed by SCAG for consistent with the adopted RTP. The annexation will not after any of the attention between the existing land use. Consistency Conclusions. Industrial
What	is the proposed land use?
For a Provid	city annexation, State law requires pre-zoning of the territory proposed for annexation. le a response to the following:
a, b.	Has pre-zoning been completed? YES NO

Williamson Act Contract Any other unusual features of the area or permits required: Any other unusual features of the area or permits required: Any other unusual features of the area or permits required: Any other unusual features of the area or permits required: Any other unusual features of the area proposed for annexation to a City, please provide a copy of the original contract, the notice of non-renewal (if appropriate) and any protest the contract filed with the Country by the City. Please provide an outline of the City's anticipated actions with regard to this contract. Provide a narrative response to the following factor of consideration as identified in §56668(o): The extent to which the proposal will promote environmental justice. As used in this subdivision, lenvironmental justice" means the fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services:	or ne expla	ar capacity (including sewer, water, in.	, police, fire, o		NO If YES, please
Any other unusual features of the area or permits required: Any other unusual features of the area or permits required: Any other unusual features of the area proposed for annexation to a City, please provide a copy of the original contract, the notice of non-renewal (if appropriate) and any protest the contract filed with the County by the City. Please provide an outline of the City's anticipated actions with regard to this contract. Provide a narrative response to the following factor of consideration as identified in §56668(o): The extent to which the proposal will promote environmental justice. As used in this subdivision, tenvironmental justice" means the fair treatment of people of all races, cultures, and incomes with the provision of public facilities and the provision of public services:			on of the territ	ory contains the fo	illowing by placing a
Any other unusual features of the area or permits required: f a Williamson Act Contract(s) exists within the area proposed for annexation to a City, please provide a copy of the original contract, the notice of non-renewal (if appropriate) and any protest the contract filed with the County by the City. Please provide an outline of the City's anticipated actions with regard to this contract. Provide a narrative response to the following factor of consideration as identified in §56668(o): The extent to which the proposal will promote environmental justice. As used in this subdivision, l'environmental justice" means the fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services:	_	Agricultural Land Uses		Agricultural Pre	eserve Designation
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The extent to which the proposal will promote environmental justice. As used in this subdivision, environmental justice" means the fair treatment of people of all races, cultures, and incomes with espect to the location of public facilities and the provision of public services:			***************************************	•	·
The annexation will not result in the hindering of envir justice. With the annexation, Boral Roofing LLC will be allow to expand, thereby promoting environmental justice.				consideration as i	dentified in §56668(o):

2.	Describe any e	xisting improv	ements on	the site as <u>% of total area</u> .		
	Residential _	8	%	Agricultural	ð	<u></u> %
	Commercial	<u>s</u>	%	Vacant	8	%
	Industrial	100	%	Other		%
3.	Describe the su	ιπounding land	d uses:	/		
	NORTH	V	acant	/ Lyfle Creek W	esh	
	EAST		Vaca	nt '	www.mannessammina.com	_
	SOUTH	<u>S</u>	yle-fa	unily residential)	
	WEST	V	<u>acant</u>	nt mily residential / Single-family r	residential	
!.	Describe site al proposed action	terations that on the control of the	will be prod of water fac N/A	uced by improvement projects ilities, sewer facilities, grading,	associated with t flow channelizati	his on, etc.).
i.	Will service exte	ensions accorn nt sites? YES	nplished by SNO_2	this proposal induce growth on Unincorporated incorp	this site? YES _ corated <u>X</u> _	
			WHITE THE TAXABLE	N/A		
					<u>.</u>	
•	NO if YES,	please identif	fy.	rice contracts/agreements withing 4 - Service Provide	•	
	<i>p</i> ^f -	the 1	an of	Services and Fi	ical Im	rect
	And	ilycis.	······································			
	is this project a pexplain.			series of projects? YES <u>X</u> N ific Plan- Huis On		olease
	pro ce ss	ing a	paralle	ific Plan- this pro Lannexation app	lication.	

NOTICES

ADDRESS: 3511 N. Liverside Ave., Rialfo, CA 92377 NAME Matthew Fagan Consulting Seniorstelephone No. 957 · 265 · 5728 ADDRESS: 42011 Avenida Vista Ladera Temecula, CA 92591 NAME Tulie Peccorini Telephone No. 909 · 888 · 5731 ADDRESS: 323 West Court Street # 301 San Bernardino CA 92401 CERTIFICATION As a part of this application, the city of NA district, (the applicant) and/or the Boyal Robins Luc (real party in interest: subject landowner and/or registered voter) agree to defend, indemnify, hold harmless, and release the San Bernardino LAFCO, its agents, officers, attorneys, and employees from any claim, action, proceeding brought against any of them, the purpose of which is to attack, set aside, void, or anoth the approval of this application or adoption of the environmental document which accompanies it. This indemnification obligation shall include, but not be limited to, damages, costs, and expenses, including attorney fees. The person signing this application will be considered the proponent for the proposed action(s) and will receive all related notices and other communications. IVWe understand that if this application is approved, the Commission will impose a condition requiring the applicant to indemnify, hold harmless and reimburse the Commission for all legal actions that might be initiated as a result of that approval. As the proponent, IVWe acknowledge that annexation to the city of NA or the NA district may result in the imposition of taxes, fees, and assessments existing within the (city or district) on the effective date of the change of organization. I hereby waive any rights I may have under Articles XIIIC and XIIIO of the State Constitution (Proposition 218) to a hearing, assessment ballot processing or an election on those existing taxes, fees and assessments.
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ADDRESS: 420 Avenida Vista Ladera Temecula CA 72591 NAME Julie Peccorini Telephone No. 909 · 888 · 5731 ADDRESS: 323 West Court Street # 301 San Bernardino CA 92001 CERTIFICATION As a part of this application, the city of N/A (the applicant) and/or the Boyal Roshina Like (real party in interest subject landowner and/or registered voter) agree to defend, indemnify, hold harmless, and release the San Bernardino LAFCO, its agents, officers, attorneys, and employees from any claim, action, proceeding brought against any of them, the purpose of which is to attack, set aside, void, or annul the approval of this application or adoption of the environmental document which accompanies it. This indemnification obligation shall include, but not be limited to, damages, costs, and expenses, including attorney fees. The person signing this application will be considered the proponent for the proposed action(s) and will receive all related notices and other communications. I.We understand that if this application is approved, the Commission will impose a condition requiring the applicant to indemnify, hold harmless and reimburse the Commission for all legal actions that might be initiated as a result of that approval. As the proponent, I/We acknowledge that annexation to the city of N/A or the N/A district may result in the imposition of texes, fees, and assessments existing within the (city or district) on the effective date of the change of organization. I hereby waive any rights I may have under Articles XIIIC and XIIID of the State Constitution (Proposition 218) to a hearing, assessment ballot processing or an election on those existing taxes, fees and assessments and exhibits present
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the data and information required for this initial evaluation to the best of my ability, and that the facts, statements, and information presented herein are true and correct to the best of my knowledge and belief. BOTAL ROOM LICE BOTAL ROOM LICE F. SIGNATURE OF APPLICANT PRINTED NAME OF APPLICANT VP Finance TITLE

PLEASE CHEC	K SUPPLEMENTAL FORMS ATTACHED:
X	ANNEXATION, DETACHMENT, REORGANIZATION SUPPLEMENT
	SPHERE OF INFLUENCE CHANGE SUPPLEMENT
	CITY INCORPORATION SUPPLEMENT
	FORMATION OF A SPECIAL DISTRICT SUPPLEMENT
	ACTIVATION OR DIVESTITURE OF FUNCTIONS AND/OR SERVICES FOR SPECIAL
	DISTRICTS SUPPLEMENT

KRM-Rev. 8/16/2012

SUPPLEMENT ANNEXATION, DETACHMENT, REORGANIZATION PROPOSALS

INTRODUCTION: The questions on this form are designed to obtain data about the specific annexation, detachment and/or reorganization proposal to allow the San Bernardino LAFCO, its staff and others to adequately assess the project. You may also include any additional information which you believe is pertinent. Use additional sheets where necessary, and/or include any relevant documents.

Please ide	entify the agencies involve	ed in the proposal by proposed action:
ANNEXED Citys 150 Lial	of Rialfo 5. Palm Ave. 60, CA 92376	DETACHED FROM County of San Bernardino 355 N. Arrowhead the. San Bernardino, CA 92415
	rritory proposed for chang ssment districts, or fees?	ge be subject to any new or additional special taxes, any
County would be district Recipient Will the ter	no other change c subject to any n s, or fees. See F ts' of the Plan of	Protection, which will be transferred to the conservation of additional special taxes, new assessment of the property of the services and fiscal Impact analysis. Existing special taxes, assessments, district charges or detached?
Yes. Fo	-	to the Plan of Services and Fiscal
		pposed change will assist the annexing agency in lousing needs as determined by SCAG.

5. PLAN FOR SERVICES:

For each item identified for a change in service provider, a narrative "Plan for Service" (required by Government Code Section 56653) must be submitted. This plan shall, at a minimum, respond to each of the following questions and be signed and certified by an official of the annexing agency or agencies.

- 1. A description of the level and range of each service to be provided to the affected territory.
- 2. An indication of when the service can be feasibly extended to the affected territory.
- 3. An identification of any improvement or upgrading of structures, roads, water or sewer facilities, other infrastructure, or other conditions the affected agency would impose upon the affected territory.
- 4. The Plan shall include a Fiscal Impact Analysis which shows the estimated cost of extending the service and a description of how the service or required improvements will be financed. The Fiscal Impact Analysis shall provide, at a minimum, a five (5)-year projection of revenues and expenditures. A narrative discussion of the sufficiency of revenues for anticipated service extensions and operations is required.
- 5. An indication of whether the annexing territory is, or will be, proposed for inclusion within an existing or proposed improvement zone/district, redevelopment area, assessment district, or community facilities district.
- If retail water service is to be provided through this change, provide a description of the timely availability of water for projected needs within the area based upon factors identified in Government Code Section 65352.5 (as required by Government Code Section 56668(k)).

CERTIFICATION

As a part of this application, the city of	or the A Roofing LLC	(real party in in	district, nterest: subject
landowner and/or registered voter) agree to defend, inde	emnify, hold harmles	ss, and release th	e San Bernardino
LAFCO, its agents, officers, attorneys, and employees f			
of them, the purpose of which is to attack, set aside, voi			
of the environmental document which accompanies it. I limited to, damages, costs, and expenses, including atto considered the proponent for the proposed action(s) and communications. I/We understand that if this application requiring the applicant to indemnify, hold harmless and might be initiated as a result of that approval.	orney fees. The pers d will receive all rela n is approved, the C	son signing this ap ted notices and of commission will im	pplication will be ther pose a condition
As the proponent, I/We acknowledge that annexation to N/Ar district may result in the imposithe (city or district) on the effective date of the change of under Articles XIIIC and XIIID of the State Constitution (processing or an election on those existing taxes, fees a	f organization. I hei Proposition 218) to	reby waive any rig	ihts I may have

I hereby certify that the statements furnished above and the documents attached to this form present the data and information required to the best of my ability, and that the facts, statements, and information presented herein are true and correct to the best of my knowledge and belief.

DATE April 9 2015
For Boral Rossing LCC SIGNATURE OF APPLICANT
Title: UP Finance

/REVISED: krm - 8/15/2012



DRAFT PLAN OF SERVICES AND FISCAL IMPACT ANALYSIS

Boral Roofing LLC

February 4, 2015

BORAL ROOFING LLC ANNEXATION PLAN FOR SERVICES

TABLE OF CONTENTS

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SERVICE PROVISION AND EXPENDITURES	10
CONCLUSIONS	13



EXECUTIVE SUMMARY

The purpose of this report is to support the annexation of a single parcel to the City of Rialto ("City") from unincorporated San Bernardino County. The proposed parcel annexation is for Assessor Parcel Number ("APN") 0239-121-20-0000, which is owned by Boral Roofing LLC ("Boral Roofing LLC Site" or "Subject Site"). The Boral Roofing LLC Site is located within the City's sphere of influence. The parcel is currently used in conjunction with an adjacent parcel that is within the City's incorporated boundary. Both parcels have the same owner and are in use as a production site for roofing tile. This report provides a brief assessment of public service delivery capabilities of the City and other agencies or special districts affected by the proposed annexation. All impacts are expected to be negligible or non-existent, given the nature and scope of the proposed annexation.

This report is being submitted to the County of San Bernardino Local Agency Formation Commission ("LAFCo") as a Plan for Service required by California Government Code Section 56653. After annexation, local municipal service provision is expected to transfer from the County of San Bernardino ("County") to the City. These services will include general government, police protection, community development, fire protection, local parks and recreation, community services, and public works. The County will continue to provide regional, countywide services such as flood control, court systems, and health and welfare.

Based on an analysis of current service delivery capabilities, the City is equipped to handle additional demand from the proposed annexation of the Boral Roofing LLC Site at no additional, ongoing costs. This report explains the transfer of service requirements upon annexation, and discusses the lack of appreciable, recurring fiscal impacts to the City.

As shown in Table 1, a recurring annual surplus of approximately \$49,000 per year, two years after annexation of the Boral Roofing LLC Site is expected if no further improvements are made, based on certain assumptions described in the body of this report. Table 2 identifies an alternative scenario, where an additional 17,155 square feet of manufacturing space is constructed to accommodate additional production, increasing the assessed value of the Subject Site. Using Marshall and Swift Valuation Service, RSG estimated a conservative assessed value of \$129 per square foot of new construction¹ for a total of \$2.2 million in new assessed value.

1

Assumes Class C Average industrial construction, adjusted for San Bernardino County costs.

Figure 1 - Fiscal Impact Summary No Expansion

APN: 0239-121-20-0000

	2	015-16	2016-17	2017-18	2018-19	2018-19
Assessed Value	\$ 6	3,820,476	\$ 6,956,885	\$ 7,096,023	\$ 7,237,944	\$ 7,382,702
1% General Levy		68,205	69,569	70,960	72,379	73,827
City Share From County Property Tax Levy		-	-	-	_	-
City Share From Fire District Share Tax Levy		10,249	10,454	10,663	10,876	11,094
VLF In Lieu		-	8,318	8,485	8,654	8,827
Utility User Tax (8%)		38,600	38,600	38,600	38,600	38,600
Total City Revenues	\$	48,849	\$ 57,372	\$ 57,748	\$ 58,131	\$ 58,521

Notes:

Tax shares estimated net of Educational Revenue Augmentation Fund (ERAF) shift.

Assessed value assumes no additional improvements to site and 2% annual increase.

Utility User Tax estimated based upon Boral Roofing historical utility bills.

Figure 2 - Fiscal Impact Summary with 17,155 SF Expansion

	2	015-16	2016-17	2017-18	2018-19	2018-19
Assessed Value	\$ 9	,079,457	\$ 9,261,046	\$ 9,446,267	\$ 9,635,192	\$ 9,827,896
1% General Levy		90,795	92,610	94,463	96,352	98,279
City Share From County Property Tax Levy		.	-	_	_	-
City Share From Fire District Share Tax Levy		13,643	13,916	14,195	14,478	14,768
VLF In Lieu		_	11,073	11,295	11,521	11,751
Utility User Tax (8%)		38,600	38,600	38,600	38,600	38,600
Total City Revenues	\$	52,243	\$ 63,590	\$ 64,089	\$ 64,599	\$ 65,119

Notes:

Tax shares estimated net of Educational Revenue Augmentation Fund (ERAF) shift.

Assessed value assumes additional improvements of \$2.2M to site and 2% annual increase.

Utility User Tax estimated based upon Boral Roofing historical utility bills.



INTRODUCTION

This report presents the plan for service and fiscal analysis for the proposed annexation of the Boral Roofing LLC Site to the City. The Boral Roofing LLC Site is located in unincorporated San Bernardino County, immediately adjacent to the incorporated boundary of the City, and within the City's sphere of influence. As shown in Figure 3, the Boral Roofing LLC Site is set back from the eastern side of North Riverside Avenue between North Locust Avenue and North Linden Avenue, with regional access via nearby Interstate 15 and State Route 210. The Boral Roofing LLC Site is adjacent to a parcel that is currently owned by Boral Roofing LLC, is used for the same roofing tile manufacturing business, and is within the City's incorporated boundary already. Direct access to the Boral Roofing LLC Site is through this adjacent Boral Roofing LLC parcel. The Subject Site does not have independent access to North Riverside Avenue, nor any other public right of way.

Purpose of the Study

The San Bernardino LAFCo requires a Plan for Service and Fiscal Impact Analysis be prepared and certified when a jurisdiction is affected by a proposed change of organization or reorganization (e.g., annexation, formation). Per the LAFCO August 2012 Policy and Procedure Manual, the Plan for Service must include the following components:

- A description of the level and range of each service to be provided to the affected territory.
- An indication of when those services can feasibly be extended to the affected territory.
- An identification of any improvement or upgrading of structures, roads, water or sewer facilities, other infrastructure, or other conditions the affected agency would impose upon the affected territory.
- A Fiscal Impact Analysis which shows the estimated cost of extending the service and a
 description of how the service or required improvements will be financed. The Fiscal Impact
 Analysis shall provide, at a minimum, a five (5)-year projection of revenues and
 expenditures. A narrative discussion of the sufficiency of revenues for anticipated service
 extensions and operations is required.
- An indication of whether the affected territory is, or will be, proposed for inclusion within an
 existing or proposed improvement zone/district, redevelopment area, assessment district, or
 community facilities district.
- If retail water service is to be provided through this change of organization, provide a
 description of the timely availability of water for projected needs within the area based upon
 the factors identified in Government Code Ch3 65352.5

As a single parcel, this particular annexation is extremely small in nature, and service transition is expected to be a matter of procedure. No service impacts are anticipated for the following reasons.

- The annexation does not propose the addition of residents.
- The annexation does not propose a change of land use. The current manufacturing operations at the site will continue, albeit with opportunity for increased capacity in the future.
- The Subject Site is already tied, for all practical purposes, to the City as it is operated in conjunction with a parcel within the City's boundary.
- The location of the Subject Site, which can only be accessed through its adjacent parcel in the City, means that all traffic flow and access is already occurring within the City.



PROJECT DESCRIPTION

The Subject Site location is generally along the north/northeastern border of the City and is about 19.31 acres in size. The commonly used address is 3511 North Riverside Avenue. The immediate area surrounding, and to the northeast of the site has a small amount of industrial uses, but is generally undeveloped due to a natural drainage channel, the Lower Cajon Creek Floodway. The area immediately across the street and southwest of North Riverside Avenue is also developed with light industrial and storage uses.





The two parcels owned by Boral Roofing LLC (one already within the City, the other as the proposed Subject Site) are currently in operation for tile production and storage. The parcel within the City is currently used as a storage area, while all structures are currently located on the Subject Site.

In 2012, the City adopted the Lytle Creek Ranch Specific Plan ("Specific Plan"), which applies to an area of land both in and adjacent to the City's incorporated boundary, including the Subject Site. An Industrial/Warehousing overlay zone applies to the Boral Roofing LLC Site in the Specific Plan, which is consistent with the existing use. Furthermore, the existing use is consistent with the City's General Plan.

A pre-annexation agreement was entered into in 2010 between the City and Lytle Development Joint Venture III and Lytle Development Company, through City Ordinance 1462. The agreement



BORAL ROOFING LLC PLAN FOR SERVICES

allowed for the continued operation of the manufacturing, distribution, and storage facility that currently exists on the site. All rights and obligations of Lytle Development Joint Venture III and Lytle Development Company were later transferred to Boral Roofing LLC. The pre-annexation agreement originally expired on May 1, 2014, but was extended until May 1, 2016 following a public hearing. The agreement essentially provides support for the annexation of the Boral Roofing LLC Site, but does not include any specific provisions, particularly related to sharing of property tax revenues, as discussed in the next section.

Boral Roofing LLC has submitted a Precise Plan of Design ("PPD") to the City to facilitate a future expansion of the manufacturing facility by approximately 17,155 square feet. No environmental changes are anticipated, according to the PPD, which specifically identifies that there will be no substantial change in the demand for municipal services as a part of the expansion. The City has responded with a series of requirements associated with the expansion to comply with City standards and building codes.



SERVICE PROVIDER CHANGE

Upon annexation, certain service provisions will switch from the County to the City, and others will remain the same. Service providers, both before and after annexation, are shown in Figure 4.

Figure 4 - Service Provider Changes

Service	Provider Pre-Annexation	Provider Post-Annexation					
General Government	County	City					
Fire and Paramedic	County Fire	City Fire Department					
Police Services	County Sheriff	City Police Department					
Library	County Library	County Library					
Parks and Recreation	County	City					
Animal Control	County	City (Contracts with County)					
Street Lighting and Traffic	County	City (Includes a Community					
Signals Landscape Maintenance	County	Facilities District) City (Includes a Community					
Roads	County (Current access to site	Facilities District) City					
Flood Control and Drainage	is via a City road) County Flood Control	County Flood Control					
Water Importation	San Bernardino Valley	San Bernardino Valley					
Water Retail	Municipal Water District West Valley Water District	Municipal Water District West Valley Water District					
Sewer	None on site	None on site					
Other Utilities	Various private providers	Various private providers					
Solid Waste Management	County of San Bernardino Solid Waste Management	County of San Bernardino Solid Waste Management					



REVENUES

Certain revenues are generated by the Boral Roofing LLC Site, which currently accrue to the County, but would transfer to the City following annexation to support services. The following section describes these revenues.

Assessed Valuation and Property Tax Based Revenues

Property tax revenue is based upon the assessed value of a parcel, as established by the San Bernardino County Assessor ("Assessor"). The Assessor determines the value of a property through a variety of analyses, which includes considerations for construction costs, comparable sales, and in commercial products, revenue produced. Value is established whenever an "assessable event" occurs, such as the sale of a property, or property improvements. Annexation alone is not an assessable event, therefore, the current assessed value of the parcel remains the same, inclusive of any adjustments based on the Proposition 13 annual inflationary factor, or any property tax appeals that may be filed (none are anticipated at this time). Assessed valuation for the Boral Roofing LLC Site is currently \$6,656,620, according to County Assessor records.

According to the submitted PPD, Boral Roofing LLC is likely to seek development of an additional production building, currently expected to be 17,155 square feet in size. Based on a conservative estimate utilizing Marshall and Swift Valuation Service, the assessed value of the Boral Roofing LLC Site may increase by approximately \$2.2 million after construction completion.

Projected Property Tax

It is estimated that the City General Fund will receive property tax at 15.0267% of the one percent general property tax levy on assessed valuation. The City and County do not have a Master Property Tax Exchange Agreement, therefore this estimate is generally based on the tax rate levy in the adjacent Tax Rate Area, where the other Boral Roofing LLC parcel is located, and previous annexation documents provided by LAFCo. The property tax rate share assumes that the City will receive 0% of the County's general levy share, and 100% of the San Bernardino County Fire Protection District's share. Note that any property tax exchange must be approved by the City and County before the annexation can be completed.



Figure 5 - Current and Projected General Levy Recipients

Agency	% Share	Annexation Impact
County General Fund	0.15113154	No Change
ERAF	0.22886376	No Change
Flood Control Zone 2	0.02685919	No Change
Flood Control Zone 1 and 2 Admin	0.00188702	No Change
County Free Library	0.01470179	No Change
Superintendent of Schools	0.00518932	No Change
Superintendent of Schools	0.00089711	No Change
Superintendent of Schools	0.00203397	No Change
Superintendent of Schools	0.00163955	No Change
Superintendent of Schools	0.00053362	No Change
San Bernardino Community College	0.05323888	No Change
Rialto Unified School District	0.33321475	No Change
CSA 70	0	N/A
San Bernardino County Fire Protection District	0.12305884	Expected to Transfer to City
San Bernardino County Fire Protection District	0.02720788	Expected to Transfer to City
Inland Empire Joint Resource Conservation District	0.00216544	No Change
San Bernardino Valley Municipal Water	0.02737734	No Change
Total General Levy	1.00	

At a total general levy rate of 15.0267%, the City would receive approximately \$10,000 in property taxes annually, following annexation, based on current assessed value and an assumed 2% increase in assessed value each year.

Projected Vehicle License Fees (VLF) - Property Tax In Lieu

Established in 1935, the Motor Vehicle License Fee ("VLF") was essentially a tax on the ownership of a vehicle. It is collected by the State annually when vehicles are registered, and was historically allocated to cities and counties based upon a statutory formula. In 2004, during the State's budget crisis, about 90 percent of a city's VLF revenue was replaced with property tax revenue, and cities in particular began to receive an allocation of property tax from the State's Educational Revenue Augmentation Fund in an amount equal to what they would have received in VLF under an older VLF allocation formula. Under current law, the property tax in-lieu of VLF revenue increases based on assessed value growth instead of population growth in a jurisdiction, so this Study estimates revenues based on changes in assessed value that can be allocated to the Boral Roofing LLC Site. The Project will generate approximately \$8,300 per year in annual In-Lieu VLF revenues, as shown in Figure 6 with no further improvements to the Subject Site. It is important to note this calculation merely assigns a "fair share" to the Boral Roofing LLC Site. As revenues are allocated based on citywide assessed value, a decline in assessed value elsewhere in the city may negate any net additional revenue associated with the Boral Roofing LLC Site.



Figure 6 - VLF In-Lieu Calculation

2013-14 Assessed Value	5,840,693,000
2004-05 Assessed Value	3,985,693,000
Change in Assessed Value	\$ 1,855,000,000
2013-14 VLF In-Lieu	8,561,000
2004-05 VLF In-Lieu True Up	6,343,000
Change in VLF In-Lieu	\$ 2,218,000
VLF Increase/Assessed Value Increase	0.0011956873
Net Change VLF Per \$1,000,000 Assessed Value	\$ 1,196
VLF In-Lieu for Boral Roofing Site (\$6.9M in 2016-17)	\$ 8,318

Property Transfer Tax

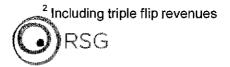
The County currently receives \$1.10 for every \$1,000 of property value transferred within the unincorporated area. If annexed, the revenue would be split equally between the County and the City, resulting in both entities collecting property transfer tax revenue of \$0.55 for every \$1,000 of property value transferred, typical of most incorporated communities. However, as the current owner has no plans to sell the property at this time, and is in fact planning to expand operations, no property transfer tax revenues are projected.

Sales and Use Tax

One percent of all taxable sales² taking place within Rialto goes to the City's General Fund. However, the Boral Roofing LLC Site is used for manufacturing and storage purposes. It does not contain a point of sale, therefore no sales tax is anticipated to be associated with this site.

Utility User Tax

The City levies an 8% utility user tax on electric, gas, phone, cable, wireless, sewer, and water services on businesses and residences in Rialto. The County does not levy a utility user tax. Upon annexation, the business operator at the Subject Site, currently Boral Roofing LLC, will pay an additional fee on all applicable utilities. Boral Roofing LLC estimates annual utility costs to be \$483,000 per year. The resulting utility tax at 8% would be approximately 38,600 per year. It is unknown how these expenses could vary with the proposed expansion, changes in efficiency levels, etc., so revenues were left flat for all projections. These revenues are collected by the City's General Fund.



SERVICE PROVISION AND EXPENDITURES

The following section describes the existing and anticipated future service providers for the proposed Boral Roofing LLC Site as well as the anticipated costs associated with the City providing those services. Please note that no additional City expenditures are expected to result from the proposed annexation as discussed earlier.

General Government

General government costs include costs associated with the legislation and administration of municipal services. Based on the nature of this annexation, no impact upon general government services is anticipated. One-time, additional expenditures may be associated with this annexation, as well as any future development activities. City fees charged for these services will offset some costs, and City departments will be able to support functions with existing staff and supplies.

Fire and Paramedic Service

Fire protection services will transfer from the County to the City upon annexation. The City maintains its own fire department, and the nearest fire station (Station 202) is located at Riverside and Walnut, approximately 1.5 miles from the Boral Roofing LLC Site. At this time, the City and the County have a mutual aid agreement, which supports their ability to ensure the fastest and most effective service delivery. As the nearest County fire station (Station 7) is 3.8 miles away, a call for service from the Boral Roofing LLC Site today may result in the dispatch of the Rialto Fire Department, as allowed under the mutual aid agreement.

As no change of use is anticipated, and the Boral Roofing LLC Site experiences minimal need for fire services, no cost impacts are associated with this proposed annexation. As noted in the City's response to Boral Roofing LLC's Precise Plan of Design submittal, a water system capable of providing adequate fire flow must be installed for any future construction to be approved.

Police Services

The County Sheriff currently provides public safety services to the unincorporated Boral Roofing LLC Site. After the annexation, the City will provide police services. The immediate adjacency to the City boundaries, in addition to half the uses of Boral Roofing LLC actually being in the incorporated City, may already result in responses from the Rialto Police Department were a call placed today. Annexation will essentially formalize this service arrangement. The City's Area 1 Command covers the Boral parcel within the City's boundary. It is assumed this Command would be expanded to serve the entire Boral Roofing LLC production site with no service impacts. A search of crimemapper.com did not reveal any crimes at or adjacent to the Boral Roofing LLC Site during the June 2014 to December 2014 period.

As no change of use at the site is anticipated and minimal police service is required, no impacts are anticipated for police services.

Library

The City does not operate its own library system, but instead the San Bernardino County Free Library system offers these services. The San Bernardino County Free Library system receives a share of the general property tax levy to fund these services. Annexation will have no impact on the service provider, nor the City.



Development Services

The County provides community development services including land use planning, building and safety, and code enforcement. Upon annexation, the City would provide these services. One-time costs associated with this annexation, and with the proposed development of the 17,155 SF building would be incurred by the City's Development Services Department. However, one-time fees are expected to offset portions of these costs. No ongoing, recurring service impacts are expected to be associated with the annexation, therefore no costs are included.

Parks and Recreation

The County provides for a regional park system, and the City operates local parks and recreation programs. While employees at the Boral Roofing LLC Site may choose to recreate at any public park, annexation is not expected to impact parks services in any way.

Animal Control

Currently, the County Animal Care and Control provides services the Boral Roofing LLC Site. The City contracts with the County for these services within City boundaries. As the land use is not residential, no impacts are anticipated, and no adjustment to the contract for services with the County will be needed.

Public Works

Street Lighting and Traffic Signals

The County is responsible for street lighting and traffic signals on local streets within the unincorporated area. However, the Boral Roofing LLC Site does not have direct access to a public road at this time.

Upon annexation, the City will assume responsibility for street lighting and traffic signals. Some of this maintenance is funded through the General Fund, but costs are also offset by the City's Street Light Maintenance District Number 1 ("SLD 1"), which was formed pursuant to the Landscaping and Lighting Act of 1972 as codified in the Streets and Highways Code. According to the 2014-15 Engineer's Annual Levy Report, most costs associated with SLD 1 are for annual maintenance, operations, and servicing of street lighting. The Boral Roofing LLC pays an annual fee as a part of the SLD 1 for the parcel already within the City. The 2014-15 SLD 1 fee for that parcel was \$73.45 according to County property tax records. Assessments are established annually, based on anticipated costs, and assigned based on the benefit received as determined byt the City Council when the SLD 1 was formed. Assessments are calculated using two factors, a land benefit factor (charged on all property), and a development factor (charged only if the property is developed). In 2014-15, the non-residential land benefit factor is \$8.18 per acre, and the development factor is \$52.09 per acre. At 19.31 acres, the Boral Roofing LLC Site would be assessed \$1,164 in 2014-15 if it were within the City boundary.

Landscape Maintenance

The County is responsible for maintaining landscaping in public right of ways in the unincorporated area, however, the Boral Roofing LLC Site does not border a public right of way or otherwise landscaped area. Upon annexation, any public landscaping related to the site would become the responsibility of the City, though annexation the Boral Roofing LLC Site will have no effect upon this duty. Please note, however, that some SLD-1 funds are used for citywide street tree maintenance according to the City's Adopted Budget.



Roads and Transportation

Local roads are serviced by the Public Works Department. At this time, there is no direct access to the Boral Roofing LLC Site through a public right of way, only through the adjacent Boral parcel which is located on Riverside Avenue. Annexation will not impact the City's service of Riverside Avenue.

Water

Annexation will not directly impact water provision to the Boral Roofing LLC Site, which is currently within the service boundary of the San Bernardino Valley Water District for water sourcing and importation, and the West Valley Water District for retail service. Annexation alone in not expected to impact water demand, though if plans proceed to expand the manufacturing operations at the site, the demand for water may increase. All improvements necessary to extend water lines as a result of the proposed expansion would be performed on-site by the developer or property owner at their expense. Existing water resources are anticipated to be satisfactory to accommodate increase in demand.

Sewer

The Boral Roofing LLC Site currently utilizes a septic system for wastewater disposal, and is not serviced by a municipal sewer system. The City's Sewer Master Plan does identify the greater Lytle Creek Ranch as an opportunity area for future expansion of sewer service. This effort is largely driven by the significant development proposed for the Lytle Creek Ranch in the future, and not this single parcel annexation. Implementation of sewer service in the future may be tied to a number of finance mechanisms including assessments, which Boral Roofing LLC may be party to at that time. No service impacts will result from annexation.

Flood Control and Drainage

The San Bernardino County Flood Control District services the entire county as the local and regional flood control and drainage facilities provider. The County Flood Control District is responsible for flood protection on major streams, water conservation, and storm drain construction. The City and the County act as co-permittees in the National Pollutant Discharge Elimination System ("NPDES") permit program for the Santa Ana River Watershed. In accordance City policy, the site owner will need to impose erosion control and stormwater pollution prevention plans during any construction. No services impacts will result from annexation.

Vector Control

Vector Control is provided by San Bernardino Vector Control both in Rialto and in the unincorporated area where the Boral Roofing LLC Site is located. A parcel assessment of \$10.26 was levied in 2014-15 on each parcel according to County property tax records. The annexation will not impact service.



Other Utilities

No change in service providers for other utilities is anticipated following annexation. Any additional service required due to the expansion of manufacturing activities will be funded by the developer or property owner as needed. No service impacts are associated with the annexation.

Service	Pre-Annexation	Post Annexation
Cable/Internet/Telephone	AT&T	AT&T Time Warner; Exide
Electricity	Southern California Edison	Southern California Edison
Natural Gas	The Gas Company	The Gas Company
Waste Hauling	Burrtec	Burrtec

CONCLUSIONS

Based on the size, scope, and location of the Subject Site, no recurring costs to the City are expected following annexation. The City will incur annual revenues related to property taxes and utility taxes, in sufficient amounts to offset any occasional service demands that may occur from time to time.



LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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DATE: MAY 11, 2015

FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer

SAMUEL MARTINEZ, Assistant Executive Officer

TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #8: LAFCO's 3183 and 3184 (see proposal titles below)

PROPOSAL TITLES:

LAFCO 3183 – Sphere of Influence Amendments for the City of Chino (Reductions) and City of Chino Hills (Expansions)

LAFCO 3184 – Reorganization to Include Detachments from the City of Chino and Annexations to the City of Chino Hills

INITIATED BY:

Resolution of the City Councils of the City of Chino and the City of Chino Hills

RECOMMENDATION:

The staff recommends that the Commission approve LAFCOs 3183 and 3184 by taking the following actions:

- 1. With respect to environmental review:
 - a) Certify that the City of Chino Hills' Mitigated Negative Declaration for General Plan Amendment 14GPA01, Zone Change 14ZC01, Tentative Parcel Map 19539, Site Plan Review 14SPR02, Major Variance 14MJV02, Minor Variance 14MNV06, and Development Agreement for the Fairfield Ranch Commons Project, has been independently reviewed and considered by the Commission and its staff;
 - Determine that the City's environmental assessment and Mitigated Negative Declaration, are adequate for the Commission's use as a CEQA responsible agency for its consideration of LAFCOs 3183 and 3184;

- c) Determine that the Commission does not intend to adopt alternatives or mitigation measures for the proposal; that the mitigation measures identified in the City's environmental documents are the responsibility of the City and/or others, not the Commission;
- d) Direct the Executive Officer to file Notices of Determination for each proposal within five (5) days and find that no further Department of Fish and Wildlife filing fees are required by the Commission's approval since the City, as lead agency, has paid said fees.
- 2. Approve LAFCO 3183, sphere of influence reduction for the City of Chino and sphere of influence expansion for the City of Chino Hills;
- 3. Adopt LAFCO Resolution #3198 for LAFCO 3183, setting forth the Commission's determinations related to the sphere of influence changes identified;
- 4. Approve LAFCO 3184, reorganization to include detachments from the City of Chino and annexations to the City of Chino Hills, with the standard terms and conditions;
- 5. Waive protest proceedings, as permitted by Government Code Section 56663(c), with 100% landowner consent to the reorganization; and,
- 6. Adopt LAFCO Resolution #3199 for LAFCO 3184, setting forth the Commission's determinations and conditions of approval concerning the reorganization proposal.

BACKGROUND:

LAFCOs 3183 and 3184 are proposals submitted jointly by the Cities of Chino and Chino Hills in order to adjust the boundaries between both cities along the southwest side of Chino Creek (the Flood Control Channel) immediately south of Chino Hills Parkway. The parcels along Chino Creek generally follow the former centerline of the creek, which is also the dividing line between these two cities southerly of the Chino Hills Parkway - the area lying westerly of the creek is generally in the City of Chino Hills and the area lying easterly of the creek is generally in the City of Chino. However, through the channelization of the creek, many of the parcels along the improved channel now cross from one side of the creek to the other, creating patches of land in different jurisdictions on each side of the Flood Control Channel.

In this particular instance, the area being developed westerly of the improved channel, typically within the City of Chino Hills, has two small areas that are actually part of an adjacent parcel that is within the City of Chino. Therefore, these two proposals are intended to adjust the spheres of influence and the boundaries of these two cities in this specific location in order to match the present-day boundary delineation along the channel (which is the westerly right-of-way line of the Flood Control Channel) and to make the entire project that is being developed wholly within the City of Chino Hills.

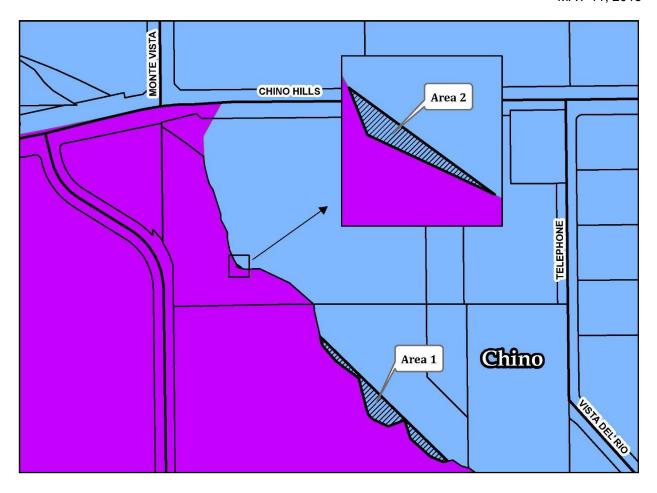


FIGURE 1 – Vicinity Map

LAFCO 3183 is a sphere amendment proposal that places the two areas from the sphere of influence for the City of Chino into the sphere of influence for the City of Chino Hills, which is a requirement for annexation. Then, LAFCO 3184 is a reorganization that will bring the entire project site that is proposed for development located westerly of the Flood Control Channel within the City of Chino Hills.

Since the areas being considered for both LAFCOs 3183 (sphere expansion and reduction areas) and 3184 (annexation and detachment areas) are the same, both are being discussed and evaluated within this single report. The narrative which follows provides a discussion of the mandatory factors the Commission is required to review as set forth in Government Code Section 56000 et.al. It begins with a discussion on boundaries and environmental assessment, as these pertain to both LAFCOs 3183 and 3184. Then, the report will provide the required "factors of consideration" for the sphere of influence amendments, followed by a discussion on land use, the plan for service, and the mandatory determinations for the reorganization proposal.

BOUNDARIES:

The two areas being considered for LAFCOs 3183 and 3184, Areas 1 and 2, encompass a total of 9,411+/- square feet. In detail, these areas are described as follows:

- Area 1 encompasses 9,360 square feet that is proposed to be removed from the City
 of Chino's sphere and added to the City of Chino Hills' sphere, and then subsequently
 detached from the City of Chino and annexed into the City of Chino Hills.
- Area 2 encompasses 51 square feet that is also proposed to be removed from the City of Chino's sphere and added to the City of Chino Hills' sphere, and then subsequently detached from the City of Chino and annexed into the City of Chino Hills.



FIGURE 2 – Aerial Map

Figure 2 above provides an aerial of the vicinity showing the correlation between the centerline of Chino Creek and the improved channel. Location and other vicinity maps of the sphere amendment and reorganization areas are included as Attachment #1 to this report.

Boundary Issues:

The application materials that was submitted to LAFCO originally anticipated the transfer of a single area (Area 1) for the sphere amendment/reorganization. However, after further review of the data, a second area (Area 2) was discovered that will also transfer as part of the overall process. This additional area was identified only after further review of information related to the legal description for the actual parcels affected by these two proposals. Therefore, prior to the circulation of the Notice of Filing for LAFCOs 3183 and 3184, the application materials were updated by the City of Chino Hills to reflect the two areas, Areas 1 and 2, which are both being processed together for these actions.

As described earlier, these two areas are located westerly of the Flood Control Channel, which can only be accessed from within the City of Chino Hills. Logically, upon development of the proposed project and connection of its road network to Monte Vista Avenue and Fairfield Ranch Road, services such as street lighting, road maintenance (i.e. street sweeping), and trash removal will simply be extended from the services already available westerly of the Flood Control Channel, which is provided by the City of Chino Hills.

Therefore, it is LAFCO staff's position that the proposed transfer of territory between the Cities of Chino and Chino Hills is a reasonable sphere amendment and reorganization since the two areas can be only be served by the City of Chino Hills. In addition, using the improved channel as jurisdictional boundary makes for an easily identifiable boundary for service delivery.

ENVIRONMENTAL CONSIDERATIONS:

The City of Chino Hills prepared an Initial Study and Mitigated Negative Declaration for its review of the Fairfield Ranch Commons Project (the "Project"), which includes a General Plan Amendment (14GPA01), a Zone Change (14ZC01), a Tentative Parcel Map 19539, a Site Plan Review (14SPR02), a Major Variance (14MJV02), a Minor Variance (14MNV06), and a Development Agreement to create 346 very high density residential apartment units on 14.73 acres and a 326,641 square foot industrial park (3 buildings) on 17.37 acres. The City's environmental assessment has been reviewed by the Commission's Environmental Consultant, Tom Dodson of Tom Dodson and Associates, and has determined that the City's documents are adequate for the Commission's use as a responsible agency under CEQA.

Mr. Dodson has indicated that the necessary environmental actions to be taken by the Commission, as a responsible agency under CEQA, are as follows:

- Determine that the City's environmental assessment and Mitigated Negative Declaration prepared for the Fairfield Ranch Commons Project, has been independently reviewed and considered by the Commission and its staff.
- Determine that the City's environmental assessment and Mitigated Negative Declaration, is adequate for the Commission's use as a CEQA responsible agency for its consideration of LAFCOs 3183 and 3184;

- Determine that the Commission does not intend to adopt alternatives or mitigation measures for the Project; that the mitigation measures identified in the City's environmental documents are the responsibility of the City and/or others, not the Commission;
- Direct the Executive Officer to file the Notices of Determination within five days and find that no further Department of Fish and Wildlife filing fees are required by the Commission's approvals of LAFCOs 3183 and 3184 since the City of Chino Hills, as lead agency, has paid said fees.

SPHERE OF INFLUENCE AMENDMENT (LAFCO 3183)

In order to update a sphere of influence pursuant to Government Code Section 56425, the Commission is also required to review the factors defined in Government Code Section 56430 (Service Review). However, because the sphere of influence amendments being considered are intended to simply fix a boundary problem between the Cities of Chino and Chino Hills along the Flood Control Channel, because the two areas will generally remain vacant (ancillary to the Project's parking and landscape facilities), and because there will be no change in public facilities and/or services available within the sphere areas to be amended, LAFCO staff is recommending that the Commission determine that a Service Review would not be necessary.

The staff responses to the "factors of consideration" for the sphere of influence amendments (as required by Government Code Section 56425) are identified below:

FACTORS OF CONSIDERATION:

The present and planned land uses in the area

Currently, the service needs within the area are minimal due to its vacant nature. Upon development of the Project, which is a proposal to create 346 very high density residential apartment units and a 326,641 square foot industrial park on the overall Project site, the two areas being considered for sphere amendment are located within the residential portion of the Project. However, the areas will generally remain vacant as ancillary to the parking and landscape facilities for the overall Project.

The present and probable need for public facilities and services in the area

There will be no change to the public facilities and/or utility services within the areas proposed for annexation. Being that the areas are located westerly of the channel, any facilities and/or services have been provided by the City of Chino Hills and will continue to do so upon approval of the concurrent reorganization proposal, LAFCO 3184. The sphere amendment (and ultimately the reorganization) simply places the two areas within the appropriate jurisdiction in order to facilitate the development of the proposed Project.

The present capacity of public facilities and adequacy of public services that the agency provides

The City of Chino Hills provide a full range of municipal services. These include municipal facilities within the proposed development such as water mains, sewer mains, etc. However, the sphere amendment (and ultimately the reorganization) simply places the two areas within the appropriate jurisdiction in order to facilitate the development of the proposed Project.

The existence of any social or economic communities of interest

The centerline of Chino Creek has been the common boundary line between the Cities of Chino and Chino Hills from Chino Hills Parkway all the way to Pine Avenue. The Chino Creek has been channelized from north of State Highway 60 to just south of the Project site. The sphere amendment will bring the sphere (and ultimately the boundary) of both cities for these two areas to the westerly right-of-way line of the channel.

REORGANIZATION (LAFCO 3184)

The companion application to the sphere of influence amendment is the reorganization proposal, identified as LAFCO 3184. The following discussion provides the information required to evaluate the change in jurisdiction:

LAND USE:

Existing Land Uses:

The reorganization area (Areas 1 and 2) is currently vacant. Existing uses surrounding the area includes Chino Creek (Flood Control Channel) to the northeast and vacant land to the south and west (within the City of Chino Hills).

Land Use Designation (Cities of Chino and Chino Hills):

The City of Chino designates the reorganization area as General Industrial (M2 General Industrial Zoning), which allows for heavy industrial or manufacturing uses. The City of Chino Hills designates the Project area as Business Park (BP) but is proposing a zone-change for the northern portion of the overall Project site, which includes the areas identified for the reorganization, from Business Park to Very High Density Residential (RM-3). This land use designation will take effect upon completion of the annexation process.

As shown on Figure 3 below, the reorganization areas only cover a small portion of the overall Project area. These two areas will continue to remain generally vacant, intended to be ancillary to the parking and landscape facilities for the overall development (see Detail of Reorganization Area, Fig. 3).



FIGURE 3 – Site Plan

PLAN FOR SERVICE:

The City of Chino Hills provide a full range of municipal services. The Plan for Service submitted by the City of Chino Hills indicate that the level and range of services within the areas will not change. The reorganization proposal simply places the two areas within the appropriate jurisdiction, which is the City of Chino Hills, in order to facilitate the development of the proposed Project.

WAIVER OF PROTEST PROCEEDINGS:

Initially, there was some confusion as to the landowner of record for the areas being annexed into the City of Chino Hills. As part of the process of getting the purchase agreement finalized and the Grant Deed executed, the subject of ownership became an issue.

Landownership Issue:

When the City of Chino sold its wastewater treatment plant to the Inland Empire Utilities Agency (IEUA, formerly the "Chino Basin Municipal Water District") in 1986, it excluded the areas that lied westerly of the Flood Control Channel's easterly right-of-way. Thus, the lands that were excepted from the sale of the wastewater treatment plant, remained the property of the City of Chino. The subdivision of parcels normally would go through a Subdivision Map Act process that clearly delineate where the parcel lines are being divided. However, since the sale of the property was between two government agencies, there was no requirement to file a Certificate of Compliance (COC). The filing of a COC would have clearly identified the remainder parcel as a separate parcel. However, as it stands today, the parcel database still show the area lying westerly of the easterly right-of-way line as part of the bigger parcel, which is the wastewater treatment plant facility owned by IEUA.

Based on the evidence provided to LAFCO staff, which includes the City of Chino's Resolution No. 83-52 dated June 21, 1983, which declared its intention to dispose of its surplus properties, including the parcels identified as the "Old Sewer Treatment Plant Site" (APNs 1021-551-02, 03, 04, and 1021-561-02) and the Grant Deed with Title Order #665413-1 dated July 9, 1986 identifying the sale of the wastewater treatment plant to IEUA with the exceptions stipulated, it has been verified that the City of Chino is still the landowner of record for the area lying westerly of the easterly right-of-way line of the improved channel, which includes Areas 1 and 2.

The City of Chino as the current land owner of the reorganization area, has submitted a signed Landowner Consent Form and the Registrar of Voters has certified that the study area is legally uninhabited. Therefore, if the Commission approves LAFCO 3184, staff is recommending that it waive further protest proceedings, and direct the Executive Officer to complete the action after completion of the mandatory reconsideration period of 30-days has concluded.

REORGANIZATION DETERMINATIONS:

The following determinations are required to be provided by Commission policy and Government Code Section 56668 for any change of organization/reorganization proposal:

- 1. The Registrar of Voters Office has determined that the reorganization area is legally uninhabited, containing no registered voter as of April 15, 2015.
- 2. Through approval of the companion proposal, LAFCO 3183, Areas 1 and 2 will be within the sphere of influence assigned the City of Chino Hills.
- 3. The County Assessor's Office has determined that the total assessed value of land and improvements within the reorganization area is \$0 as of April 9, 2015. The zero value is based on the reorganization area being tax exempt property owned by a public agency.
- 4. Commission consideration of this proposal has been advertised in *The Inland Daily Bulletin*, a newspaper of general circulation within the reorganization area. As required by State law, individual notification was provided to affected and interested agencies, County departments, and those individuals and agencies having requested such notice.
 - 5. LAFCO staff has provided individual notices to landowners and registered voters surrounding the reorganization area (totaling 227 notices) in accordance with state law and adopted Commission policies. Comments from registered voters and landowners and any affected local agency in support or opposition will be reviewed and considered by the Commission in making its determination.
 - 6. The City of Chino Hills designates the Project area as Business Park (BP) but is proposing a zone-change for the northern portion of the overall Project site, which includes the areas identified for the reorganization, from Business Park to Very High Density Residential (RM-3). However, the two areas, which are currently vacant, will generally remain vacant as ancillary to parking and landscape facilities for the overall Project.
 - The Southern California Associated Governments (SCAG) adopted its 2012-2035 Regional Transportation Plan and Sustainable Communities Strategy pursuant to Government Code Section 65080. LAFCO 3184 has no direct impact on SCAG's Regional Transportation Plan.
 - 7. As a function of its review for the General Plan Amendment 14GPA01, Zone Change 14ZC01, Tentative Parcel Map 19539, Site Plan Review 14SPR02, Major Variance 14MJV02, Minor Variance 14MNV06, and Development Agreement to create 346 very high density residential apartment units on 14.73 acres and a 326,641 square foot industrial park (3 buildings) on 17.37 acres, the City of Chino Hills acted as the lead agency for the environmental assessment for the reorganization proposal.

The Commission's Environmental Consultant, Tom Dodson and Associates, reviewed the City's Initial Study and Mitigated Negative Declaration and has indicated that it is his recommendation that the City of Chino Hills' Initial Study and Mitigated Negative Declaration are adequate for the Commission's review of LAFCOs 3183 and 3184 as a responsible agency under CEQA. The necessary actions to be taken by the Commission, as a responsible agency, are outlined in the Environmental Considerations portion of this report. Mr. Dodson's response and the City's environmental assessment for the Fairfield Ranch Commons Project are included as Attachment #3 to this report.

8. The reorganization areas are served by the following local agencies:

City of Chino
Chino Valley Independent Fire Protection District
Inland Empire Resource Conservation District
Chino Basin Water Conservation District
West Valley Vector Control District
Metropolitan Water District of Southern California
Inland Empire Utilities Agency (formerly known as Chino Basin Municipal Water District) and its Improvement District C

The City of Chino will be detached as a function of the reorganization. None of the other agencies are affected by this proposal as they are regional in nature.

- 9. The City of Chino Hills submitted a plan for services as required by law. This plan is included as a part of Attachment #2 to this report indicating that there will be no change in the level and range of any of the existing public services. The reorganization proposal simply places the two areas within the appropriate jurisdiction, which is the City of Chino Hills, in order to facilitate the development of the proposed Project.
- 10. This proposal will not affect the ability of the City of Chino Hills to achieve its fair share of the regional housing needs since the reorganization only includes areas that will remain generally vacant as ancillary to the parking and landscape facilities for the overall Project.
- 11. With respect to environmental justice, the reorganization area—which will remain generally vacant upon completion of the overall Project—will not result in the unfair treatment of any person based on race, culture or income.
- 12. The Cities of Chino and Chino Hills have adopted tax resolutions, as required by law, outlining there will be no exchange of property tax revenues between cities upon completion of this reorganization. This fulfills the requirements of Section 99 of the Revenue and Taxation Code.
- 13. The maps and legal descriptions as revised are in substantial compliance with LAFCO and State standards through certification by the County Surveyor's Office.

CONCLUSION:

LAFCOs 3183 and 3184 is a step towards fixing the boundaries between the Cities of Chino and Chino Hills along Chino Creek, particularly along the improved channel. It is LAFCO staff's hope that the Cities of Chino and Chino Hills continue to work with property owners along the creek in order to clarify the boundaries and to ultimately adjust the boundaries to match the present-day delineation, which is along the Flood Control Channel.

As outlined within the narrative portions of this report, staff supports the sphere amendment to remove Areas 1 and 2 from the City of Chino's sphere and added to the City of Chino Hills' sphere, and the reorganization that subsequently detaches the two areas from the City of Chino and annexed into the City of Chino Hills:

- Through approval of the sphere of influence amendment, Areas 1 and 2 will be a part of the City of Chino Hills' sphere, a requirement for annexation;
- Through approval of the reorganization proposal, the entirety of the proposed Project will now be within the City of Chino Hills, which will facilitate the development of the proposed Project; and,
- The City of Chino Hills will continue the level and range of services for the area.

For these reasons and those outlined in the staff report, staff recommends approval of LAFCOs 3183 and 3184.

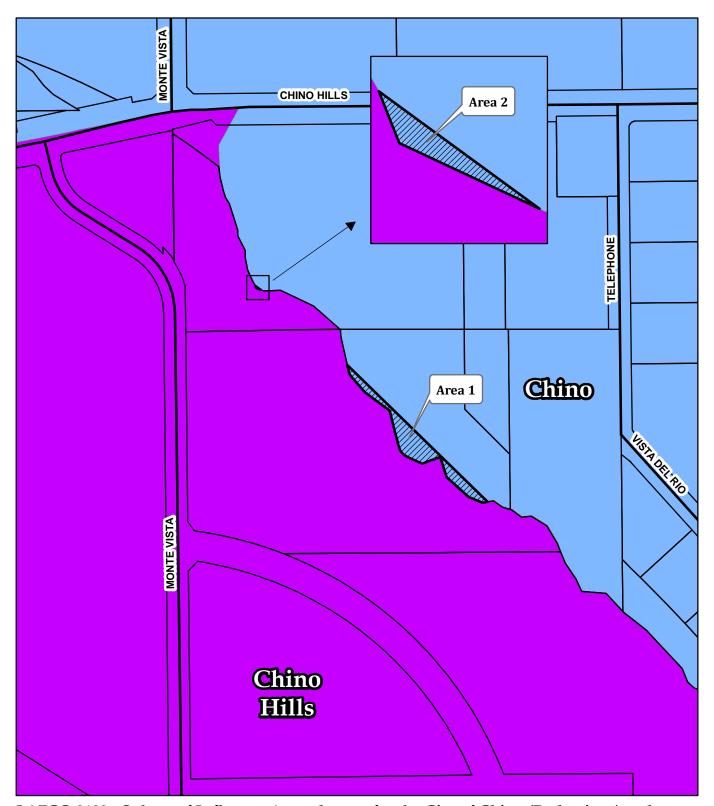
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Attachments:

- 1. Vicinity Maps for the Sphere of Influence Amendment/Reorganization
- 2. City of Chino/City of Chino Hills Application (Sphere and Reorganization) and Plan for Service
- Tom Dodson's Environmental Response for LAFCO 3183 and 3184 and the City of Chino Hills' Environmental Assessment and Mitigated Negative Declaration for the Fairfield Ranch Commons Project
- 4. Draft Resolution No. 3198 (Sphere of Influence Amendment)
- 5. Draft Resolution No. 3199 (Reorganization)

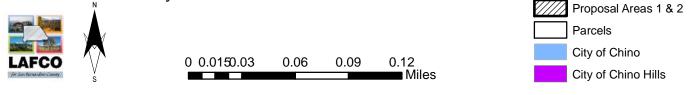
Vicinity Maps for the Sphere of Influence Amendment/Reorganization

Attachment 1



LAFCO 3183 - Sphere of Influence Amendments for the City of Chino (Reductions) and City of Chino Hills (Expansions); and

LAFCO 3184 - Reorganization to Include Detachments from the City of Chino and Annexations to the City of Chino Hills



MONTE VISTA AVENUE (FIRST STREET)

22

LAFC0

ANNEXATION

NO. 3091

W.B. 12/47-68 S.B. Co. REC

EXHIBIT "A-2"

LAFCO 3183 AND 3184 CITY OF CHINO ANNEXATION

PARCEL MAP 8254

PH 83/34

PARCEL MAP 8108 PM 84/67-68

.C/L CHINO HILLS PARKWAY

(MERRILL AVENUE)

39

PARCEL 2

TELEPHONE AVENUE

S.B.M.

50

M.B. 12/47-68 S.B. CO. REC

LAFCO

ANNEXATION

NO. 90

CI FARRIELD RANCH

PARCEL MAP NO. 15901 P.M.B. 222/74-76 S.B. CO. REC

PORTION OF SEC. 23, T2S, R8W,

PARCEL 1

RS 4/11



GRAPHIC SCALE



OCIATES CIVIL ENGINEERS

LOS SERRANOS LAKE CHANNEL

3788 McCRAY STREET RIVERSIDE, CA 92506 (951) 686-1070

IN THE CITY OF CHINO HILLS, SAN BERNARDINO COUNTY, PORTION OF SECTION 23. T.2 S., R.8 W., S. B. M.

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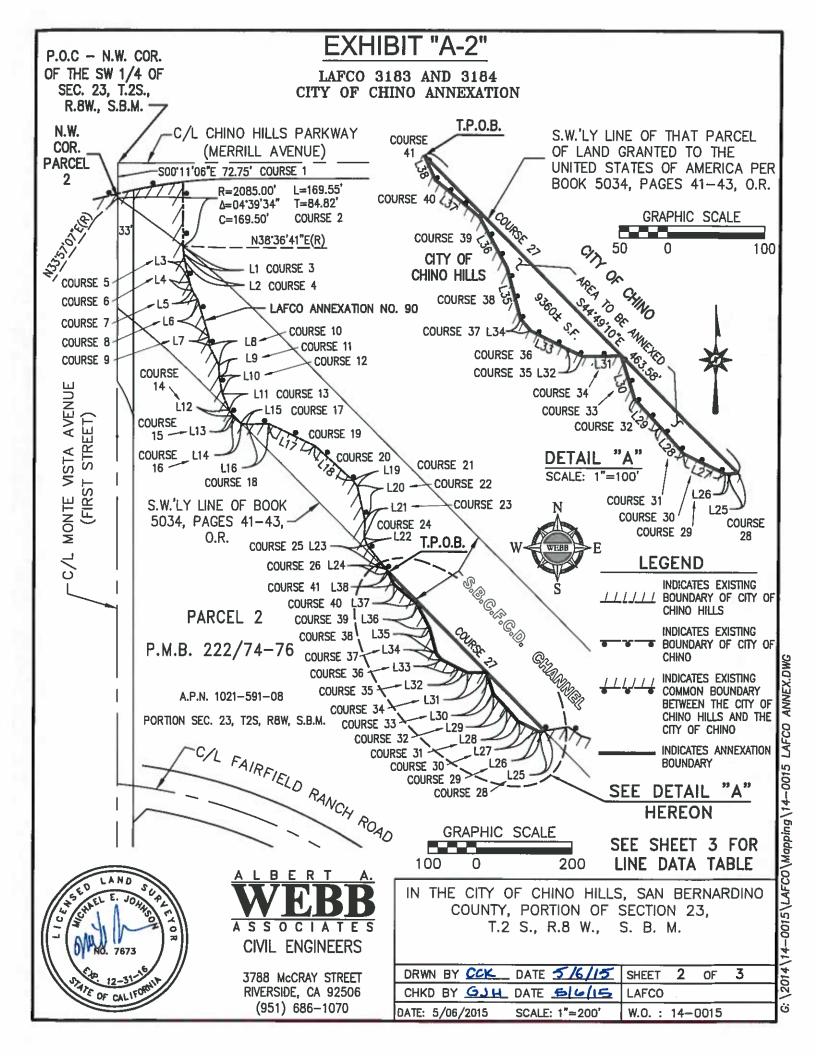


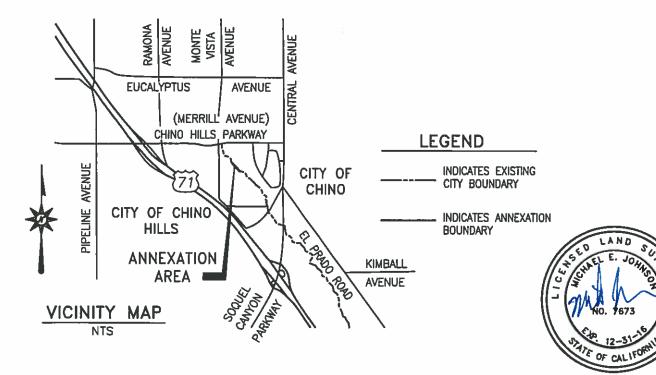
EXHIBIT "A-2"

LAFCO 3183 AND 3184 CITY OF CHINO ANNEXATION

LINE DATA TABLE

COURSE	LINE	BEARING	DISTANCE
3	L1	S04'53'53"E	15.39'
4	L2	S08'26'20"E	_ 15.04'
5	L3	S12'58'43"E	44.81'
6	L4	S17"38"00"E	18.00'
7	L5	S31'01'33"E	21.59'
8	L6	S17'38'00"E	81.85'
9	L7	S01'51'33"E	18.39'
10	L8	S26'23'54"E	45.94'
11	L9	S00'42'21"E	24.04
12	L10	S11"12'17"E	35.72'
13	L11 .	S23'54'16"E	36.62'
14	L12	S30'09'44"E	13.83'
15	L13	S25°27'59"E	3.61'
16	L14	S53°24'20"E	20.22
17	L15	S77"35"55"E	11.11′
18	L16	S8817'17"W	46.31
19	L17	S64°35'05"E	108.22'
20	L18	S47°48'46"E	106.55'
21	L19	S3616'35"E	14.61'
22	L20	S12*47'00"E	73.40'

COURSE	LINE	BEARING	DISTANCE
23	L21	S0217'51"W	34.59'
24	L22	S19'42'55"E	16.57
25	L23	S3919'58"E	66.88'
26	L24	S24'32'57"E	5.50'
28	L25	S80'45'18"W	9.82'
29	L26	N79'51'37"W	3.46'
30	L27	N64'06'45"W	46.39'
31	L28	N41°39'16"W	36.88'
32	L29	N42'45'44"W	40.40
33	L30	N17'21'45"W	46.72'
34	L31	S88'51'38"W	39.92'
35	L32	N6415'28"W	20.01'
36	L33	N63'31'58"W	40.83'
37	L34	N40'25'19"W	15.95'
38	L35	N15'22'11"W	55.47'
39	L36	N28°21'23"W	59.01'
40	L37	N50'22'29"W	61.02'
41	L38	N24'32'57"W	27.68'



WEBB
ASSOCIATES
CIVIL ENGINEERS

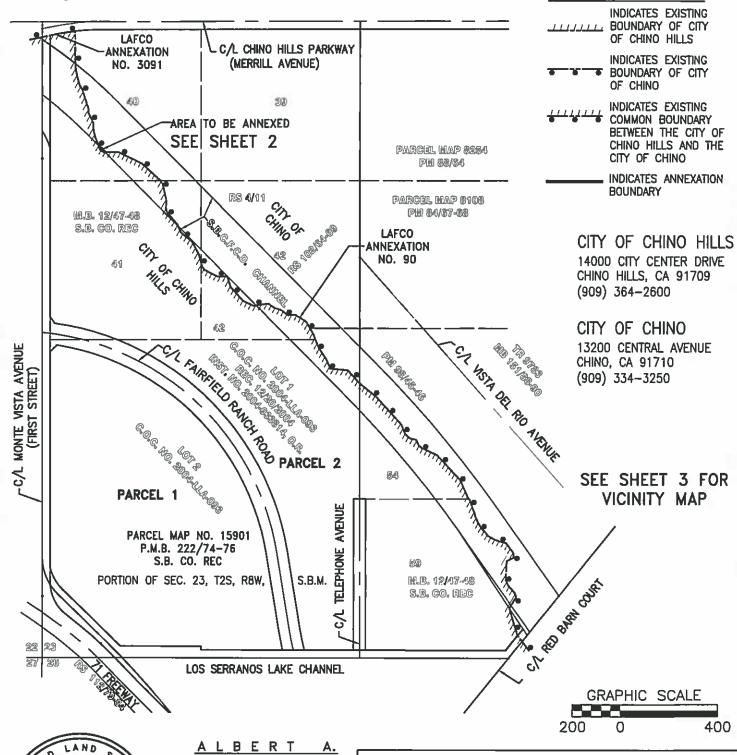
3788 McCRAY STREET RIVERSIDE, CA 92506 (951) 686-1070 IN THE CITY OF CHINO HILLS, SAN BERNARDINO COUNTY, PORTION OF SECTION 23, T.2 S., R.8 W., S. B. M.

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EXHIBIT "A-2"



LAFCO 3183 AND 3184 CITY OF CHINO ANNEXATION



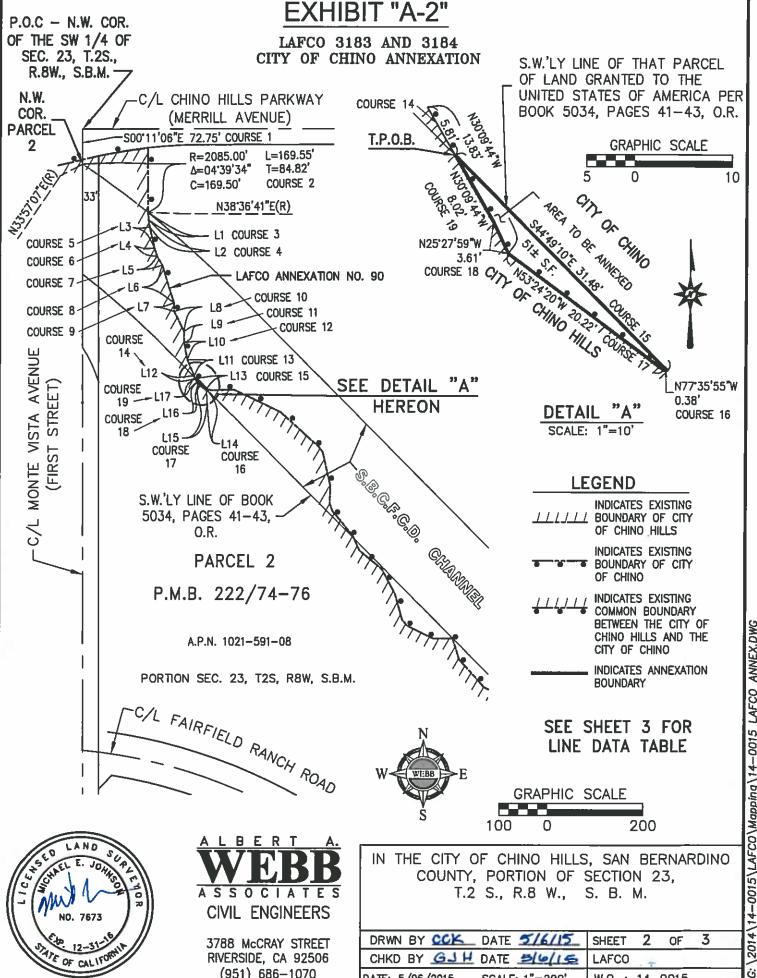


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CIVIL ENGINEERS

3788 McCRAY STREET RIVERSIDE, CA 92506 (951) 686-1070 IN THE CITY OF CHINO HILLS, SAN BERNARDINO COUNTY, PORTION OF SECTION 23, T.2 S., R.8 W., S. B. M.

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DATE: 5/06/2015

SCALE: 1"=200"

W.O.: 14-0015

(951) 686-1070

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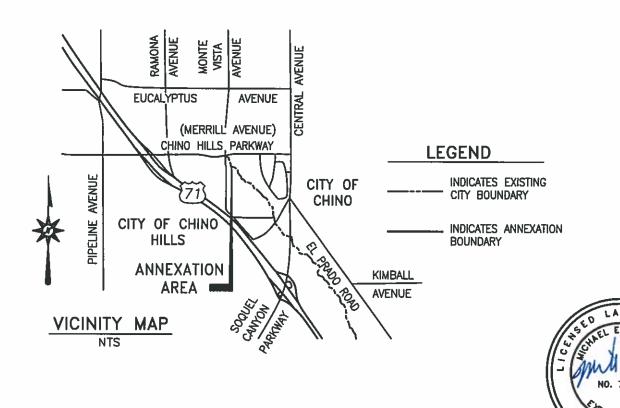
EXHIBIT "A-2"

LAFCO 3183 AND 3184 CITY OF CHINO ANNEXATION

LINE DATA TABLE

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15	L13	S44'49'10"E	31.48'
16	L14	N77'35'55"W	0.38'
17	L15	N53'24'20"W	20.22'
18	L16	N25°27'59"W	3.61'
19	L17	N30°09'44"W	8.02'



WEBB
ASSOCIATES
CIVIL ENGINEERS

3788 McCRAY STREET RIVERSIDE, CA 92506 (951) 686-1070 IN THE CITY OF CHINO HILLS, SAN BERNARDINO COUNTY, PORTION OF SECTION 23, T.2 S., R.8 W., S. B. M.

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City of Chino/City of Chino Hills **Application (Sphere and Reorganization)** and Plan for Service Attachment 2

SAN BERNARDINO LAFCO APPLICATION AND PRELIMINARY ENVIRONMENTAL DESCRIPTION FORM

INTRODUCTION: The questions on this form and its supplements are designed to obtain enough data about the proposed project site to allow the San Bernardino LAFCO, its staff and others to adequately assess the project. By taking the time to fully respond to the questions on the forms, you can reduce the processing time for your project. You may also include any additional information which you believe is pertinent. Use additional sheets where necessary, or attach any relevant documents.

GENERAL INFORMATION

1. NAME OF PROPOSAL: <u>Detachment from the City of Chino to be annexed to the City of Chino</u> Hills.

2. NAME OF APPLICANT:

City of Chino Hills and the City of Chino.

MAILING ADDRESS:

City of Chino Hills, 14000 City Center Drive, 91709, Attention: Joann Lombardo, Community Development Director: City of Chino, 13220 Central Avenue, Chino, CA 91710; Attention: Nick Liguori Community Development Director

PHONE:

(Chino Hills) 909-364-2600; (Chino) 909 334-3306

FAX:

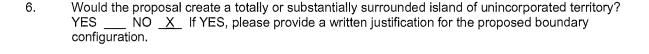
(Chino Hills) 909-364-2695; (Chino) 909 334 3720;

E-MAIL ADDRESS:

(Chino Hills) ilombardo@chinohills.org; (Chino) nliguori@cityofchino.org

- 3. GENERAL LOCATION OF PROPOSAL: The two areas to be annexed comprise of 51 SF and 9,360 SF of assessor parcel number (APN) 1021-551-03 for a total of 9,411 SF, which are part of a 5.76 acre property located in the City of Chino. Both the 51 SF and the 9,360 SF portions of APN 1021-551-03 are located east of Monte Vista Avenue, northeast of Fairfield Ranch Road, and southwest of the Chino Creek Channel. Access to the 9,411 SF portions of APN 1021-551-03 is provided by SR-71 via two freeway interchanges; one at Central Avenue located to the southwest and the other at Ramona Avenue to the northwest. Local access is provided by Fairfield Ranch Road, which intersects Central Avenue approximately one quarter mile to the southeast, and Monte Vista Avenue, which leads to the Ramona Avenue interchange via Chino Hills Parkway. (See Attached Exhibit A-2).
- 4. Does the application possess 100% written consent of each landowner in the subject territory? YES X NO If YES, provide written authorization for change.
- 5. Indicate the reasons that the proposed action has been requested. To adjust a portion of the irregular boundary between the City of Chino Hills and the City of Chino. The 51 SF and 9,360 SF portions of APN 1021-551-03 are remnant boundary irregularities that occurred when the City of Chino Hills incorporated in 1991. The annexation/boundary adjustment will improve a situation whereby the boundary for the City of Chino currently creates an island (9,411 square feet of APN

1021-551-03) of land between the west side of the Chino Creek Channel and the jurisdictional boundary for the City of Chino Hills which results in two small islands of land being located in one jurisdiction (City of Chino) which is from a development perspective impractical and unworkable given that the land is part of a larger parcel (APN 1021-591-08) that is located in the City of Chino Hills.



LAND USE AND DEVELOPMENT POTENTIAL

- 1. Total land area (defined in acres): 9,411 SF of APN 1021-551-03, which is a 5.76 acre property located in the City of Chino. (See Attached Exhibit A-2).
- 2. Current dwelling units in area classified by type (Single Family detached, multi-family (duplex, fourplex, 10-unit), apartments): The 9,411 SF of APN 1021-551-03 is currently undeveloped. The larger 36.92-acre parcel (APN 1021-591-08) surrounding the 9,411 SF of APN 1021-551-03 that is located in the City of Chino Hills is also currently undeveloped. The City of Chino Hills has a pending entitlement application for the future development of APN 1021-591-08 and the 9,411 SF of APN 1021-551-03. The pending entitlement application is for the project Fairfield Ranch Commons development, which consists of 346 very high density residential apartment units and a 326,641-square foot industrial park (3 buildings).
- 3. Approximate current population in area: 0
- 4. Indicate the General Plan designation(s) of the affected city (if any) and uses permitted by this designation(s): The City of Chino designates the 9,411 SF of APN 1021-551-03 as General Industrial (General Plan: GI General Industrial / Zoning: M2 General Industrial). If the 9,411 SF of APN 1021-551-03 is annexed into the City of Chino Hills, the property would receive a General Plan and Zoning designation of Business Park, which would permit business park, light industrial, and/or warehouse uses. The pending entitlement application for Fairfield Ranch Commons is proposing to change the General Plan and Zoning designation of approximately 14.73 acres of APN 1021-591-08 (which would include the 9,411 SF of APN 1021-551-03) to Very High Density Residential. Despite the pending entitlement application for Fairfield Ranch Commons, the 9,411 SF of APN 1021-551-03 may remain as Business Park regardless of the current entitlement application, this boundary line change will enable whatever is done on the property in the future to be done in a more logical and practical manner.

(FOR	LAFCO	USE	ONLY

San Bernardino County General Plan designation(s) and uses permitted by this designation(s): <u>Not Applicable.</u>

- 5. Describe any special land use concerns expressed in the above plans. In addition, for a City Annexation or Reorganization, provide a discussion of the land use plan's consistency with the regional transportation plan as adopted pursuant to Government Code Section 65080 for the subject territory: There are no special land use concerns with the proposed annexation/boundary adjustment. The 9,411 square feet to be annexed is located adjacent to the Chino Creek Channel. It would not impact consistency with the regional transportation plan.
- 6. Indicate the existing land use. The <u>undeveloped 9,411 SF of APN 1021-551-03 is located adjacent</u> to the Chino Creek Channel within the City of Chino. The City of Chino designates the property as General Industrial (General Plan: GI General Industrial / Zoning: M2 General Industrial).

What is the proposed land use? The 9,411 square feet to be annexed would receive a land use designation of Business Park. The pending entitlement application for Fairfield Ranch Commons would change the land use designation of the 9,411 square feet to Very High Density Residential to be apart of the larger 14.73-acre parcel that will consist of the very high density residential apartment portion of the project. The small 9,411 square feet of APN 1021-551-03 will just facilitate the overall use of the larger parcel (APN 1021-591-08) whether the land use remains Business Park or is changed to Very High Density Residential.

- 7. For a city annexation, State law requires pre-zoning of the territory proposed for annexation. Provide a response to the following:
 - a. Has pre-zoning been completed? YES NO X
 - b. If the response to "a" is NO, is the area in the process of pre-zoning? YES NO X

Identify below the pre-zoning classification, title, and densities permitted. If the pre-zoning process is underway, identify the timing for completion of the process.

The City of Chino Hills does not have a Pre-Zone Ordinance. The 9,411 square feet to be annexed would receive a land use designation of Business Park, which would allow future business park, light industrial, and/or warehouse uses. The small 9,411 square feet of APN 1021-551-03 will just facilitate the overall use of the larger parcel (APN 1021-591-08) whether the land use remains Business Park or is changed to Very High Density Residential as proposed by the pending entitlement application of Fairfield Ranch Commons.

Will the proposal require public services from any agency or district which is currently operating at or near capacity (including sewer, water, police, fire, or schools)? YES NO \underline{X} . If YES, please explain.

9.	On the following list, indicate if any portion of the territory contains the following by placing a checkmark next to the item:							
		Agricul	tural Land Use	S		Agricultural P	reserve Designati	on
		William	son Act Contra	act		Area where S	Special Permits are	e Required
		Any other unusual features of the area or permits required:						
	None.							
10.	If a Williamson Act Contract(s) exists within the area proposed for annexation to a City, pl provide a copy of the original contract, the notice of non-renewal (if appropriate) and any prote the contract filed with the County by the City. Please provide an outline of the City's anticip actions with regard to this contract.			ny protest to				
	Not App	olicable.						
11. Provide a narrative response to the following factor of consideration as identified in §5. The extent to which the proposal will promote environmental justice. As used in the "environmental justice" means the fair treatment of people of all races, cultures, and respect to the location of public facilities and the provision of public services:			. As used in this es, cultures, and ir	subdivision,				
	The pro	posed	annexation/bo	undary adjustm	ent involv	es edge pieces	s of an undevelop	ed property
	located	betwee	n the City of C	Chino Hills juris	dictional b	oundary and th	ne Chino Creek C	hannel. The
	small 9	small 9,411 square feet of APN 1021-551-03 will facilitate orderly development of the overall use of						
	the lar	the larger parcel APN 1021-591-08. The proposed annexation/boundary adjustment will not						
	<u>negativ</u>	negatively impact the fair treatment of people						
ENVIR	ONMEN	TAL INF	ORMATION					
1.	Provide	e genera	l description of	topography.				
		Provide general description of topography.						
	The project site and proposed annexation/boundary adjustment area is generally flat.							
2.	Describe any existing improvements on the site as <u>% of total area</u> .							
	Reside	ntial _	00	%	Agricu	ltural	0	%
	Comme	ercial _	0	%	Vacan	t	0	%
	Industri	al	0	%	Other		0	%
3.	Describ	e the su	ırrounding land	l uses:				
	NORTH EAST							
	SOUTH	ł	industrial development within the City of Chino. The area to the south consists of undeveloped business park land and a business					
	WEST	park development within the City of Chino Hills. The area to the west consists of the BAPS Temple and Cultural Center and a residential trailer park within the City of Chino Hills						

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4. Describe site alterations that will be produced by improvement projects associated with this proposed action (installation of water facilities, sewer facilities, grading, flow channelization, etc.).

The 9,411 square feet to be annexed would receive a land use designation of Business Park, which would allow future business park, light industrial, and/or warehouse uses. The small 9,411 square feet of APN 1021-551-03 will just facilitate the overall use of the larger parcel (APN 1021-591-08) whether the land use remains Business Park or is changed to Very High Density Residential as proposed by the pending entitlement application of Fairfield Ranch Commons.

5.	Will service extensions accomplished by this proposal induce growth on this site? YES X NO Adjacent sites? YES X NO Induction Incorporated Incorpora
6.	Are there any existing out-of-agency service contracts/agreements within the area? YES NO _X If YES, please identify.

7. Is this project a part of a larger project or series of projects? YES X NO If YES, please explain.

The 9,411 square feet to be annexed would receive a land use designation of Business Park, which would allow future business park, light industrial, and/or warehouse uses. The small 9,411 square feet of APN 1021-551-03 will just facilitate the overall use of the larger parcel (APN 1021-591-08) whether the land use remains Business Park or is changed to Very High Density Residential as proposed by the pending entitlement application of Fairfield Ranch Commons. The Fairfield Ranch Commons project consists of two components; 1) a residential component consisting of 346 very high density residential apartment units on 14.73 acres and 2) a business park component consisting of a 326,641-square foot business park (3 buildings) on 17.37 acres.

NOTICES

Please provide the names and addresses of persons who are to be furnished mailed notice of the hearing(s) and receive copies of the agenda and staff report.
NAME Mary M. McDuffee, City Clerk TELEPHONE NO. (909) 364-2610
ADDRESS: 14000 City Center Drive, Chino Hills, CA 91709
NAME Konradt Bartlam, City Manager TELEPHONE NO. (909) 364-2624
ADDRESS; 14000 City Center Drive, Chino Hills, CA 91709
NAME Joann Lombardo, Community Development Director TELEPHONE NO. (909) 364-2741
ADDRESS: 14000 City Center Drive, Chino Hills, CA 91709
CERTIFICATION
As a part of this application, the city of Chino Hills , or the district, (the applicant) and/or the (real party in interest: subject landowner and/or registered voter) agree to defend, indemnify, hold harmless, and release the San Bernardino LAFCO, its agents, officers, attorneys, and employees from any claim, action, proceeding brought against any of them, the purpose of which is to attack, set aside, void, or annul the approval of this application or adoption of the environmental document which accompanies it. This indemnification obligation shall include, but not be limited to, damages, costs, and expenses, including attorney fees. The person signing this application will be considered the proponent for the proposed action(s) and will receive all related notices and other communications. I/We understand that if this application is approved, the Commission will impose a condition requiring the applicant to indemnify, hold harmless and reimburse the Commission for all legal actions that might be initiated as a result of that approval.
As the proponent, I/We acknowledge that annexation to the city of or the district may result in the imposition of taxes, fees, and assessments existing within the (city or district) on the effective date of the change of organization. I hereby waive any rights I may have under Articles XIIIC and XIIID of the State Constitution (Proposition 218) to a hearing, assessment ballot processing or an election on those existing taxes, fees and assessments.
I hereby certify that the statements furnished above and in the attached supplements and exhibits present the data and information required for this initial evaluation to the best of my ability, and that the facts, statements, and information presented herein are true and correct to the best of my knowledge and belief.
DATE Dat. 13 2014 Wary M. Ma Duffee

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TITLE

PLEASE CHEC	K SUPPLEMENTAL FORMS ATTACHED:
X	ANNEXATION, DETACHMENT, REORGANIZATION SUPPLEMENT
X	SPHERE OF INFLUENCE CHANGE SUPPLEMENT
	CITY INCORPORATION SUPPLEMENT
	FORMATION OF A SPECIAL DISTRICT SUPPLEMENT
	ACTIVATION OR DIVESTITURE OF FUNCTIONS AND/OR SERVICES FOR SPECIAL
	DISTRICTS SUPPLEMENT

KRM-Rev. 8/15/2012

Electronic File Name: LAFCO application form - TURNER

SUPPLEMENT ANNEXATION, DETACHMENT, REORGANIZATION PROPOSALS

INTRODUCTION: The questions on this form are designed to obtain data about the specific annexation, detachment and/or reorganization proposal to allow the San Bernardino LAFCO, its staff and others to adequately assess the project. You may also include any additional information which you believe is pertinent. Use additional sheets where necessary, and/or include any relevant documents.

ANNEXED TO City of Chino Hills	DETACHED FROM City of Chino				
Will the territory proposed for chang new assessment districts, or fees?	e be subject to any new or additional special taxes, a				
The 9,411 square feet of APN 102	1-551-03 to be annexed is to adjust two portions o				
irregular boundary between the City	y of Chino Hills and the City of Chino. The 9,411 sq				
feet of APN 1021-551-03 is a remn	nant boundary irregularity that occurred when the Ci				
Chino Hills incorporated in 1991.	The small 9,411 square feet of APN 1021-551-03				
facilitate the overall use of the large	er parcel APN 1021-591-08 located in the City of C				
Hills. The City of Chino Hills has a p	pending entitlement application for the future develop				
of APN 1021-591-08 and the 9,411	SF of APN 1021-551-03, which is for the project Fai				
Ranch Commons that will consist of 346 very high density residential apartment units and					
326,641-square foot industrial park	k. The property will likely be annexed to a comm				
facilities district and/or an assessm	nent district as part of the development proposal or				
larger adjoining property.					
Will the territory be relieved of any e	existing special taxes, assessments, district charges o				

Provide a description of how the proposed change will assist the annexing agency in

achieving its fair share of regional housing needs as determined by SCAG.

4.

The 9,411 square feet to be annexed would receive a land use designation of Business Park in the City of Chino Hills, which would allow future business park, light industrial, and/or warehouse uses. The small 9,411 square feet of APN 1021-551-03 will facilitate the overall use of the larger parcel APN 1021-591-08 located in Chino Hills. The City of Chino Hills has a pending entitlement application for the future development of APN 1021-591-08 and the 9,411 SF of APN 1021-551-03. The pending entitlement application is for the project Fairfield Ranch Commons, which consists of 346 very high density residential apartment units and a 326,641-square foot industrial park. The pending entitlement application for Fairfield Ranch Commons is proposing to change the General Plan and Zoning designation of approximately 14.73 acres of APN 1021-591-08 (which would include the 9,411 SF of APN 1021-551-03) to Very High Density Residential to allow the development of 346 residential apartment units. The General Plan Amendment will also include a Housing Element Amendment to transfer 346 Very High Density Residential Units from Tres Hermanos Site A in Chino Hills to the project site. The transfer of 346 Very High Density Residential Units from Tres Hermanos Site A to the project site is in compliance with the Chino Hills Measure U as the transfer of units does not increase the total number of residential units allowed on the properties involved in the transfer. Once redesignated, the project site will allow for up to 35 units per acre; and pursuant to Government Code Section 65583, the project site will require a minimum gross density of 20 dwelling units per acre and will allow multi-family by right without a conditional use permit, planned unit development or other discretionary action. As proposed, the residential component of Fairfield Ranch Commons will have a gross density of 23.4 dwelling units per acre. Approval of the detachment/annexation for the small 9,411 square feet of APN 1021-551-03 will facilitate the overall use of the larger parcel APN 1021-591-08, which could allow the potential development of 346 very high density apartment units and would assist Chino Hills in meeting their regional housing allocation of affordable housing. Despite the pending entitlement application for Fairfield Ranch Commons, the 9,411 SF of APN 1021-551-03 may remain as Business Park regardless of the current entitlement application, this boundary line change will enable whatever is done on the property in the future to be done in a more logical and practical manner.

5. PLAN FOR SERVICES:

For each item identified for a change in service provider, a narrative "Plan for Service" (required by Government Code Section 56653) must be submitted. This plan shall, at a minimum, respond to each of the following questions and be signed and certified by an official of the annexing agency or agencies.

1. A description of the level and range of each service to be provided to the affected territory.

The scope of the detachment/annexation involves approximately 9,411 square feet of territory. There will be an insignificant change in level and range in any of the existing public services provided by the cities of Chino today and Chino Hills in the future upon detachment/annexation.

2. An indication of when the service can be feasibly extended to the affected territory.

The area to be detached from Chino and annexed to Chino Hills will facilitate the overall use of the larger parcel APN 1021-591-08 located in Chino Hills. The project site is part of the pending entitlement application for Fairfield Ranch Commons, which a portion of the project consists of residential development (See description noted in LAFCO application). Despite the pending entitlement application for Fairfield Ranch Commons, this boundary line change will enable whatever is done on the property in the future to be done in a more logical and practical manner. It is feasible that services, both public infrastructure and public services will be extended upon approval of the action by LAFCO.

3. An identification of any improvement or upgrading of structures, roads, water or sewer facilities, other infrastructure, or other conditions the affected agency would impose upon the affected territory.

The detachment/annexation is requested to facilitate the logical development of the larger parcel APN 1021-591-08 located in the City of Chino Hills. The pending entitlement proposal for the Fairfield Ranch Commons project would develop the subject property. As a result, the typical development conditions will likely be imposed on the project of which the subject territory is a small part.

4. The Plan shall include a Fiscal Impact Analysis which shows the estimated cost of extending the service and a description of how the service or required improvements will be financed. The Fiscal Impact Analysis shall provide, at a minimum, a five (5)-year projection of revenues and expenditures. A narrative discussion of the sufficiency of revenues for anticipated service extensions and operations is required.

The applicability of this question based on the size and scope of the detachment/annexation is unnecessary. However, the cost to the City of Chino Hills for extending services will be bore by the developer/owner of the property and have no fiscal impact to the City. In addition, the City of Chino Hills will receive their portion of

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the property tax allocation for the subject property because the City of Chino will agree to a reallocation of the property tax revenue for the subject property.

5. An indication of whether the annexing territory is, or will be, proposed for inclusion within an existing or proposed improvement zone/district, redevelopment area, assessment district, or community facilities district.

The property will likely be annexed to a community facilities district and/or an assessment district as part of a future development proposal on the larger adjoining property (APN 1021-591-08).

6. If retail water service is to be provided through this change, provide a description of the timely availability of water for projected needs within the area based upon factors identified in Government Code Section 65352.5 (as required by Government Code Section 56668(k)).

To the extent services are needed to be provided to the property that such are available.

CERTIFICATION

As a part of this application, the city of <u>C</u>	Chino Hills	, or the		district,
(the applicant) a	and/or the		(real party in interest: subj	ject
andowner and/or registered voter) agree				
LAFCO, its agents, officers, attorneys, an	id employees from	n any claim, action,	proceeding brought agains	st any
of them, the purpose of which is to attack,	, set aside, void, o	or annul the approva	al of this application or ado	ption
of the environmental document which accimited to, damages, costs, and expenses considered the proponent for the propose communications. I/We understand that if requiring the applicant to indemnify, hold might be initiated as a result of that appro	s, including attorned ad action(s) and w this application is harmless and rein	ey fees. The persor ill receive all related approved, the Com	n signing this application w I notices and other Imission will impose a con	rill be dition
As the proponent, I/We acknowledge that district may resu			or the d assessments existing wi	ithin
the (city or district) on the effective date o under Articles XIIIC and XIIID of the State processing or an election on those existin	of the change of or e Constitution (Pro	ganization. I hereb position 218) to a h	y waive any rights I may h	ave

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I hereby certify that the statements furnished above and the documents attached to this form present the data and information required to the best of my ability, and that the facts, statements, and information presented herein are true and correct to the best of my knowledge and belief.

DATE Oct. 13, 2014

SIGNATURÉ OF APPLICANT

/REVISED: krm - 8/15/2012

Electronic File Name: Fairfield Ranch SUPPLEMENT - annexation

SUPPLEMENT SPHERE OF INFLUENCE CHANGE

INTRODUCTION: The questions on this form are designed to obtain data about the specific sphere of influence change proposal to allow the Commission, staff and others to adequately assess the project. You may also include any additional information that you believe is pertinent. Use additional sheets where necessary, and/or include any relevant documents.

Please provide an identification of the agencies involved in the proposed sphere of influence

1.

	change(s).	
	SPHERE EXPANSION City of Chino Hills	SPHERE REDUCTION City of Chino
2.	•	ollowing factors of consideration as outlined in ditional room for response is necessary, please
	The present and planned land uses in tlands.	the area, including agricultural and open-space
	•••••••••••••••••••••••••••••••••••••••	411-square foot area of APN 1021-551-03 within vesterly across the Chino Creek Channel. It is

The present and probable need for public facilities and services in the area.

located in the City of Chino Hills.

The subject property to be annexed is part of a larger development plan within the City of Chino Hills. Public Facilities will not be extended to the approximate 9,411-square foot property territory to be detached/annexed. However, the property is part of a larger pending development project noted in the LAFCO application where public facilities and services will be provided.

land locked between the channel and the City of Chino Hills' easterly city jurisdictional boundary. The area was annexed to the City of Chino in 1977 and has been designated General Industrial. This sphere change is viewed as a clean-up for the purpose of allowing the logical development of the property as part of the larger parcel APN 1021-591-08

The present capacity of public facilities and adequacy of public services that the agency to be expanded provides or is authorized to provide.

There is currently a sufficient capacity for public facilities to serve the property, including sewer, water, and storm drain facilities via the City of Chino Hills. Public services are more than adequate to serve the subject property.

The existence of any social or economic communities of interest in the area.

None.

The present and probable need for public facilities or services related to sewers, municipal and industrial water, or structural fire protection for any disadvantaged unincorporated community, as defined by Govt. Code Section 56033.5, within the existing sphere of influence.

None.

- 3. If the proposal includes a city sphere of influence change, provide a written statement of whether or not agreement on the sphere change between the city and county was achieved as required by Government Code Section 56425. In addition, provide a written statement of the elements of agreement (such as, development standards, boundaries, zoning agreements, etc.) (See Government Code Section 56425).
 - The City of Chino and Chino Hills desire the Sphere of Influence and detachment/annexation (see Resolutions of agreement attached). This is considered a clean-up of the boundaries between the City of Chino and Chino Hills.
- 4. If the proposal includes a special district sphere of influence change not considered to be minor, provide a written statement: (a) specifying the function or classes of service provided by the district(s) and (b) specifying the nature, location and extent of the functions or classes of service provided by the district(s). (See Government Code Section 56425(i))

None.

- 5. For any sphere of influence amendment either initiated by an agency or individual, or updated as mandated by Government Code Section 56425, the following service review information is required to be addressed in a narrative discussion, and attached to this supplemental form (See Government Code Section 56430):
 - a. Growth and population projections for the affected area.
 - The 9,411 square feet to be annexed would receive a land use designation of Business Park, which would allow future business park, light industrial, and/or warehouse uses.

 The small 9,411 square feet of APN 1021-551-03 will facilitate the overall use of the

larger parcel APN 1021-591-08 in the City of Chino Hills. The City of Chino Hills has a pending entitlement application for the future development of APN 1021-591-08 and the 9,411 SF of APN 1021-551-03. The pending entitlement application is for the project Fairfield Ranch Commons, which consists of 346 very high density residential apartment units and a 326,641-square foot industrial park. The property to be annexed will not include any increase in growth and population for the City of Chino Hills. The pending entitlement application for Fairfield Ranch Commons includes a Housing Element Amendment to the Chino Hills General Plan to transfer 346 very high density residential units to the project site. The transfer of 346 very high density residential units will not increase the overall total dwelling units in Chino Hills as the 346 units are being transferred from one very high density residential site to another very high density residential site without a net increase in total dwelling units.

b. Location and characteristics of disadvantaged unincorporated communities within or contiguous to the sphere of influence.

None.

c. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies, including those associated with a disadvantaged unincorporated community.

None.

d. Financial ability of agencies to provide services.

The applicability of this question based on the size and scope of the detachment/annexation is unnecessary. However, the cost to the City of Chino Hills for extending services will be bore by the developer/owner of the property and have no fiscal impact to the City.

e. Status of, and opportunities for, shared facilities.

None.

f. Accountability for community service needs, including governmental structure and operational efficiencies.

Not applicable.

If additional sheet are submitted or a separate document provided to fulfill Item #5, the narrative description shall be signed and certified by an official of the agency(s) involved with the sphere of influence review as to the accuracy of the information provided. If necessary, attach copies of documents supporting statements.

CERTIFICATION

As a part of this application, the city of <u>Chino</u> (the applicant) and/or		or the	district, real party in interest: subject
landowner and/or registered voter) agree to def LAFCO, its agents, officers, attorneys, and empof them, the purpose of which is to attack, set a of the environmental document which accompa limited to, damages, costs, and expenses, inclu considered the proponent for the proposed actic communications. I/We understand that if this a requiring the applicant to indemnify, hold harmlenight be initiated as a result of that approval.	end, indemnify, ho ployees from any c side, void, or annu nies it. This inder ding attorney fees on(s) and will rece pplication is appro	old harmless, a blaim, action, p all the approval nnification obli a. The person sive all related oved, the Comi	and release the San Bernardino roceeding brought against any of this application or adoption gation shall include, but not be signing this application will be notices and other mission will impose a condition
I hereby certify that the statements furnished at ability, and that the facts, statements, and inforunce knowledge and belief.	pove present the d mation presented	lata and inform herein are true	nation required to the best of my e and correct to the best of my
DATE <u>Oct. 13,2014</u>	Mary	M//// SNATURE OF	Wystee APPLICANT
	Mary	M. M.	Diffee
	City C	PRINTED NA	VI =
		TITLE	

Rev: krm - 8/15/2012

Electronic File Name: SUPPLEMENT - sphere of influence change new

Tom Dodson's Environmental Response for LAFCO 3183 and 3184 and the City of Chino Hill's Environmental Assessment and Mitigated Negative Declaration for the Fairfield Ranch Commons Project

Attachment 3

TOM DODSON & ASSOCIATES

2150 N. ARROWHEAD AVENUE SAN BERNARDINO, CA 92405 TEL (909) 882-3612 • FAX (909) 882-7015 E-MAIL tda@tdaenv.com



May 5, 2015

Ms. Kathleen Rollings-McDonald Executive Officer Local Agency Formation Commission 215 North "D" Street, Suite 204 San Bernardino, CA 92415-0490



LAFCO San Bernardino County

Dear Kathy:

LAFCOs 3183 and 3184 consist of a Sphere of Influence amendment for the Cities of Chino and Chino Hills, followed by a Reorganization with annexations for both cities. LAFCO 3183 will include a Sphere Expansion for the City of Chino Hills and a Sphere Reduction for the City of Chino. LAFCO 3184 includes a Detachment from the City of Chino and an Annexation to the City of Chino Hills. The area affected by these two actions is approximately 9,411 square feet (about 0.216 acre) located along the southwest side of Chino Creek, immediately south of Chino Hills Parkway. The basis for these proposed LAFCO actions is that the boundary between these two cities in this area was confusing and the City of Chino Hills has approved a development that requires this boundary adjustment to proceed.

The City of Chino Hills prepared an Initial Study which concluded that proposed development of the property with a mix of Business Park and Multi-family residential development would not cause any significant adverse impact, either directly or indirectly. A legal challenge was filed against the Initial Study, but this legal challenge has been resolved. The Sphere of Influence amendment and Reorganization (annexation and detachment) of the project area will facilitate the proposed development, which is not forecast to result in significant adverse environmental impacts if the proposed LAFCO actions are approved.

Based on the City's Initial Study/Negative Declaration, the Notice of Determination was filed 0n April 15, 2015, I am recommending that the Commission consider the adopted Negative Declaration as the appropriate CEQA environmental determination for LAFCOs 3183 and 3184. Thus, in accordance with the pertinent sections of CEQA and the State CEQA Guidelines, I believe it is appropriate for the Commission's CEQA environmental determination to cite the City's Negative Declaration as adequate documentation in accordance with the Commission's CEQA Responsible Agency status. Under this circumstance, I recommend that

the Commission take the following steps if it chooses to approve LAFCOs 3183 and 3184, acting as a CEQA Responsible Agency:

- I. Indicate that the Commission staff and environmental consultant have independently reviewed the City of Chino Hills' Initial Study and Negative Declaration and the analysis in this document is adequate for the Sphere and Reorganization decisions.
- 2. The Commission needs to indicate that it has considered the Negative Declaration, and environmental effects, as outlined in the Initial Study, prior to reaching a decision on the proposed Sphere expansion and Reorganization and finds the information substantiating this environmental document adequate for its decisions. Even though the Sphere and Reorganization decisions were not anticipated in the Initial Study, the proposed use on the whole site, including the 9,411-acre area was fully evaluated. Thus, I conclude and recommend that the environmental findings regarding the physical changes to the environment are comprehensive and address the effects related to LAFCOs 3183 and 3184.
- 3. The Commission should indicate that it does not intend to adopt alternatives or mitigation measures for this project. No mitigation measures were required in the Initial Study/Negative Declaration for the LAFCO actions.
- 4. File a Notice of Determination for this action as a Responsible Agency because the Commission is relying on the Initial Study/Negative Declaration as a CEQA Responsible Agency.

If you have any questions regarding these recommendations, please feel free to give me a call.

Sincerely,

Tom Dodson

City of (hino Hil

Posted On

4 Little 1850



14000 City Center Drive Chino Hills, CA 91709 (909) 364-2600 www.chinohills.org

NOTICE OF DETERMINATION

TO:

FROM:

☑ Office of Planning and Research For U.S. Mail: P.O. Box 3044 Sacramento, CA

Street Address: 1400 Tenth Street

95812-3044

Sacramento, CA

95814

City of Chino Hills 14000 City Center Drive Chino Hills, CA 91709 Contact: Jerrod Walters

Phone: 909-364-2753

☑ Clerk of the Board of Supervisors County of San Bernardino 385 North Arrowhead Avenue San Bernardino, California 92415

SUBJECT: Filing of Notice of Determination in compliance with Section 2/1108 or 21152 of the Public Resources Code.

State Clearinghouse Number (if submitted to State Clearinghouse): 2014101023

Project Title: Fairfield Ranch Commons

Project Applicant: Turner Real Estate Investments, 1500 Quail Street, Suite 150, Newport Beach, CA 92660

Project Location: Northeast corner of Fairfield Ranch Road and Monte Vista Avenue and east of SR-71 in the City of Chino Hills, County of San Bernardino.

Project Description: The 36.92-acre Fairfield Ranch Commons Project consists of two separate components: 1) a 17.37-acre, 326,641-square foot industrial business park; and 2) a 14.73-acre, 346-unit multifamily residential development. The Project consists of a General Plan Amendment to change the residential component from Business Park to Very High Density Residential; a Housing Element Amendment to incorporate the residential component into the Housing Element to satisfy the City's RHNA housing unit obligations; a Zone Change for the residential component to be rezoned from Business Park (BP) to Very High Density Residential (RM-3); a development agreement which provides vested rights to the developer and includes a monetary contribution to the City to be utilized for whatever public purpose the City deems appropriate; a Tentative Parcel Map to subdivide the project site into four parcels; a Site Plan Review; and Variances to reduce required landscape requirements, increase building and wall heights.

This is to advise that the City of Chino Hills, Lead Agency, has approved the above described project on April 14, 2015 and has made the following determinations regarding the above described project: 1. The project □ will ☒ will not have a significant effect on the environment. 2.

An Environmental Impact Report was prepared for this project pursuant to the provisions of CEQA. A Negative Declaration was prepared for this project pursuant to the provisions of CEQA. 3. Mitigation measures

were □ were not made a condition of the approval of the 4. A mitigation reporting or monitoring plan ⊠ was □ was not adopted for this 5. A statement of Overriding Considerations □ was ☒ was not adopted for this project. 6. Findings

were □ were not made pursuant to the provisions of CEQA. This is to certify that the Negative Declaration with comments and responses and record of project approval is available to the General Public at: City of Chino Hills, Community Development Department, 14000 City Center Drive, Chino Hills, CA 91709.

Authority cited: Section 21083, Public Resources Code. Reference: Sections 21000-21174, Public Resources Code.

DRAFT INITIAL STUDY AND MITIGATED NEGATIVE DECLARATION

FOR

FAIRFIELD RANCH COMMONS CHINO HILLS, CALIFORINA

Prepared for:



City of Chino Hills

Community Development Department 14000 City Center Drive Chino Hills, CA 91709 Telephone: (909) 364-2753

Prepared by:



UltraSystems Environmental Inc.

16431 Scientific Way Irvine, CA 92618-4355 Telephone: 949.788.4900 FAX: 949.788.4901

October 2014

PROJECT INFORMATION SHEET

1. Project Title Fairfield Ranch Commons

2. Lead Agency and Address City of Chino Hills

14000 City Center Drive Chino Hills, CA 91709

3. Contact and Phone Number Jerrod Walters, Senior Planner

Community Development Department

(909) 364-2753

4. Project Location Northeast corner of Monte Vista Avenue and

Fairfield Ranch Road

5. Assessor's Parcel Number 1021-591-08

6. Project Applicant Turner Real Estate Investments

1500 Quail Street Suite 150 Newport Beach, CA 92660

7. Project Site General Plan

Designation

Business Park

8. Project Site Zoning

Designation

Business Park

9. Surrounding Land Uses and

Setting

As shown in **Figure A**, Project Location, and **Figure B**, Regional Overview, the project site is located in the City of Chino Hills within a transitional setting containing a mix of land use types. Within the City of Chino, the Carbon Canyon Water Recycling Facility (CCWRF) and other industrial uses are located to the north and east opposite the Chino Creek Channel. Within the City of Chino Hills, vacant land designated for Business Park (BP) and zoned as Light Industrial (LI) is found to the south, and the BAPS Shri Swaminarayan Mandir temple is located to the southwest. A residential use, the Monte Vista Mobile Home Park, is on the west.

10. Description of Project The project applicant is requesting approval of

Site Plan Review 14SPR02 for development of the Fairfield Ranch Commons, which consists of 346 very high density residential apartment units on 14.73 acres and a 326,641-square foot industrial park (3 buildings) on 17.37 acres. Tentative Parcel Map 19539 would subdivide one parcel into 4 parcels (1 parcel for residential development and 3 parcels for the industrial business park). General Plan Amendment 14GPA01 to change the land use designation for the 14.73-acre residential development from Business Park to Very High Density Residential. The General Plan Amendment also includes a Housing Element Amendment to transfer 346 Very High Density Residential Units from the Tres Hermanos Site A to the project site. Zone Change 14ZC01 would change the zoning designation from BP (Business Park) to RM-3 (Very High Density Residential) for the 14.73 acre-residential development; however, the Business Park designation would be retained on the south 17.37-acre portion of the site. The project also includes a Development Agreement. Concurrent with the project, the City is undertaking Local Agency Formation Commission (LAFCO) proceedings to annex 9,360 square feet of land located in the jurisdiction of the City of Chino. This land is adjacent to the right-of-way of the Chino Creek Flood Control Channel positioned between the existing City of Chino Hills' limit line and west of the Chino Creek Channel.

11. Other Public Agencies whose Approval is Required

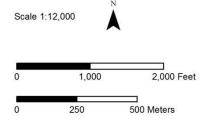
- Chino Valley Independent Fire District
- San Bernardino Local Agency Formation Commission
- San Bernardino County Flood Control District
- Inland Empire Utility Agency Regional Technical Committee
- Santa Ana Regional Water Quality Control Board
- South Coast Air Quality Management District

Figure A PROJECT LOCATION



Document Path: J\Projects\5937_Fairfield_Ranch_Commons\MXDs\Genera\5937_Fairfield_Ranch_Commons_Project_Location_Map_2014_07_10.mxd
Service Layer Credits: Source: Esri, DigitalGlobe, GeoEye, I-cubed, Earthstar Geographics, CNESAirbus DS, USDA, USGS, AEX, Getmapping, Aerogrid, IGN, IGP, swisstopo, and the GIS User Community, National Geographic, Esri, DeLorme, HERE, UNEP-WCMC, USGS, NASA, ESA, METI, NRCAN, GEBCO, NOAA, increment P Corp., Esri, HERE, DeLorme, TomTom, MapmyIndia, © OpenStreetMap contributors, and the GIS user community; San Bernardino County, 2014; UltraSystems Environmental, Inc., 2014

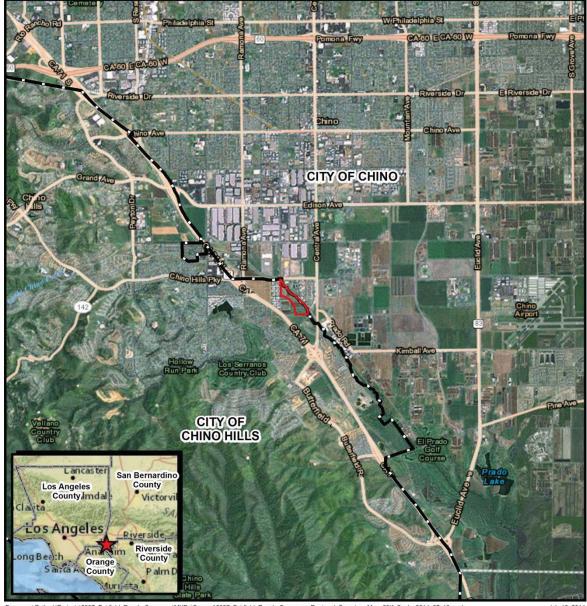
Fairfield Ranch Commons
Project Location





Legend

Figure B REGIONAL OVERVIEW



Document Path: J:Projects\S937_Fairfield_Ranch_Commons\MXDs\General\S937_Fairfield_Ranch_Commons_Regional_Overview_Map_63K_Scale_2014_07_10.mxd Service Layer Credits: National Geographic, Esri, DeLorme, NAVTEQ, UNEP-WCMC, USGS, NASA, ESA, METI, NRCAN, GEBCO, NOAA, IPC, Copyright:© 2011 Esri, DeLorme, NAVTEQ. TomTom, Source: Esri, Digitalfolbe, GeoEye, Feubed, USDA, USGS, AEX, Getmapping, Aerogrid, IGN, IGP, and the GIS User Community; San Bernardino County, 2014; UltraSystems Environmental, Inc., 2014

July 10, 201



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Appendix I	Traffic Impact Analysis

ACRONYMS AND ABBREVIATIONS

phaseSectionABAssembly Bill

AB 939 California Integrated Solid Waste Management Act

ADA Americans with Disabilities Act

AF acre-feet

AFY acre-feet per year
APE Area of Potential Effect
APN Assessor's parcel number

BGEPA Bald and Golden Eagle Protection Act

BMPs best management practices

BP Business Park (City of Chino Hills zoning district)

BSA Biological Study Area

CA MUTCD California Manual on Uniform Traffic Control Devices

CACLUP Chino Airport Comprehensive Land Use Plan

CAL-FIRE California Department of Forestry and Fire Protection
Cal-OSHA California Occupational Safety and Health Administration

CASQA California Stormwater Quality Association

CBC California Building Code

CCWRF Carbon Canyon Water Recycling Facility
CDFW California Department of Fish and Wildlife
CEQA California Environmental Quality Act

CERCLA Comprehensive Environmental Response, Compensation, and Liability Act

CESA California Endangered Species Act

CFS cubic feet per second CHMC Chino Hills Municipal Code

City City of Chino Hills

CIWMP Countywide Integrated Waste Management Plan

CMP Congestion Management Plan

CNDDB California Natural Diversity Database
Corps United States Army Corps of Engineers

County of San Bernardino

CRHR California Register of Historical Resources

CWA Clean Water Act d/u dwelling units

DAMP Drainage Area Management Plan

DSOD Department of Water Resources Division of Safety of Dams

DTSC Department of Toxic Substances Control

du/acre dwelling units per acre

EDR Environmental Data Resource
EIR Environmental Impact Report
EOP Emergency Operation Plan
ESA Environmental Site Assessment

E-waste Household Hazardous- Electronic

FAR floor area ratio

FEMA Federal Emergency Management Area

FHSZ Fire Hazard Severity Zone FIRM Flood Insurance Rate Map

FMMP Farmland Mapping and Monitoring Program

G1 General Industrial Land Use District (City of Chino)

GIS Geographic Information System

gallons per day gpd

GPS **Global Positioning System HCP** Habitat Conservation Plan HRA health risk assessment

Inland Empire Utilities Agency IEUA

IS **Initial Study**

LAFCO Local Agency Formation Commission

LED light-emitting diode

LI Light Industrial (City of Chino Hills zoning district)

LOS level of service

Local Responsibility Areas LRA

LUST leaking underground storage tank

M2 General Industrial (City of Chino zoning district)

MBTA Migratory Bird Treaty Act MEP maximum extent practicable MLD most likely descendant

MND Mitigated Negative Declaration

MS-4 Permit NPDES Municipal Separate Storm Sewer System Discharge Permit

msl above mean sea level

NAHC Native American Heritage Commission

NB northbound

NCCP Natural Community Conservation Plan

ND **Negative Declaration**

NFIP National Flood Insurance Program NHPA National Historic Preservation Act

NOI Notice of Intent

NPDES National Pollutant Discharge Elimination System

NPPA Native Plant Protection Act

Office of Environmental Health Hazard Assessment OEHHA **OSHA** Occupational Safety and Health Administration

PCE trips passenger car trip equivalents

PEIR Programmatic Environmental Impact Report

PRC Public Resources Code

RCRA Resource Conservation and Recovery Act

RM-2 High Density Residential RM-3 Very High Density Residential

RP-2 Regional Plant No.2 RWQCB Regional Water Quality Control Board SAA Streambed Alteration Agreement

SANBAG San Bernardino Associated Governments

SARWQCB Santa Ana Regional Water Quality Control Board

SB southbound

SBAIC San Bernardino Archaeological Information Center

SBTAM San Bernardino Traffic Analysis Model

SCAG Southern California Association of Governments SCAQMD South Coast Air Quality Management District

SFHAs Special Flood Hazard Areas

SR-60 State Route 60 SR-71 State Route 71

SRA State Responsibility Areas

Staff Report on Burrowing Owl Mitigation

SWIS Solid Waste Information System

SWMD County of San Bernardino Department of Public Works, Solid Waste Management

Division

SWPPP Stormwater Pollution Prevention Plan SWRCB State Water Resources Control Board

TPM Tentative Parcel Map
USD unified school district

USEPA United States Environmental Protection Agency

USGS United States Geological Survey
USTs underground storage tanks
UWMP Urban Water Management Plan

UWMPA Urban Water Management Planning Act

V/C volume-to-capacity

WEAP Worker Environmental Awareness Program

WQC water quality certification

WQMP Water Quality Management Plan

EXECUTIVE SUMMARY

This Initial Study and Mitigated Negative Declaration (IS/MND) is prepared in accordance with the requirements of the California Environmental Quality Act (CEQA) to evaluate potential environmental impacts associated with the construction and operation of the proposed Fairfield Ranch Commons project in the City of Chino Hills, California. The City of Chino Hills is the Lead Agency under CEQA because the City has the principal responsibility and discretionary authority for implementing and approving the project.

Overview of Proposed Project

The project applicant is requesting approval through Site Plan Review 14SPR02 for development of the Fairfield Ranch Commons ("proposed project"). The proposed project site is a 36.92-acre vacant lot located at the northeast corner of Monte Vista Avenue and Fairfield Ranch Road. The proposed project has two major components. The residential component consists of 346 very high density residential apartment units on 14.73 acres and the business park component consists of 326,641-square foot industrial park on 17.37 acres.

Through the subdivision process (Tentative Parcel Map 19539), the project site would be subdivided into four (4) parcels. Parcels 1, 2 and 3 (17.37 acres) includes the business park component of the project, and Parcel 4 (14.73 acres) includes the residential component of the project. The remaining 4.82 acres (Lot A and B) are within the existing Chino Creek Channel.

The following table summarizes the two major components of the proposed project.

PROJECT COMPONENT OVERVIEW

Component	Description	Parcel and Acreage	Zoning Designation	General Plan Land Use
Multi-Family	■ 18 residential buildings	TPM 19539,	Existing:	Existing:
Residential	(346 apartment units);	Parcel 4	Business	Business
(Apartment	Clubhouse (4,077		Park (BP)	Park
Community)	square feet) and;	14.73 acres		
	Maintenance Building		Proposed:	Proposed:
	(563.4 square feet)		Very	Very High
			High Density	Density
			Residential	Residential
			(RM-3)	
Business Park	■ 3 buildings (326,641	TPM 19539 -	Existing:	Existing:
	square feet)	Parcels 1, 2, and 3	Business Park (BP)	Business Park
				Proposed:
		17.37 acres	Proposed:	Business
			Business Park	Park

The entire project site is currently designated and zoned as Business Park (BP). The project proposes to amend the General Plan Land Use designation of approximately 14.73 acres of the 36.92-acre project site from Business Park to Very High Density Residential to allow for the

development of 346 residential units. The General Plan Amendment 14GPA01 would include a Housing Element Amendment to transfer 346 Very High Density Residential Units from Tres Hermanos Site A to the project site. The transfer of 346 Very High Density Residential Units from Tres Hermanos Site A to the project site is in compliance with Measure U as the transfer of units does not increase the total number of residential units allowed on the properties involved in the transfer. A Zone Change 14ZC01 would change the zoning for the residential component from Business Park (BP) to Very High Density Residential (RM-3), and Business Park designation on the south portion of the site would be retained for the business park component.

The City of Chino Hills has undertaken Local Agency Formation Commission proceedings to annex 9,360 square feet of assessor's parcel number (APN) 1021-551-03, which is located in the jurisdiction of the City of Chino and owned by William and Albertus Van Klaveren. The 9,360 square feet of land is adjacent to the right-of-way of the Chino Creek Flood Control Channel positioned between the existing City of Chino Hills's limit line and west of the Chino Creek Channel.

In addition to the annexation of land, the City would enter into a development agreement with the project applicant to provide public benefits from the project beyond those that the City could otherwise require through the normal land use entitlement process.

Initial Study

The Initial Study (IS) was completed according to CEQA requirements, and evaluated the following:

- Aesthetics
- Agricultural & Forestry Resources
- Air Quality
- Biological Resources
- Cultural Resources
- Geology and Soils
- Greenhouse Gas Emissions
- Hazards and Hazardous Materials
- Hydrology and Water Quality

- Land Use and Planning
- Mineral Resources
- Noise
- Population and Housing
- Public Services
- Recreation
- Transportation and Traffic
- Utilities and Service Systems

Based on the IS, potential adverse significant environmental effects to air quality, biological resources, cultural resources, geology and soils, greenhouse gas emissions, noise, transportation and traffic were identified.

Mitigated Negative Declaration

Mitigation measures have been incorporated into the project to effectively minimize the potentially significant environmental impacts identified in the IS. Implementation of these mitigation measures would avoid or reduce impacts to less than significant levels, and no further environmental review is necessary. Mitigation measures required to reduce potential impacts are listed below.

Air Quality

- AQ-1: Watering of Exposed Areas
- AQ-2: EPA-Approved Construction Equipment
- AQ-3: Use of Project Landscape Equipment
- AQ-4: No Fireplaces or Hearths

- AQ-5: 100% Reclaimed Water for Irrigation
 AQ-6: Odor Disclosure Relating to Business Park
 AQ-7: Odor Disclosure Relating to Wastewater Treatment Plant

 Biological Resources
 BR-1: Pre-Construction Breeding Bird Survey
 BR-2: Pre-Construction Burrowing Owl Surveys
 BR-3: Project Limits and Designated Areas
 BR-4: Worker Environmental Awareness Program (WEAP)
- BR-5: Biological Monitor
- BR-6: General Vegetation and Wildlife Avoidance and Protection
- BR-7: Construction Best Management Practices
- BR-8: Wildlife Corridors and Native Open Space Mitigation

Cultural Resources

- CR-1: Cultural Monitoring
- CR-2: Discovery of Human Remains

Geology and Soils

- GS-1: Site Preparation and Grading
- GS-2: Certified Soils Engineer

Greenhouse Gas Emissions

- GG-1: Use of Project Landscape Equipment (same as AQ-3)
- GG-2: No Fireplaces or Hearths (same as AQ-4)
- GG-3: 100% Reclaimed Water for Irrigation (same as AQ-5)

Noise

- NO-1: Construction Hours
- NO-2: Operating Construction Equipment
- NO-3: Local Resident Complaints
- NO-4: Temporary Shields and Noise Barriers NO-5: Short-term Noise Exposure Measuring
- NO-6: Residential Windows

Transportation and Traffic

- TR-1: Monte Vista Avenue (S) at Chino Hills Parkway
- TR-2: Central Avenue at El Prado Road
- TR-3: Central Avenue at Fairfield Ranch Road
- TR-4: Pipeline Avenue at Chino Hills Parkway
- TR-5: Monte Vista Avenue (S) at Chino Hills Parkway (same as TR-1)
- TR-6: Central Avenue at Chino Hills Parkway
- TR-7: Central Avenue at El Prado Road (same as TR-2)
- TR-8: Central Avenue at Fairfield Ranch Road
- TR-9: SR-71 Northbound Ramps at Central Avenue
- TR-10: SR-71 Southbound Ramps at Soquel Canyon Parkway

- TR-11: Pipeline Avenue at Chino Hills Parkway
- TR-12: Monte Vista Avenue (S) at Chino Hills Parkway (same as TR-1)
- TR-13: Central Avenue at Chino Hills Parkway (same as TR-6)
- TR-14: Central Avenue at El Prado Road
- TR-15: Central Avenue at Fairfield Ranch Road (same TR-8)
- TR-16: SR-71 Northbound Ramps at Central Avenue (same as TR-9)
- TR-17: Central Avenue at Eucalyptus Avenue

A detailed listing of mitigation measures are provided in a CEQA-required Mitigation Monitoring and Reporting Program (MMRP) that will be formally adopted by the City of Chino Hills City Council prior to project implementation. The MMRP can be found in Chapter 6.0 of this document.

1.0 INTRODUCTION

1.1 Project Overview

The Fairfield Ranch Commons project includes construction of 346 very high density residential units and a 326,641-square foot business park on a 36.92-acres site in the City of Chino Hills (City), California. The residential use would consist of 20 wood frame buildings on 14.73 acres of the project site. The 17.37-acre business park would allow light industrial, retail, office, or other commercial development. The remaining 4.82 acres would consist of Lot A and Lot B, which are for the existing Chino Creek Channel.

1.2 Purpose and Legal Authority

The City of Chino Hills is the Lead Agency for this project pursuant to the California Environmental Quality Act (CEQA)¹ and implementing regulations². The Lead Agency has the principal responsibility for implementing and approving a project that may have a significant effect on the environment.

The purpose of an Initial Study (IS) under § 15063(c) of the CEQA Statute and Guidelines (CEQA Guidelines) is to:

- ≠ Evaluate the significance of environmental impacts associated with the project.
- ≠ Provide the Lead Agency with information necessary to decide if an Environmental Impact Report (EIR), Negative Declaration (ND), or Mitigated Negative Declaration (MND) should be prepared.
- ≠ Enable an applicant or Lead Agency to modify a project to mitigate adverse impacts before an EIR is prepared, thereby enabling the project to qualify for a ND or MND.
- ≠ Assist in the preparation of an EIR, if required, by focusing the EIR on adverse effects determined to be significant, identifying the adverse effects determined not to be significant, explaining the reasons for determining that potentially significant adverse effects would not be significant, and identifying whether a program EIR, or other process, can be used to analyze adverse environmental effects of the project.
- ≠ Facilitate an environmental assessment early during project design.
- ≠ Provide documentation in the ND or MND that a project would not have a significant effect on the environment.
- ≠ Eliminate unnecessary EIRs.
- ≠ Determine if a previously prepared EIR could be used for the project.

In cases where no potentially significant impacts are identified, the Lead Agency may issue a ND, and no mitigation measures would be needed. Where potentially significant impacts are identified,

² Public Resources Code § 21000 - 21177 and California Code of Regulations Title 14, Division 6, Chapter 3.

¹ CEQA Guidelines § 21067.

the Lead Agency may determine that mitigation measures would adequately reduce these impacts to less than significant levels. The applicant or Lead Agency would then prepare a MND for the proposed project. If the Lead Agency determines that individual or cumulative effects of the proposed project would cause a significant adverse environmental effect that cannot be mitigated to less than significant levels, then the Lead Agency would require an EIR to further analyze these impacts.

1.2.1 Responsible & Trustee Agencies

Other public agencies are provided the opportunity to review and comment on the IS/MND. Each of these agencies is described briefly below.

- ≠ A Responsible Agency (CEQA Guidelines § 15381) is a public agency, other than the Lead Agency, that has discretionary approval power over the project, such as permit issuance or plan approval authority.
- ≠ A Trustee Agency³ (CEQA Guidelines § 15386) is a state agency having jurisdiction by law over natural resources affected by a project that are held in trust for the people of the State of California.
- ≠ Agencies with Jurisdiction by Law (CEQA Guidelines § 15366) are local agencies that border the jurisdiction of the project site, or public agencies, other than Trustee Agencies, that exercise authority over resources that may be affected by the project.

Trustee and Agencies with Jurisdiction by law do not have legal authority to approve or implement the project.

1.3 Requirements

Section 15063(d) of the CEQA Guidelines identifies the following specific disclosure requirements for an IS.

- ≠ A description and the location of the project.
- ≠ A description of the environmental setting.
- ≠ An assessment of environmental effects by use of a checklist, matrix, or other method.
- ≠ A discussion of measures to mitigate significant adverse environmental effects, if any.
- ≠ An examination of existing zoning, plans and other land use controls that apply to the project.
- ≠ The names of persons that participated in the preparation of the document.

The four Trustee Agencies in California listed in CEQA Guidelines § 15386 are California Department of Fish and Wildlife, State Lands Commission, State Department of Parks and Recreation, and University of California.

1.4 Impact Terminology

The following terminology is used to describe the level of significance of potential impacts:

- ≠ A finding of **no impact** is appropriate if the analysis concludes that the project would not affect the environment in any way.
- ≠ An impact is considered *less than significant* if the analysis concludes that the project would cause no substantial adverse change to the environment and requires no mitigation.
- ≠ An impact is considered *less than significant with mitigation incorporated* if the analysis concludes that the project would cause no substantial adverse change to the environment with the inclusion of environmental commitments, or other enforceable measures, that would be adopted by the applicant.
- ≠ An impact is considered *potentially significant* if the analysis concludes that the project could have a substantial adverse effect on the environment.

An EIR is required if an impact is identified as *potentially significant*.

1.5 Incorporation by Reference

The following documents are incorporated into this IS/MND by reference.

- ≠ City of Chino Hills General Plan (1994 and 2014 Proposed General Plan Update). The City of Chino Hills General Plan is a policy document designed to give long range guidance for decision-making affecting the future character of the City planning area. It represents the official statement of the community's physical development as well as its economic, social, and environmental goals. The General Plan was utilized throughout this Initial Study as the fundamental planning document governing development on the project site.
- ≠ Program Environmental Impact Report, City of Chino Hills General Plan. A Draft Program EIR was prepared for the City of Chino Hills General Plan Update. The Program EIR evaluates the potential individual and cumulative environmental effects associated with buildout of the General Plan including both direct (primary) and indirect (secondary) impacts that might occur throughout buildout. This environmental document references both the Draft 2014 General Plan Update and its Draft Program EIR, as well as the City's adopted General Plan.
- ≠ City of Chino Hills Zoning Code. The City of Chino Hills Municipal Code establishes the basic regulations under which land is developed and utilized. This includes allowable uses, building setback requirements, and other development standards. Pursuant to state law, the zoning ordinance must be consistent with the General Plan. The basic intent of the code is to promote and protect the public health, safety, convenience, and welfare of present and future citizens of the City.

1.6 Organization of Initial Study/Mitigated Negative Declaration

This IS/MND is organized to satisfy CEQA requirements, and includes findings that no significant environmental impacts would occur when proposed mitigation measures are adopted. The IS/MND includes the following sections:

- ≠ Chapter 1, *Introduction*, which identifies the purpose and scope of the IS/MND.
- ≠ Chapter 2, *Project Description*, which provides an overview of the project objectives, a description of the proposed development, project phasing during construction, and discretionary actions for the approval of the project.
- ≠ Chapter 3, *Environmental Checklist*, which presents checklist responses for each resource topic to identify and assess impacts associated with the proposed project, and proposes mitigation measures, where needed, to render potential environmental impacts less than significant, where feasible.
- ≠ Chapter 4, References, which includes a list of documents cited in the IS/MND.
- ≠ Chapter 5, *List of Preparers*, which identifies technical specialties of persons that participated in the preparation of the IS/MND.
- ≠ Chapter 6, *Mitigation Monitoring and Reporting Program*, which includes a detailed list of project-related mitigation measures that will be formally adopted by the City of Chino Hills City Council prior to project implementation.

Technical studies and other documents, which include supporting information or analyses used to prepare the IS/MND, are included in the appendices.

1.7 Certification

Prior to project approval, Responsible Agencies, Trustee Agencies, Agencies with Jurisdiction by Law, and the public are provided 30 days to review and comment on the IS/MND. Approval of the proposed project by the Lead Agency is contingent on certification of the IS/MND after considering agency and public comments. By certifying the IS/MND, the Lead Agency is proclaiming that the IS/MND was reviewed and considered by the City, represents the independent judgment of the Lead Agency, and that the IS/MND complies with CEQA.

2.0 PROJECT DESCRIPTION

2.1 Project Summary

The applicant is requesting approval through Site Plan Review 14SPR02 for development of the Fairfield Ranch Commons, which consists of 346 very high density residential apartment units on 14.73 acres and a 326,641-square foot industrial park (3 buildings) on 17.37 acres. As shown in **Figure 2.0-1** and **Figure 2.0-2**, the project site is designated Business Park and zoned BP (Business Park). The project proposes to amend the General Plan designation and change the zoning for the proposed 14.73-acre residential development to RM-3 (Very High Density Residential) and retain the Business Park designation on the south portion of the site (see **Figure 2.0-3**).

Concurrent with the project, the City of Chino Hills is undertaking Local Agency Formation Commission (LAFCO) proceedings to annex a 9,360-square foot portion of APN 1021-551-03 owned by William and Albertus Van Klaveren that is located within the jurisdiction of the City of Chino. The 9,360-square foot piece of land is adjacent to the right-of-way of the Chino Creek Flood Control Channel positioned between the existing City of Chino Hills's limit line and west of the Chino Creek Channel (see **Figure 2.0-4**). The major project components are shown in **Table 2.0-1**, **Project Overview**.

Table 2.0-1
PROJECT OVERVIEW

Component	Description		
Project Site	36.92 acres		
Residential	14.73 acres (Parcel 4)		
	3.80 acres of building		
	≠ 18 residential buildings		
	≠ Clubhouse		
	≠ Maintenance building		
	2.38 acres of private and common usable open space		
	5.09 acres of landscaping		
City of Chino	9,360 square feet annexed from the City of Chino and		
	acquired by City of Chino Hills		
Business Park	17.37 acres (Parcel 1, 2, and 3)		
	326,641 square feet of building floor space		
	≠ Building 1 (Parcel 1) – 120,516 square feet		
	≠ Building 2 (Parcel 2) – 106,005 square feet		
	≠ Building 3 (Parcel 3) – 100,120 square feet		
	99,670 square feet of open space and landscaping		
Chino Creek			
City of Chino Hills	4.82 acres of creek currently in the City of Chino Hills		
	(Lots A and B of TPM 19539)		

Figure 2.0-5, **Conceptual Site Plan**, depicts the layout of roadways and proposed buildings. Each use is described below.

2.1.1 Apartment Community

The residential project component is proposed on one parcel (Parcel 4 of TPM 19539), which represents the northern 14.73 acres of the project site. The apartment community would consist of 20 wood frame buildings oriented around a centrally located clubhouse/leasing office. As shown in **Table 2.0-2, Apartment Community Summary**, unit types would include one, two, and three bedrooms; some would have attached garages. A recreation area located at the clubhouse would serve as a community center. Community amenities would include an indoor gym, pool and spa, outdoor sports court, landscaped courtyard with fountain, outdoor kitchen with barbeque and outdoor dining area with fireplace.

Table 2.0-2
APARTMENT COMMUNITY SUMMARY

Use	Quantity	Footprint/Area (Square Feet)
Residential Dwelling Units		
One Bedroom:	156	
Two Bedroom:	172	
Three Bedroom:	18	
Total:	346	165,313
Leasing/Recreation	-	
Parking		
Resident Spaces:	686	
Guest Spaces	190	
Total:	876	
Hardscaping	-	51,300
Landscaping	-	*222,020

Source: Site Plan dated August 20, 2014, Conceptual Landscape Plan dated August 20, 2014

The apartment buildings are designed in a contemporary architectural style incorporating balconies and projections along the building exterior to create visual relief. As shown in **Figure 2.0-6**, **Apartment Community Building Elevations** and **Figure 2.0-7**, **Apartment Community Building Elevation Detail**, siding material consists of concrete roof tile; metal railing; vinyl windows; stucco; decorative tile, grille, and chimney; and foam corbel. Maximum building height would be 42 feet and mechanical equipment will be ground mounted and shielded from view through landscaping and mechanical equipment screens.

2.1.2 Business Park

Parcels 1, 2, and 3 totaling a combined 17.37 acres are planned for business park use, including warehouse and office spaces. See **Table 2.0-3**, **Business Park Summary**, for a breakdown of uses by type. The project proposes to develop three concrete tilt up structures ranging from 100,120 to 120,516 square feet each in size. As shown in **Figure 2.0-8**, **Business Park Building Elevations** and **Figure 2.0-9**, **Business Park Building Elevation detail**, siding material would include

^{*} Includes recreational space

concrete and metal. According to the project applicant, no specific tenants¹ have been identified at this time to occupy the three warehouse/industrial buildings. The warehouse/industrial buildings are intended to be occupied by import/export distribution or light manufacturing users because the Business Park zoning designation allows nonresidential uses, generally encompassing light industrial, retail, office, and other commercial development.²

Table 2.0-3
BUSINESS PARK SUMMARY

Use	Parcel 1/ Building 1	Parcel 2/ Building 2	Parcel 3/ Building 3	Total Area (Square Feet)
In Square Feet	300,128	251,341	205,168	756,637
In Acres	6.89	5.77	4.71	17.37 acres
Building Area Warehouse: Mezzanine: Office: Total Building Footprint:	108,516 - 12,000 120,516	97,005 - 9,000 106,005	90,120 5,000 5,000 100,120	295,641 5,000 26,000 326,641
*Parking Stalls:	149	154**	132***	435
Total Parking				80,630
Streets				147,130
Landscaping				
(includes 3	39,250	34,550	25,870	99,670
retention basins)				

Source: Site Plan dated August 20, 2014, Preliminary Landscape Plan dated August 20, 2014.

2.1.3 Access

The primary access for the residential parcel would be through two gated entrances, one on Monte Vista Avenue (Driveway No.1) and one on Fairfield Ranch Road (Driveway No.2). Both vehicle entrances would provide full vehicle movement with left in, right in, left out and right out turning movements. Striping of Monte Vista Avenue at Driveway No. 1 would occur to provide a separate southbound left-turn lane with a minimum storage of 100-feet. All necessary pavement markings and signs associated per City of Chino Hills Standard Design Guidelines and California Manual on Uniform Traffic Control Devices would be installed. The project also includes a leasing office guest parking lot in front of the clubhouse that is accessible from Fairfield Ranch Road.

^{*}Based on 9 feet x 19 feet dimensions

^{**} Building 2 includes eleven semi-truck parking stalls

^{***} Building 3 includes one compact parking stall

¹ For purposes of the analysis, industrial uses were assumed as they generate the greatest impact potential.

² City of Chino Hills Development Code Section 16.14.020 Permitted uses, accessory uses, temporary uses, and conditional uses.

The business park would be accessed through four points along Fairfield Ranch Road. All four vehicle entrances would provide full vehicle movement with left in, right in, left out and right out turning movements. All driveways would be designed and landscaped to provide clear sight lines of oncoming traffic and pedestrians consistent with the City Development Code Section 16.06.080.

Project development includes improvements for Monte Vista Avenue and Fairfield Ranch Road along the project frontage to ultimate half-section width. Monte Vista Avenue would be improved per the City of Chino Hills "Collector" street standards with a 44-foot paved width within a 66-foot right-of-way, to include sidewalk and/or landscaping, per the City of Chino Hills standards/requirements. For Fairfield Ranch Road, improvements would follow the City of Chino Hills "Secondary Highway" street standards with a 64-foot paved width within an 88-foot right-of-way, to include sidewalk and/or landscaping, per the City of Chino Hills standards/requirements.

2.1.4 Parking

The apartment community would provide 876 surface parking spaces for apartment residents, guests and employees. Parking types would include attached garage, open stall, tandem, and carports. The business park would provide 435 surface parking spaces for employees and visitors. Parcel 2/Building 2 is proposing eleven (11) semi-truck parking stalls and Parcel 3/Building 3 is proposing one (1) compact parking stall. **Table 2.0-4** provides a summary of the proposed parking types for the apartment and business park components.

Table 2.0-4
PARKING TYPES

Apartment	Total: 876 spaces	
Residential Parking	686	
Garage	215 (includes 5 spaces for handicap)	
Open Stall	213 (includes 5 spaces for handicap)	
Carports	133 (includes 3 spaces for handicap)	
Tandem	125 (includes 3 spaces for handicap)	
Guest Parking	190	
Open Stall	173	
Leasing Open Stall	6	
Postal Pick up	2	
Handicap Open Stall	9	
Business Park	Total: 435 stalls*	
Building 1	149	
Building 2	154**	
Building 3	132***	

Source: Conceptual Site Plan dated August 20, 2014, Overall Site Plan dated April 29, 2014.

2.1.5 Landscaping/Perimeter Treatments

The site plan incorporates residential setbacks and landscaped areas for residential uses consistent with Section 16.10.030 of the Development Code. See **Figure 2.0-10**, **Preliminary Landscape Plan**, for a depiction of project landscaping. As shown, the residential parcel would incorporate 20-foot building setbacks along Monte Vista Avenue and Fairfield Ranch Road that includes landscaping. A 10-foot building setback that is landscaped with a dense row of evergreens is planned along the eastern perimeter of the residential parcel along Chino Creek Channel, while a 12-foot-tall concrete tilt up wall, landscape setback and surface parking would buffer the apartment buildings from proposed industrial uses to the south.

The residential streetscapes would include a wall element consisting of 5-foot tubular steel with 24-inch-square stucco pilasters spaced at 50 feet on center or a solid 6-foot stucco wall with cap. Monumentation walls with community signage would be placed at the primary entrances to the residential complex.

Setbacks and landscape coverage for the business park parcels would be constructed consistent with Section 16.14.040 of the Development Code. A 25-foot building setback that includes landscaping is proposed along Fairfield Ranch Road while a 10-foot building setback that includes landscaping would extend along the southern perimeter and a 40-foot building setback that includes landscaping would extend along the eastern perimeter of the business park. A 12-foot concrete tilt up wall would form a visual buffer along the northern boundary of the business park. All landscaping and irrigation would comply with Section 16.07.010 Landscape and Water Conservation Guidelines, of the Development Code.

2.1.6 Utilities

Figure 2.0-11, **Utility Plan**, depicts the conceptual utility plan to be constructed in support of the proposed development. A description of each component is provided below.

Water

Domestic water would be supplied to the site by a network of proposed water lines ranging in diameter from six to eight inches that would connect to the existing 16-inch water line located in the Fairfield Ranch and Monte Vista road rights-of-way. Hydraulic and fire flow analysis would be completed during final design of the proposed apartment and business park structures to ensure adequate water flow at sufficient pressure and duration to meet fire code requirements. The project will be conditioned to have recycled/reclaimed water installation for all landscape irrigation for the entire project site.

Sanitary Sewer

A network of sewer laterals ranging in diameter from six to eight inches would be constructed to collect and convey effluent for treatment. The project proposes a connection with an existing 18-inch sewer main that bisects the project site. This line is owned and operated by the Inland Empire

^{*}Based on 9 feet x 19 feet dimensions

^{**} Building 2 includes eleven semi-truck parking stalls

^{***} Building 3 includes one compact parking stall

Utilities Agency (IEUA) and connects to the Carbon Canyon Water Recycling Facility. The sewer connections for the residential portion of the project would be gravity flow while a mix of gravity flow and lift station with force main are required to convey effluent generated by the business park north to the proposed point of connection at the existing sewer easement.

Drainage

Stormwater runoff would be collected by downspouts, area drains, or catch basins where it is carried away by a network of proposed storm drain laterals ranging in size from 30 to 48 inches. The system would drain runoff to the southeast, where it would be discharged into one of four retention basins. The basins contain soft bottoms and are approximately 4 feet deep. A gravity retaining wall comprising compacted earth at a slope ranging from 2:1 to 4:1 would hold the runoff. A Water Quality Management Plan (WQMP) would be prepared as part of final engineering design to identify all the treatment and source control measures to be implemented in order to manage the quality of runoff after construction is complete and the project is occupied. The WQMP would meet relevant design specifications contained in the San Bernardino County Model WQMP and Technical Guidance Document.

Easements

The project site has several existing easements granted to public utilities (see **Figure 2.0-3**). They include an easement granted to Southern California Gas Company and Southern Counties Gas Company of California for pipelines and access. The Chino Basin Municipal Water District has an easement that runs east-west underneath proposed Parcel 4 from Fairfield Ranch Road to the Chino Creek for sewer main purposes. Along Monte Vista Avenue at the northernmost corner of the project site, Southern California Edison Company owns an ingress and egress easement. As part of the proposed project plan, these existing easements will be protected in place and not encroached upon by permanent structures or surcharge loading.

2.1.7 Exterior Lighting

Per Chapter 16.48 of the Chino Hills Municipal Code (CHMC) for Performance Standards, all exterior lighting for both (multi-family residential and light commercial) components of this project would be required to conform to CHMC Section 16.48.040 for Lights which requires that lights be shielded or not focused in illuminating adjacent properties or cause glare(s) to motorists. Additionally, the business park component of this project would be required to comply with CHMC Chapter 16.09 for Non-Residential Design Guidelines and CHMC Section 16.09.070 which establishes Lighting Guidelines. All light fixtures and illumination for the residential component of the project would be subject to Minimum Residential Design Standards in the CHMC Section 16.10.040 and Residential Design Guidelines in Section 16.10.050.

Exterior lighting proposed for the residential component of this project includes pole-mounted area light fixtures (on 20 foot poles), wall sconce fixtures, pathway bollard lighting fixtures, carport surface mounts, and LED light sources (see **Figure 2.0-12**, **Light Fixtures**). The business park component of the project proposes the use of three-types of pole mounted lighting structures (not to exceed 27'-6" tall) that would be shielded/hooded, two-types of wall-mounted sconces (at 30 feet high), and all light fixtures would utilize LED lamps.

2.1.8 Perimeter Fencing and Exterior Walls

Perimeter fencing and walls would include six feet tall splitface block wall and tubular steel fencing along the eastern portion of the project's parcel boundary for both residential and business park components. The southern boundary would continue with six feet tall tubular steel fencing. The western boundary of both components would consist of a mixture of six feet tall tubular steel fencing with 24-inch tall square decorative pilasters, and stucco walls. All residential entryways would have stucco walls, 48 inch tall decorative entry pilasters, and stucco entry monument walls. Business park buildings would comprise 12 feet tall concrete screen wall with trellis fixed atop along western access ways. The residential and business park components would be separated by a 12 feet tall concrete screen wall.

Exterior fencing and walls for the residential component would entail four feet tall tubular steel fencing (specifically for both project components), six feet tall tubular steel fencing, and stucco walls. See **Figures 2.0-13**, **Preliminary Fence and Wall Plan** and **2.0-14**, **Preliminary Fence and Wall Plan Elements** for detailed specifications of proposed dimensions and materials.

2.2 Discretionary Actions

Approvals and entitlement requests associated with this development include:

- # Annexation of Land The Local Agency Formation Commission (LAFCO) proceedings would annex a portion of APN 1021-551-03 (approximately 9,360 sq. ft.) of land owned by William and Albertus Van Klaveren located in the adjacent City of Chino. The area to be annexed is located adjacent to the west side of the Chino Creek Flood Control Channel right-of-way positioned between the existing City of Chino Hills' limit line and the Chino Creek Channel. This annexation action would provide a uniform edge with City of Chino and Chino Hills that follows a natural boundary in the form of Chino Creek channel (see **Figure 2.0-4**).
- ≠ Development Agreement The applicant would enter into a development agreement with the City of Chino Hills that, among other things, requires certain public benefits from the project beyond those that the City could otherwise require through the normal land use entitlement process.
- ≠ General Plan Amendment 14GPA01 to change the General Plan Land Use of approximately 14.73 acres of the 36.92-acre project site from Business Park to Very High Density Residential to allow for the 346 units (See **Figure 2.0-3**). The General Plan Amendment will also include a Housing Element Amendment to transfer 346 Very High Density Residential Units from Tres Hermanos Site A to the project site. Once redesignated, the project site will allow for up to 35 units per acre; and pursuant to Government Code Section 65583, the project site will require a minimum gross density of 20 dwelling units per acre and will allow multi-family by right without a conditional use permit, planned unit development or other discretionary action.
- ≠ A *Zone Change 14ZC01* to amend the designation on 14.73 acres of the site from Business Park (BP) to Very High Density Residential (RM-3) zone (see **Figure 2.0-3**).
- ≠ Site Plan Review 14SPR02 to check the development of the residential component of 18 residential buildings (346 apartment units), a Clubhouse (4,077 square feet), and a

Maintenance Building (563.4 square feet) and development of a 326,641 square feet (3 buildings) business park.

≠ Tentative Parcel Map 19539 to subdivide the 36.92 acre project site into four (4) parcels; Parcels 1, 2 and 3 (17.37 acres) includes the business park component of the project, Parcel 4 (14.73 acres) includes the residential component of the project and Lettered Lots A and B (4.82 acres) are for the existing Chino Creek Channel.

2.3 Phasing and Construction

The project would be constructed in a single phase with construction scheduled to begin in the second quarter of 2015. Construction of the project would take approximately 12 months with final occupancy scheduled for second quarter of 2016.

Site Preparation and Framing

Grading operations would occur over two months. They would include rough grading to establish building pads and utility trenches, and precise grading for drainage contours, landscaped areas and amenities. Grading would result in the movement of 84,800 cubic yards of earth with 42,100 cubic yards of cut and 42,700 cubic yards of fill. Approximately 12,000 cubic yards of soil would be imported for use on site. The soil would be imported via approved haul route. Soil importation would generate approximately 750 heavy truck trips assuming a capacity of 16 cubic yards per truck.

Once the site has been graded, infrastructure such as water, sewer and drainage lines would be installed. Then foundations would be poured and framing of structures would begin. It is anticipated that vertical construction would occur over six months. The final stage of construction would involve interior furnishings and detail work as well as completion of common areas and landscaping. Occupancy is scheduled to occur the second quarter of 2016.

Construction Traffic, Staging Area, and Equipment

Construction vehicles and equipment would be stationed in a designated area on-site. The proposed project requires no off-site improvements, construction of new public infrastructure (e.g. roadways) or trenching for new infrastructure which may cause traffic lane closures and traffic congestion delays to motorists. Access to surrounding roadways would be available during project construction.

Construction Materials and Waste

The applicant would submit for City's approval a properly completed construction waste reduction and recycling plan as part of the building permit process. The plan would include implementation measures, separate calculations, and reports for construction and demolition activities intended to divert recyclable and reusable material from landfills consistent with CHMC Chapter 13.40, Materials and Waste Management Plan for Construction and Demolition Projects, and California law³.

³ Under the California Waste Management Act (California Public Resources Code Section 40000 et seq.)

2.4 Responsible Agencies

The City of Chino Hills will act as the lead agency under the requirements of the California Environmental Quality Act (CEQA). The anticipated permits and approvals required from the City and other agencies are listed in **Table 2.0-5**.

<u>Table 2.0-5</u> PERMITS/APPROVALS ANTICIPATED

Permit/Approval	Approving Agency		
Housing Element Amendment, General Plan Amendment to Land Use Map, Zone Change to Zoning Map, Site Plan Review, Tentative Parcel Map and Development Agreement	City of Chino Hills–Community Development Department		
Building Permit	City of Chino Hills - Community Development Department		
General Construction Activities Stormwater Permit	Santa Ana Regional Water Quality Control Board (SARWQCB)		
Los Serranos Lake Channel	San Bernardino County Flood Control District		
Chino Creek Channel			
Fire District Permit for Residential and Commercial Construction	Chino Valley Fire District		
Approval to modify existing traffic signals and implement right-of-way improvements	City of Chino Hills – Engineering Department and Public Works		
	City of Chino –Public Works		
	Caltrans – District 8		
Local Agency Formation Commission (LAFCO) permits:	San Bernardino Local Agency Formation Commission (LAFCO)		
≠ Application and Preliminary Environmental Description.			
≠ Supplemental Application for Sphere of Influence Change			
≠ Supplemental Application for Annexation Detachment and Reorganization			
Letter of authorization/consent for proposed improvements to provide regional sewer connection which may encroach into IUEA easement (provide easement for construction of structures on Parcel 4).	Inland Empire Utility Agency (IEUA) Regional Technical Committee		

Figure 2.0-1 GENERAL PLAN LAND USE

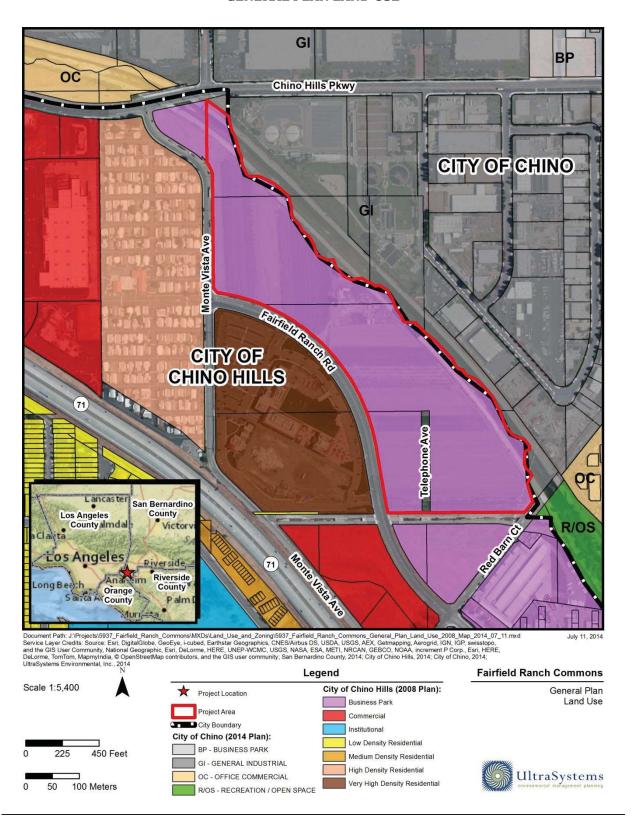
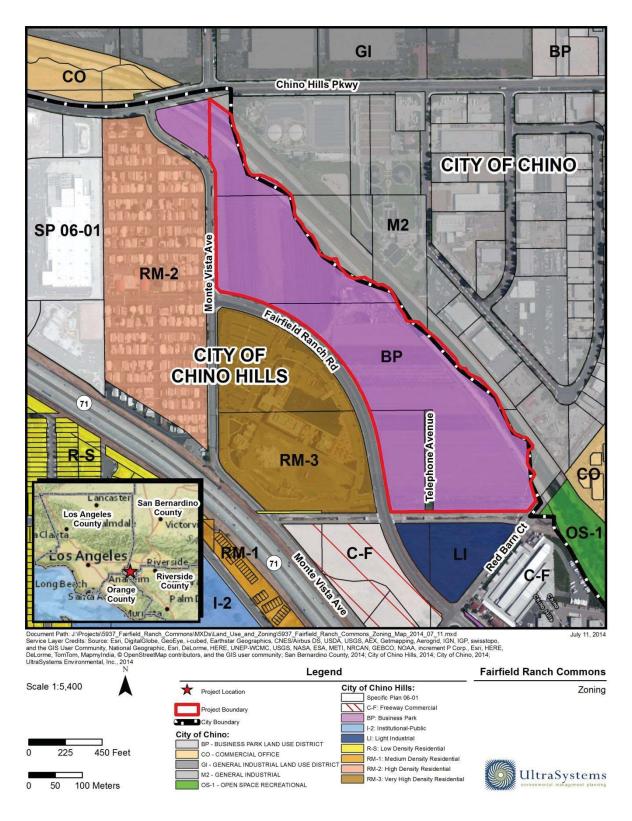


Figure 2.0-2 ZONING



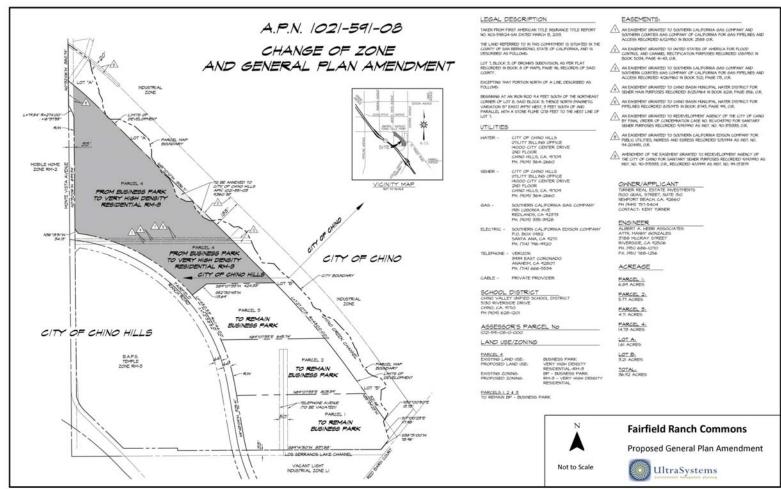
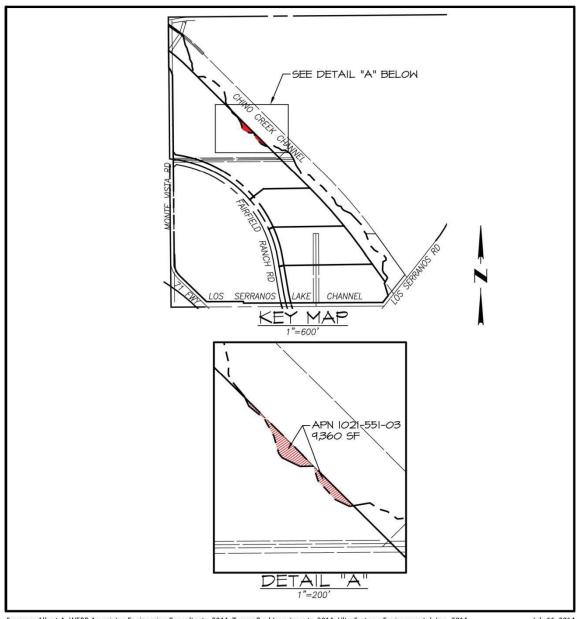


Figure 2.0-3
PROPOSED GENERAL PLAN AMENDMENT AND CHANGE OF ZONE

Sources: Architects Orange, 2014; Turner Real Investments, 2014; HPS Architecture, 2014; UltraSystems Environmental, Inc., 2014

September 9, 2014

Figure 2.0-4 ANNEXATION PROPERTY EXHIBIT



Sources: Albert A. WEBB Associates Engineering Consultants, 2014; Turner Real Investments, 2014; UltraSystems Environmental, Inc., 2014

July 11, 2014

Fairfield Ranch Commons

Annexation Property Exhibit





Figure 2.0-5 CONCEPTUAL SITE PLAN



Sources: Cityscapes Landscape Architecture & Planning, 2014; Architects Orange, 2014; Turner Real Investments, 2014; UltraSystems Environmental, Inc., 2014

Fairfield Ranch Commons

Conceptual Site Plan





Figure 2.0-6 APARTMENT COMMUNITY BUILDING ELEVATIONS



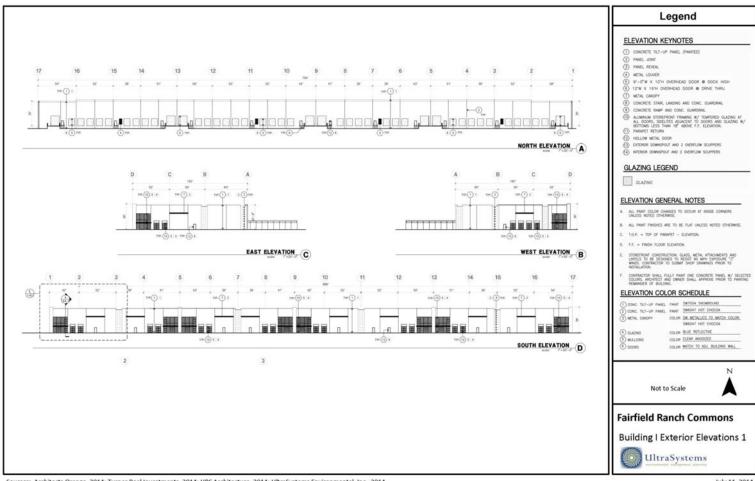
Sources: Architects Orange, 2014; Turner Real Investments, 2014; UltraSystems Environmental, Inc., 2014

 $\frac{Figure~2.0-7}{APARTMENT~COMMUNITY~BUILDING~ELEVATION~DETAILS}$



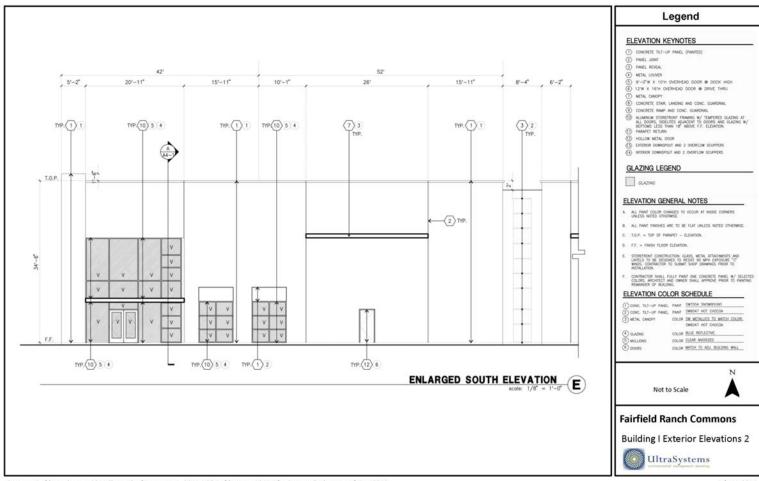
Sources: Architects Orange, 2014; Turner Real Investments, 2014; UltraSystems Environmental, Inc., 2014

Figure 2.0-8 **BUSINESS PARK BUILDING ELEVATIONS**



Sources: Architects Orange, 2014; Turner Real Investments, 2014; HPS Architecture, 2014; UltraSystems Environmental, Inc., 2014

Figure 2.0-9
BUSINESS PARK BUILDING ELEVATION DETAIL



Sources: Architects Orange, 2014; Turner Real Investments, 2014; HPS Architecture, 2014; UltraSystems Environmental, Inc., 2014

Figure 2.0-10 PRELIMINARY LANDSCAPE PLAN



Sources: Cityscapes Landscape Architecture & Planning, 2014; Architects Orange, 2014; Turner Real Investments, 2014;

September 9, 2014

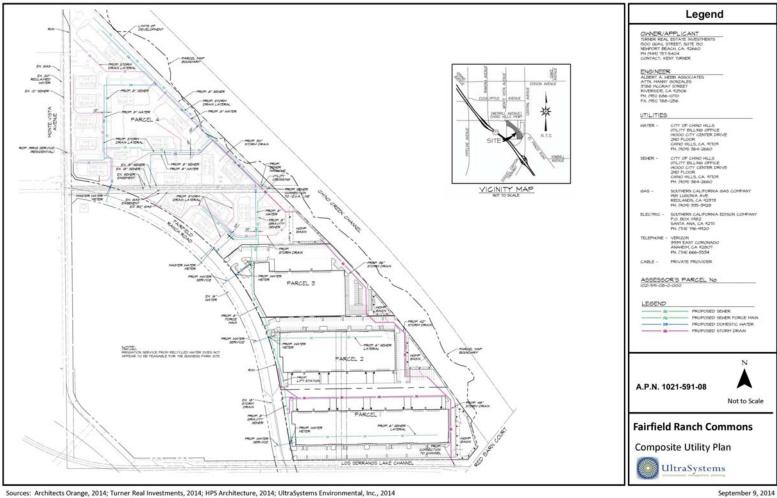
Fairfield Ranch Commons

Preliminary Landscape Plan





Figure 2.0-11 UTILITY PLAN



Sources: Architects Orange, 2014; Turner Real Investments, 2014; HPS Architecture, 2014; UltraSystems Environmental, Inc., 2014

Figure 2.0-12 LIGHT FIXTURES

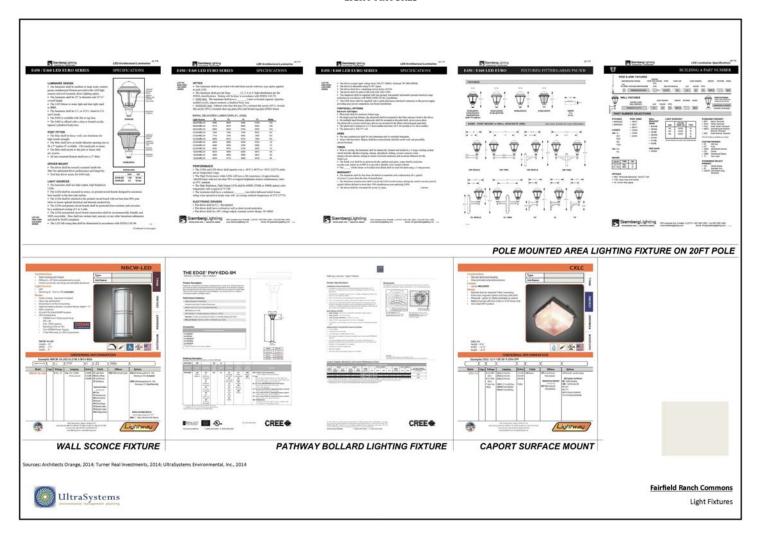
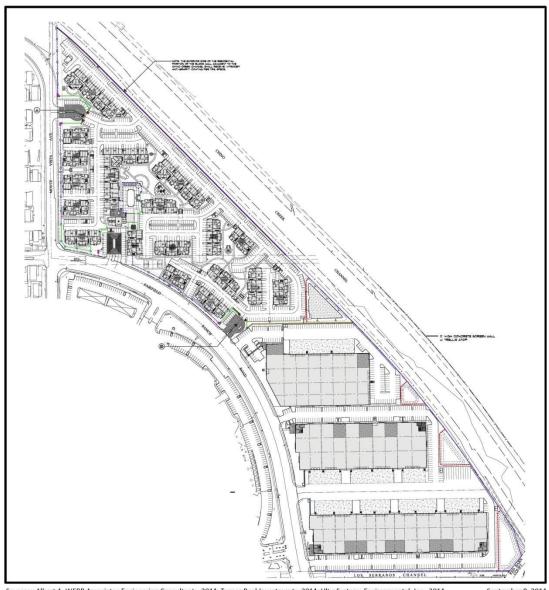


Figure 2.0-13 PRELIMINARY FENCE AND WALL PLAN



Sources: Albert A. WEBB Associates Engineering Consultants, 2014; Turner Real Investments, 2014; UltraSystems Environmental, Inc., 2014



FRONT ELEVATION SIDE ELEVATION STUCCO WALL SPLITFACE BLOCK WALL F = STUCCO MONUMENT WALL 24" SQ. PILASTER Legend SPLITFACE BLOCK WALL STUCCO WALL 12' HIGH CONCRETE SCREEN WALL 12' HIGH CONCRETE SCREEN WALL B PAIRPIELD RANCH ROAD ENTRY GATE ELEVATION MONTE VISTA AVENUE ENTRY GATE ELEVATION **Fairfield Ranch Commons**

Figure 2.0-14
PRELIMINARY FENCE AND WALL PLAN ELEMENTS

Sources: Architects Orange, 2014; Turner Real Investments, 2014; UltraSystems Environmental, Inc., 2014

UltraSystems

September 9, 2014

Preliminary Fence and Wall Plan Elements

3.0 ENVIRONMENTAL CHECKLIST

Environmental Factors Potentially Affected

The environmental factors checked below would be potentially affected by this project, involving at least one impact that is a "Potentially Significant Impact" or as a "Potentially Significant Unless Mitigation Incorporated," as indicated by the checklist on the following pages. ☐ Aesthetics □ Greenhouse Gas Emissions ☐ Population and Housing ☐ Agricultural Resources ☐ Hazards and Hazardous Materials ☐ Public Services ☑ Air Quality ☐ Hydrology and Water Quality ☐ Recreation ☑ Biological Resources ☐ Land Use and Planning □ Transportation and Traffic □ Cultural Resources ☐ Mineral Resources ☐ Utilities and Service Systems □ Geology and Soils ⋈ Noise Determination (To Be Completed by the Lead Agency) On the basis of this initial evaluation: ☐ I find that the proposed project COULD NOT have a significant effect on the environment, and a NEGATIVE DECLRATION will be prepared. I find that although the proposed project could have a significant effect on the environment, there will not be a significant effect in this case because revisions in the project have been made by or agreed to by the project proponent. A MITIGATED NEGATIVE DECLARATION will be prepared. I find that the proposed project MAY have a significant effect on the environment, and an ENVIRONMENTAL IMPACT REPORT is required. ☐ I find that the proposed project MAY have a "potentially significant impact" or "potentially significant unless mitigated" impact on the environment, but at least one effect (1) has been adequately analyzed in an earlier document pursuant to applicable legal standards, and (2) has been addressed by mitigation measures based on the earlier analysis as described on attached sheets. An ENVIRONMENTAL IMPACT REPORT is required, but it must analyze only the effects that remain to be addressed. ☐ I find that although the proposed project could have a significant effect on the environment, because all potentially significant effects (a) have been analyzed adequately in an earlier EIR or NEGATIVE DECLARATION pursuant to applicable standards, and (b) have been avoided or mitigated pursuant to that earlier EIR or NEGATIVE DECLARATION, including revisions or mitigation measures that are imposed upon the proposed project, nothing further is required. Signature

City of Chino Hills

Evaluation of Environmental Impacts

- (1) A brief explanation is required for all answers except "No Impact" answers that are adequately supported by the information sources a lead agency cites in the parentheses following each question. A "No Impact" answer is adequately supported if the referenced information sources show that the impact simply does not apply to projects like the one involved (e.g., the project falls outside a fault rupture zone). A "No Impact" answer should be explained where it is based on project-specific factors, as well as general standards (e.g., the project would not expose sensitive receptors to pollutants, based on a project-specific screening analysis).
- (2) All answers must take into account the whole action involved, including off-site as well as on-site, cumulative as well as project-level, indirect as well as direct, and construction as well as operational impacts.
- (3) Once the lead agency has determined that a particular physical impact may occur then the checklist answers must indicate whether the impact is potentially significant, less than significant with mitigation, or less than significant. "Potentially Significant Impact" is appropriate if there is substantial evidence that an effect may be significant. If there are one or more "Potentially Significant Impact" entries when the determination is made, an EIR is required.
- (4) "Negative Declaration: Less than Significant with Mitigation Incorporated" applies where the incorporation of mitigation measures has reduced an effect from "Potentially Significant Impact" to a "Less than Significant Impact." The lead agency must describe the mitigation measures and briefly explain how they reduce the effect to less than significant level.
- (5) Earlier analyses may be use where, pursuant to the tiering, program EIR, or other CEQA process, an affect has been adequately analyzed in an earlier EIR or negative declaration. (See Section 15063(c)(3)(D) of the CEQA Guidelines. In this case, a brief discussion should identify the following:
 - (a) Earlier Analyses Used. Identify and state where the earlier analysis available for review.
 - (b) Impacts Adequately Addressed. Identify which effects from the above checklist were within the scope of and adequately analyzed in an earlier document pursuant to applicable legal standards, and state whether such effects were addressed by mitigation measures based on the earlier analysis.
 - (c) Mitigation Measures. For effects that are "Less than Significant with Mitigation Measures Incorporated," describe the mitigation measures that were incorporated or refined from the earlier document and the extent to which they address site-specific conditions for the project.
- (6) Lead agencies are encouraged to incorporate into the checklist references to information sources for potential impacts (e.g., general plans, zoning ordinances). Reference to a previously prepared or outside document should, where appropriate, include a reference to the page or pages where the statement is substantiated. A source list should be

- attached and other sources used or individuals contacted should be cited in the discussion.
- (7) Supporting Information Sources: A source list should be attached, and other sources used or individuals contacted should be cited in the discussion.
- (8) This is only a suggested form, and lead agencies are free to use different formats; however, lead agencies should normally address the questions from this checklist that are relevant to a project's environmental effects in whatever format is selected.
- (9) The explanation of each issue should identify:
 - (a) The significance criteria or threshold, if any, used to evaluate each question; and
 - (b) The mitigation measure identified, if any, to reduce the impact to less than significant.

3.1 AESTHETICS					
Would the project:	Potentially Significant Impact	Less than Significant with Mitigation Incorporated	Less than Significant Impact	No Impact	
a) Have a substantial adverse effect on a scenic vista?				X	
b) Substantially damage scenic resources, including, but not limited to, trees, outcroppings, and historic buildings within a state scenic highway?				х	
c) Substantially degrade the existing visual character or quality of the site and its surroundings?			X		
d) Create a new source of substantial light or glare which would adversely affect day or nighttime views in the area?			X		

ENVIRONMENTAL SETTING

A site visit was conducted by UltraSystems Environmental, Inc. on July 25, 2014. Photographs were taken to document existing conditions of the project site and its surroundings. The site is surrounded by industrial uses to the north and east, high density residential uses to the west, and commercial as well as business park uses to the south. The site is situated within an urban setting and has been used for agricultural purposes in the past.

Currently, only small strips of Chinese ornamental lotus have been planted with irrigation lines laid out in a parallel pattern across the landscape. Most of the project site is undeveloped land while approximately 2.21 acres of the site is used as a storage area. The storage area, located at the center of the site, consists of a wooden barn, storage shed, canopy, poultry enclosures, vehicles, miscellaneous supplies, and mounds of debris.

REGULATORY SETTING

The project is subject to applicable state and local programs and policies including the California Scenic Highway Program, City of Chino Hills General Plan (1994), and City of Chino Hills Municipal Code (CHMC).

DISCUSSION OF IMPACTS

a) Would the project have a substantial adverse effect on a scenic vista?

No Impact

The City's Scenic Resources Overlay District¹ applies to areas within 200 feet (on both sides) of an official or candidate designated scenic highways by a city or state. The scenic highway corridor

¹ Chino Hills Municipal Code, Chapter 16.30, Scenic Resources Overlay District.

includes prominent ridgelines, view windows, and viewsheds. Important visual resources² for Chino Hills are: (1) exceptionally prominent ridgelines, (2) prominent ridgelines, (3) prominent knolls, (4) and associated primary viewpoints. Chino Hills Parkway is the only scenic corridor³ within 200 feet of the site, is located to the north, and is considered a city-designated scenic highway. This would place the site within the Scenic Resources Overlay District.

The project site is vacant land, relatively flat, and does not contain any scenic resources according to the City of Chino Hills General Plan (1994) and Proposed General Plan Update (2014). Views of the site and its surroundings are depicted below. **Figure 3.1-1**, Photograph Key Map, depicts the location and cardinal direction from which the photograph was taken. **Figure 3.1-2**, Views from Project Site, illustrates the visual setting documented by photograph. An evaluation of potential impacts from various locations around the property is discussed below.

Location A: Near Chino Hills Parkway and Monte Vista Avenue

- ≠ Facing west This viewpoint depicts a major transportation corridor into Chino Hills where views of exceptionally prominent ridgelines and prominent ridgelines are visible. The project site is directly south of the intersection of Chino Hills Parkway and Monte Vista Avenue and would not affect this viewpoint.
- ≠ Facing south Views from this vantage point may be blocked by the project's development; however, visual resources were barely visible to the south due to intervening development. Exceptionally prominent ridgelines would not be obstructed and there are no existing residential uses to the north or east of the site. Project development would not obstruct views of ridgelines as observed to the south.

Location B: Near Fairfield Ranch Road and Monte Vista Avenue

- ≠ Facing west No visual resources were visible from this vantage point. Furthermore, no residential views would be obstructed by the project's development since there are no residences to the east of the site.
- ≠ Facing south Views of exceptionally prominent and prominent ridgelines were visible from this perspective along Monte Vista Avenue which would not obstruct views of residences since industrial uses are located to the north and east of the site.

² Chino Hills Municipal Code, Section 16.08.030(A.-D.), Important Visual Resources Defined and Chapter 16.08, see Figure 15-1, City of Chino Hills Ridgeline sand Knolls Map.

³ Chino Hills Municipal Code, Section 16.08.030(A.5.), Important Visual Resources Defined.

Figure 3.1-1 PHOTOGRAPH KEY MAP



Fairfield Ranch Commons
Photograph Key

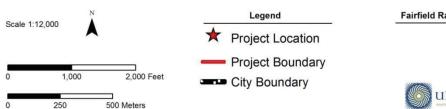


Figure 3.1-2 VIEWS FROM PROJECT SITE

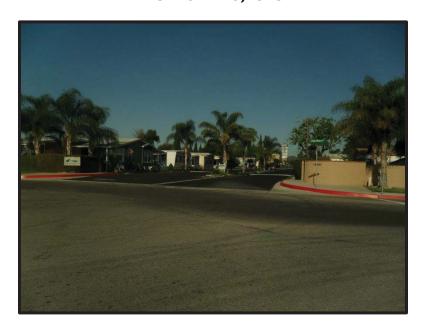


Location A - Facing West Near Chino Hills Parkway and Monte Vista Avenue



Location A - Facing South Near Chino Hills Parkway and Monte Vista Avenue

Figure 3.1-2 (Continued) VIEWS FROM PROJECT SITE



Location B - Facing West Near Fairfield Ranch Road and Monte Vista Avenue



Location B - Facing South Near Fairfield Ranch Road and Monte Vista Avenue

Figure 3.1-2 (Continued) VIEWS FROM PROJECT SITE



Location C - Facing West Near Fairfield Ranch Road and Los Serranos Lake Channel



Location C - Facing Southwest Near Fairfield Ranch Road and Los Serranos Lake Channel

Figure 3.1-2 (Continued) VIEWS FROM PROJECT SITE



Location D - Facing Northwest Near Fairfield Ranch Road and Red Barn Court



Location D - Facing West Near Fairfield Ranch Road and Red Barn Court

Location C: Near Fairfield Ranch Road and Los Serranos Lake Channel

- ≠ Facing west No visual resources were visible from this vantage point. Furthermore, no residential views would be obstructed by the project's development since there are no residences to the east of the site.
- ≠ Facing southwest Views of exceptionally prominent and prominent ridgelines were visible from this perspective across from State Route 71 and along Monte Vista Avenue which would not obstruct views of residences since industrial uses are located east of the site. Furthermore, the project would not obstruct views for vehicles that traverse northbound on State Route 71 (SR-71) or those vehicles entering Chino Hills at its most southern terminus from SR-71.

Location D: Near Fairfield Ranch Road and Red Barn Court

- ≠ Facing northwest Views of the San Gabriel Valley Mountains are visible but are not considered visual resources by the City.
- ≠ Facing west Views of exceptionally prominent and prominent ridgelines from the Chino Hills State Park are available from this vantage point. Hence, the project would not obstruct scenic corridor views from State Route 71, Chino Hills Parkway, or from nearby residences.

No exceptionally prominent, prominent ridgelines or prominent knolls would be obscured by the project. Thus, the project would not obstruct views of visual resources for associated primary viewpoints such as recreational areas, residences or scenic corridors. Therefore, no impact would occur.

b) Would the project substantially damage scenic resources, including, but not limited to, trees, rock outcroppings, and historic buildings within a state scenic highway?

No Impact

According to California's Scenic Highway Program⁴, there are no officially designated state scenic highways located in Chino Hills. Hence, the project would not substantially damage scenic resources such as trees, rock outcroppings, and historic buildings within a state scenic highway. Therefore, no impacts would occur.

c) Would the project substantially degrade the existing visual character or quality of the site and its surroundings?

Less than Significant Impact

The project site consists of undeveloped land located within Chino Hills and is bordered by City of Chino to the north and east. The site is located in a transitional setting containing a mix of land use types. According to the City of Chino Zoning Map, the General Industrial (GI) Land Use District within Chino's Eucalyptus Business Park Specific Plan is found to the north of the project site. The Carbon Canyon Water Recycling Facility (CCWRF) and other industrial uses are zoned as General Industrial (M2) and are located to the east and are opposite of the Chino Creek Channel within the City of Chino.

⁴ http://www.dot.ca.gov/hq/LandArch/scenic highways/scenic hwv.htm Accessed on June 17, 2014.

Within Chino Hills, vacant land zoned as Business Park (BP) and Light Industrial (LI) are found to the south. To the southwest of the project site is the BAPS Swaminaryan Mandir temple which is zoned as Very High Density Residential (RM-3). To the west of the project site is Monte Vista Mobile Home Park which is zoned as High Density Residential (RM-2).

The project site's existing land use and zoning designation is Business Park. The site is currently disturbed land that has been under continuous cultivation with row crops since the 1930's. Ancillary agricultural sheds and several mature trees present in the central portion of the property adjacent to the Chino Creek Channel. The project proposes development of 346 very high density residential apartment units on 14.73 acres and a 326,641-square foot business park (3 buildings) on 17.37 acres. The project proposes to amend the General Plan (GP) land use designation for the very high density residential apartment portion of the project (14.73 acres) from Business Park to Very High Density Residential and a Zone Change designation from Business Park (BP) to Very High Density Residential (RM-3) which would allow for the development of 346 multi-family residential units. The remaining 17.37 acres would retain the Business Park land use and zoning designations.

The project would be designed in compliance with all applicable development standards and design guidelines (e.g., setbacks, building height, lot coverage, and density standards) established under the CHMC for residential (Chapter 16.10.030, Development Standards for Residential Districts) and business park uses (Chapter 16.14.040, Development Standards for Business Parks and Light Industrial Districts) as well as landscaping requirements (Chapter 16.07, Landscape and Water Conservation Guidelines). The project would adhere to the City's residential (CHMC Chapter 16.10) and non-residential design guidelines (CHMC Chapter 16.09).

In summation, the project would change the existing visual character or quality of the site from disturbed vacant land to residential and business park uses; however; it would adhere to all applicable development standards, design guidelines, landscaping requirements. Compliance with development standards and design guidelines would ensure the project is cohesive with surrounding features within the vicinity. Following the approval of the project's request for a GP Amendment and Zone Change, the land use and zoning designations for these parcels would conform to established development standards and permitted uses. It would comply with the City's General Plan and be cohesive with existing surrounding uses. Therefore, a less than significant impact would occur and no necessary mitigation measures would be necessary.

d) Would the project create a new source of substantial light or glare which would adversely affect day or nighttime views in the area?

Less than Significant Impact

This development project would introduce new sources of light into the area; however; the City has established code requirements, development standards, and guidelines for exterior lighting of new residential and non-residential development projects. This project proposes to construct both multi-family residential ("residential") and business park structures.

Per Chapter 16.48 of the CHMC for Performance Standards, all exterior lighting for both (multifamily residential and light commercial) components of this project would be required to conform to CHMC Section 16.48.040 for Lights which requires that lights be shielded or not focused in illuminating adjacent properties or cause glare(s) to motorists. Additionally, the business park component of this project would be required to comply with CHMC Chapter 16.09 for Non-Residential Design Guidelines and CHMC Section 16.09.070 which establishes Lighting Guidelines.

The Photometric Exhibit (see **Figure 2.0-12**, Light Fixtures and **Figure 3.1-3**, Residential Exterior Lighting) for the residential component of this project would include pole mounted area lighting fixtures (on 20 foot poles), wall-mounted sconce fixtures, pathway bollard lighting fixtures, and carport surface mounts. The business park component (see **Figure 2.0-12**, Light Fixtures and **Figure 3.1-4**, Business Park Exterior Lighting) of the project proposes the use of three-types of pole mounted lighting structures (not to exceed 27'-6" tall) that would be shielded/hooded and two-types of wall-mounted sconces (at 30 feet high), and all light fixtures would utilize LED lamps. The exhibits (see **Figures 3.1-3** and **3.1-4**), for residential and business park uses, suggest that the project would not produce lighting beyond the site's property. The photometric exhibit indicates that exterior lighting is to be directed downward and would not cause nighttime glare or affect neighboring properties, residents, or motorists.

The nearest residential land use is Monte Vista Mobile Homes which is adjacent to the west of this project's residential component. As shown in the project's photometric plan, the project's illumination would not extend outside the project boundary and the residential use would not be impacted. With regard to glare, the project would be constructed with stucco and concrete. There are no proposed large pane glass windows or metals that would create reflective glare that would adversely affect daytime or nighttime views.

Furthermore, with exception to this project's residential component, there are no existing residential uses adjacent to or abutting the proposed business park component. A 12 feet tall concrete screen wall (see **Figure 2.0-13**, Preliminary Fence and Wall Plan and **Figure 2.0-14**, Preliminary Fence and Wall Plan Elements), landscaping setback requirements, and on-site surface parking would serve as a physical buffer that separates the business park from residential uses.

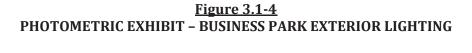
In summary, adherence to all applicable municipal code requirements, development standards, design guidelines, and proposed photometric plans would reduce light or glare impacts to less than significant levels.

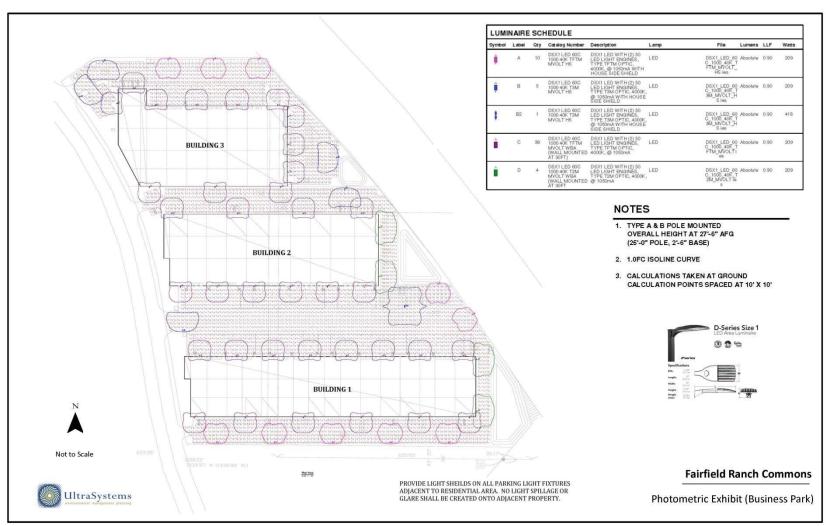
MOBILE HC ZONE RM-2 INDUSTRIAL ZONE ZONE RM-3 **Fairfield Ranch Commons** UltraSystems Photometric Exhibit: Residential

Figure 3.1-3
PHOTOMETRIC EXHIBIT - RESIDENTIAL EXTERIOR LIGHTING

Sources: Architects Orange, 2014; Turner Real Investments, 2014; UltraSystems Environmental, Inc., 2014

September 9, 2014





Sources: Architects Orange, 2014; Turner Real Investments, 2014; UltraSystems Environmental, Inc., 2014

September 9, 2014

3.2 AGRICULTURE AND FORESTRY RESOURCES					
Would the project:	Potentially Significant Impact	Less than Significant with Mitigation Incorporated	Less than Significant Impact	No Impact	
a) Convert Prime Farmland, Unique Farmland, or Farmland of Statewide Importance (Farmland), as shown on the maps prepared pursuant to the Farmland Mapping and Monitoring Program of the California Resources Agency, to non-agricultural use?			X		
b) Conflict with existing zoning for agricultural use, or a Williamson Act contract?				Х	
c) Conflict with existing zoning for, or cause rezoning of, forest land (as defined in Public Resources Code section 12220(g)), timberland (as defined by Public Resources Codes section 4526), or timberland zoned Timberland Production (as defined by Government Code section 51104(g))?				х	
d) Result in the loss of forest land or conversion of forest land to non-forest use?				x	
e) Involve other changes in the existing environment which, due to their location or nature, could result in conversion of Farmland, to nonagricultural use or conversion of forest land to non-forest use?			X		

ENVIRONMENTAL SETTING

The project site is located in a transitional setting of the city; this area is characterized by a mix of land uses types including residential, industrial, and commercial. The project site is fallow agricultural land not under cultivation for crop production. A small portion of the site is covered by ornamental planting. Approximately 2.21 acres of the project site is currently being used as a storage area, occupied by a wooden barn, storage container, a canopy, poultry enclosures, miscellaneous supply and debris.

According to the California Department of Conservation Farmland Mapping and Monitoring Program (FMMP) San Bernardino County Williamson Act Fiscal 2012/2013 map, the project site is identified as "Non-Enrolled Land" or land not enrolled in a Williamson Act contract. The project site is identified within the Prime Farmland category based on the FMMP San Bernardino County

2010¹ Important Farmland map. According to the General Plan Update Initial Study, no properties in the City remain in an agricultural preserve (Chino Hills, 2013).

REGULATORY SETTING

This project would be subject to applicable state and local programs, regulations, laws, and policies including, but not limited to, the following: California Important Farmland Inventory System and Farmland Mapping and Monitoring Program (FMMP), California Public Resources Code, and City of Chino Hills General Plan.

The California Department of Conservation administers the FMMP California's statewide agricultural land inventory. The FMMP is updated every two years and utilizes an automated map and database system to record changes in the use of agricultural lands. The FMMP is an information service only and does not constitute state regulation of local land use decisions.

Public Resources Code (PRC) Section 4526 defines Timberland as land, other than federal land, which is available for, and capable of, growing a crop of trees of a commercial species used to produce lumber and other forest products including Christmas trees.

PRC Section 12220(g) defines forest land as land that can support, under natural conditions, 10 percent native tree cover of any species, including hardwoods, and that allows for the preservation or management of forest-related resources such as timber, aesthetic value, fish and wildlife, biodiversity, water quality, recreational facilities, and other public benefits.

DISCUSSION OF IMPACTS

a) Convert Prime Farmland, Unique Farmland, or Farmland of Statewide Importance (Farmland), as shown on the maps prepared pursuant to the Farmland Mapping and Monitoring Program of the California Resources Agency, to non-agricultural use?

Less than Significant Impact

Agricultural land uses within City of Chino Hills are controlled by the General Plan and City zoning ordinances. These documents identify the type of land uses permitted and call out the development parameters within each land use category. The proposed project would convert land designated as Prime Farmland to non-agricultural related use. However, the City of Chino Hills currently zones the project site for developed uses and has officially designated the project site for non-agricultural use since adoption of the 1994 General Plan.² In the proposed 2014 General Plan Update, this nonagricultural use designation remains the same.

Based on the FMMP Important Farmland Data on San Bernardino County 2008-2010 Land Use Conversion Table³, a total of 290 acres of prime farmland within the City of Chinos Hills are designated as Land Committed to Nonagricultural Use. This designation is defined as existing farmland, grazing land, and vacant areas which have a permanent commitment for development. The "committed" land must be so designated in an adopted local general plan and must meet either

The 2012 Important Farmland map is in progress. The 2010 Important Farmland map is available at: http://www.conservation.ca.gov/dlrp/fmmp/Pages/SanBernardino.aspx

City of Chino Hills 1994 General Plan covers the planning period from 1993 to 2013.

http://www.conservation.ca.gov/dlrp/fmmp/Pages/SanBernardino.aspx Accessed August 6, 2014.

one of two requirements⁴: 1) receive final discretionary approval from the local government; 2) be subject to final fiscal commitments to finance the capital improvements specifically required for future development of the land in question (DOC, 1997).

The proposed project would change the existing land use designation for the northern 14.73 acres of the 36.92-acre site through a General Plan Amendment from Business Park to Very High Density Residential. The remaining southern portion would retain the existing Business Park designation. The zoning for the 14.73 acre of land would also be changed from Business Park (BP) to Very High Density Residential (RM-3). The project site has been designated for nonagricultural use since adoption of the 1994 General Plan and is similarly planned for development as part of the proposed 2014 General Plan Update. Given the above, and through the General Plan Amendment and Zone Change, conversion of the project site would be less than significant.

b) Conflict with existing zoning for agricultural use, or a Williamson Act contract?

No Impact

Based on the FMMP San Bernardino County Williamson Act Fiscal 2012/2013 map, the project site is identified as land not enrolled in a Williamson Act contract and mapped by FMMP as Prime Farmland. As previously discussed in Section 3.2 a) the project site is currently zoned for Business Park (i.e., nonagricultural use). Although the project site was previously included in an agricultural preserve, the site was cancelled in 2004 pursuant to Section 51282 of the California Government Code and Section 16.66 of the City Development Code. According to the General Plan Update Initial Study, no properties in the City remain in an agricultural preserve (Chino Hills, 2013). As a result, no conflict is anticipated with existing zoning for agricultural use or with the Williamson Act contract. Therefore, no impact would occur.

c) Conflict with existing zoning for, or cause rezoning of, forest land (as defined in Public Resources Code section 12220(g)), timberland (as defined by Public Resources Codes section 4526), or timberland zoned Timberland Production (as defined by Government Code section 51104(g))?

No Impact

The project site is not located within an existing zone for forest land or timberland. The project site consists primarily of undeveloped, open fallow land and less than a quarter of the site remains under cultivation. The existing zoning for the project site is for developed urban uses and does not support the definitions provided by PRC Section 42526 and PRC Section 12220(g). The surrounding land is characterized by a mixed of urban uses such as industrial, residential, and commercial. There is no timberland and no designated forest lands within Chino Hills. Therefore, no impacts related to the conversion of timberlands or forest land would occur.

d) Result in the loss of forest land or conversion of forest land to non-forest use?

No Impact

The project site consists of fallow agricultural land not under cultivation for crop production and is heavily surrounded by urban development. There is no forest land on or in the vicinity of the

⁴ For details, refer to California Department of Conservation Land Evaluation and Site Assessment (LESA) Manual page 26-27.

project site. Therefore, the proposed project would not result in the loss of forest land or convert forest land to non-forest use. No project impact would occur.

e) Involve other changes in the existing environment which, due to their location or nature, could result in conversion of Farmland, to non-agricultural use or conversion of forest land to non-forest use?

Less than Significant Impact

As discussed in the above sections (a) and (c), the project site consists of a vacant lot that is located in an urban built-up environment characterized by a mixed of land uses including industrial, commercial, and residential. No forest land defined under PRC Section 12220 (g) is located within the vicinity of the project site. Implementation of the proposed project would not result in changes to the environment due to location, or nature that would result in converting forest land to nonforest use.

Although the project site falls under the Prime Farmland category defined by FMMP, no agricultural activity currently occurs at the site. The site is fallow land with a storage area for miscellaneous supply and debris and a small strip of ornamental planting. Much of the site contains exposed soil and is invaded by weed growth. As discussed under the response for Section 3.2 a) above, the land use designation for 14.73 acres of the 36.92-acre project site would be changed via a General Plan Amendment from Business Park to Very High Density Residential and re-zoned via a Zone Change from Business Park (BP) to Very High Density Residential (RM-3). Therefore, project impacts related to conversion of farmland to non-agricultural use would be less than significant.

3.3	3.3 AIR QUALITY						
Wo	ould the project:	Potentially Significant Impact	Less than Significant with Mitigation Incorporated	Less than Significant Impact	No Impact		
a)	Conflict with or obstruct implementation of the applicable air quality plan?			X			
b)	Violate any air quality standard or contribute substantially to an existing or projected air quality violation?		Х				
c)	Result in a cumulatively considerable net increase of any criteria pollutant for which the project region is nonattainment under an applicable federal or state ambient air quality standard (including releasing emissions which exceed quantitative thresholds for ozone precursors)?			X			
d)	Expose sensitive receptors to substantial pollutant concentrations?			X			
e)	Create objectionable odors affecting a substantial number of people?		X				

The following is summarized in part from the Air Quality Report prepared by UltraSystems (UltraSystems, 2014a). The Air Quality Report is included as **Appendix A**.

ENVIRONMENTAL SETTING

Pollutants of Concern – Criteria Pollutants

Criteria pollutants are air pollutants for which acceptable levels of exposure can be determined and an ambient air quality standard has been established by the U.S. Environmental Protection Agency (USEPA) and/or the California Air Resources Board (CARB). The criteria air pollutants of concern are nitrogen dioxide (NO_2), carbon monoxide, particulate matter, sulfur dioxide, lead, and ozone, and their precursors. Since the proposed project would not generate appreciable sulfur dioxide (SO_2) or lead (Pb) emissions,1 it is not necessary for the analysis to include those two pollutants. **Table 3.3-1** shows the area designation status of the SCAB for each criteria pollutant for both the National Ambient Air Quality Standards (NAAQS) and California Ambient Air Quality Standards (CAAQS).

Sulfur dioxide emissions would be below 0.02 pound per day, and only during construction.

Table 3.3-1 FEDERAL AND STATE ATTAINMENT STATUS

Pollutants	Federal Classification	State Classification
Ozone (O ₃)	Non-Attainment (Extreme)	Non-Attainment
Particulate Matter (PM ₁₀)	Attainment	Non-Attainment
Fine Particulate Matter (PM _{2.5})	Non-Attainment	Non-Attainment
Carbon Monoxide (CO)	Maintenance	Attainment
Nitrogen Dioxide (NO ₂)	Maintenance	Non-Attainment ^a
Sulfur Dioxide (SO ₂)	Attainment	Attainment

Sources:

U.S. Environmental Protection Agency, "California 8-Hour Ozone Nonattainment Areas in Blue Borders." Green Book. [www.epa.gov/air/oaqps/greenbook/ca8.html]. Updated December 14, 2012.

U.S. Environmental Protection Agency, "Counties Designated Nonattainment for PM-10." Green Book. [http://www.epa.gov/air/oaqps/greenbook/map/mappm10.pdf]. Accessed January 15, 2013.

California Air Resources Board, "Area Designations Maps/State and National." [www.arb.ca.gov/desig/adm/adm.htm]. Accessed January 15, 2013.

The California Air Resources Board is proposing to reclassify the SCAB to attainment for the state NO_2 ambient air quality standard. http://www.arb.ca.gov/desig/desig13/2013_workshop_presentation_text.pdf.

Air Quality Management Plan (AQMP)

The SCAQMD is required to produce plans to show how air quality will be improved in the region. The CAAA requires that these plans be updated triennially to incorporate the most recent available technical information.² A multi-level partnership of governmental agencies at the federal, state, regional, and local levels implements the programs contained in these plans. Agencies involved include the EPA, CARB, local governments, Southern California Association of Governments (SCAG), and SCAQMD. The SCAQMD and the SCAG are responsible for formulating and implementing the AQMP for the SCAB. The SCAQMD updates its AQMP every three years. The 2012 AQMP, which is the latest, was adopted by the SCAQMD Board on December 6, 2012 and submitted to the CARB and the USEPA for concurrent review on December 20, 2012 (Wallerstein, 2012). After the submittal, the SCAQMD adopted Amendment IND-01to the 2012 AQMP; this control measure applies to emissions from sources associated with the Port of Los Angeles and the Port of Long Beach.

The 2012 AQMP identifies control measures needed to demonstrate attainment with the federal 24-hour standard for $PM_{2.5}$ by 2014 in the South Coast Air Basin. In addition, the 2012 AQMP provides updates on progress towards meeting the 8-hour ozone standard for 2023, an attainment demonstration for the revoked 1-hour ozone standard, a vehicle miles traveled (VMT) offset demonstration for ozone standards, and a report on the health effects of $PM_{2.5}$.

On January 25, 2013 the CARB approved the South Coast 2012 AQMP as an amendment to the State Implementation Plan (SIP) (CARB, 2013).³ On February 13, 2013, the CARB submitted the approved plan to the USEPA (Goldstene, 2013).⁴

² CCAA of 1988.

http://www.aqmd.gov/aqmp/2012aqmp/Final/CARB-Resolution.pdf.

⁴ http://www.arb.ca.gov/planning/sip/planarea/2012%20AOMP%20Submittal%20Letter%20to%20U.S.%.

The project will be subject to local significance thresholds (LSTs) for the South Coast Air Quality Management District's (SCAQMD's) source receptor area (SRA) 33, Southwest San Bernardino Valley. The Rancho Monte Vista Mobile Home Park is a residential neighborhood that is close to the site. The distance from the closest residence to the edge of development is approximately 60 feet.

Sensitive Receptors

Some people, such as individuals with respiratory illnesses or impaired lung function because of other illnesses, persons over 65 years of age, and children under 14, are particularly sensitive to certain pollutants. Facilities and structures where these sensitive people live or spend considerable amounts of time are known as sensitive receptors. Land uses identified to be sensitive receptors by SCAQMD (2003) in its *CEQA Air Quality Handbook* include residences, schools, playgrounds, child care centers, athletic facilities, long-term health care facilities, rehabilitation centers, convalescent centers, and retirement homes. Sensitive receptors may be at risk of being affected by air emissions released from the construction and operation of the proposed project.

The proposed project would be located in Chino Hills, California, near Rancho Monte Vista Mobile Home Park and a public K-6 school, Chaparral Elementary School. Exposure to potential emissions due to construction would vary substantially from day to day, depending on the amount of work being conducted, the weather conditions, the location of receptors, and the length of time that receptors would be exposed to air emissions. The construction phase emissions estimated in this analysis are based on conservative assumptions and worst-case conditions, with maximum levels of construction activity occurring simultaneously within a short period of time. The nearest sensitive receptors to the proposed project site, with the highest potential to be impacted by the proposed project are displayed in **Figure 3.3-1** (Sensitive Receptors) and listed in **Table 3.3-2** (Sensitive Receptors near Project Site).

Table 3.3-2
SENSITIVE RECEPTORS NEAR PROJECT SITE

Sensitive Receptor Name	Address	Coordinates	Distance from Proposed Project (Feet)
Rancho Monte Vista	15050 Monte Vista Ave	Latitude: 33°58'48.37"N	60
Mobile Home Park	Chino Hills, CA 91709	Longitude: 117°41'52.23"W	00
Chaparral Elementary	4849 Bird Farm Rd	Latitude: 33°58'29.26"N	1,500
School	Chino Hills, CA 91709	Longitude: 117°41'55.75"W	1,300

Source: UltraSystems and Google Earth. 2014.

DISCUSSION OF IMPACTS

a) Would the project conflict with or obstruct implementation of the applicable air quality plan?

Less than Significant Impact

The SCAQMD has established an air quality management plan (AQMP) that proposes policies and measures to achieve federal and state standards for healthful air quality in the SCAB. The most recently approved AQMP was adopted by the SCAQMD Board of Directors on December 7, 2012.

The AQMP incorporates land use assumptions from local general plans and regional growth projections developed by the Southern California Council of Governments (SCAG) to estimate stationary and mobile air emissions associated with projected population and planned land uses. If the proposed land use is consistent with the local general plan, then the impact of the project is presumed to have been accounted for in the AQMP. This is because the land use and transportation control sections of the AQMP are based on the SCAG regional growth forecasts, which incorporated projections from local general plans. As is discussed in **Section 3.10**, the proposed project meets the main objectives of the land use plans and ordinances governing the project site and appropriately balances the requirements of the zoning code with and associated development limitations of the project site.

Another measurement tool in determining consistency with the AQMP is to determine whether a project would generate population and employment growth and, if so, whether that growth would exceed the growth rates forecasted in the AQMP and how the project would accommodate the expected increase in population or employment. The City of Chino Hills has determined that the project would not generate population growth because the project's increase in the availability of housing is being offset by reductions in housing in planning for future developments elsewhere in the City. Furthermore, the jobs created by the industrial portion of the project are less likely to draw large numbers of people from outside the region than they are to redistribute employees already living in Chino Hills and its surroundings. Therefore the project would not conflict with or obstruct the implementation of the applicable air quality management plan and would be less than significant.

b) Would the project violate any air quality standard or contribute substantially to an existing or projected air quality violation?

Less than Significant with Mitigation Incorporated

As required by the CAA and CCAA, NAAQS have been established for six major air pollutants, known as criteria pollutants: nitrogen dioxide (NO₂), carbon monoxide (CO), ozone (O₃), particulate matter (PM₁₀ and PM_{2.5}), sulfur dioxide (SO₂), and lead (Pb). The State of California has also established ambient air quality standards, known as the California Ambient Air Quality Standards (CAAQS). These standards are generally more stringent than the corresponding federal standards and include additional standards for sulfates, hydrogen sulfide, vinyl chloride, and visibility reducing particles.

Both state and federal standards are summarized in **Table 3.3-3**, Ambient Air Quality Standards for Criteria Pollutants. The primary standards have been established to protect the public health. The secondary standards are intended to protect the nation's welfare and account for air pollutant effects on soil, water, visibility, materials, vegetation and other aspects of the general welfare.

$\frac{Table~3.3-3}{AMBIENT~AIR~QUALITY~STANDARDS~FOR~CRITERIA~AIR~POLLUTANTS}$

	Averaging	Californi	California Standards ^a		Federal Standards ^b			
Pollutant	Time	Concentration	Method ^d	Primary ^{c,e}	Secondary ^{c,f}	Methodg		
Ozone	1 Hour	0.09 ppm (180 μg/m³)	Ultraviolet	_	Same as Primary	Ultraviolet		
(03)	8 Hour	0.07 ppm (137 μg/m³)	Photometry	0.075 ppm (147 μg/m³)	Standard	Photometry		
Respirable	24 Hour	50 μg/m ³		150 μg/m ³		Inertial Separation		
Particulate Matter (PM ₁₀)	Annual Arithmetic Mean	20 μg/m ³	Gravimetric or Beta Attenuation	_	Same as Primary Standard	and Gravimetric Analysis		
Fine Particulate	24 Hour	No Separate	State Standard	35 μg/m ³	c p:	Inertial Separation		
Matter (PM _{2.5})	Annual Arithmetic Mean	12 μg/m³	Gravimetric or Beta Attenuation	15 μg/m³	Same as Primary Standard	and Gravimetric Analysis		
Carbon Monoxide	8 Hour	9 ppm (10 mg/m³)	Non-Dispersive Infrared	9 ppm (10 mg/m³)	None	Non-Dispersive Infrared Photometry		
(CO)	1 Hour	20 ppm (23 mg/m ³)	Photometry	35 ppm (40 mg/m ³)		(NDIR)		
(00)	8 Hour (Lake Tahoe)	6 ppm (7 mg/m³)	(NDIR)	_	_	_		
Nitrogen Dioxide	Annual Arithmetic Mean	0.030 ppm (57 μg/m³)	Gas Phase	0.053 ppm (100 μg/m³)	Same as Primary Standard	Gas Phase		
(NO ₂)	1 Hour	0.18 ppm (339 μg/m³)	Chemiluminescence	0.1 ppm (188 μg/m³)	None	Chemiluminescence		
	24 Hour	0.04 ppm (105 μg/m³)		_	_	Ultraviolet		
Sulfur Dioxide	3 Hour	_	Ultraviolet	_	0.5 ppm (1300 μg/m³)	Fluorescence; Spectrophotometry		
(SO ₂)	1 Hour ^h	0.25 ppm (655 μg/m³)	Fluorescence	0.075 ppm (196 μg/m³)	_	(Pararosaniline Method)		
	30 Day Average	1.5 μg/m ³		_	_	_		
	Calendar Quarter	_		1.5 μg/m ³		High Volume Sampler		
Leadi	Rolling 3-Month Average	_	Atomic Absorption	0.15 μg/m ³	Same as Primary Standard	and Atomic Absorption		
Visibility Reducing Particles	8 Hour	kilometer-visil more (0.07 - 3 Lake Tahoe) du relative humidi Method: Beta	fficient of 0.23 per bility of 10 miles or 0 miles or more for 10 to particles when 10 to	No Federal				
Sulfates	24 Hour	25 μg/m ³	Ion Chromatography					
Hydrogen Sulfide	1 Hour	0.03 ppm (42 μg/m³)	Ultraviolet Fluorescence	Standards				
Vinyl Chloride ⁱ	24 Hour	0.01 ppm (26 μg/m³)	Gas Chromatography					

Notes:

- a. California standards for ozone, carbon monoxide (except Lake Tahoe), sulfur dioxide (1 and 24 hour), nitrogen dioxide, suspended particulate matter—PM₁₀, PM_{2.5}, and visibility reduction particles, are values that are not to be exceeded. All others are not to be equaled or exceeded. California ambient air quality standards are listed in the Table of Standards in Section 70200 of Title 17 of the California Code of Regulations.
- b. National standards (other than ozone, particulate matter, and those based on annual averages or annual arithmetic mean) are not to be exceeded more than once a year. The ozone standard is attained when the fourth highest 8-hour concentration in a year, averaged over 3 years, is equal to or less than the standard. For PM_{10} , the 24-hour standard is attained when the expected number of days per calendar with a 24-hour average concentration above 150 μ g/m³ is equal to or less than one. For $PM_{2.5}$, the 24-hour standard is attained when 98% of the daily concentrations, averaged over 3 years, are equal to or less than the standard.
- c. Concentration expressed first in units in which it was promulgated. Equivalent units given in parentheses are based upon a reference temperature of 25°C and a reference pressure of 760 torr. Most measurements of air quality are to be corrected to a reference temperature of 25°C and a reference pressure of 760 torr; ppm in this table refers to ppm by volume, or micromoles of pollutant per mole of gas.
- d. Any equivalent procedure which can be shown to the satisfaction of the CARB to give equivalent results at or near the level of the air quality standard may be used.
- e. National Primary Standards: The levels of air quality necessary, with an adequate margin of safety to protect the public health.
- National Secondary Standards: The levels of air quality necessary to protect the public welfare from any known or anticipated adverse effects of a pollutant.
- g. Reference method as described by the USEPA. An "equivalent method" of measurement may be used but must have a "consistent relationship to the reference method" and must be approved by USEPA.
- h. On June 2, 2010, the USEPA established a new 1-hour SO₂ standard, effective August 23, 2010, which is based on the 3-year average of the annual 99th percentile of 1-hour daily maximum concentrations. The USEPA also revoked both the existing 24-hour SO₂ standard of 0.14 ppm and the annual primary SO₂ standard of 0.030 ppm, effective August 23, 2010.
- i. The CARB has identified lead and vinyl chloride as "toxic air contaminants" with no threshold level of exposure for adverse health effects determined. These actions allow for the implementation of control measures at levels below the ambient concentrations specified for these pollutants.
- j. National lead standard, rolling 3-month average: final rule signed October 15, 2008.

 $Source: California\ Air\ Resources\ Board, "Ambient\ Air\ Quality\ Standards."\ Internet\ URL: http://www.arb.ca.gov/research/aaqs/aaqs2.pdf.\ (June\ 7,\ 2012)$

Significance Thresholds

The SCAQMD has developed criteria for determining whether emissions from a project are regionally significant. They are useful for estimating whether a project is likely to result in a violation of the NAAQS and/or whether the project is in conformity with plans to achieve attainment. The SCAQMD no longer has "indirect source" rules, e.g. rules that place restrictions on housing or commercial development, or require reductions in trip generation and/or vehicle miles traveled to developed commercial or industrial sites.⁵ Instead, the District has published guidance on conducting air quality analyses under CEQA (SCAQMD, 1993). SCAQMD's significance thresholds are summarized in **Table 3.3-4** for criteria pollutant emissions during construction activities and project operation. A project is considered to have a regional air quality impact if emissions from its construction and/or operational activities exceed the corresponding SCAQMD significance thresholds.

Table 3.3-4
SCAOMD EMISSIONS THRESHOLDS FOR SIGNIFICANT REGIONAL IMPACTS

Pollutant	Mass Daily Thresholds (Pounds/Day)			
Tonaunt	Construction	Operation		
Nitrogen Oxides (NO _X)	100	55		
Volatile Organic Compounds (VOC)	75	55		
Respirable Particulate Matter (PM ₁₀)	150	150		
Fine Particulate Matter (PM _{2.5})	55	55		
Sulfur Oxides (SO _X)	150	150		
Carbon Monoxide (CO)	550	550		
Lead	3	3		

Source: "SCAQMD Air Quality Significance Thresholds." 2011. Diamond Bar, CA: South Coast Air Quality Management District, www.aqmd.gov/ceqa/handbook/signthres.pdf. March 2011. Accessed April 24, 2013.

Air Quality Methodology

Estimated criteria pollutants from the project's on-site and off-site project activities were calculated using the California Emissions Estimator Model (CalEEMod), Version 2013.2.2. CalEEMod is a planning tool for estimating emissions related to land use projects. The model incorporates EMFAC2011 emission factors to estimate on-road vehicle emissions; and emission factors and assumptions from the CARB's OFFROAD2011 model to estimate off-road construction equipment emissions (EIC, 2013). Model-predicted project emissions are compared with applicable thresholds to assess regional air quality impacts. Operational emissions are estimated using CalEEMod and take into account area emissions, such as space heating, from land uses and from the vehicle trips associated with the land uses.

Regional Short-Term Air Quality Effects

Project construction activities will generate short-term air quality impacts. Construction emissions can be distinguished as either on-site or off-site. On-site air pollutant emissions consist principally of exhaust emissions from off-road heavy-duty construction equipment, as well as fugitive particulate matter from earthwork and material handling operations. Off-site emissions result from workers commuting to and from the job site, as well as from trucks hauling materials to the site and construction debris for disposal.

Two indirect source rules (1501 - Work Trip Reduction Plans and 1501.1 - Alternatives to Work Trip Reduction Plans) were repealed in 1995.

For the purpose of this analysis, it was assumed that construction would begin on June 1, 2015 and end on May 31, 2016. The residential and industrial portions of the project would be constructed simultaneously. Estimates of the types and numbers of pieces of equipment anticipated in each phase of construction and development were based on preliminary equipment lists provided by the City of Chino Hills (Walters, 2014), equipment used on typical construction projects, and CalEEMod defaults. Equipment exhaust emissions were determined using CalEEMod default values for horsepower and load factors, which are from the CARB's OFFROAD2011 model. **Table 3.3-5** (Maximum Daily Construction Emissions) summarizes the results of the modeling. Without mitigation, the maximum daily NO_x emissions would be 216 pounds. Use of the emission reduction measures discussed below reduces NO_x emissions to 89 pounds per day. Daily emissions for all the criteria pollutants are less than their respective SCAQMD significance thresholds.

Mitigation Measures

The following mitigation measures apply only to the construction phase and would help to reduce construction air quality impacts to less than significant.

AQ-1: Watering of Exposed Areas

Water exposed areas at least twice per day.

AQ-2: EPA-Approved Construction Equipment

All equipment of the following types that are used in project construction will have engines that meet the U.S. Environmental Protection Agency's "Tier 4" emission standards for new off-road, in-use equipment:

- ≠ Cranes
- ≠ Generator Sets
- ≠ Graders
- ≠ Pavers
- ≠ Paving Equipment
- ≠ Rollers
- ≠ Rubber Tired Dozers
- ≠ Scrapers
- ≠ Tractors/Loaders/Backhoes

Table 3.3-5
PROPOSED PROJECT: MAXIMUM DAILY CONSTRUCTION EMISSIONS (WITH MITIGATION)

Construction Activity	Maximum Emissions (lbs/day)					
constituction rectivity	ROG	NO_x	CO	PM_{10}	$PM_{2.5}$	
Maximum Cumulative Emissions (Mitigated)	28	89	116	11	5.2	
SCAQMD Significance Thresholds	75	100	550	150	55	
Significant - Mitigated	No	No	No	No	No	

Source: Calculated by UltraSystems with CalEEMod (Version 2013.2.2).

Regional Long-Term Air Quality Effects

The primary source of operational emissions would be vehicle exhaust emissions generated from project-induced vehicle trips, known as "mobile source emissions." Other emissions, identified as "energy source emissions," would be generated from energy consumption for water, electricity, and wastewater and solid waste generation.

Operational emissions from the proposed project (2016) were estimated using the operational module of CalEEMod. The vehicle trip generation rates of the proposed project were obtained from the traffic study (Linscott, Law & Greenspan, Engineers, 2014). In addition, default values generated by CalEEMod, including the expected vehicle fleet mix, and vehicle traveling speed and distance assumptions, were used in each model run. The model-predicted area source, energy source, and mobile source emissions for the proposed project are presented in **Table 3.3-6**.

Table 3.3-6
DAILY PROJECT OPERATIONAL EMISSIONS

Emigaiona Courae		Pollut	ant (l	bs/day	·)
Emissions Source	ROG	NO _X	СО	PM ₁₀	PM _{2.5}
Unmit	igated				
Area Source Emissions	18	0.34	29	0.16	0.16
Energy Source Emissions	0.44	4.0	2.9	0.31	0.31
Mobile Source Emissions	16	55	185	31	8.6
Total Operational Emissions	34	59	217	31	9.1
SCAQMD Significance Thresholds	55	55	550	150	55
Significant (Yes or No)	No	Yes	No	No	No
Mitig	ated ⁶				
Area Source Emissions	18	0.30	25	0.14	0.14
Energy Source Emissions	0.44	4.0	2.9	0.31	0.31
Mobile Source Emissions	15	50	171	28	7.8
Total Operational Emissions	33	54	200	28	8.2
SCAQMD Significance Thresholds	55	55	550	150	55
Significant (Yes or No)	No	No	No	No	No
Source: Calculated by UltraSystems with	CalEEM	od (Ver	sion 20	13.2.2).	

Without mitigation, daily NO_x emissions would be 59 pounds per day. As indicated in **Table 3.3-6**, the long-term operational emissions will be less than significant with incorporation of the following project design features and mitigation measures.

Project Design Features

In the following list, the letter-number combinations in brackets refer to air pollutant reduction measures defined by CAPCOA (2010).

PDF-1: Increase housing density [LUT-1].

⁶ "Mitigation" here refers to implementation of project design features presented in the text.

- **PDF-2:** Increase diversity of land use [LUT-3].
- **PDF-3:** Increase Transit Accessibility [LUT-5].
- **PDF-4:** Install and maintain high-efficiency lighting in both the residential and industrial portions of the project.
- **PDF-5:** Install and maintain low-flow bathroom faucets, kitchen faucets, toilets, and showers in all residential units [WUW-1].

Mitigation Measures

Even with consideration of project design features such as increasing housing density and placement of high density residential near to existing transit routes, project operational emissions would exceed thresholds. Consequently, the following mitigation measures are required. The letter-number combinations in brackets refer to air pollutant reduction measures defined by CAPCOA (2010).

AQ-3: Use of Project Landscape Equipment

For project landscaping, use electric lawnmowers, leaf blowers and chainsaws at least 50% of the time [A-1].

AQ-4: No Fireplaces or Hearths

Apartment units will not have fireplaces or hearths.

AQ-5: 100% Reclaimed Water for Irrigation

Use 100% reclaimed water for all irrigation [WSW-1].

c) Would the project result in a cumulatively considerable net increase of any criteria pollutant for which the project region is non-attainment under an applicable federal or state ambient air quality standard (including releasing emissions which exceed quantitative thresholds for ozone precursors)?

Less than Significant Impact

As described above in Section 3.3 (b), the project would not exceed any of the SCAQMD daily criteria pollutant thresholds with mitigation incorporated. In general, cumulative *regional* impacts of construction and operation of all projects in the SCAB at any given time are accounted for in the AQMP. The only cumulative impacts with the potential for significance would be localized impacts during construction. The analysis in Section 3.3(d) shows that localized impacts from the project would be less than significant. The question is whether these impacts, in combination with those of other projects would be locally significant. Three projects are under development within 0.5 mile of the project site (Saiyed, 2014). They are listed in **Table 3.3-7**.

Table 3.3-7
CUMULATIVE PROJECTS

Project	Direction	Distance (miles)	Location	Туре
Country Club Villas	SW	0.2	Pomona Rincon Road between Wallace Avenue and Los Serranos Road.	46 dwelling units condominium
The Commons	West 0.35 east of Ramona Avenue, and		east of Ramona Avenue, and	150,488 square feet retail
Indus Light Industrial Development	us Light ustrial South O.1 North of Fairfield Ranch Road at		100,330 square feet of warehouse/industrial floor area	

Given that Country Club Villas and the project site are on the opposite side of SR-71, it is reasonable to assume that the two projects will not impact each other. The Commons and the Indus Light Industrial Development are too far away (1,200 and 1,800 feet, respectively) from the mobile home park for their local impacts to raise the cumulative impacts to a significant level—even assuming that the project, The Commons, and Indus Light Industrial Development were all simultaneously in the construction phase that would result in the highest emissions. Therefore cumulative impacts would be less than significant.

d) Would the project expose sensitive receptors to substantial pollutant concentrations?

Less than Significant Impact

Localized Short-Term Air Quality Effects

Construction of the proposed project would generate short-term and intermittent emissions. **Table 3.3-8** shows the results of the localized significance analysis for the proposed project.

<u>Table 3.3-8</u> RESULTS OF LOCALIZED SIGNIFICANCE ANALYSIS - CONSTRUCTION

Without Mitigation						
Nearest Sensitive Receptor	Dis	tance	Max	kimum On-Site	Emissions (ll	os/day)
	Feet	Meters	NO_x	CO	PM_{10}	$PM_{2.5}$
Rancho Monte Vista Mobile Home Park	75	22.6	193	117	8.9	8.2
SCAQMD LST for 5 acres @ 25 meters ^a			270	2,193	16	9
Significant (Yes or No)			No	No	No	No
With Mitigation Incorporated						
Rancho Monte Vista Mobile Home Park			74	78	3.2	3.0
SCAQMD LST for 5 acres @ 25 meters ^a			270	2,193	16	9
Significant (Yes or No)			No	No	No	No

Sources:

Emissions calculated by UltraSystems with CalEEMod (Version 2013.2.2).

Chico, T. and Koizumi, J. Final Localized Significance Threshold Methodology. South Coast Air Quality Management District, Diamond Bar, California. June 2003.

^a SCAQMD guidance for receptors less than 25 meters from a construction site boundary is to use the table lookup values for 25 meters; see Chico and Koizumi (2003), p. 3-3. Thresholds are for source-receptor area 33 (Southwest San Bernardino Valley).

The analysis was based on SCAQMD's Localized Significance Thresholds (LSTs) for a five-acre disturbance area approximately 25 meters (82 feet) away from the nearest sensitive receptor. In general, for a given distance away from a sensitive receptor, the greater the construction area is, the greater the significance threshold is. The LST for a five-acre disturbance area was evaluated as a conservative measure rather than interpolating the more lenient standard for larger project areas. Also, for a given construction site area, the farther away the receptor is, the greater the significance threshold is. All pollutants are below their LSTs at the Rancho Monte Vista Mobile Home Park. Mitigation measures incorporated for the purpose of meeting regional thresholds further lower pollutant concentrations to well below LSTs.

Although sensitive receptors would be exposed to diesel exhaust from construction equipment, which has been associated with lung cancer (CA EPA, 1998), the duration of exposure would not be sufficient to result in a significant cancer risk. Carcinogenic health risk assessments are based upon an assumption of 70 years continuous exposure, while the exposure in the present case would be intermittent over approximately one year. Therefore, no cancer health risk assessment was necessary. Acute non-cancer risk assessments are based upon one-hour maximum exposures, but acute reference exposure levels (RELs) for diesel exhaust and diesel particulate matter have not been established by the Office of Environmental Health Hazard Assessment (CA EPA, 2008).

Localized Long-Term Air Quality Effects

As discussed in Section 3.3(b), the daily project operational emissions will not exceed the SCAQMD regional thresholds (see **Table 3.3-5**), and would not expose adjacent sensitive receptors to substantial pollutant concentrations.

Increased local vehicle traffic may contribute to off-site air quality impacts. The traffic increases in nearby intersections may contribute to traffic congestion, which may create "pockets" of CO called hotspots. These pockets have the potential to exceed the state 1-hour standard of 20 ppm and/or the 8-hour standard of 9.0 ppm, thus affecting sensitive receptors that are close to these roadways or intersections. CO hotspots typically are found at busy intersections, but can also occur along congested major arterials and freeways. They occur mostly in the early morning hours when winds are stagnant and ambient CO concentrations are elevated. In accordance with the California Department of Transportation (Caltrans) CO Protocol (Caltrans, 1997), CO hotspots are evaluated when a project degrades the level of service (LOS) at a nearby signalized intersection to "E" or worse. Typically, hotspots analyses are not performed for unsignalized intersections, which have lower traffic volumes than those with signals. This is particularly the case when a hotspots analysis shows no impacts for the most congested, signalized intersections.

The traffic study performed for this project concluded that the traffic generated by project activities would not lower the LOS to "E" or worse. A CO hotspots analysis was therefore not required or performed.

e) Would the project create objectionable odors affecting a substantial number of people?

Less than Significant with Mitigation Incorporated

Construction activities for the proposed project would generate airborne odors associated with the operation of construction vehicles (i.e., diesel exhaust), asphalt paving operations, and the application of paints and coatings. These emissions would occur during daytime hours only, and would be isolated to the immediate vicinity of the construction site and activity. Therefore, they would not affect a substantial number of people. When project construction is completed, odors from the proposed residential uses of the proposed project would not significantly differ from odors emanating from other residential areas within the vicinity.

The light industrial portion of the project could have odor-producing diesel truck traffic and manufacturing processes. Most manufacturing processes would require operating permits from the SCAQMD. As part of the District's new source review, the potential for odor issues would be identified and permits would contain conditions to minimize those odors. In addition, the facilities in the industrial portion would be subject to SCAQMD Rule 402 (Nuisance); Rule 402 applies to odors from any source⁷ including diesel truck traffic. If residents of the residential portion of the project complained, the District would send an inspector; if the inspector issued a notice of violation, then the industrial facility would have to abate the odor. With incorporation of mitigation measure **AQ-6**, odor impacts from the industrial portion of the project would be less than significant.

It is also necessary to evaluate the impacts on future project residents from the Carbon Canyon Water Recycling Facility, which is operated by the Inland Empire Utilities Agency. The wastewater treatment plant is within 500 feet of the locations of future apartment buildings. A preliminary review of SCAQMD records for the facility found no nuisance complaints. Also, analysis of wind rose data for Chino Airport, which is about 2.3 miles from the site, shows that the predominant flow is from the west-southwest, which would be from the project towards the wastewater treatment plant. Flows from the plant toward the project site appear to be rare. With incorporation of mitigation measure **AQ-7**, odor impacts from the Carbon Canyon Water Recycling Facility would be less than significant.

Mitigation Measures

The following mitigation measures would help to reduce odor impacts to less than significant.

AQ-6: Odor Disclosure Relating to Business Park

The owner and/or manager of the apartment units will provide full disclosure to prospective tenants that the project is adjacent to light industrial land uses and that tenants may perceive unpleasant odors on certain days. The disclosure will be both oral and written. The form and content of the disclosure will be submitted to the City for approval prior to Certificate of Occupancy. The disclosure will contain the current phone number and web address for the SCAQMD odor complaint system. The disclosure, at the owner and/or manager's option, may contain data on historical wind patterns and descriptions of manufacturing processes occurring at the light industrial properties.

⁷ SCAQMD Rule 402 applies to "any source whatsoever;" however, it includes an exemption for husbandry.

AQ-7: Odor Disclosure Relating to Wastewater Treatment Plant

The owner and/or manager of the apartment units will provide full disclosure to prospective tenants that the project is within 500 feet of a wastewater treatment plant and that tenants may perceive unpleasant odors on certain days. The disclosure will be both oral and written. The form and content of the disclosure will be submitted to the City for approval prior to Certificate of Occupancy. The disclosure will contain the current phone number and web address for the SCAQMD odor complaint system. The disclosure, at the owner and/or manager's option, may contain data on historical wind patterns.

3.	3.4 BIOLOGICAL RESOURCES							
Wo	ould the project:	Potentially Significant Impact	Less than Significant with Mitigation Incorporated	Less than Significant Impact	No Impact			
a)	Have a substantial adverse effect, either directly or through habitat modifications, on any species identified as a candidate, sensitive, or special status species in local or regional plans, policies, or regulations, or by the California Department of Fish and Game or U.S. Fish and Wildlife Service?		х					
b)	Have a substantial adverse effect on any riparian habitat or other sensitive natural community identified in local or regional plans, policies, regulations or by the California Department of Fish and Game or US Fish and Wildlife Service?		Х					
(c)	Have a substantial adverse effect on federally protected wetlands as defined by Section 404 of the Clean Water Act (including, but not limited to, marsh, vernal pool, coastal, etc.) through direct removal, filling, hydrological interruption, or other means?		Х					
d)	Interfere substantially with the movement of any native resident or migratory fish or wildlife species or with established native resident or migratory wildlife corridors, or impede the use of native nursery sites?		Х					
e)	Conflict with any local policies or ordinances protecting biological resources, such as a tree preservation policy or ordinance?				X			
f)	Conflict with the provisions of an adopted Habitat Conservation Plan, Natural Community Conservation Plan, or other approved local, regional, or state habitat conservation plan?				Х			

The following is summarized in part from the Biological Resources Assessment for the Fairfield Ranch Commons Project, prepared for the proposed Fairfield Ranch Commons Project (project) by UltraSystems Environmental Inc. (UltraSystems, 2014b). The biological resources report is included as **Appendix B**.

ENVIRONMENTAL SETTING

UltraSystems' biologists conducted a literature review, a habitat assessment, a plant survey, a wildlife survey, a jurisdictional assessment, and a wildlife movement evaluation within the project site and a 500-foot zone referred to as the biological study area (BSA) to (1) assess the potential presence of special-status plant and wildlife species; (2) identify plant communities, jurisdictional waters, critical habitat, and potential wildlife corridors; and (3) identify potential impacts to these biological resources within 500 feet of the proposed project. The literature review and field survey methods are described in the *Biological Resources Assessment for the Fairfield Ranch Commons Project* (**Appendix B**). Focused protocol surveys for plants or wildlife were not conducted for this initial study.

Most of the project site is vacant and can be characterized as disturbed due to previous agricultural cultivation. Approximately two acres is used as agricultural related storage, which is occupied by a wooden barn, storage container, a canopy, poultry enclosures, miscellaneous supplies and debris. Although no crops are currently planted (other than a small strip of a Chinese ornamental lotus), irrigation lines are still laid out in a parallel pattern across the landscape.

Three plant communities and two non-vegetated features were mapped within the BSA. They include: 1) fallow agricultural land [see **Photo 1**], 2) black willow thicket [see **Photo 2**], 3) barren/disturbed area [see **Photo 3** and **4**], 4) non-vegetated canal [see **Photo 5**], and 5) urban/developed [see **Photo 6**]. No listed or sensitive plants were observed on the project site during the general biological survey.

Two sensitive wildlife species, the Cooper's hawk (*Accipiter cooperii*) and the California horned lark (*Eremophila alpestris actia*), were observed within the BSA. Both birds are designated as "taxa to watch" in the *California Bird Species of Special Concern* report (Shuford and Gardali, 2008). Besides these birds, no other sensitive wildlife species were observed during the field survey.

However, the literature review concluded that habitat conditions within the BSA create a moderate to high potential for six sensitive wildlife species to occur.

High Potential to Occur

≠ Loggerhead shrike (*Lanius ludovicianus*): high potential to occur within the BSA for foraging only.

Moderate Potential to Occur

- ≠ White-tailed kite (*Elanus leucurus*): moderate potential to occur within the BSA for foraging only.
- ≠ Burrowing owl (*Athene cunicularia*): moderate potential to occur within project site boundary.
- ≠ Merlin (*Falco columbarius*): moderate potential to use the BSA for foraging only. Merlin does not nest in California.
- ¥ Yellow warbler (*Setophaga petechia brewsteri*) and yellow-breasted chat (*Icteria virens*): No potential to occur within the project site and moderate potential to occur outside of the project site boundary within the BSA in the black willow thicket.

The project site is located approximately seven miles north of the Prado Dam. Prado Dam is an earth-fill dam across the Santa Ana River. Upstream of the Prado Dam is the Prado Flood Control Basin which contains the single largest stand of forested, riparian habitat remaining in Southern California. Chino Creek, located east of the project site, flows approximately 3.5 miles until it reaches the Prado Flood Control Basin. The basin is rich in plant and animal life, including rare, threatened and endangered species.¹ This productive and rare ecosystem supports more than 311 species of vascular plants, seven species of amphibians, 13 species of reptiles, 47 breeding bird species, 11 raptor species and 23 mammal species. The basin hosts the largest population of the least Bell's vireo (*Vireo bellii pusillus*) in existence. This bird is both a state and federal endangered species.

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¹ Orange County Water District website on Prado Dam. Accessed August 2014. http://www.ocwd.com/Environment/PradoBasin.aspx

Figure 3.4-1 PHOTOGRAPHS OF EXISTING SITE CONDITIONS FOR BIOLOGICAL RESOURCES



Photo 1: Fallow agricultural land.

Photo 2: Black willow thicket community downstream of Chino Creek, 150 feet southeast of project site.



Photo 3: Barren/disturbed land.

Photo 4: Centrally located on the project site is one of many ancillary agricultural related sheds.



Photo 5: Concrete lined- flood control channel (Chino **Photo 6**: Urban/developed land immediately west of Creek).

the project site.

REGULATORY SETTING

This project would be subject to applicable federal, state and local environmental laws, regulations, ordinances, policies, programs, and management plans. These provide a potential regulatory constraint to construction and are the regulatory drivers that require biological surveys, permits, avoidance, and protection measures, and mitigation measures. These include, but are not limited to, the following: federal Endangered Species Act (ESA); Migratory Bird Treaty Act (MBTA); Bald and Golden Eagle Protection Act (BGEPA); Clean Water Act (CWA), California Environmental Quality Act (CEQA); California Endangered Species Act (CESA); Fish and Game Codes (§§3511, 4700, 5050, 5515, 3503, 3503.5, 3505, 3513, and 1600-1616; Native Plant Protection Act (NPPA); and the Porter-Colonge Water Quality Control Act. Each is described in detail within the *Biological Resources Assessment for the Fairfield Ranch Commons Project* (**Appendix B**).

DISCUSSION OF IMPACTS

a) Could the project have a substantial adverse impact, either directly or through habitat modifications, on any species identified as a candidate, sensitive, or special status species in local or regional plans, policies, or regulations, or by the California Department of Fish and Game² or U.S. Fish and Wildlife Service?

Less than Significant with Mitigation Incorporated

Impacts to Vegetation

Excavation and remedial grading necessary to construct the project would directly and indirectly impact on-site vegetation. Direct impacts on plants have immediate consequences, such as the changes that occur when land is cleared for development. Direct permanent impacts include all areas within the limits of construction in the project footprint.

Construction of the project also has the potential to indirectly impact plants. Indirect impacts on plants result in secondary consequences and are likely to be temporary. Examples of indirect, temporary impacts include the effects of airborne fugitive dust created by construction activities. Construction-related erosion, runoff, siltation, sedimentation, soil compaction, and alteration of drainage patterns could affect plants by altering site conditions so that the location in which they are growing becomes unfavorable.

No listed or sensitive plants were observed within the BSA during the general biological survey. In addition, the literature review and field survey concluded that the BSA clearly lacks suitable plant communities, soils, and/or other factors to support any of the listed or sensitive plant species in the plant inventory. Therefore, no direct impacts or indirect impacts on listed endangered, threatened, candidate, state rare, or sensitive plant species are anticipated as a result of construction of the project, and mitigation is not required.

Impacts to Wildlife

Excavation and remedial grading needed to develop the property has potential to directly impact wildlife occupying the BSA through mortality, injury, or harassment of individuals as a result of permanent development and from the removal and direct loss of breeding, foraging, and/or

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² On January 1, 2013, the California Department of Fish and Game (CDFG) officially changed its name to the California Department of Fish and Wildlife (CDFW).

sheltering habitats. Project development would also reduce the amount of habitat available for common and special-status wildlife species utilizing onsite habitats.

Project construction and operation may also cause indirect impacts. Indirect impacts could occur within areas located adjacent to the limits of construction in the project footprint. Examples of indirect impacts include:

- Increased noise levels, dust, vibrations, lighting and/or human intrusion in and near habitats could disrupt natural foraging, roosting, denning, and/or breeding behavior of wildlife species. Wildlife species stressed by these factors may disperse from habitat in the project site and project vicinity. In addition, increased noise levels could interfere with territorial and mating vocalizations, thereby interfering with wildlife reproduction.
- ≠ Project construction could increase fugitive dust, pollution, runoff, siltation, sedimentation, and erosion. This could result in degradation and alteration of habitats, soils, and water quality of on-site streams. Consequently, the ability of onsite and adjacent plant communities and aquatic habitats to support wildlife populations may decrease.
- ≠ An increase and continuation of human activities within and adjacent to the project site could lead to mortality, injury, or harassment of common and special-status wildlife species by providing food in the form of trash and litter or water which attracts predators such as the common raven (*Corvus corax*), Virginia opossum (*Didelphis virginiana*), and coyote (*Canis latrans*).

Ground disturbing and habitat altering activities could involve significant disturbance to common and special-status ground-dwelling animals or nesting birds. Direct impacts to less mobile fossorial (burrowing) animals that are underground during most of the day or year (e.g., small mammals or lizards) or have a life stage in the soil or on plants (e.g., amphibians, nesting birds, insects) could occur from encounters with vehicles or heavy equipment as many of these animals do not run away from construction vehicles/equipment and are likely to be killed. These species could be expected to experience direct mortality, injury, harassment, and displacement from increased human activity and vehicle/equipment travel if they are present onsite within the project footprint at the time of construction. Individual losses are more likely, especially during clearing and grubbing activities.

Listed Wildlife

No listed wildlife was observed within the BSA during the general biological survey; however two listed bird species, least Bell's vireo (*Vireo bellii pusillus*) and southwestern willow flycatcher (*Empidonax traillii extimus*), have a moderate to high potential to occur within the black willow thicket located in Chino Creek outside of the project footprint. The black willow thicket will not be directly impacted; therefore, no direct impacts to least Bell's vireos or southwestern willow flycatchers are anticipated as a result of construction of the project, and mitigation is not required. However, the least Bell's vireo and southwestern willow flycatcher could potentially be indirectly impacted by the project, if the birds occur within the black willow thicket located outside of the project boundary in Chino Creek during construction activities. Construction noise, dust, vibrations, or lighting could potentially disrupt the natural foraging, roosting, denning, and/or breeding behavior of these birds. With implementation of mitigation measures **BR-1**, **BR-3** through **BR-6**, indirect impacts on listed wildlife species, if any, would be reduced to less than significant levels.

Sensitive Wildlife

Two sensitive wildlife species, the Cooper's hawk (*Accipiter cooperii*) and the California horned lark (*Eremophila alpestris actia*), were observed within the BSA during the general biological survey. Both birds are designated as "taxa to watch" in the *California Bird Species of Special Concern* report (Shuford and Gardali, 2008). This designation carries no formal legal status under the ESA, CESA, or the CEQA. These species are highly mobile; therefore, it is not anticipated that project construction could result in any direct impacts on them. In addition, potential impacts on watch list species are not typically considered significant by the California Department of Fish and Wildlife (CDFW). Besides these birds, no other sensitive wildlife species were observed within the BSA during the field survey.

The project site does have moderate potential for burrowing owl to occur. However a focused burrowing owl survey was not conducted and the presence of burrowing owls within the project site is not confirmed. Grading has the potential to significantly impact this species if present on-site. With implementation of mitigation measures **BR-1** through **BR-6**, direct and indirect impacts on sensitive wildlife, if any, would be reduced to less than significant levels.

Breeding Birds

The BSA supports trees, shrub vegetation, and other physical features that could potentially provide foraging, nesting, and cover habitats to support a diverse assortment of bird species (year-round residents, seasonal residents, and migrants). A majority of the birds observed during the field survey and those birds that would potentially breed within the project site are protected by the MBTA and Fish and Game Codes §3503, §3503.5, and §3513. The MBTA and Fish and Game codes make it unlawful to take native breeding birds, and their nests, eggs, and young.

Site grading has the potential to directly and indirectly take individual breeding birds, their nests, young, or eggs. Indirect impacts on breeding birds could occur from increased noise, vibration, and dust during construction, which could adversely affect the breeding behavior of some birds, and lead to the loss (take) of eggs and chicks, or nest abandonment. Impacts on breeding birds or active nests would be considered significant unless reduced to less than significant levels by adopting measures to mitigate or avoid these impacts. Project development is not expected to cause a significant impact to bird species that only forage at the site or occur as transient visitors. With implementation of mitigation measures **BR-1** through **BR-6**, direct and indirect impacts on breeding birds, if any, would be reduced to less than significant levels.

Mitigation Measures

The following mitigation measures would help to reduce and/or avoid potential direct or indirect impacts on special-status wildlife species to less than significant levels.

BR-1: Pre-Construction Breeding Bird Survey

To be in compliance with the MBTA and the California Fish and Game Code, and to avoid impacts or take of migratory non-game breeding birds, their nests, young, and eggs, the following measures will be implemented. These measures will help to reduce direct and indirect impacts caused by construction on migratory non-game breeding birds to less than significant levels.

≠ Project activities that will remove or disturb potential nest sites will be scheduled outside the breeding bird season to avoid potential direct impacts on migratory non-

game breeding birds protected by the MBTA and Fish and Game Code. The raptor and breeding bird nesting season is typically from January 31 through September 15, but can vary slightly from year to year, usually depending on weather conditions. Removing all physical features that could potentially serve as nest sites will also help to prevent birds from nesting within the project site during the breeding season and during construction activities.

- ≠ If project activities cannot be avoided during January 31 through September 15, a qualified biologist will conduct a pre-construction breeding bird survey for breeding birds and active nests or potential nesting sites within the limits of project disturbance. The survey(s) will be conducted at least seven days prior to the onset of scheduled activities, such as mobilization and staging. It will end no more than three days prior to vegetation, substrate, and structure removal and/or disturbance.
- ≠ If no breeding birds or active nests are observed during the pre-construction survey(s) or they are observed and will not be impacted, project activities may begin and no further mitigation will be required.
- ≠ If listed bird species, such as the least Bell's vireo, are observed within the project site during the pre-construction surveys, the biologist will immediately map the area and notify the appropriate resource agency to determine suitable protection measures and/or mitigation measures and to determine if additional surveys or focused protocol surveys are necessary. Project activities may begin within the area only when concurrence is received from the appropriate resource agency.
- ≠ Birds or their active nests will not be disturbed, captured, handled or moved. Active nests cannot be removed or disturbed; however nests can be removed or disturbed if determined inactive by a qualified biologist.

BR-2: Pre-Construction Burrowing Owl Surveys

To be in compliance with the MBTA and Fish and Game Codes, and to avoid impacts or take of burrowing owls, their nests, young, and eggs, a qualified biologist will conduct a preconstruction burrowing owl survey (Take Avoidance Surveys, page 29) within the project site in accordance with the *Staff Report on Burrowing Owl Mitigation (Staff Report)* (CDFG,

2012) no less than 14 days prior to initiating ground disturbance activities. Following the completion of the pre-construction burrowing owl survey, the biologist will prepare a letter report in accordance with the Survey Report Guidelines described in the *Staff Report* (page 30) summarizing the results of the survey. The report will be submitted to CDFW prior to initiating any ground disturbance activities.

If no burrowing owls or active burrow(s) (signs of which may include: molted feathers, cast pellets, prey remains, eggshell fragments, or excrement at or near a burrow entrance or perch site) are observed during the pre-construction survey and concurrence is received from CDFW, project activities may begin and no further mitigation will be required.

If burrowing owls or active burrow(s) are observed during the pre-construction survey, the biologist will contact CDFW and conduct an impact assessment in accordance with the *Staff Report* to assist in the development of avoidance, minimization, and mitigation measures, prior to commencing project activities. If burrowing owls are present then the ultimate disposition is a negotiation with CDFW to determine the locations for active relocation.

BR-3: Project Limits and Designated Areas

To avoid impacts on nearby sensitive biological resources, the applicant will implement the following measures prior to project construction and commencement of any ground-disturbing activities or vegetation removal.

- ≠ Specifications for the project boundary, limits of grading, project related parking, storage areas, laydown sites, and equipment storage areas will be mapped and clearly marked in the field with temporary fencing, signs, stakes, flags, rope, cord, or other appropriate markers. All markers will be maintained until the completion of activities in that area.
- ≠ To minimize the amount of disturbance, the construction/laydown areas, parking areas, staging areas, storage areas, spoil areas, and equipment access areas will be restricted to designated areas. Designated areas will comprise existing disturbed areas (parking lots, access roads, graded areas, etc.) to the extent possible.
- ≠ Project related work limits will be defined and work crews will be restricted to designated work areas. Disturbance beyond the actual construction zone is prohibited without site-specific surveys. If sensitive biological resources are detected in the area to be impacted, then appropriate measures will be implemented to avoid impacts (i.e., flag and avoid, erect orange snow fencing, biological monitor present during work, etc.). However, if avoidance is not possible and the sensitive biological resources will be directly impacted by project activities, the biologist will mark and/or stake the site(s) and map the individuals on an aerial map and with a GPS unit. The biologist will then contact the appropriate resource agencies to develop additional avoidance, minimization and/or mitigation measures prior to commencing project activities.
- ≠ A 50-foot setback will be maintained from the edge of all jurisdictional areas. The setback zone will be clearly marked in the field.

≠ Existing roads and trails will be utilized wherever possible to avoid unnecessary impacts. Project-related vehicle traffic will be restricted to established roads, staging areas, and parking areas. Travel outside construction zones is prohibited.

BR-4: Worker Environmental Awareness Program (WEAP)

If special-status wildlife species are observed and determined present within the project site during the pre-construction breeding bird or burrowing owl surveys, then a qualified biologist will prepare and conduct a Worker Environmental Awareness Program (WEAP) that will describe the biological constraints of the project prior to project implementation and construction activities. All on-site personnel who will work within the project site will attend the WEAP prior to performing any work. The WEAP will be administered to all onsite personnel regarding the results of the pre-construction surveys, sensitive biological resources potentially present on the site, restrictions, avoidance, and protection measures, mitigation measures (if any), and individual responsibilities associated with the project. Training materials will be language-appropriate for all construction personnel. Upon completion of the WEAP, workers will sign a form stating they attended the program, understand all protection measures, and will abide all the rules of the WEAP. A record of all trained personnel will be kept with the construction foreman on-site. If new construction personnel are added to the project later, the construction foreman will ensure that new personnel receive training before they start working. The biologist will prepare and provide written hard copies of the WEAP and photos of the sensitive biological resources to the construction foreman.

BR-5: Biological Monitor

If special-status wildlife species are observed and determined present within the project site during the pre-construction breeding bird or burrowing owl surveys, then a biological monitor will be on site to monitor activities that result in the clearing or grading of areas known to contain sensitive biological resources to ensure that impacts do not exceed the limits of grading and to minimize the likelihood of inadvertent impacts on listed species and other wildlife species. The biological monitor will ensure that all biological mitigation measures, best management practices (BMPs), avoidance, and protection measures and mitigation measures described in the relevant project permits and reports are in place and are adhered to. Monitoring will cease when the sensitive habitats have been cleared or impacted.

The biological monitor will have the authority to halt all construction activities and all non-emergency actions if listed species are identified and will be directly impacted. The monitor will notify the appropriate resource agency and consult if needed. If needed and possible, the monitoring biologist will relocate the individual outside of the work area where it will not be harmed. Work can continue at the location if he applicant and the consulted resource agency determine that the activity will not result in impacts on the species.

The appropriate agencies will be notified if a dead or injured protected species is located within the project site. Written notification must be made within 15 days of the date and time of the finding or incident (if known) and must include: location of the carcass, a photograph, cause of death (if known), and other pertinent information.

BR-6: General Vegetation and Wildlife Avoidance and Protection

The project site contains habitats which can support wildlife species. The applicant will implement the following measures to protect vegetation and wildlife, to the extent practical.

- ✓ Vegetation will only be disturbed and/or removed immediately before grading or trimming activities in order to reduce erosion, sedimentation, and/or siltation into biologically sensitive areas. Cleared or trimmed vegetation and woody debris will be disposed of in a legal manner at an approved disposal site. Cleared or trimmed non-native, invasive vegetation will be disposed of in a legal manner at an approved disposal site as soon as possible to prevent regrowth and the spread of weeds.
- ≠ Vehicles and equipment will be free of caked mud or debris prior to entering the project site to avoid the introduction of new invasive weedy plant species.
- ≠ To minimize construction-related mortalities of nocturnally active species such as mammals and snakes, it is recommended that all work be conducted during daylight hours. Night-time work (and use of artificial lighting) will not be permitted unless specifically authorized. If required, night lighting will be directed away from the preserved open space areas to protect species from direct night lighting. All unnecessary lights will be turned off at night to avoid attracting wildlife such as insects, migratory birds, and bats.
- ≠ If any wildlife is encountered during the course of project activities, said wildlife will be allowed to freely leave the area unharmed.
- ≠ Wildlife will not be disturbed, captured, harassed, or handled. Fishing will be prohibited at the project site. Animal nests, burrows and dens will not be disturbed without prior survey and authorization from a qualified biologist.
- ≠ Active nests cannot be removed or disturbed. Nests can be removed or disturbed if determined inactive by a qualified biologist.
- ≠ To avoid impacts on wildlife, the applicant will comply with all litter and pollution laws and will institute a litter control program throughout project construction. All contractors, subcontractors, and employees will also obey these laws. Trash and food items will be disposed of promptly in predator-proof containers with resealing lids. These covered trash receptacles will be placed at each designated work site and the contents will be properly disposed at least once a week. Trash removal will reduce the attractiveness of the area to opportunistic predators such as common ravens (*Corvus corax*), coyotes (*Canis latrans*), northern raccoons (*Procyon lotor*), and Virginia opossums (*Didelphis virginiana*).
- ≠ Contractors, subcontractors, employees, and site visitors will be prohibited from feeding wildlife and collecting plants and wildlife.
- ≠ Disturbance near ponded water will be limited during the rainy season. It could serve as potential habitat for amphibians and sensitive invertebrates.

b) Could the project have a substantial adverse impact on any riparian habitat or other sensitive natural community identified in local or regional plans, policies, regulations or by the California Department of Fish and Game or U.S. Fish and Wildlife Service?

Less than Significant with Mitigation Incorporated

Development of the project site will result in direct impacts (permanent loss of vegetation) to plant communities. As described above in the Environmental Setting Section, three plant communities and two non-vegetated features were observed and mapped within the BSA during the field survey. They include (1) black willow thicket, (2) fallow agricultural land, (3) barren/disturbed area, (4) non-vegetated canal, and (5) urban/developed. Black willow thicket and the non-vegetated canal are considered sensitive.

Direct impacts on fallow agricultural land, disturbed/barren, and urban/developed areas are considered less than significant. Urban/Developed is not a plant community and fallow agricultural land and disturbed/barren areas do not meet criteria to be considered sensitive. These plant communities are not considered rare by the California Natural Diversity Database (CNDDB); they are dominated by non-native species; they are widespread in the project vicinity; they generally are considered common enough not be of concern; and/or they exhibit a moderate level of disturbance rendering them less valuable as habitat to support wildlife diversity or special-status species. Direct impacts on these non-sensitive plant communities are considered less than significant and do not meet or exceed the significance thresholds; therefore, mitigation is not required. Indirect impacts on fallow agricultural land and disturbed/barren plant communities are also considered less than significant. Mitigation is not required.

Black willow thicket is located outside of the project site boundary within areas of the BSA. It is considered a sensitive plant community because special-status bird species rely on this community for breeding, shelter, and foraging. In addition, the black willow thicket that is associated with Chino Creek would most likely be considered jurisdictional by the United States Army Corps of Engineers (Corps), Regional Water Quality Control Board (RWQCB), and CDFW because it is connected hydrologically to the creek. Moreover, black willow thicket is a community that is becoming rare in the state.

Non-vegetated canal (Chino Creek) is located partially with the project site boundary, but mostly outside of the boundary. The entirety of Chino Creek is depicted as a blue-line stream on United States Geological Survey (USGS) maps and is considered a stream under Sections 1600-1603 of the California Fish and Game Code because it can support aquatic life, riparian vegetation, or stream-dependent terrestrial wildlife." The Corps, CDFW, and RWQCB would most likely consider Chino Creek jurisdictional and therefore sensitive. A formal jurisdictional delineation of Chino Creek was not conducted as part of this initial study because the project footprint does not extend into the creek and the creek will not be directly impacted.

Black willow thicket and Chino Creek are not located within the project footprint and will not be directly impacted by the project. Therefore, no direct impacts on sensitive plant communities/areas and riparian habitats are anticipated as a result of construction of the project. No direct impacts would occur and mitigation is not required; however implementation of the project could result in indirect impacts on the sensitive riparian habitat (black willow thicket) located outside of the project footprint within Chino Creek. Indirect impact on black willow thicket and Chino Creek could affect the special-status bird species that depend on riparian habitat. Indirect impacts may include fugitive dust generated during construction or contaminated stormwater runoff leaving the

construction site. As a result, mitigation is required to avoid indirect impacts. With implementation of mitigation measures **BR-3** mentioned above and the following **BR-7**, indirect impacts on black willow thicket would be reduced to less than significant levels.

Mitigation Measures

The following mitigation measure would ensure that indirect impacts related to black willow thicket and Chino Creek are less than significant.

BR-7: Construction Best Management Practices

Project work crews will be directed to use construction BMPs described in California Stormwater Quality Association's (CASQA) New Development and Redevelopment BMP Handbook where applicable. These measures will address the potential for fugitive dust and quality of stormwater runoff leaving the project site. The BMPs to be used must be identified prior to construction and incorporated into the construction operations.

c) Could the project have an adverse effect on federally protected wetlands as defined by Section 404 of the Clean Water Act (including, but not limited to, marsh, vernal pool, coastal, etc.) through direct removal, filling, hydrological interruption, or other means?

Less than Significant with Mitigation Incorporated

The jurisdictional assessment confirmed the presence of federal and/or state wetlands, waters, and habitats located within Chino Creek outside of the project site footprint; however a formal jurisdictional delineation was not conducted as part of this initial study because the project footprint does not extend into the creek and will not be directly impacted by site construction and operation. Therefore, no direct impacts on jurisdictional waters are anticipated and mitigation is not required. In addition, no Corps, RWQCB, or CDFW permits for the project will be required.

Implementation of the project could result in indirect impacts on the adjacent jurisdictional waters (Chino Creek) that would be considered significant absent mitigation. Indirect impacts are likely to be temporary during construction, but they could also be long-term as a result of impervious surfaces and permanent development. Construction-related pollution, airborne fugitive dust, erosion, runoff, siltation, sedimentation, and soil compaction could adversely affect water quality and aquatic habitats. Site development may also promote the introduction and spread of invasive, exotic plants, such as arundo (*Arundo donax*) which could result in permanent indirect impacts on jurisdictional waters and water quantity. With implementation of mitigation measures **BR-3** and **BR-7** mentioned above, indirect impacts on jurisdictional waters and wetlands would be reduced to less than significant levels.

d) Could the project interfere substantially with the movement of any resident or migratory fish or wildlife species or with established resident or migratory wildlife corridors, or impede the use of wildlife nursery sites?

Less than Significant with Mitigation Incorporated

No native wildlife nursery sites were observed within the BSA during the biological survey. Therefore, no direct or indirect impacts on native wildlife nursery sites are anticipated as a result of construction of the project, and mitigation is not required.

The literature review and field survey determined that the project site does not contain wildlife corridors. Therefore, no direct impacts on wildlife corridors are anticipated as a result of construction of the project. No direct impacts would occur and mitigation is not required.

The literature review and field survey determined that Chino Creek could potentially serve as a wildlife corridor. This corridor is not located within the project footprint and will not be directly impacted by the project; however development of the project could result in indirect impacts to Chino Creek. Indirect impacts on wildlife movement though Chino Creek may include construction related noise, lighting, dust, and traffic. Residential and street lighting may have long term indirect impacts on wildlife movement. Artificial light shining on Chino Creek could deter wildlife species that are sensitive to human activities. Another example of long term indirect impacts is that dogs and cats from the residential community could prey on animals traversing the area via Chino Creek. With implementation of mitigation measures **BR-3** mentioned above and the following **BR-8**, indirect impacts on wildlife corridors (Chino Creek) would be reduced to less than significant levels.

Mitigation Measures

The following mitigation measures would help to reduce and/or avoid potential direct or indirect impacts related to wildlife corridors to less than significant levels.

BR-8: Wildlife Corridors and Native Open Space Mitigation

The following measures are recommended, to the extent feasible, to help minimize the potential degradation of native open space habitats and areas utilized as wildlife corridors due to project development.

- ≠ Perimeter fencing/walls constructed of solid material will be installed along the back of the residential portion of the project that is located adjacent to the Chino Creek to help serve as an effective barrier to keep out domestic animals.
- ≠ Street and residential lighting will be designed to shield light spillage into the creek to protect wildlife species within the area. The overall landscaping will ensure that the Chino Creek is adequately buffered from residential development on site.
- e) Could the project conflict with any local policies or ordinances protecting biological resources, such as a tree preservation policy or ordinance?

No Impact

No native trees or desert shrubs protected by the City of Chino Hills were observed within the project site during the biological survey; therefore the project could not conflict with any local policies or ordinances protecting biological resources. No impacts would occur and mitigation is not required.

f) Could the project conflict with the provisions of an adopted Habitat Conservation Plan, Natural Communities Conservation Plan, or other approved local, regional, or state habitat conservation plan?

No Impact

The BSA is not located in an area covered by a Habitat Conservation Plan (HCP) or Natural Community Conservation Plan (NCCP); therefore the project could not conflict with the provisions of an adopted HCP, NCCP, or other approved local, regional, or state HCP. No impacts would occur and mitigation is not required.

3.5	3.5 CULTURAL RESOURCES						
Wo	ould the project:	Potentially Significant Impact	Less than Significant with Mitigation Incorporated	Less than Significant Impact	No Impact		
a)	Cause a substantial adverse change in the significance of a historical resource as defined in §15064.5?				x		
b)	Cause a substantial adverse change in the significance of an archaeological resource pursuant to §15064.5?		X				
c)	Directly or indirectly destroy a unique paleontological resource or site or unique geologic feature?		X				
d)	Disturb any human remains, including those interred outside of formal cemeteries?		X				

The following information was summarized from a Negative Phase I Pedestrian Cultural Resources Survey Report prepared by UltraSystems Environmental, Inc. (UltraSystems, 2014c). The Negative Phase I Pedestrian Cultural Resources Survey Report and Addendum is included as **Appendix C** in this Initial Study.

ENVIRONMENTAL SETTING

Archeological Resources

The project site lies within the traditional tribal territory of the Tongva/Gabrielino, which is believed to have inhabited the area beginning in the Milling Stone or Intermediate period, approximately 3,000 years before present. These people are believed to have established the village of Pashiinonga that was located on a rise above Chino Creek. This village would have been a base with smaller satellite villages and seasonal camps in the vicinity. Because of this history, the entire City is sensitive for prehistoric resources.

The area of potential effect (APE) utilized in the cultural resource report considered a half-mile radius surrounding the subject parcel (see **Figure 3.5-1**). Within this APE there are 10 cultural resource sites, though none of them are located within the boundary of the project site. These resource sites include three prehistoric isolates, one prehistoric site and six historic sites. Currently, none of the resource sites identified have been recommended for listing on the County Register of Historic Places nor are they listed eligible for the National Register of Historic Places listing.

A pedestrian survey conducted subsequent to the records search failed to uncover the presence of archeological resources on the property. Communication with the Native American Heritage Commission (NAHC) indicated that the search of the Sacred Lands File "... failed to indicate the presence of Native American traditional cultural resources in the immediate project area."

Paleontological Resources

The eastern Puente Hills, also known as the Chino Hills, are made up of middle to late Miocene Epoch (15 million to 9 million years old) marine sedimentary rock units overlain in some areas by

Pleistocene Epoch (1.8 million to 10 thousand years old) terrestrial sediments. Based on the numerous fossil findings in Chino Hills, the entire City is considered sensitive for paleontological resources.

REGULATORY SETTING

Archeological and historic resources are regulated at the federal level by the National Historic Preservation Act (NHPA) of 1966. Applicable state regulations include California Public Resources Code Section 5097.98, California Register of Historic Resources (Public Resource Code Section 5024.10 et seq.), California Register of Historic Resources (CRHR) Criteria, California Health and Safety Code Section 7050.5, and California Senate Bill 18 (SB 18, California Tribal Consultation Guidelines). Local regulations include goals and policies of the General Plan and General Plan Update.

DISCUSSION OF IMPACTS

a) Would the project cause a substantial adverse change in the significance of a historical resource as defined in § 15064.5?

No Impact

The project site does contain only shed structures. It does not contain any structures that are listed on the National Register of Historic Places or considered eligible for listing. Therefore, construction and operation of the proposed project would not cause an adverse change to a historic resource and no impact is expected.

b) Would the project cause a substantial adverse change in the significance of an archaeological resource pursuant to § 15064.5?

Less than Significant with Mitigation Incorporated

The Negative Phase I Cultural Resources Survey Report did not identify any archeological resources within the project site. Hence, it is anticipated that construction and operation of the project would unlikely adversely affect significant archeological resources. However, the report did identify a prehistoric burial site (CA-SBR-10821), two Groundstone Isolate sites (P-36-012237 and P-36-012238), and one Lithic Isolate site (P-36-064202) within the half-mile APE (see **Appendix C**)¹. These sites may suggest the unlikely discovery of unknown buried cultural resources during ground disturbance activities.

The project site is currently vacant land that has not been previously developed. Chino Hills is considered archeologically sensitive since it is located within the traditional tribal territory of the Tongva/Gabrielino (Chino Hills, 2014)². California's SB 18 requires local governments to consult with California Native American tribes to aid in the protection of traditional tribal cultural places through the local land use planning process. This includes Native American sanctified cemetery, places of worship, religious or ceremonial site, or sacred shrine³. Furthermore, the Gabrieleno Band of Mission Indians has indicated they would like to be involved in the construction phase of the project during ground disturbance activities.

¹ See Table 1: Known Cultural Resources Within a ½-mile Radius of the APE

² See Cultural Resources Impact 4.5.5 b)

³ California Public Resources Code § 5097.9

Due to its proximity to known prehistoric sites, the unlikely discovery of unknown buried archeological resources may occur during grading activities. Therefore, during the construction phase of the project, it is recommended that archaeological and/or Native American cultural monitors be present during all or most ground disturbance activities.

Therefore, with mitigation measure **CR-1** incorporated, impacts would be reduced to less than significant levels.

Mitigation Measure

The following mitigation measure would reduce or avoid potential impacts on cultural resources to less than significant levels.

CR-1: Cultural Monitoring

A qualified archaeologist or Native American cultural monitor, whose credentials are reviewed and found acceptable by the City, shall be present to observe rough grading for site development. If a buried cultural resource is discovered during grading activities, all work in that area will be immediately halted within 50 feet of the discovery and/or diverted until a qualified archaeologist can evaluate the nature and significance of the find. Recommendations on the proper course of action will be made to the City Community Development Director or his/her designee and archaeological monitor. These recommendations may include test excavations to determine the extent and significance of the find; additional documentation of the find; or data recovery excavation if not other options are feasible. If the find is determined to be a historical resource or a unique archeological resource, the applicant shall implement the recommendations of the archeologist in order to mitigate impacts to the find. The mitigation measures shall be designed and implemented in accordance with applicable provisions of Public Resources Code Section 21083.2 and CEQA Guidelines Sections 15064.5 and 15126.4.

c) Would the project directly or indirectly destroy a unique paleontological resource or site or unique geologic feature?

Less than Significant with Mitigation Incorporated

As previously mentioned, under Environmental Setting for this section, the entire City is considered sensitive for paleontological resources. During construction activities, the potential for destroying unique paleontological resources or unique geologic features is always probable, especially during ground disturbance or grading activities. Due to the sites proximity to Chino Creek Channel and previous fossil discoveries identified throughout Chino Hills, impacts would be less than significant with incorporation of mitigation measure **CR-1**.

d) Would the project disturb any human remains, including those interred outside of formal cemeteries?

Less than Significant with Mitigation Incorporated

As previously discussed in Section 3.5 (a) and (b), Chino Hills is highly sensitive for cultural resources and the project site is in close proximity to other cultural resources within the half-mile APE. One of these known locations is a prehistoric burial site (CA-SBR-10821). Due to its proximity to a known prehistoric burial site, there may be a possibility for discovering additional buried cultural resources such as human remains during remedial grading. Such disturbance would

represent a significant impact requiring mitigation. Therefore, due to the high sensitivity of cultural resources identified throughout Chino Hills and in the unlikely event that human remains are discovered, incorporation of mitigation measures **CR-1**, aforementioned, and **CR-2** below would avoid or reduce impacts to less than significant levels.

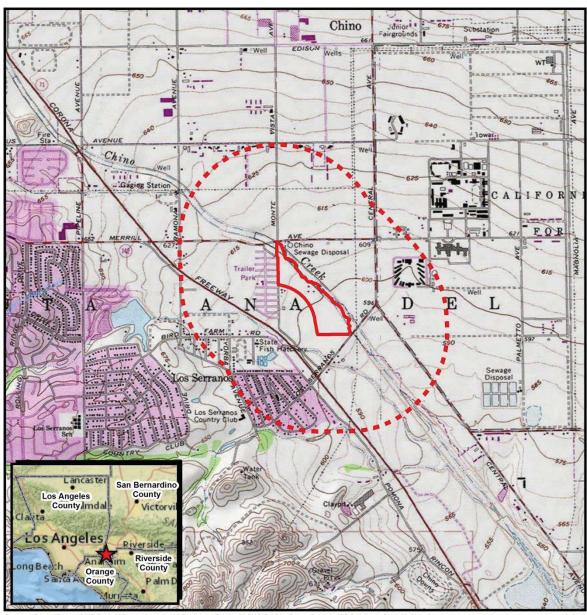
Mitigation Measure

The following mitigation measure would reduce or avoid potential impacts on human remains to less than significant levels.

CR-2: Discovery of Human Remains

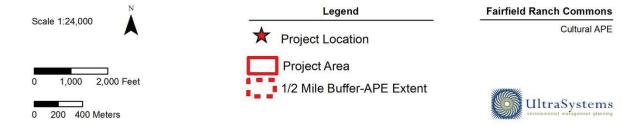
If human remains are encountered during excavations associated with this project, work will halt and the County Coroner will be notified (Section 5097.98 of the Public Resources Code). The Coroner will determine whether the remains are of forensic interest. If the coroner, with the aid of the supervising archaeologist, determines that the remains are prehistoric, they will contact the NAHC. The NAHC will be responsible for designating the most likely descendant (MLD), who will be responsible for the ultimate disposition of the remains, as required by Section 7050.5 of the California Health and Safety Code. The MLD will make recommendations within 24 hours of their notification by the NAHC. These recommendations may include scientific removal and nondestructive analysis of human remains and items associated with Native American burials (Section 7050.5 of the Health and Safety Code).

Figure 3.5-1 AREA OF POTENTIAL EFFECTS



Document Path: J:\Projects\5937_Fairfield_Ranch_Commons\MXDs\Cultural_Resources\5937_Fairfield_Ranch_Cultural_APE_24K_Scale_2014_08_08.mxd
Service Layer Credits: Copyright:@ 2011 National Geographic Society, i-cubed, National Geographic, Esri, DeLorme, HERE, UNEP-WCMC, USGS, NASA, ESA
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August 8, 2014



3.6 GEOLOGY AND SOILS				
Would the project:	Potentially Significant Impact	Less than Significant with Mitigation Incorporated	Less than Significant Impact	No Impact
a) Expose people or structures to potential substantial adverse effects, including the risk of loss, injury, or death involving:				
i) Rupture of a known earthquake fault, as delineated on the most recent Alquist-Priolo Earthquake Fault Zoning Map issued by the State Geologist for the area or based on other substantial evidence of a known fault? Refer to Division of Mines and Geology Special Publication 42.			X	
ii) Strong seismic ground shaking?			X	
iii) Seismic-related ground failure, including liquefaction?			X	
iv) Landslides?			X	
b) Result in substantial soil erosion or the loss of topsoil?			X	
c) Be located on a geologic unit or soil that is unstable, or that would become unstable as a result of the project, and potentially result in on or off site landslide, lateral spreading, subsidence, liquefaction or collapse?		X		
d) Be located on expansive soil, as defined in Table 18-1 B of the Uniform Building Code (1994), creating substantial risks to life or property?		X		
e) Have soils incapable of adequately supporting the use of septic tanks or alternative waste water disposal systems where sewers are not available for the disposal of waste water?				х

The following information is a summary of the findings from a Geotechnical Engineering Investigation prepared by NorCal Engineering (2013). The geotechnical report is included as Appendix D.

ENVIRONMENTAL SETTING

The City of Chino Hills is located in the eastern Puente Hills, in the northern portion of the Peninsular Ranges geomorphic province. The Peninsular Ranges province is characterized by a

series of northwest- to southeast-oriented valleys, hills, and mountains separated by faults associated with and parallel to the San Andreas Fault System.

The project site itself is relatively flat with an elevation of 606 feet above mean sea level. The project site contains a gentle slope averaging 0.5% from northwest to southeast. Soils on the site consist of a top layer of fill and/or disturbed top soil classified predominately as grey brown, clayey silt. These soils were noted to be soft and damp to moist. Underlying the fill lays undisturbed natural soil classified as a brown to dark brown, clayey silt to silty clay. These native soils were observed to be firm and moist to saturated condition. Deeper soils consisted of sandy to clayey silts, clays and silty sands to sands.

REGULATORY SETTING

The project would be subject to state and local laws, regulations, and policies pertaining to geology and soil related hazards including the California Seismic Hazards Mapping Act, Alquist-Priolo Earthquake Fault Zoning Act, California Building Standards Code (CBSC), and the City of Chino Hills General Plan and Municipal Code.

DISCUSSION OF IMPACTS

- a) Would the project expose people or structures to potential substantial adverse effects, including the risk of loss, injury, or death involving:
 - i) Rupture of a known earthquake fault, as delineated on the most recent Alquist-Priolo Earthquake Fault Zoning Map issued by the State Geologist for the area or based on other substantial evidence of a known fault? Refer to Division of Mines and Geology Special Publication 42.

Less than Significant Impact

The project site is not located within a designated State of California Alquist-Priolo Earthquake Fault Zone¹. Although the Chino Fault Zone is located approximately 1.2 miles to the west of the project site, no known active or potentially active faults trend toward or through the property.

Due to the seismic history of the region, all structures, including extension of public utilities and infrastructure to serve the proposed development, will be designed to resist seismic forces in accordance with the criteria and seismic design parameters contained in the most current version of the California Building Code. The construction and placement of all structures and infrastructure facilities would conform to state regulations, seismic design requirements, ordinances, and existing standard requirements. Impacts related to the rupture of known earthquake fault would be less than significant.

ii) Strong seismic ground shaking?

Less than Significant Impact

The proposed project is within a seismically active region, which could potentially cause collapse of structures, buckling of walls, and damage to foundations from strong seismic ground shaking. The

http://gmw.consrv.ca.gov/shmp/download/quad/PRADO_DAM/maps/PRADO.PDF Accessed July 31, 2014.

project would be constructed in conformance with applicable local building codes and requirements under the California Building Code (CBC) to reduce impacts from strong seismic ground shaking. With adherence to building codes, impacts resulting from strong seismic ground shaking would be reduced a less than significant level.

iii) Seismic-related ground failure, including liquefaction?

Less than Significant Impact

The Geotechnical Engineering Investigation (see **Appendix D**) indicates that the project site would experience ground shaking and earthquake activity typical of the Southern California region. It is during severe ground shaking that soils below the groundwater table liquefy. However, potential for liquefaction on the project site is low because fine-grained silt and clay soils were found below the historic 20-foot groundwater level. These types of soils are considered to be non-liquefiable.²

Furthermore, the associated seismic-induced settlement would be less than one inch and would occur uniformly across the project site. Differential settlement would be less than one inch over a 100-foot horizontal distance in the building area. Foundations would be constructed in conformance with applicable local building codes and requirements under the CBC to reduce impacts from seismic-related ground failure. Based on these findings, impacts due to seismic-related ground failure, including liquefaction, would be considered less than significant.

iv) Landslides?

Less than Significant Impact

The property is not located within a landslide susceptibility area according to the 2014 Draft General Plan Update PEIR (Chino Hills, 2014). Landslides occur when the stability of the slope changes from a stable to an unstable condition. A change in the stability of a slope can be caused by a number of factors, acting together or alone. Natural causes of landslides include groundwater (pore water) pressure acting to destabilize the slope, loss of vegetative structure, erosion of the toe of a slope by rivers or ocean waves, weakening of a slope through saturation by snow melt or heavy rains, earthquakes adding loads to barely stable slope, earthquake-caused liquefaction destabilizing slopes, and volcanic eruptions. However, none of the conditions that cause landslides occur at this site. The topography within and surrounding the property is relatively flat and no significant hillsides or unstable slopes are within the vicinity of the project site. For these reasons, potential for landslides, including debris flows, within or near the proposed site is less than significant.

b) Would the project result in substantial soil erosion or the loss of topsoil?

Less than Significant Impact

A General Permit for Storm Water Discharges Associated with Construction and Land Disturbance Activities (NPDES permit) would be required for the construction of this project. NPDES permits establish enforceable limits on discharges, require effluent monitoring, designate reporting requirements, and require construction and post-construction Best Management Practices (BMPs)³

Based on a liquid limit of 35 percent or greater and plasticity index of 12 percent of greater.

³ BMPs are identified in the California Stormwater Best Management Practice Handbook – New Development and Redevelopment, prepared by the California Stormwater Quality Association (CASQA).

to eliminate or reduce point and non-point source discharges of pollutants, including soil⁴. The NPDES Permit also requires the preparation of a Stormwater Pollution Prevention Plan (SWPPP) prior to construction to identify construction and post-construction BMPs to eliminate or reduce soils and pollutants in storm water and non-storm water discharged to sewer systems and other drainages. These preventative measures during construction and post-construction are intended to eliminate or reduce soil and topsoil erosion. With the implementation of BMPs, impacts due to substantial soil erosion or loss of topsoil would be less than significant.

c) Would the project be located on a geologic unit or soil that is unstable, or that would become unstable as a result of the project, and potentially result in on- or off-site landslide, lateral spreading, subsidence, liquefaction or collapse?

Less than Significant with Mitigation Incorporated

Based on the results of the Geotechnical Engineering Investigation (**Appendix D**), existing fill was encountered at depths of one to 1.5 feet. Fill soils primarily consist of silty, clayey, and poorly graded sands with occasional sand clay layers that are susceptible to differential settlement, and do not contain significant amounts of debris or organic matter. On-site fill compaction does not meet the minimum 90 percent of the maximum dry density commonly used for slope stability and structures. However, with compliance to CBC requirements and mitigation measures **GS-1** and **GS-2**, impacts would be less than significant.

Impacts due to landslides and liquefaction are addressed in the above Section 3.6 (a).

Mitigation Measures

GS-1: Site Preparation and Grading

Site preparation, grading, and construction of the proposed project shall adhere to the recommendations set forth in the Geotechnical Engineering Investigation (**Appendix D**) prepared by NorCal Engineering, as applicable.

GS-2: Certified Soils Engineer

A certified soils engineer shall be retained for consultation during design and construction phases. The certified soils engineer shall also provide construction monitoring for necessary soil testing during construction to ensure compliance with the Geotechnical Engineering Investigation and to provide site specific guidance as subsurface materials are encountered.

d) Would the project be located on expansive soil, as defined in Table 18-1 B of the Uniform Building Code (1994), creating substantial risks to life or property?

Less than Significant with Mitigation Incorporated

According to the Geotechnical Engineering Investigation (see **Appendix D**), the project site contains expansive soil; therefore, structures may be subject to movement and hairline cracking of walls and slabs. However, the proposed project is required to comply with the CBC requirements relating to expansive soils. Furthermore, the report provides "Expansive Soil Guidelines" that would be considered during project design and operational maintenance. With adherence to applicable

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⁴ http://www.waterboards.ca.gov/water issues/programs/stormwater/constpermits.shtml Accessed October 2013.

building codes and implementation of mitigation measures **GS-1** and **GS-2**, impacts due to expansive soil would be reduced to a less than significant level.

e) Would the project have soils incapable of adequately supporting the use of septic tanks or alternative waste water disposal systems where sewers are not available for the disposal of waste water?

No Impact

The proposed project would be serviced by municipal sewer systems, and no septic tanks would be required. No impact due to septic tanks or alternative waste water disposal systems would occur.

3.7 GREENHOUSE GAS EMISSIONS				
Would the project:	Potentially Significant Impact	Less than Significant with Mitigation Incorporated	Less than Significant Impact	No Impact
a) Generate greenhouse gas emissions, either directly or indirectly, that may have a significant impact on the environment?			Х	
b) Conflict with an applicable plan, policy or regulation adopted for the purpose of reducing the emissions of greenhouse gases?		Х		

The following is summarized in part from the Greenhouse Gas Emissions Analysis prepared by UltraSystems (UltraSystems, 2014d). That report is included as **Appendix E**.

ENVIRONMENTAL SETTING

Greenhouse gases (GHG) are defined under the California Global Warming Solutions Act of 2006 (AB 32) as carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF_6). Associated with each GHG species is a "global warming potential" (GWP), which is defined as the ratio of degree of warming to the atmosphere that would result from the emission of one mass unit of a given GHG compared with one equivalent mass unit of CO_2 over a given period of time. By this definition, the GWP of CO_2 is always 1. The GWPs of methane and nitrous oxide are 21 and 310, respectively (CCAR, 2009). "Carbon dioxide equivalent" (CO_2 e) emissions are calculated by weighting each GHG compound's emissions by its GWP and then summing the products.

Carbon dioxide (CO_2) is a clear, colorless, and odorless gas. Fossil fuel combustion is the main human-related source of CO_2 emissions; electricity generation and transportation are first and second in the amount of CO_2 emissions, respectively.

Methane (CH₄) is a clear, colorless gas, and is the main component of natural gas. Anthropogenic sources of CH₄ are fossil fuel production, biomass burning, waste management, and mobile and stationary combustion of fossil fuel. Wetlands are responsible for the majority of the natural methane emissions.¹ As mentioned above, CH₄, within a 100-year period, is 21 times more effective in trapping heat than is CO₂.

Nitrous oxide (N_2O) is a colorless, clear gas, with a slightly sweet odor. N_2O has both natural and human-related sources, and is removed from the atmosphere mainly by photolysis, or breakdown by sunlight, in the stratosphere. The main human-related sources of N_2O in the United States are agricultural soil management (synthetic nitrogen fertilization), mobile and stationary combustion of fossil fuel, adipic acid production, and nitric acid production.² Nitrous oxide is also produced

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http://epa.gov/climatechange/ghgemissions/gases/ch4.html Accessed August 5, 2014.

http://epa.gov/climatechange/ghgemissions/gases/n2o.html Accessed August 5, 2014.

from a wide range of biological sources in soil and water. Within a 100-year span, N_2O is 310 times more effective in trapping heat than is CO_2 .³

REGULATORY SETTING

The federal government has been involved in climate change issues at least since 1978, when Congress passed the National Climate Program Act (92 Stat. 601), under authority of which the National Research Council prepared a report predicting that additional increases in atmospheric CO_2 would lead to non-negligible changes in climate. At the "Earth Summit" in 1992 in Rio de Janeiro, President George H. W. Bush signed the United Nations Framework Convention on Climate Change (UNFCCC), a nonbinding agreement among 154 nations to reduce atmospheric concentrations of carbon dioxide and other greenhouse gases. The treaty was ratified by the U.S. Senate. However, when the UNFCCC signatories met in 1997 in Kyoto, Japan, and adopted a protocol that assigned mandatory targets for industrialized nations to reduce greenhouse gas emissions, the U.S. Senate expressed its opposition to the treaty. The Kyoto Protocol was not submitted to the Senate for ratification.

In Massachusetts et al. v. Environmental Protection Agency et al. [549 U.S. 497 (2007)], the U.S. Supreme Court ruled that CO2 was an air pollutant under the Clean Air Act, and that consequently, the U.S. Environmental Protection Agency (USEPA) had the authority to regulate its emissions. The Court also held that the Administrator must determine whether emissions of greenhouse gases from new motor vehicles cause or contribute to air pollution which may reasonably be anticipated to endanger public health or welfare, or whether the science is too uncertain to make a reasoned decision. On April 24, 2009, the USEPA published its intention to find that: (1) the current and projected concentrations of the mix of six key greenhouse gases—CO2, CH4, N2O, HFCs, PFCs and SF6—in the atmosphere threaten the public health and welfare of current and future generations, and that (2) the combined emissions of GHG from new motor vehicles and motor vehicle engines contribute to the atmospheric concentrations of these key greenhouse gases and hence to the threat of climate change (74 Fed. Reg. 18886). These findings are required for subsequent regulations that would control GHG emissions from motor vehicles.

California Climate Change Regulations

Executive Order S-3-05 (GHG Emissions Reductions). Executive Order #S-3-05, signed by Governor Arnold Schwarzenegger on June 1, 2005, calls for a reduction in GHG emissions to 1990 levels by 2020 and for an 80% reduction in GHG emissions to below 1990 levels by 2050.

The California Global Warming Solutions Act of 2006 (AB 32). In September 2006, Governor Arnold Schwarzenegger signed AB 32, the California Global Warming Solutions Act of 2006 (Health and Safety Code § 38500 et seq.), into law. AB 32 was intended to effectively end the scientific debate in California over the existence and consequences of global warming. In general, AB 32 directs the California Air Resources Board (CARB) to do the following:

≠ On or before June 30, 2007, publicly make available a list of discrete early action GHG emission reduction measures that can be implemented prior to the adoption of the statewide GHG limit and the measures required to achieve compliance with the statewide limit;

³ Ibid.

- ≠ By January 1, 2008, determine the statewide levels of GHG emissions in 1990, and adopt a statewide GHG emissions limit that is equivalent to the 1990 level (an approximately 25% reduction in existing statewide GHG emissions);
- ≠ On or before January 1, 2010, adopt regulations to implement the early action GHG emission reduction measures;
- ≠ On or before January 1, 2011, adopt quantifiable, verifiable, and enforceable emission reduction measures by regulation that will achieve the statewide GHG emissions limit by 2020, to become operative on January 1, 2012, at the latest. The emission reduction measures may include direct emission reduction measures, alternative compliance mechanisms, and potential monetary and non-monetary incentives that reduce GHG emissions from any sources or categories of sources as CARB finds necessary to achieve the statewide GHG emissions limit; and
- ≠ Monitor compliance with and enforce any emission reduction measure adopted pursuant to AB 32.

On December 11, 2008, the CARB approved the (CARB, 2008a) pursuant to AB 32. The Scoping Plan recommends a wide range of measures for reducing GHG emissions, including (but not limited to):

- ≠ Expanding and strengthening of existing energy efficiency programs;
- ≠ Achieving a statewide renewables energy mix of 33 percent;
- ≠ Developing a GHG emissions cap-and-trade program;
- ≠ Establishing targets for transportation-related GHG emissions for regions throughout the state, and pursuing policies and incentives to meet those targets;
- ≠ Implementing existing state laws and policies, including California's clean car standards, goods movement measures and the Low Carbon Fuel Standard; and
- ≠ Targeted fees to fund the state's long-term commitment to administering AB 32.

Executive Order S-01-07 (Low Carbon Fuel Standard). Executive Order #S-01-07 (January 18, 2007) establishes a statewide goal to reduce the carbon intensity of California's transportation fuels by at least 10% by 2020 through establishment of a Low Carbon Fuel Standard. Carbon intensity is the amount of CO_2 e per unit of fuel energy emitted from each stage of producing, transporting and using the fuel in a motor vehicle. On April 23, 2009 the Air Resources Board adopted a regulation to implement the standard.

Senate Bill 97. Senate Bill 97 was signed by the governor on August 24, 2007. The bill required the Office of Planning and Research (OPR), by July 1, 2009, to prepare, develop and transmit to the resources agency guidelines for the feasible mitigation of GHG emissions or the effects of GHG emissions, as required by CEQA, including, but not limited to, effects associated with transportation or energy consumption. On April 13, 2009 OPR submitted to the Secretary for Natural Resources its proposed amendments to the State CEQA Guidelines for greenhouse gas emissions. The Resources Agency adopted those guidelines on December 30, 2009, and they became effective on March 18,

2010. The amendments treat GHG emissions as a separate category of impacts; i.e. they are not to be addressed as part of an analysis of air quality impacts.

Section 15064.4, which was added to the CEQA Guidelines, specifies how the significance of impacts from GHGs is to be determined. First, the lead agency should "make a good faith effort" to describe, calculate or estimate the amount of GHG emissions resulting from a project. After that, the lead agency should consider the following factors when assessing the impacts of the GHG emissions on the environment:

- ≠ The extent to which the project may increase or reduce GHG emissions, relative to the existing environmental setting;
- ≠ Whether the project emissions exceed a threshold of significance that the lead agency determines applies to the project; and
- ≠ The extent to which the project complies with regulations or requirements adopted to implement a statewide, regional or local plan for the reduction or mitigation of GHG emissions.

The Governor's Office of Planning and Research (OPR) asked the CARB to make recommendations for GHG-related thresholds of significance. On October 24, 2008, the CARB issued a preliminary draft staff proposal for *Recommended Approaches for Setting Interim Significance Thresholds for Greenhouse Gases under the California Environmental Quality Act (CARB, 2008b)*. After holding two public workshops and receiving comments on the proposal, CARB staff decided not to proceed with threshold development (Ito, 2010). Quantitative significance thresholds, if any, are to be set by local agencies.

Senate Bill 375. Senate Bill 375 requires coordination of land use and transportation planning to reduce GHG emissions from transportation sources. Regional transportation plans, which are developed by metropolitan transportation organizations such as the Southern California Association of Governments (SCAG), are to include "sustainable community strategies" to reduce GHG emissions.

Title 24. The Energy Efficiency Standards for Residential and Nonresidential Buildings (Title 24, Part 6, of the *California Code of Regulations*) were established in 1978 in response to a legislative mandate to reduce California's energy consumption. The standards are updated periodically to allow consideration and possible incorporation of new energy efficiency technologies and methods. Compliance with Title 24 will result in decreases in GHG emissions. The California Energy Commission adopted the 2008 changes to the Building Energy Efficiency Standards on April 23, 2008 with an aim to promote the objectives listed below.⁴

- ≠ Provide California with an adequate, reasonably-priced and environmentally-sound supply of energy.
- ≠ Respond to Assembly Bill 32, the Global Warming Solutions Act of 2006, which mandates that California must reduce its greenhouse gas emissions to 1990 levels by 2020.

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^{4 &}quot;2008 Building Energy Efficiency Standards." California Energy Commission, Sacramento, California. (http://www.energy.ca.gov/title24/2008standards/index.html). These became effective January 1, 2010.

- ≠ Pursue California energy policy that energy efficiency is the resource of first choice for meeting California's energy needs.
- ≠ Act on the findings of California's Integrated Energy Policy Report (IEPR) that Standards are the most cost effective means to achieve energy efficiency, expects the Building Energy Efficiency Standards to continue to be upgraded over time to reduce electricity and peak demand, and recognizes the role of the Standards in reducing energy related to meeting California's water needs and in reducing greenhouse gas emissions.
- ≠ Meet the West Coast Governors' Global Warming Initiative commitment to include aggressive energy efficiency measures into updates of state building codes.
- ≠ Meet the Executive Order in the Green Building Initiative to improve the energy efficiency of nonresidential buildings through aggressive standards.

The provisions of Title 24, Part 6 apply to all buildings for which an application for a building permit or renewal of an existing permit is required by law. They regulate design and construction of the building envelope, space-conditioning and water-heating systems, indoor and outdoor lighting systems of buildings, and signs located either indoors or outdoors. Title 24, Part 6 specifies mandatory, prescriptive and performance measures, all designed to optimize energy use in buildings and decrease overall consumption of energy to construct and operate residential and nonresidential buildings (CEC, 2008). Mandatory measures establish requirements for manufacturing, construction and installation of certain systems; equipment and building components that are installed in buildings.

Recent Developments: On May 22, 2014 the CARB approved the First Update to the Climate Change Scoping Plan Pursuant to AB 32 (CARB, 2014). The updated scoping plan evaluates the effectiveness of policies from the original scoping plan and adds recommendations for expanding and improving upon those programs including, but not limited to:

- ≠ Leveraging public money to fund technologies including medium and heavy duty Zero Emission Vehicles (ZEVs).
- ≠ Expanding local, regional, and state transportation plan goals to improve transit efficiency.
- ≠ Supporting the High-Speed Rail Authority and Sustainable Freight Strategy.
- ≠ Extending Low Carbon Fuel Standards beyond 2020 with more aggressive goals.
- ≠ Developing accurate methods for estimating agricultural emissions so that greenhouse gas reduction techniques can be assessed.
- ≠ Eliminating disposal of organic matter and promote methane recovery at landfills.
- ≠ Instituting the Forest Carbon Plan to model and understand the carbon cycle of forestry.
- ≠ Implementing economic incentives for the destruction of short-lived climate pollutants.
- ≠ Allowing limited future allowances for Cap-and-Trade to reduce cost spikes.

≠ Setting interim goals to reach greenhouse gas emissions of 80% of 1990 levels by 2050.

San Bernardino County Regional Greenhouse Gas Reduction Plan

The 2014 San Bernardino Regional Greenhouse Gas Reduction Plan (SANBAG, 2014a) and its Final Environmental Impact Report (FEIR) (SANBAG, 2014b) were certified at the San Bernardino Associated Governments (SANBAG) Board of Directors Meeting on March 5, 2014. The regional plan presents the GHG reduction goals of each of the participating cities. Cities participating in the regional plan include Adelanto, Big Bear Lake, Chino, Chino Hills, Colton, Fontana, Grand Terrace, Hesperia, Highland, Loma Linda, Montclair, Needles, Ontario, Rancho Cucamonga, Redlands, Rialto, San Bernardino, Twenty nine Palms, Victorville, Yucaipa, and Yucca Valley. The regional plan includes an inventory of 2008 GHG emissions, forecast of 2020 emissions, GHG reduction measures for each participating city, and baseline information for the development of city climate action plans (CAPs). The regional plan lists all sectors targeted by reduction measures including: building energy, on-road transportation, off-road equipment, agriculture, land use and urban design, solid waste management, wastewater, and water conveyance.

The Chino Hills Reduction Profile within the SANBAG GHG Reduction Plan (SANBAG, 2014a) lists goals and measures taken in Chino Hills. Municipal and nongovernmental sources in Chino Hills were responsible for an estimated 464,162 metric tons (tonnes)⁵ CO_2e in 2008. Primary sources of GHG emissions in Chino Hills in 2008 were road transportation (54%), building energy (33%), and stationary sources (5%). State measures, including the Pavley plus Low Carbon Fuel Standards (LCFS), California Renewable Portfolio Standard (RPS), and other measures are anticipated to reduce GHG emissions in Chino Hills by 107,260 tonnes CO_2e (18.3%) by 2020. Local measures, including improvements in water use efficiency (SB X7-7), solar installation for existing housing, and Smart Bus Technologies, are anticipated to reduce GHG emissions in Chino Hills by another 9,927 tonnes CO_2e (1.7%) in 2020, for a total reduction of 117,187 tonnes.

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A metric ton (tonne) is 1,000 kilograms, or about 2,205 pounds.

DISCUSSION OF IMPACTS

a) Would the project generate greenhouse gas emissions, either directly or indirectly, that may have a significant impact on the environment?

Less than Significant Impact

In the Draft Program Environmental Impact Report for the General Plan Update (Chino Hills, 2014), the City defined a performance threshold of 6.6 metric tons per year per service population as a threshold for significance under this checklist item. This threshold is based on the South Coast Air Quality Management District (SCAQMD) threshold for planning documents (SCAQMD, 2010). Service population is defined as residents plus employees. For the proposed project, the numbers of residents and employees have been estimated to be 1,142 and 353, respectively; the service population would be 1,495. Therefore, the ratio of metric tons of GHG divided by 1,495 must exceed 6.6 for the impact to be significant.

Direct emission sources are those which produce onsite emissions through the combustion of fossil fuels. Typically, the two main direct emission sources will be use of internal combustion (IC) engines and space heating. Indirect GHG source emissions are those for which the project is responsible, but that occur offsite. For example, the solid waste that is distributed to landfills will decay and emit the GHGs $\rm CO_2$ and $\rm CH_4$. GHG are also emitted by combustion of fossil fuels to generate electricity used by the project. Production of the electricity used to convey water to the project and to treat wastewater generated by the project is also an indirect source.

Because of the persistence of GHG in the atmosphere, all the impacts addressed in this section are defined as long-term. Greenhouse gas emissions from construction are amortized over the next 30 years and added to operational emissions for the purpose of estimating annual emissions. Total GHG emissions are then evaluated for compliance with the Chino Hills portion of the SANBAG GHG Reduction Plan (SANBAG, 2014a).

Greenhouse gas emissions from the Project's on-site and off-site Project activities were calculated using the California Emissions Estimator Model (CalEEMod), Version 2013.2.2. CalEEMod is a planning tool for estimating emissions related to land use projects. The model incorporates EMFAC2011 emission factors to estimate on-road vehicle emissions; and emission factors and assumptions from the CARB's OFFROAD2011 model to estimate off-road construction equipment emissions (EIC, 2013). Model-predicted project emissions are compared with applicable thresholds to assess regional air quality impacts. Operational emissions are estimated using CalEEMod and take into account area emissions, such as space heating, from land uses and from the vehicle trips associated with the land uses. Details of the modeling are presented in **Appendix E**.

Construction Emissions

The proposed project will include demolition of existing structures, grading, paving, and erection of new apartments and three industrial buildings. Each construction phase involves the use of a different mix of construction equipment and therefore has its own distinct GHG emissions characteristics. A schedule of equipment use was set up to determine which equipment would be operated simultaneously. Since detailed design information was not available at the time this document was prepared, construction-related emission estimates were based on the most recent preliminary equipment list and construction schedule provided by the City (Walters, 2014) and the

default construction scenario information in CalEEMod. CalEEMod's default values for horsepower and load factors, which are from the CARB's OFFROAD2011 model, were used.

CalEEMod estimated annual GHG emissions in 2015 and 2016 to be **956** and **949 metric tons** (tonnes) CO₂e, respectively.

Operational Emissions

The proposed project will generate direct GHG emissions from the combustion of natural gas for water and space heating, and other fuels for landscaping. Cars, trucks, and other mobile sources also make an important contribution to direct GHG emissions.

Solid waste disposal into landfills creates CO_2 and CH_4 emissions over a span of years. The emissions from solid waste were calculated using CalEEMod, which models the GHG emissions based on the Intergovernmental Panel on Climate Change's (IPCC) methods for quantifying GHG emissions from solid waste (IPCC, 2006).

Calculation of indirect GHG emissions for water use was based on the electricity needed to supply and distribute water. The factors for electricity are based on Title 24, non-Title 24, and lighting standards from the California Energy Commission (CEC). CalEEMod uses default values based on the project location, climate zone, and energy provider. All the default values were used.

Table 3.7-1 (Unmitigated Annual GHG Emissions, 2016 and Beyond) gives a detailed breakdown of the results of the project GHG emissions analysis.

Table 3.7-1
UNMITIGATED ANNUAL PROJECT GHG EMISSIONS, 2016 AND BEYOND
(Emissions in tonnes)

Emission So	urce	CO ₂	CH ₄	N_2O	CO ₂ e
Construction	a	63.27	0.01	0.00	64
	Area	113.22	0.12	0.002	116
	Energy	2,238.47	0.08	0.03	2,249
Operations	Mobile	5,334.54	0.21	0.00	5,339
	Waste	114.53	6.77	0.00	257
	Water	441.76	3.21	0.08	534
Totals		8,305.79	10.40	0.11	8,559

Note: Proposed project is expected to be operational in June 2016.

 $^{\rm a}$ Amortized over 30 years per SCAQMD Interim CEQA GHG Significance Threshold.

Source: UltraSystems Environmental Inc. with CalEEMod (Version 2013.2.2)

Total unmitigated operational CO_2e emissions from the project would be 8,559 tonnes per year. Energy production and mobile sources account for about 89% of these emissions. The ratio of annual emission to service population would be 5.7, which is below the threshold of 6.6. Therefore under GHG emissions would be less than significant.

b) Would the project conflict with an applicable plan, policy or regulation adopted for the purpose of reducing the emissions of greenhouse gases?

Less than Significant with Mitigation Incorporated

Although mitigation is not required for project operational CO₂e emissions, several of the project design features applied to criteria pollutant emissions for this project would also reduce GHG emissions. These reduction methods are listed below.

In the following list, the letter-number combinations in brackets refer to air pollutant reduction measures defined by the California Air Pollution Control Officers Association in its guidebook, Quantifying Greenhouse Gas Mitigation Measures. A Resource for Local Government to Assess Emission Reductions from Greenhouse Gas Mitigation Measures (CAPCOA, 2010).⁶

Project Design Features

- **PDF-1:** Increase housing density [LUT-1]
- **PDF-2:** Increase diversity of land use [LUT-3]
- **PDF-3:** Increase Transit Accessibility [LUT-5]
- **PDF-4:** Install and maintain high-efficiency lighting in both the residential and industrial portions of the project.
- **PDF-5:** Install and maintain low-flow bathroom faucets, kitchen faucets, toilets, and showers in all residential units [WUW-1].

In addition, the implementation of mitigation measures **GG-1** through **GG-3** will further reduce GHG emissions.

Mitigation Measures

GG-1: Use of Project Landscape Equipment

For project landscaping, use electric lawnmowers, leaf blowers and chainsaws at least 50% of the time [A-1]

GG-2: No Fireplaces or Hearths

Apartment units will not have fireplaces or hearths.

GG-3: 100% Reclaimed Water for Irrigation

Use 100% reclaimed water for all irrigation [WSW-1].

With these project design features and the three mitigation measures incorporated in CalEEMod, the estimated GHG emissions are those shown in **Table 3.7-2** (Mitigated Annual GHG Emissions, 2016 and Beyond). Total annual GHG emissions would be reduced by about 11% to 7,663 tonnes per year. The ratio of emissions to service population would be about 5.1.

⁶ Available at http://www.capcoa.org/wp-content/uploads/2010/11/CAPCOA-Quantification-Report-9-14-Final.pdf.

All of these emission reduction measures would be compatible with the San Bernardino County Regional Greenhouse Gas Reduction Plan. Therefore GHG emissions from the project would be less than significant.

Table 3.7-2
MITIGATED⁷ ANNUAL GHG EMISSIONS, 2016 AND BEYOND (Emissions in tonnes)

Emission So	urce	CO ₂	CH ₄	N ₂ O	CO ₂ e
Construction	a	63.27	0.01	0.00	64
	Area	4.96	0.005	0.002	5
	Energy	2,113.30	0.08	0.03	2,123
Operations	Mobile	4,813.80	0.19	0.00	4,818
	Waste	114.53	6.77	0.00	257
	Water	356.82	2.57	0.08	430
Totals		7,403.41	9.61	0.09	7,633

Note: Proposed project is expected to be operational in June 2016

Source: UltraSystems Environmental Inc. with CalEEMod (Version 2013.2.2)

^a Amortized over 30 years per SCAQMD Interim CEQA GHG Significance Threshold.

This table reports emissions that would occur after implementation of the project design features and the mitigation measure identified above; there would be no "mitigation" *per se*.

3.8 HAZARDS AND HAZARDOUS	3.8 HAZARDS AND HAZARDOUS MATERIALS			
Would the project:	Potentially Significant Impact	Less than Significant with Mitigation Incorporated	Less than Significant Impact	No Impact
a) Create a significant hazard to the public or the environment through the routine transport, use, or disposal of hazardous materials?			X	•
b) Create a significant hazard to the public or the environment through reasonably foreseeable upset and accident conditions involving the release of hazardous materials into the environment?			х	
c) Emit hazardous emissions or handle hazardous or acutely hazardous materials, substances, or waste within one quarter mile of an existing or proposed school?			Х	
d) Be located on a site which is included on a list of hazardous materials sites compiled pursuant to Government Code Section 65962.5 and, as a result, would it create a significant hazard to the public or the environment?				X
e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project result in a safety hazard for people residing or working in the project area?				x
f) For a project within the vicinity of a private airstrip, would the project result in a safety hazard for people residing or working in the project area?				X
g) Impair implementation of or physically interfere with an adopted emergency response plan or emergency evacuation plan?			X	
h) Expose people or structures to a significant risk of loss, injury or death involving wildland fires, including where wildlands are adjacent to urbanized areas or where residences are intermixed with wildlands?			X	

An Environmental Data Resource record search was performed as part of the Phase I Environmental Site Assessment Report (ESA) for the project site. The following responses were based in part on information contained in the Phase I ESA prepared by PIC Environmental Services (see $Appendix\ F$).

ENVIRONMENTAL SETTING

The project site was used for agricultural purposes since the 1930s including the likely use of pesticides. The property is not listed as containing hazardous materials and there are no on-site underground storage tanks (USTs) reported in the EDR database and none were observed during the property visit. No leaking underground storage tanks (LUST) are found within 0.5 mile of the project site. Soil testing for pesticides found levels below State and federal regulatory standards. There is no documented occurrence or potential of either petroleum or hazardous materials contamination on-site.

Other Hazards

The closest airport is the Chino Airport located approximately 2.3 miles east of the project site. The Chino Airport Comprehensive Land Use Plan (CACLUP) establishes three safety zones, each with a specific set of land use guidelines. The project site is not located within a CACLUP safety zone and is not subject to CACLUP land use guidelines.

Sensitive Receptors

Several sensitive receptors are in the vicinity of the project site. The BAPS Shri Swaminarayan Mandir temple is located immediately southwest and three educational facilities (i.e., Chaparral Elementary School, TNT Agency Makeup School, and Stonewell Learning Center) are located 0.5 mile of the project site. The closest medical service facility is Pomona Valley Health Center, which can be serviced by State Route 71 to the project site and is approximately 3.3 mile north of the site. The closest residence, Rancho Monte Vista Mobile Home Park, is located immediately west across Monte Vista Avenue.

REGULATORY SETTING

This project would be subject to applicable federal, state, and local programs, regulations, laws, standards, and policies including, but not limited to, the following: Resource Conservation and Recovery Act (RCRA); Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA); California Hazardous Waste Control Law; Occupational Safety and Health Administration (OSHA); South Coast Air Quality Management District; California Department of Forestry and Fire Protection (CAL-FIRE); Chino Valley Independent Fire District and the County of San Bernardino Department of Public Health.

DISCUSSION OF IMPACTS

a) Would the project create a significant hazard to the public or the environment through the routine transport, use, or disposal of hazardous materials?

Less than Significant Impact

During construction, proposed project would include the transport, storage, and usage of chemical agents, solvents, paints, and other hazardous materials that are commonly associated with construction activities. Standard protocols would be adopted to minimize the risk associated with hazardous materials and wastes. After construction, unused hazardous materials may be properly transported for use at other projects. Hazardous wastes may be properly disposed at licensed facilities, or recycled to minimize wastes requiring disposal.

During operation, the proposed project's residential apartment component would use common, everyday hazardous materials such as cleaning products (floor and antiseptic cleaners) and landscaping products (fertilizers, pesticides, and herbicides) that may be hazardous if improperly used or ingested. These products have a low incidence of unsafe use. Materials that may be used during construction and operation are not acutely hazardous.

Because no specific tenants have been identified at this time for the business park and the business park is zoned to be occupied by small- and large- scale businesses involved in distribution, research and development, support services and light manufacturing, hazardous material uses may potentially be the same or greater than the residential apartment component. Future light industrial uses may include routine storage, use, generation, and transport of a range of hazardous substances and wastes. Transportation, storage, use, and disposal of hazardous materials and wastes are regulated by the Department of Toxic Substances Control (DTSC), the United States Environmental Protection Agency (USEPA), and the California Occupational Safety and Health Administration (Cal-OSHA). Because the City does not permit heavy industry, the amount of hazardous substances and wastes in and out of the business park is not anticipated to be substantial.

All businesses at the proposed business park must comply with applicable federal and state regulations governing the particular types and quantities of hazardous materials and wastes involved. Hazardous material and waste storage spaces must be designed, maintained, and safely secured in accordance with the provisions of the California Fire Code and local oversight authority of the Chino Valley Independent Fire District. The Fire District also requires permits for the storage, use, and handling of flammable, combustible, explosive, toxic, or other hazardous materials. This oversight ensures that appropriate precautions are in place to prevent accidental releases of harmful chemicals.

The Chino Hills Municipal Code (CHMC)¹ requires conformance with performance standards established under Chapter 16.48 in order to protect the health and safety of workers, residents, businesses, and property. Performance standards are designed to minimize and mitigate potential environmental impacts that include: noise, air quality, glare, heat, waste disposal, and runoff control for all existing operations and proposed land use projects. Because the project would require adherence to all applicable regulations and subject to Fire District review, impacts from the project would be less than significant.

In sum, adherence to all applicable federal, state, and local agency regulations related to the routine transport, use, or disposal of hazardous materials would prevent or reduce potential impacts to the public and environment. For these reasons, the project would not create a significant hazard to the public or environment through the routine transport, use, or disposal of hazardous materials and less than significant impact would occur.

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¹ CHMC Section 16.48.010 Intent and purpose

b) Would the project create a significant hazard to the public or the environment through the reasonably foreseeable upset and accident conditions involving the likely release of hazardous materials into the environment?

Less than Significant Impact

As previously noted in the above response Section 3.8 a), existing regulatory measures and local oversight by the Chino Valley Independent Fire District on local business operations as well as residential and commercial construction would avoid significant hazard to public or environment through the release of hazardous materials. Prior to the issuance of grading permits for the project, the proposed development plans would be reviewed by Chino Valley Independent Fire District for hazardous material use, safe handling, and storage of materials. The Fire District would require that conditions of approval be applied to the project prior to construction or individual use to reduce hazardous material impacts and ensure that hazardous waste generated on-site would be transported to an appropriate disposal facility in accordance with applicable regulations.

As the operation of proposed project does not anticipate using large quantities of hazardous materials, accidental hazardous material releases would be low under existing regulatory requirements. Compliance with California Fire Code standards for design, storage, operations, maintenance, and spill prevention/response measures, would reduce impacts associated with the handling of hazardous materials during construction and operation of the proposed project to less than significant level.

c) Would the project emit hazardous emissions or handle hazardous or acutely hazardous materials, substances, or waste within one-quarter mile of an existing or proposed school?

Less than Significant Impact

Chaparral Elementary School, is located 0.2 mile southwest of the project site. As mentioned in the above response Section 3.8a) and Section 3.8b), materials that may be used during construction are not acutely hazardous. Operation of the residential apartment would use common, everyday household hazardous products that may be hazardous if improperly used or ingested. These products have a low incidence of unsafe use. The proposed project's construction activities and the operation of the residential apartment are not anticipated to result in significant impacts related to hazardous emissions.

Although specific tenants for the business park are unknown at this time, light industrial uses including manufacturing is permitted by right for parcels zoned Business Park. During operation, the business park is intended to be occupied by small- and large- scale businesses involved in distribution, research and development, support services and light manufacturing. Per the requirements² of South Coast Air Quality Management District (SCAQMD) and state Office of Environmental Health Hazard Assessment (OEHHA), any facilities or businesses that may use hazardous substances in sufficient quantities to expose surrounding populations to toxic releases are required to go through a stringent permitting process and prepare a health risk assessment (HRA). This analysis would evaluate hazardous substances in the environment and the potential exposure to human populations. SCAQMD Rule 1401.1, Requirements for New and Relocated Facilities Near Schools, provides additional health protection to children at schools or schools

Both the SCAQMD and the state Office of Environmental Health Hazard Assessment (OEHHA) review HRAs submitted by facilities per the requirements of the Air Toxics "Hot Spots" Information and Assessment Act.

under construction from new or relocated facilities emitting toxic air contaminants. Under existing regulatory and permitting restrictions, an emitting facility that poses significant health risks to a nearby school as well as surrounding population would be prohibited at the proposed business park.

In compliance with the California Health and Safety Code and SCAQMD Rule 1401.1, the proposed project would not permit businesses that emit hazardous emissions or handle hazardous materials in proximity to the existing school or schools under construction. Therefore, impacts would be considered less than significant.

d) Would the project be located on a site which is included on a list of hazardous materials sites compiled pursuant to Government Code Section 65962.5 and, as a result, would it create a significant hazard to the public or the environment?

No Impact

An EDR record search was performed as part of the Phase I ESA Report (see **Appendix F**) for the project site. According to the ESA report, the property is not listed as containing hazardous materials and there are no on-site underground storage tanks reported in the EDR database and none were observed during the property visit. No LUST site is found within half mile radius of the project site. Although the project site has a history of agricultural use, results from soil testing for pesticide are consistently below State and federal regulatory level. The site also has no documented occurrence or potential of either petroleum or hazardous materials contamination. Existence of significant environmental impairments is unlikely. No impact would occur.

e) For a project located within an airport land use plan or, where such a plan has not been adopted, within 2 miles of a public airport or public use airport, would the project result in a safety hazard for people residing or working in the project area?

No Impact

The project site is not located within the vicinity of a public airport. The nearest airport, Chino Airport, is located approximately 2.3 miles east of the project site. Furthermore, the project site is outside the boundary of the Chino Airport Master Plan.³ Due to distance, the proposed project would not result in a safety hazard for people residing or working and no impact would occur.

f) For a project within the vicinity of a private airstrip, would the project result in a safety hazard for people residing or working in the project area?

No Impact

The project site is not located within the vicinity of a private airstrip⁴; therefore, the project would not result in a safety hazard for people residing or working in the project area. No impact would occur.

http://chinomasterplan.airportstudy.com/master-plan/ Accessed July 30, 2014.

⁴ The nearest private airstrip is Shepherd Field, more than 20 miles west of project site.

g) Would the project impair implementation of or physically interfere with an adopted emergency response plan or emergency evacuation plan?

Less than Significant Impact

The proposed project would not conflict with the City of Chino Hills 2008 Emergency Operation Plan, which addresses the City's planned responses to emergencies associated with natural disasters and technological incidents. The EOP is intended to provide guided responses to such emergencies as earthquakes, hazardous materials emergencies, flooding and wildfires and do not address normal day-to-day emergencies or well-established and routine procedures used in coping with such emergencies.

To ensure that adequate emergency access and service is provided during project construction and operation, project development and operation plans would be submitted to the Fire District for review, approval, and issuance of residential and business construction permit. Material and equipment would be staged on-site during construction and would not interfere with emergency response vehicles that use major thoroughfares or access roads. Emergency vehicles would continue to have access to project-related and surrounding roadways upon completion of the proposed project. The proposed project also would not require off-site improvements, implementation of new public infrastructure (e.g. roadways) or trenching for new infrastructure which may cause traffic lane closures and traffic congestion delays to motorists.

The proposed project would not physically interfere or impair primary evacuation routes and well-established emergency procedures during construction and operation. Therefore, impacts related to emergency response and evacuation plans would be less than significant.

h) Would the project expose people or structures to the risk of loss, injury or death involving wildland fires, including where wildlands are adjacent to urbanized areas or where residences are intermixed with wildlands?

Less than Significant Impact

The California Department of Forestry and Fire Protection (CAL-FIRE) develops Fire Hazard Severity Zone (FHSZ) mapping for the State Responsibility Areas (SRA) and Local Responsibility Areas (LRA).⁵ The project site is located in a LRA area with a non-fire hazard designation. The project site is approximately 1.3 miles northeast of a LRA "Very High" FHSZ⁶ and 4.9 miles northeast of a SRA "Very High" FHSZ.⁷ Furthermore, the project site is adjoined by existing development to the north, east, and west, and the SR-71 is located approximately 0.1 mile to the south. Due to the types of surrounding uses and distance from designated FHSZs, the proposed project would not expose people or structures to wildland fire, and less than significant impact would occur.

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Fire hazard determinations are based on vegetation type, slope severity, fire history, and weather pattern. Areas are given a rank of Moderate, High, Very High, or Extreme fire hazard for SRAs and Non-Hazard or Very High for LRAs.

⁶ http://frap.fire.ca.gov/webdata/maps/san bernardino sw/fhszs map.62.pdf Accessed July 28, 2014.

http://frap.fire.ca.gov/webdata/maps/orange/fhszs_map.30.pdf Accessed July 28, 2014.

3.9 HYDROLOGY AND WATER QU	UALITY			
Would the project:	Potentially Significant Impact	Less than Significant with Mitigation Incorporated	Less than Significant Impact	No Impact
a) Violate any water quality standards or waste discharge requirements?			X	
b) Substantially deplete groundwater supplies or interfere substantially with groundwater recharge such that there would be a net deficit in aquifer volume or a lowering of the local groundwater table level (e.g., the production rate of pre-existing nearby wells would drop to a level which would not support existing land uses or planned uses for which permits have been granted)?			Х	
c) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, in a manner which would result in substantial erosion or siltation on or off site?			Х	
d) Substantially alter the existing drainage pattern of the site or area, including through the alternation of the course of a stream or river, or substantially increase the rate or amount of surface runoff in a manner which would result in flooding on or off site?			X	
e) Create or contribute runoff water which would exceed the capacity of existing or planned stormwater drainage systems or provide substantial additional sources of polluted runoff?			X	
f) Otherwise substantially degrade water quality?			X	
g) Place housing within a 100 year flood hazard area as mapped on a federal Flood Hazard Boundary or Flood Insurance Rate Map or other flood hazard delineation map?				Х
h) Place within a 100-year flood hazard area structures which would impede or redirect flood flows?			X	
i) Expose people or structures to a significant risk of loss, injury or death involving flooding, including flooding as a result of the failure of a levee or dam?			Х	
j) Inundation by seiche, tsunami, or mudflow?			X	

The following responses were based in part on information contained in the Preliminary Hydrology Study (see **Appendix G**) prepared by Alfred Webb Associates on April 28, 2014.

ENVIRONMENTAL SETTING

Surface Water Features

The City's watershed includes a system of streams, water courses, and ponds that run through the hills and usually lie at the bottom of canyons and drainage ravines. Runoff from the City generally drains east and south, toward Chino Creek and the Prado Flood Control Basin, and on to the Santa Ana River Basin.

The project site is located inland at an elevation of 600 feet above mean sea level and is sloped gradually at a grade of 0.5%. The eastern boundary of the property abuts the Chino Creek Channel, which is a concrete lined flood control channel designed to accommodate the 100 year flood event. The southern portion of the project site abuts a fenced easement for the Los Serranos channel, which is an open concrete box channel that discharges into Chino Creek.

Stormwater Drainage

Runoff from the site presently drains to the southeast where it concentrates and flows into the Los Serranos Lake Channel then to the Chino Creek channel ultimately reaching the Prado Dam Management Zone, which is the beginning of Reach 3 of Santa Ana River. The Santa Ana River does not meet water quality standards associated with beneficial uses and is listed as impaired by nutrients, pathogens, and heavy metals (Webb & Associates, 2014).

Flooding

According to the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM) Panel 06071C8500HJ, the project site is within Zone X. Zone X is characterized as moderate to low risk areas with an annual chance of flooding of between 1% and 0.2%.

REGULATORY SETTING

Water Quality

Sections 303, 401, 402 and 404 of the Federal Water Pollution Control Act of 1972 (33 USC 1251 et seq.) (Clean Water Act (CWA)) protects the water qualify of jurisdictional surface waters. The CWA requires states to: (1) protect specific beneficial uses of surface water and groundwater, (2) comply with applicable effluent limitations, (3) implement best management practices (BMPs) to eliminate or reduce discharges of pollutants, and (4) regulate the discharge of dredged or fill material into streams, rivers, wetlands, non-wetland and other surface waters. To comply with these requirements, soil disturbance during construction must be kept to a minimum (up to 0.08 acre), and industry accepted BMPs implemented to contain and reduce the discharge of soil and other pollutants in storm and non-storm water runoff.

The Porter-Cologne Water Quality Control Act (Division 7 of the California Water Code) establishes a regulatory program to augment federal protections under the CWA to protect "waters of the state", which include surface, ground, and ocean water. The Porter-Cologne Act implements the

National Pollutant Discharge Elimination System (NPDES) permitting program. NPDES permits are required for dewatering activities, and are issued by the RWQCBs. They set forth effluent limitations, monitoring, and reporting obligations, and often include best management practices to preclude adverse impacts to groundwater. The State Water Resources Control Board (SWRCB) and Santa Ana RWQCB are the resource agencies that implement water quality laws and would regulate project activities that could potentially impact surface water and groundwater.

Flood Hazard

The Federal Emergency Management Agency (FEMA) has prepared flood insurance rate maps (FIRM) in order to identify those areas that are located within the 100-year floodplain boundary, termed "Special Flood Hazard Areas" (SFHAs). A 100-year flood refers to a flood level with a 1% chance of being equaled or exceeded in any given year. If a property is located within a SFHA, as shown on a flood map published by FEMA, the National Flood Insurance Reform Act of 1994 requires mortgage lenders and servicers to require flood insurance for any loan secured on the property. The purpose of the National Flood Insurance Program (NFIP) designations is to encourage state and local governments to wisely use the lands under their jurisdictions by considering the hazard of flood when rendering decisions on the future use of such lands, thereby minimizing flood damage.

DISCUSSION OF IMPACTS

a) Would the project violate any water quality standards or waste discharge requirements?

Less than Significant Impact

Development of the proposed project can result in two types of water quality impacts: 1) short-term impacts due to construction related discharge of pollutants and through wind and water driven erosion of soil; and 2) long-term impacts from buildings, roads, parking lots (impervious surfaces) that prevent water from being absorbed back into the ground which also results in increase rate and flow of stormwater runoff. Runoff can contain pollutants such as oil, fertilizers, pesticides, trash, soil, and animal waste. These pollutants flow into water bodies such as lakes, streams, rivers, and ultimately drain into the ocean. The increased urban runoff also leads to increase in intensity of flooding and erosion.

Construction Pollutants Control

Clearing, grading, excavation, and construction activities associated with development may impact water quality through sheet erosion of exposed soils and subsequent deposition of particles and pollutants in drainage areas. Land disturbances due to project grading, and excavations would potentially increase soil erosion and off-site conveyance of soil particles in the stormwater runoff.

Through the Clean Water Act (CWA), the USEPA has established regulations under the NPDES program to control direct storm water discharges in order to ensure that water quality standards are upheld. Point source discharges are regulated through the local Regional Water Quality Control Board (RWQCB). Chino Hills is within the Santa Ana Regional Water Quality Control Board (SARWQCB) that is responsible for the issuance of waste discharge requirements, construction stormwater runoff permits, and NPDES permitting. Chino Hills participates as a "co-permittee" under the NPDES Permit and pursuant to such permit, has determined to review and amend its

municipal ordinance to ensure it has the adequate legal authority as may be necessary to carry out the requirements of the NPDES Permit and accomplish the requirements of the Clean Water Act.

New development projects must comply with San Bernardino County's Municipal Stormwater Permit in the Santa Ana Region (Order No. R8-2002-0012). This permit incorporates by reference the Drainage Area Management Plan (DAMP). The DAMP requires new developments to implement appropriate routine structural and nonstructural BMPs. BMPs for new development projects are subject to the Water Quality Management Plan (WQMP) requirements pursuant to Section 7 of the DAMP. Examples of routine structural BMPs include filtration, common area runoff minimizing landscape, energy dissipaters, inlet trash racks, and water quality inlets. Routine nonstructural BMPs include litter control, inspection and maintenance of catch basins, and spill contingency plans.

Projects proposed on land exceeding one-acre in size are subject to NPDES GCP program (Permit No. CAS000002). The applicant is required to submit a Notice of Intent (NOI) to the SARWQCB prior to the commencement of construction activities. In addition, a SWPPP must be prepared and implemented at the site. The SWPPP would include post-construction requirements for design facilities that capture and treat 80% of the storm water at the site before it is allowed to flow into the storm drain system and/or capture and treat the first 0.75 inch of rainfall before it is discharged into the stormwater system. A copy of the SWPPP will be maintained at the site at all times and all construction BMPs identified in the SWPPP will be implemented during construction activities. Revisions to a SWPPP for future implementation of hydrological functions such as landscape design and irrigation features will be added as required.

Implementation of NPDES, SWPPP, DAMP, compliance with the standard conditions, and BMPs would reduce construction-related and operation-related stormwater impacts to less than significant and no mitigation measures are required.

Operational Pollutant Controls

The project will increase impervious surfaces on the site. Prior to the issuance of building permits, new projects are required to provide provisions for structural and treatment control through BMPs. Per the City of Chino Hills Municipal Code Chapter 13.16 Storm Drain System, the applicant must identify site design/source control BMPs and treatment control BMPs that would be used to reduce or avoid potential water quality impacts to the maximum extent practicable.

Post development flows from the site would be conveyed via storm drains to the four (4) proposed detention basins; one basin is located at the southeast corner of each of the four (4) parcels within the project site (see **Figure 2.10**). The basins would serve to detain and filter runoff by allowing the runoff to drain through and be treated by engineered fill and gravel filters before returning to the on-site drainage system. These basins would be trapezoidal in shape, with 2:1 to 4:1 side slopes, having varying widths and lengths, from 4 foot deep to the top of the filter media layer, with total depth of media gravel of approximately 3 feet.

Moreover, future business park uses that may include fuel dispensing or handling of liquids must comply with Chapter 3.16.140 Spill Containment, of the municipal code. This section requires the use of spill containment systems such as dikes, walls, barriers, berms, or other devices designed to contain spillage of the liquid contents of containers. Spill containment systems must be constructed of impermeable and nonreactive materials to the liquids being contained. Compliance with these

requirements would limit the potential for fuels or similar liquid pollutants to reach surface waters downstream of the site.

Overall, effective site design, source control, and treatment control BMPs such as the use of water quality retention basins would alleviate the anticipated and expected pollutants that are of concern during the operational phase of the proposed project. Therefore, the project would not violate any water quality standards or waste discharge requirements and would have a less than significant impact.

b) Would the project substantially deplete groundwater supplies or interfere substantially with groundwater recharge such that there would be a net deficit in aquifer volume or a lowering of the local groundwater table level (e.g., the production rate of pre-existing nearby wells would drop to a level which would not support existing land uses or planned uses for which permits have been granted)?

Less than Significant Impact

Geotechnical data (**Appendix D**) indicates depth to groundwater beneath the site is approximately 42 to 48 feet below ground surface. Due to this depth, the project site does not represent a substantial source of recharge.

Development of the proposed project would not result in any substantial changes in the quantity of existing groundwater supplies. No groundwater extraction activities would occur and no wells would be constructed or utilized. There would be a decrease in the percolation of water from the site and into groundwater due to new impervious surfaces on-site; however; the project incorporates four detention basins that are lined with gravel filter media that allow for percolation into the soil under most storm events. In heavy storms, the design of the system allows the heavy flows to bypass the treatment system and enter the existing drainage network as under current conditions.

In sum, project construction and operation would not interfere substantially with groundwater recharge such that there would be a net deficit in aquifer volume or a lowering of the local groundwater table level. Therefore, impacts are considered less than significant and no mitigation measures are required.

c) Would the project substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, in a manner which would result in substantial erosion or siltation on- or off-site?

Less than Significant Impact

The eastern boundary of the project site abuts the Chino Creek Channel while the southern property boundary abuts the Los Serranos Channel. Both are part of the San Bernardino County flood control network and have been channelized to protect against erosion and scour. The site itself is undeveloped land that was previously used for agricultural operations and is not equipped with control measures to alleviate soil erosion.

The primary potential for erosion and siltation impacts would occur during the construction phase (e.g., grading, clearing, and excavating activities) of the proposed project. Implementation of the

NPDES permit requirements would reduce potential erosion, siltation, and water quality impacts resulting from the project, as discussed above under checklist response Section 3.9a).

Once developed and occupied, 85% of the site would be paved. Introduction of hard surfaces on the property may increase surface water velocities and rate of flow which has the potential to cause water driven erosion downstream of the property. The proposed drainage system would mimic current drainage patterns by collecting and transporting runoff to the southeast of each parcel where it will be captured for treatment in one of four basins. These basins are designed to allow sediment to settle out of the stormwater and would detain water on-site except under the design year storm event, ensuring that water leaving the property occurs at a rate equal to predevelopment conditions. For these reasons, the project would not result in alteration of streams or substantial erosion and/or siltation on-or-off site. Therefore, impacts are considered to be less than significant.

d) Would the project substantially alter the existing drainage pattern of the site or area, including through the alternation of the course of a stream or river, or substantially increase the rate or amount of surface runoff in a manner which would result in flooding on- or off-site?

Less than Significant Impact

Short term construction activities include excavation and compaction of fill soils to meet density and moisture requirements. Subsequent to remedial grading, fine grading to create development pads and establish drainage patterns would be conducted. The grading concept retains existing drainage pattern across the site with post development flows traveling to the southeast ultimately entering the Chino Creek channel.

Long term operation of the project would increase runoff volume and flow rates during a design year storm event over existing conditions. On-site runoff would be collected by downspouts, area drains and catch basins and conveyed by a network of storm drains ranging in size from 30 to 48 inches. Runoff would be directed to one of four detention basins where it is detained and filtered (see **Figure 2.0-11**). **Table 4.9-1** depicts the runoff rates on the project site during a 10 year and 100 year storm event.

Table 3.9-1
POST DEVELOPMENT FLOWS

Drainage Area/Node	Size (Acres)	Q10 (CFS)	Q100 (CFS)
A-1/102	3	6.7	10.4
A-2/201	6.4	18	28.1
A-3/301	5.3	25.6	40.4
A-4/401	4.7	31.9	50.5
A-5/501	4.1	37.1	58.7
A-6/601	8.6	48.3	76.7

Source: Albert Webb Associates 2014

As shown, development of the site as proposed would generate a rate of flow during a 100 year storm event of approximately 76.7 cubic feet per second. The proposed drainage system has been designed to accommodate these flows. Each detention basin includes concrete inlets with an outflow rate equal to the 100 year storm event inflow rate. This design serves to limit the storm water depth within the basins so that the top one foot of basin depth is available as freeboard in order to prevent on-site flooding. The Chino Creek drainage, as part of the San Bernardino flood control system, is also sized to accommodate 100 year flood events. For these reasons, development and occupation of the project would not result in flooding on-or off-site and impacts are considered to be less than significant.

e) Would the project create or contribute runoff water which would exceed the capacity of existing or planned storm water drainage systems or provide substantial additional sources of polluted runoff?

Less than Significant Impact

As discussed above under response to checklist question 3.9(d), the proposed project includes an on-site drainage system that has been designed to provide sufficient capacity to accommodate a 100 year storm event and the existing storm drainage network is designed to accommodate peak flows during a 100 year storm.

As discussed above under response to checklist question 3.9 (a) above, short-term construction and long-term operations would not result in a significant increase of polluted stormwater runoff. Compliance with NDPES, SWPPP, and DAMP regulations would limit these potential impacts to water quality. Therefore, a less than significant impact would occur.

f) Would the project otherwise substantially degrade water quality?

Less than Significant Impact

The proposed project is required to comply with the provisions within NDPES, develop and implement a SWPPP, and adhere to the site, source, and treatment control BMPs identified within the SWPPP. These BMPs are designed to prevent erosion, siltation, and reduce the pollutants entering the storm water system. The project also does not involve removal or contact with existing groundwater.

Compliance with all the applicable rules and regulations would indeed reduce the direct or indirect environmental impacts caused during construction and post-construction operations toward water quality. Project impacts are considered to be less than significant.

g) Would the project place housing within a 100-year flood hazard area as mapped on a federal Flood Hazard Boundary or Flood Insurance Rate Map or other flood hazard delineation map?

No Impact

The Federal Emergency Management Area (FEMA) Flood Insurance Rate Map (FIRM), Panel 06071C8500HJ, identified the proposed site as lying within Zone X. Zone X is characterized as moderate to low risk areas for FEMA flood hazard zones. Construction and operation of the proposed project would not result in placement of housing in flood hazard area and no impact is expected.

h) Would the project place within a 100-year flood hazard area structures which would impede or redirect flood flows?

Less than Significant Impact

The project site is designated as Zone X, which are areas with an annual chance of flooding of between 1% and 0.2%. The project does not propose to place any structures within a 100-year flood hazard zone so the project would not impede or redirect flood flows. Therefore, the proposed project would have less than significant impact.

i) Would the project expose people or structures to a significant risk of loss, injury or death involving flooding, including flooding as a result of the failure of a levee or dam?

Less than Significant Impact

There are two small dams within the City of Chino Hills: Los Serranos Lake¹ (also known as Rancho Cielito Reservoir) and Chino Ranch No. 1 Dam (also known as Arnold Reservoir²) which could cause localized flooding if damaged. However, the project site is not in an area prone to flooding and is outside the 100 year flood hazard zone as discussed above. In addition, reservoir owners are required to regularly inspect their dams for safety under supervision from the Department of Water Resources, Division of Safety of Dams (DSOD). For these reasons, the possibility of inundation in the

Los Serranos Lake is approximately 0.6 miles west of the project site.

² Arnold Reservoir is approximately 5.2 miles west of the project site.

event of a catastrophic dam failure is considered as remote and impacts would be less than significant.

j) Would the project cause inundation by seiche, tsunami, or mudflow?

Less than Significant Impact

Seiches, tsunamis, and mudflows are all hazardous conditions related to the movement of substantial amounts of water. They tend to occur as a result of a natural disaster or during heavy storms. Seiches are large earthquake-generated waves that occur in rivers, lakes, reservoirs, ponds, and any other onshore large body of water. Unlike tsunamis, they do not occur in the ocean. Tsunamis only occur in the ocean and are large, earthquake-generated waves that start offshore and travel to the coast. Mudflows are defined as fast-moving landslides made of mud and debris, typically caused by heavy rainfall or melting snow in steep hillsides.

The project site is located inland at an elevation of 600 feet above msl and approximately 42 miles from the Pacific Ocean and would not result in hazards or inundation from tsunamis. Since there is no existing large water storage reservoirs or other enclosed bodies of water near the vicinity of the project site hazards from seiches are considered negligible. According to the California Emergency Management Agency this location is not within a tsunami hazard zone. The site is not mapped within landslide hazard zone as shown in the state's Seismic Hazard Zone Report. Hence, the potential for seismically-induced landslides or debris flows is considered less than significant.

3.10 LAND USE AND PLANNING				
Would the project:	Potentially Significant Impact	Less than Significant with Mitigation Incorporated	Less than Significant Impact	No Impact
a) Physically divide an established community?				X
b) Conflict with any applicable land use plan, policy, or regulation of an agency with jurisdiction over the project (including, but not limited to the general plan, specific plan, local coastal program, or zoning ordinance) adopted for the purpose of avoiding or mitigating an environmental effect?			Х	
c) Conflict with any applicable habitat conservation plan or natural community conservation plan?				Х

ENVIRONMENTAL SETTING

The 36.92 acre project site is characterized as vacant, disturbed land that was historically cultivated with row crops. Agricultural operation has ceased and the site is barren except for a small strip of Chinese ornamental lotus (see **Photo 1**). Irrigation lines remain on-site placed in a parallel pattern across the landscape (see **Photo 2**). Ancillary agricultural related sheds (see **Photo 3** and **4**) and several mature trees are present in the central portion of the property adjacent to the Chino Creek Channel. Utility easements for a natural gas pipeline and sanitary sewer line traverse the site roughly from east to west in the northern half of the project site.

Figure 3.10-1 EXISTING CONDITIONS PHOTOGRAPHS

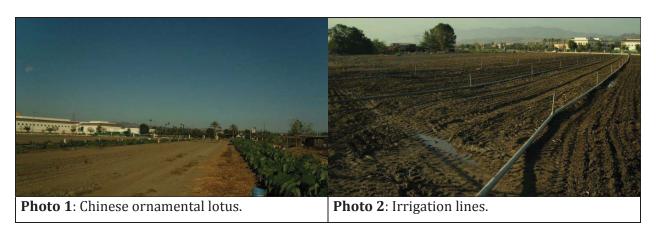




Photo 3: Agricultural related shed.

Photo 4: Storage

REGULATORY SETTING

The project site is under the jurisdiction of the City of Chino Hills and therefore would be subject to policies and regulations designed to reduce environmental impacts as found in the City of Chino Hills General Plan and Municipal Code.

The City of Chino Hills General Plan is a policy document designed to give long range guidance for decision-making affecting the future character of the City planning area. It represents the official statement of the community's physical development as well as its economic, social, and environmental goals.

The City of Chino Hills Municipal Code establishes the basic regulations under which land is developed and utilized. This includes allowable uses, building setback requirements, and other development standards.

Of particular note to this project is Measure U (Ordinance 123), which was adopted on November 23, 1999. Measure U states that:

"The maximum density of any land designated for residential density shall not exceed the density established by the Chino Hills Specific Plan, the Chino Hills General Plan, the Zoning Map, or any finalized development agreements in place prior to the passage of the Initiative. Any increase in density greater than that specified above must be approved by a majority vote of the electorate of the City. However, the City Council of the City of Chino Hills may reduce the density of any land designated for residential use. Notwithstanding the fore-going, the City Council may increase residential density as necessary to meet the City's minimum mandated Housing Element requirements as set forth in California Government Code §65580, et seq., as amended from time to time, including, without limitation, the City's share of regional housing needs.

Any land within the City designated for a non-residential use shall not be converted to a residential use without a majority vote of the electorate of the City. Notwithstanding the foregoing, the City Council may increase residential density as necessary to meet the City's minimum mandated Housing Element requirements as set forth in Government Code §65580 et seq., as amended, from time to time without limitation, the City's share of regional housing needs. The City Council may also redesignate non-residential property to residential property as part of a simultaneous transfer of zoning designations between residential and non-residential properties provided that the net effect of the transfer does not increase the total number of residential units allowed on the properties in the transfer. Additionally, while transfers of land use designations within a planned

development shall be permitted in accordance with the transfer standards contained in this paragraph, planned development zoning cannot be transferred to any other property in the City."

DISCUSSION OF IMPACTS

a) Would the project physically divide an established community?

No Impact

The project site is a rectangular lot that consist of vacant land that was previously disturbed by agricultural uses. The proposed project would not adversely impact land uses within the area or act as a physical barrier within the surrounding community, as the site is surrounded by similar development on all sides, and the project consists of an infill development in an urbanized area. Therefore, the proposed project would not physically divide an established community, and no impact would occur.

b) Would the project conflict with any applicable land use plan, policy, or regulation of an agency with jurisdiction over the project (including, but not limited to the general plan, specific plan, local coastal program, or zoning ordinance) adopted for the purpose of avoiding or mitigating an environmental effect?

Less than Significant Impact

Currently, the entire project site is designated and zoned for Business Park (BP). This land use designation primarily includes small and large-scale businesses involved in research and development, light manufacturing, distribution, or support services, as well as a variety of commercial uses.

As described in Chapter 3.0, Project Description, the applicant is proposing a General Plan amendment to change 14.73 acres of the 36.92-acre project site from Business Park to Very High Density Residential and a zone change to amend the designation on 14.73 acres of the site from Business Park (BP) to Very High Density Residential (RM-3) use. The very high density residential designation is intended to provide housing options for all income levels adjacent to shopping and employment areas. Densities of up to thirty-five (35) units per gross acre are permitted.

The residential portion of the project as proposed is at a density of 23.4 dwelling unit per acre (du/acre), while the business park is developed at an FAR of 0.43:1. This is consistent with the density and lot coverage restrictions for the intended uses. The physical impacts associated with development as proposed are described throughout Chapter 3.0, Environmental Checklist, of this Initial Study. A consistency evaluation that considers the project against adopted and proposed General Plan policies is provided below in **Table 3.10-1**, Adopted and Proposed General Plan Policy Consistency Analysis. These proposed policies cross reference existing General Plan policies. The public review comment period for the proposed General Plan Update Draft EIR recently ended on September 9, 2014 and adoption of the proposed General Plan Update will likely occur after the proposed project's approval process¹. To ensure that the consistency analysis for the proposed project would be applicable either with or without the adoption of the new General Plan, both existing and proposed General Plan policies are included in the consistency analysis.

Construction of the proposed project is scheduled to begin second quarter of 2015.

❖ Environmental Analysis ❖

The proposed project meets the main objectives of the land use plans and ordinances governing the project site and appropriately balances the requirements of the zoning code with and associated development limitations of the project site. Moreover, as demonstrated throughout this Initial Study, the proposed project would not result in any unmitigated significant adverse environmental impacts or detract from the objectives of any plans, policies, or regulations adopted for the purpose of avoiding or mitigating an environmental impact. Impacts would be less than significant.

Table 3.10-1
GENERAL PLAN POLICY CONSISTENCY ANALYSIS

	CHAPTER 1. LAND USE ELEMENT POLICIES				
Existing 1994 General Plan	Proposed 2014 General Plan Update	Consistency Analysis			
Major Goal 1: Preserve Rural Character. Focused Goal 1-1: Retention of important ridgelines and open space areas.	Policy LU-1.1: Preserve Chino Hills' Rural Character by Limiting Intrusion of Development into Natural Open Spaces. [Existing Major Goal 1 and Focused Goal 1-1, modified]	Consistent. The project is proposed on land that is designated and zoned for developed use by the General Plan and Chino Hills Municipal Code, respectively.			
Policy 1-17: Prohibit new development from obstructing public views from arterial streets of significant open spaces or important viewsheds.	Action LU-1.1.2: Discourage new development from obstructing public views of extremely prominent ridgelines, prominent ridgelines, knolls, significant open spaces, or important visual resources as identified in the Municipal Code. [Same as existing Policy 1-17]	Consistent. The project site is relatively flat and does not contain important visual resources such as ridgelines, knolls, or outcroppings identified in Chapter 16.08.020 of the Municipal Code.			
Policy 1-12: Ensure that new development conforms to the unique natural setting of each area and site, retaining the character of existing landforms and preserving significant native vegetation.	Action LU-1.1.3: Ensure that new development conforms to the unique natural setting of each area and site, retaining the character of existing landforms and preserving significant native vegetation. [Same as existing Policy 1-12]	Consistent. The project site is an infill parcel that has been heavily disturbed by ongoing agricultural cultivation. Little native vegetation or natural landforms are found on the property.			
Policy 1-5: Ridgelines and natural slopes shall be dedicated to and maintained by the City; other landscaped areas shall be dedicated/maintained as provided in City policy.	Action LU-1.1.4: Continue to require ridgelines and natural slopes to be dedicated and maintained as open space as required by the Municipal Code. [Existing Policy 1-5, modified]	Not Applicable. The site is relatively flat and absent prominent ridgelines or slopes that are protected by code.			

Policy 1-13: Determine open space requirements for new projects based on the slope of the land. Require that a percentage of required open space be left in its natural state.	Action LU-1.1.5: Maintain open space requirements for new development based on the slope of the land as required by the Municipal Code; and require that a percentage of required open space be left in its natural state. [Same as existing Policy 1-13]	Consistent. The site is heavily disturbed by current and historic agricultural operations and is relatively flat. The project design incorporates 15% of the site as landscaped open space consistent with Chapter 16.08.070 Open Space Requirements of the Chino Hills Municipal Code.
Policy 1-14: Cluster residences where appropriate to minimize grading and roadway and driveway intrusion into sensitive habitat areas. Clustering is specifically encouraged in areas abutting preserved open space and Chino Hills State Park.	Action LU-1.1.6: Cluster development where appropriate to minimize grading, and roadway and driveway intrusions into sensitive habitat areas, open spaces, and Chino Hills State Park. [Existing Policy 1-14, modified]	Consistent. The project site is disturbed by agricultural cultivation and does not contain sensitive habitat. The eastern perimeter of the project site is adjacent to Chino Creek Channel. The proposed project incorporates a 10 foot landscaped setback with split rail fencing to buffer the drainage from development and the proposed drainage system includes a series of retention basins that hold runoff on-site. No discharge of runoff into the creek would occur under normal storm events. No driveways or roadway extensions are proposed by the project that would extend across the drainage.
Principal 2: Terrain suitable for housing may include a variety of level rolling, and hillside sites, but should not include steep or irregular sites, poorly drained areas, and slopes over 30%.	Action LU-1.1.7: Discourage development on slopes over 30%. [Same as existing Principal 2]	Not Applicable . The project site does not contain slopes of 30% or greater.
Principal 1-h: Natural features such as streams, rock outcroppings, and unique vegetative clusters should be preserved.	Action LU-1.1.9: Promote preservation of natural features such as streams, rock outcroppings, and unique vegetative clusters. [Existing Principal 1-h]	Consistent. Per CHMC Chapter 16.30, the project is located within 200 feet of Chino Hills Parkway; however; the site is an infill parcel located within a relatively urbanized area that is vacant, relatively flat and does not contain important natural features such as streams, rock outcroppings, or unique vegetative clusters.

		<u>, </u>
Policy 1-4: Use dedicated open space, as opposed to built barriers, as a buffer between development areas, wherever possible.	Action LU-1.1.10: Use dedicated open space, as opposed to build barriers, as a buffer between development areas, wherever possible. [Same as existing Policy 1-4]	setbacks that vary in width dependent upon the proposed use. Consistent with section 16.10.030, Development Standards, the residential portion of the project incorporates a 20 foot landscaped front setback from adjacent roadways and a 10 foot rear yard setback along the creek. A 12-foottall concrete tilt up wall, landscape setback and surface parking would buffer the apartment buildings from proposed business park to the south along the side yard property line. The proposed business park contains setbacks consistent with Section 16.14.040, Development Standards. A 25-foot building setback that includes landscaping is proposed along Fairfield Ranch Road, a 10-foot building setback that includes landscaping would extend along the southern perimeter and a 40-foot building setback that includes landscaping would extend
Policy 1-15: Require contour grading, and encourage grading techniques that stimulate the varied gradients and rounded contours of natural landforms.	Action LU-1.1.11: Require contour grading, and encourage grading techniques that simulate the varied gradients and rounded contours of natural landforms. [Same as existing Policy 1-15]	along the eastern perimeter of the business park. Not Applicable. The project site is relatively flat and does not contain hills or slopes. All grading would occur consistent with chapter 16.50.030, Grading guidelines applicable to all projects, of the Chino Hills Municipal Code. Also, refer to Action CN-1.1.6.
This policy was not part of the 1994 General Plan.	Action LU-1.1.14: Discourage development intrusions on biological resources. [New]	Consistent. The project site is disturbed from use as farmland and represents an infill parcel that is designated for urban use by the General Plan.

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Policy 1-3: Retain natural drainage courses in all cases where an independent hydrologic review of a specific development project finds that such preservation of natural drainage is physically feasible and where preservation of the natural feature will not render the subject project	Action LU-1.1.15: Retain natural drainage courses in all cases where an independent hydrologic review of a specific development project finds that such preservation of natural drainage is physically feasible and where preservation of the natural feature will not render the subject project economically unviable.	Not Applicable. The project site does not contain a natural drainage course that would be disturbed by development.
economically inviable. Policy 4-5: Natural areas and new residential development shall be buffered by fire-resistive landscape transition zones.	[Same as existing Policy 1-3] Action LU-1.1.16: Use designated fuel modification zones to buffer natural areas and new residential development. [Existing Policy 4-5, modified]	Not Applicable. The project site is an infill parcel surrounded by urbanized use. The residential component of the project design incorporates a 10 foot rear yard setback and the business park component of the project design incorporates a 40-foot rear yard setback along the eastern perimeter of the project site to buffer development from the adjacent Chino Creek Channel.
Focused Goal 1-2: Preservation of important view sheds.	Policy LU-1.2: Preserve and enhance the aesthetics resources of Chino Hills, including the City's unique natural resources, roadside views, and scenic resources. [Existing Focused Goal 1-2 modified]	Consistent. Chino Hills Parkway is a city-designated scenic highway that provides scenic views to the west (upon entering Chino Hills from Chino). The project site is located immediately south from Chino Hills Parkway and would not obstruct views for those entering Chino Hills from its eastern entryway. The project meets the landscape requirements of the Chino Hills Municipal Code for residential and business park uses. All landscaping and irrigation would comply with landscape and water conservation guidelines of the development code.

Policy 1-20: Minimize the visual impacts of development adjacent to prominent ridges through setbacks and landscaping, especially near major canyons.	Action LU-1.2.1: Continue to protect City designated extremely prominent ridgelines, prominent ridgelines, and knolls from intrusion by development. [Existing Policy 1-20, modified]	Not Applicable. The site is relatively flat and absent from prominent ridgelines or slopes that are protected by Municipal Code Section 16.08.030, Important Visual Resources Defined. The project site straddles the City's eastern boundary and would not obstruct views of visual resources within the City.
Policy 1-1: Permit project development only in accordance with the Specific Plan and the Development Code. Implementation of this goal for individual projects will begin at the Preliminary Development Plan stage and continue to be refined throughout the development review process. Policy 1-9: Emphasize existing rural equestrian orientation along trails and roads by encouraging theme architecture and canopy trees which complement equestrian activities.	Action LU-1.2.2: Require buildings to be designed and to utilize materials and colors to blend with the natural terrain in hillside areas and adjacent to public open spaces, extremely prominent ridgelines, prominent ridgelines, knolls, or important visual resources as identified in the Municipal Code. [Existing Policy 1-1 and Policy 1-9, modified]	Not Applicable. The site is not located adjacent to public open spaces, ridgelines, or other prominent visual features listed in Municipal Code Section 16.08.030, Important Visual Resources Defined.
Policy 1-19: In conjunction with project development, contour disturbed areas that are to be retained as open space to blend with natural slopes and revegetate the open space with native plants.	Action LU-1.2.4: In conjunction with project development, contour disturbed areas that are to be retained as open space to blend with natural slopes, and revegetate the open space with native plants. [Same as existing Policy 1-19]	Not Applicable. The site is an infill parcel that is relatively flat. Project grading would be conducted consistent with chapter 16.50.030, Grading guidelines applicable to all projects, of the Municipal code.
Policy 1-21: Minimize the visual bulk of new hillside development with the following techniques: • Building envelope step-back provisions that limit the height of down-Slope building walls and encourage hillside houses to step with the topography; • Site designs that express the	Action LU-1.2.5: Minimize the visual bulk of new development through implementation of the City residential and non-residential design guidelines. [Existing Policy 1-21, modified]	Consistent. Project is designed consistent with the building height, coverage and density standards established under the municipal code for residential (Chapter 16.10.030) and business park uses (Chapter 16.14.040) as well as landscaping requirements (Chapter 16.07). The project would adhere to the City's residential (CHMC Chapter 16.10) and non-residential design guidelines (CHMC Chapter 16.09).

A .: 1114.07 D .:	
	Consistent. Project is designed to meet the
	landscape requirements of the municipal code
[Existing Policy 1-5, modified]	for residential and business park uses (15%). All
	landscaping and irrigation would comply with
	plant palette and water conservation guidelines
Doligy I II 2 1. Engure that dayslanment of	outlined in chapter 16.07 of the code. Consistent. With 8,775 jobs and 22,996 housing
	units, the City has a current jobs-to-housing
	balance of 0.38 (City of Chino Hills, 2014).
1	Buildout of the project would generate
	approximately 353 new jobs based on regional
[Externity 1 oney 5.7, mounted]	employment density estimates for the light
	industry category (Natelson Company 2001),
	which would improve the jobs housing balance.
	In addition the project also provides residential
	opportunities in walking distance to these jobs.
	Action LU-1.2.7: Dedicate and maintain landscaped areas as required by the City. [Existing Policy 1-5, modified] Policy LU-2.1: Ensure that development of commercial and business uses are balanced with the predominantly residential character of Chino Hills. [Existing Policy 3.9, modified]

This policy was not part of the 1994 General Plan.	Action LU-2.1.1: Ensure that new commercial and business development is consistent and compatible with the existing character of the community and meets City development standards. [New]	Consistent. The project is designed to promote compatibility with the existing character of the community by incorporating landscaped setbacks, and proposing structures that meet the height, massing, and coverage requirements of the municipal code. Project also meets the standards for business park uses outlined in chapter 16.09 Non-residential Design Guidelines, of the Municipal Code.
This policy was not part of the 1994 General Plan.	Action LU-2.1.3: For new developments, provide appropriate buffers between traffic intensive land uses and roadways and residential uses. [New]	Consistent. The project incorporates building setbacks with landscaping that vary in width dependent upon the proposed use. Consistent with Chapter 16.10.030, Development Standards, the residential portion of the project incorporates a 20 foot landscaped front setback from adjacent roadways and a 10 foot side yard and rear yard setback along the creek. A 12-foottall concrete tilt up wall, landscape setback and surface parking would buffer the apartment buildings from proposed business park to the south.
This policy was not part of the 1994 General Plan.	Policy LU-2.2: Ensure balanced residential development. [New]	Consistent. The 2014-2021 Housing Element Update provides a range of housing types to meet the needs of all economic segments of the community. Included as an action in the Housing Element was implementation of a General Plan and Zoning update to allow for conversion of portions of the Tres Hermanos property from Commercial to Very High Density Residential Density with a density of up to 35 dwelling units per acre. Among the General Plan amendment required to implement the proposed Fairfield Ranch Commons project is a Housing Element amendment to transfer 346 Very High Density

		Residential Units from Tres Hermanos Site A to the project site. The transfer of 346 Very High Density Residential Units from Tres Hermanos Site A to the project site is in compliance with Measure U as the transfer of units does not increase the total number of residential units allowed on the properties involved in the transfer. Once redesignated, the project site will allow for up to 35 units per acre. Pursuant to Government Code Section 65583, the project site must require a minimum gross density of 20 dwelling units per acre and allow multi-family by right without a conditional use permit, planned unit development or other discretionary action upon completion of the amendment. As proposed, the residential component of the project will have a gross density of 23.4 dwelling units per acre, which is consistent with the gross density requirements.
This policy was not part of the 1994 General Plan.	Policy LU-2.3: Ensure public land uses and utilities blend with surrounding development. [New]	Not Applicable. The project is not a public use or public utility.
Policy 1-8: Require underground utilities for all new development.	Action LU-2.3.1: Require underground utilities for all new development. [Same as existing Policy 1-8]	Consistent. The project plans underground all utilities consistent with Chapter 83.041120(c)(1)(a) Subdivision Design and Improvement Standards, of the municipal code.
This policy was not part of the 1994 General Plan.	Action LU-2.3.3: Require all utilities to be designed and installed in a manner that minimizes visual and environmental impacts. [New]	Consistent. The project plans underground all utilities consistent with Chapter 83.041120(c)(1)(a) Subdivision Design and Improvement Standards, of the municipal code. Refer to Action LU-1.2.5.

This policy was not part of the 1994 General Plan.	Action LU-2.4.4: Require development of the Tres Hermanos area to be planned through the Specific Plan or other master planning process acceptable to the City. [New]	Not Applicable. The project site is not located in the Tres Hermanos area of the City. Implementation of the proposed project does involve a Housing Element amendment to transfer very high density residential units to the project site, but would not interfere or otherwise obstruct the master planning process for this property.
Objective 3-1: Continue to strive towards the Southern California Association of Governments (SCAG) projected jobs/housing ratio for the year 2010 for the West San Bernardino Valley, which includes the city of Chino Hills, of 1.16 jobs per housing unit.	Policy LU-2.5: Promote land use patterns that support a regional jobs/housing balance. [Existing Objective 3-1, modified]	Consistent. Also refer to LU-2.1. With 8,775 jobs and 22,996 housing units, the City has a current jobs-to-housing balance of 0.38. Buildout of the project would generate approximately 353 new jobs based on regional employment density estimates for the light industry category (Natelson Company 2001), which would improve the jobs housing balance.
Policy 3-2: Concentrate major business park and commercial uses, which represent a potential employment base, near the Chino Valley Freeway corridor. Policy 3-3: All large region-serving commercial uses shall be located adjacent [to] the Chino Hills Freeway.	Action LU-2.5.3: Concentrate major business park and commercial uses that represent a potential employment base near the Chino Valley Freeway corridor and along major arterials. [Existing Policies 3-2 and 3-3, modified]	Consistent. The project site is located along the Chino Valley Freeway corridor and includes 14.37 acres of Business Park uses.
This policy was not part of the 1994 General Plan.	Policy LU-3.1: Maintain the character and quality of existing neighborhoods. [New]	Consistent. Project has been designed consistent with Chapter 16.06.130 General design compatibility and enhancement, of the municipal code. The project maintains an integrated architectural theme that is compatible with and complements surrounding properties.
This policy was not part of the 1994 General Plan.	Policy LU-3.2: Minimize traffic, noise, and other nuisance intrusions in residential neighborhoods. [New]	Consistent. The project would not extend a roadway through an established neighborhood. The project site plan incorporates building setbacks with landscaping, walls, and architectural details to minimize the intrusion of noise, light, and glare.

This policy was not part of the 1994 General Plan.	Action LU-3.2.1: Locate assembly and other neighborhood serving facilities on the perimeter of residential neighborhoods with access to a collector street. [Same as existing Principal 1-g]	Not Applicable. The project does not include public assembly space or neighborhood serving commercial uses.
Principal 1-e: Sidewalks should be provided along all streets. Where possible, sidewalks should also be provided in internal green belts.	Action LU-3.2.2: Provide sidewalks along all streets in residential neighborhoods; and where possible, provide sidewalks in internal green belts. [Same as existing Principal 1-e]	Consistent. The project includes a network of pathways internal to the property that links the residential buildings with the on-site amenities. The project also proposes construction of public sidewalks along Fairfield Ranch Road and Monte Vista Avenue.
Major Goal 1: Preserve Rural Character.	Policy LU-4.1: Promote high quality development. [Existing Major Goal 1, modified].	Consistent. The apartment community includes amenities such as a fitness center, lap pool, sports court, community courtyard and outdoor fireplace. Buildings incorporate high quality finishes such as concrete roof tile, stucco, and decorative tiles. The project design is subject to review by the Project Review Committee as part of the approval process to ensure the project complies with all City standards.
This policy was not part of the 1994 General Plan.	Action LU-4.1.3: Screen negative views through site planning, architectural, and landscape devices. [New]	Consistent. Project incorporates 10 foot setback planted with a dense row of evergreens along Chino Creek Channel, which separates the planned residential development from industrial uses to the east. Additionally, a 12-foot-tall concrete tilt up wall, landscape setback and surface parking would buffer the apartment buildings from proposed industrial uses to the south. The business park includes strategically placed concrete tilt up screen walls topped by a trellis to disrupt views of truck bays and parking from off-site locations.

This policy was not part of the 1994 General Plan.	Action LU-4.1.4: Discourage commercial signage that creates visual clutter and obstructs public views into the establishment. [New]	Consistent. The project would not include neighborhood serving retail space. Signage would be limited to monumentation at the primary driveways. The business park component of the project would adhere to CHMC Section 16.09.080 Sign guidelines for non-residential design guidelines.
Policy 2-6: All development within a recognized residential tract shall be of comparable exterior design and materials. The intent of this policy is to prevent partially completed residential tracts from being completed in a manner which is not aesthetically compatible with existing portions of the tract.	Action LU-4.1.5: Ensure that all development within a recognized residential tract is of comparable or superior exterior design and materials and in accordance with City residential design guidelines to prevent partially completed residential tracts from being completed in a manner that is not aesthetically compatible with existing portions of the tract. [Existing Policy 2-6, modified]	Not Applicable. The project does not involve buildout of a partially completed tract map.
Objective 2-2: Develop standards relative to trees, underplantings, and groundcovers for streets, center medians, parkways, parking lots, and trails.	Policy LU- 4.2: Utilize extensive landscaping to beautify Chino Hills' urbanized areas. [Existing Objective 2-2 modified]	Consistent. Project is designed to meet the landscape requirements of the municipal code for residential and business park uses. All landscaping and irrigation would comply with plant palette and water conservation guidelines outlined in Chapter 16.07 of the Municipal Code.
This policy was not part of the 1994 General Plan.	Action LU-4.2.2: Require landscaping to be continuously maintained in good condition. [New]	Consistent. Project would comply with Chapter 16.06.020 Maintenance of properties, of the municipal code that requires all property in the City to be maintained in a clean, neat, orderly, operable, and usable condition. The project would adhere to CHMC Chapter 16.07 Landscape and Water Conservation Guidelines.
This policy was not part of the 1994 General Plan.	Action LU-4.2.3: Promote landscape materials that consist of drought-resistant plant varieties complementary to the area. [New]	Consistent. All landscaping and irrigation would comply with plant palette and water conservation guidelines outlined in Chapter 16.07 of the Municipal Code.

This policy was not part of the 1994 General Plan.	Policy LU-5.1: Promote infill, mixed use, and higher density development. [New]	Consistent. The project site is an infill parcel along the Chino Hills freeway corridor. A variety of land uses occur in the immediate vicinity including residential, industrial, and institutional. While vertical mixed use is not proposed, the project includes both very high density residential and a business park component.
This policy was not part of the 1994 General Plan.	Action LU-5.1.1: Identify sites suitable for mixed use development within an existing urban service area and establish appropriate site-specific standards to accommodate the mixed uses. [New]	Not Applicable. This action is directed towards sites to be zoned Mixed Use. The project site is not proposed to be zoned Mixed Use.
This policy was not part of the 1994 General Plan.	Action LU-5.1.2: Identify mixed use development standards that support sustainable development. [New]	Not Applicable. This action is directed towards sites to be zoned Mixed Use. The project site is not proposed to be zoned Mixed Use.
This policy was not part of the 1994 General Plan.	Action LU-5.1.3: Coordinate land use patterns with transportation plans to improve and protect air quality, and reduce vehicular trips. [New]	Consistent. Project places very high density residential and employment generating business park uses along the Chino Hills freeway corridor.
This policy was not part of the 1994 General Plan.	Action LU-5.1.4: Plan for high density residential and mixed use development near commercial areas, major roadways, and transit facilities. [New]	Consistent. Project places very high density residential and employment generating business park uses along the Chino Hills freeway corridor.
This policy was not part of the 1994 General Plan.	Action LU-5.1.5: Encourage development to incorporate pedestrian and bicycle trails, fitness areas, and/or other facilities that promote healthy living. [New]	Consistent. The residential development includes amenities such as a fitness center, lap pool, and outdoor sports court. A system of paths links the units to these and other amenities.
CHAPTER 2. CIRCULATION ELEMENT POLICIES		
Existing 1994 General Plan	Proposed 2014 General Plan Update	Consistency Analysis
This policy was not part of the 1994 General Plan.	Policy C-1.1: Provide a comprehensive roadway network that supports the movement of people and goods in a safe	Consistent. The project includes an on-site roadway network of sufficient width and turning radius, including clear line-of-sight onto

Objective 1: Achieve and maintain Level of Service "D" on all roadway links and at all roadway intersections, with the exception, of intersections within 1/2 mile of the State Route 71 Expressway/ Freeway, where Level of Service "E" shall be maintained.	and efficient manner. [New] Action C-1.1.1: Achieve and maintain a minimum Level of Service D on all roadway links and at all roadway intersections, with the exception of intersections within one-half mile of the SR-71 Freeway, where a minimum Level of Service E shall be maintained. [Same as existing Objective 1]	surrounding roadways to provide for the safety and efficient movement of people and goods. Consistent. A traffic impact report has been prepared for the proposed project by Linscott Law & Greenspan (September 2014). This report found that with implementation of recommended mitigation, all studied roadway intersections would operate at acceptable levels of service.
Objective 2: Maintain San Bernardino County Congestion Management Program (CMP) highway system roadway links and intersections at Level of Service "E".	Action C-1.1.2: Maintain San Bernardino County Congestion Management Program (CMP) highway system roadway links and intersections at Level of Service E. [Same as existing Objective 2]	Consistent. A traffic impact report has been prepared for the proposed project by Linscott Law & Greenspan (September 2014). Included are measures to ensure the project would not cause vehicle congestion that exceeds acceptable levels of service.
Policy 2-7: In order to provide logical planning boundaries end to simplify issues of access, the City of Chino Hills supports the annexation into the city of the portion of Riverside County generally between Chino Hills and the Chino Valley (Highway 71) Freeway.	Action C-1.1.3: Require traffic impact analyses or traffic studies for private and public projects to ensure that discretionary development projects do not cause roadway congestion in excess of acceptable levels of service within Chino Hills, or on CMP roadway links or intersections. [Existing Policy 2-7, modified]	Consistent. A traffic impact report has been prepared for the proposed project by Linscott Law & Greenspan (September 2014). Included are measures to ensure the project would not cause vehicle congestion that exceeds acceptable levels of service.
This policy was not part of the 1994 General Plan.	Action C-1.1.4: Require new developments to provide for all roads within their boundaries and to pay their fair share of planned roadway improvement costs. [New]	Consistent. The project includes an on-site circulation system adequate for the intended use. The applicant must also pay development impact fees, including a traffic impact fee, which can be used to pay for improvements outlined in the City Capital Improvement Plan.

This policy was not part of the 1994 General Plan.	Action C-1.1.6: Continue to enforce heavy truck travel restrictions throughout the City. [New]	Consistent. The site is afforded good access to the SR-71 through a full interchange at Soquel Canyon Parkway/Central Avenue and a full interchange at Ramona Avenue/Chino Hills Parkway. Based on the trip distribution assumptions developed as part of the project traffic study, the majority of trips travel along state or principal routes as defined in the Circulation Element. The report estimates that up to 35 percent of heavy truck trips generated by project occupancy would travel along SR-71, which is designated as a state route.
This policy was not part of the 1994 General Plan.	Policy C-1.2: Create a safe, efficient, and neighborhood-friendly street system [New]	Consistent. The site plan has been reviewed by the City Project Review Committee against all relevant development and design standards. The committee includes representatives from the engineering department to ensure compliance with roadway design standards.
This policy was not part of the 1994 General Plan.	Action C-1.2.1: Minimize through traffic in residential neighborhoods through a variety of land use controls and traffic control devices. [New]	Consistent. The site is afforded good access to the SR-71 through a full interchange at Soquel Canyon Parkway/Central Avenue and a full interchange at Ramona Avenue/Chino Hills Parkway. Based on the trip distribution assumptions developed as part of the project traffic study, as much as 35 percent of heavy truck trips generated by project occupancy would travel along SR-71, which is a designated a state route.
Principal 1-c: Collector streets should be designed to circulate traffic within the neighborhood but discourage through traffic. [Note: this policy was part of the Land Use Element in the 1994 General Plan]	Action C-1.2.3: Design collector streets to circulate traffic within the neighborhood but discourage through traffic. [Same as existing Principal 1-c]	Consistent. The site plan has been reviewed by the City Project Review Committee against all relevant development and design standards. The committee includes representatives from the engineering department to ensure compliance with roadway design standards.

Principal 1-d: Local streets should serve primarily to provide access to homes and other properties. Local streets should not provide through access to and from properties not on the street. [Note: this policy was part of the Land Use Element in the 1994 General Plan]	Action C-1.2.4: Design local streets to primarily provide access to homes and other properties. [Same as existing Principal 1-d]	Consistent. The site plan has been reviewed by the City Project Review Committee against all relevant development and design standards. The committee includes representatives from the engineering department to ensure compliance with roadway design standards.
Policy 2-9: Require all development projects to meet mandatory standards with regard to vertical and horizontal alignments, access control, rights-of-way, cross-sections, intersections, sidewalks, curbs and gutters, cul-desacs, driveway widths and grades, right-of-way dedication and improvements, and curb cuts for the disabled.	Action C-1.2.5: Require all development projects to meet mandatory standards with regard to vertical and horizontal alignments, access control, rights of way, cross-sections, intersections, sidewalks, curbs and gutters, cul de sacs, driveway widths and grades, right of way dedication and improvements, and curb cuts for the disabled. [Same as existing Policy 2-9]	Consistent. The site plan has been reviewed by the City Project Review Committee against all relevant development and design standards. The committee includes representatives from the engineering department to ensure compliance with roadway design standards.
This policy was not part of the 1994 General Plan.	Action C-1.2.7: Provide adequate sight distances for safe vehicular movement at a road's design speed and at all intersections as consistent with City and Caltrans standards. [New]	Consistent. The site plan has been reviewed by the City Project Review Committee against all relevant development and design standards. The committee includes representatives from the engineering department to ensure compliance with roadway design standards.
Policy 2-10: Prohibit direct driveway access from individual residences to major arterials, major highways, and secondary highways.	Action C-1.2.8: Prohibit direct driveway access from individual residences to major arterials, major highways, secondary highways, and collectors. [Same as existing Policy 2-10]	Consistent. None of the residential units are accessed by surrounding roadways. All parking spaces and carports are accessible via the on-site circulation system.

This policy was not part of the 1994 General Plan.	Action C-1.2.9: Require driveway placement to be primarily designed for safety and, secondarily, to enhance circulation. [New]	Consistent. Project is designed to ensure adequate sight distance at all driveways by minimizing obstructions (i.e. landscaping and hardscape/walls/monument signs) within "clear corner areas" on either side of the driveways. Landscaping and hardscapes are designed so a driver's clear line of sight is not obstructed and does not threaten vehicular or pedestrian safety.
This policy was not part of the 1994 General Plan.	Action C-1.2.10: Plan access and circulation of each development project to accommodate vehicles (including emergency vehicles and trash trucks), pedestrians, and bicycles. [New]	Consistent. An assessment of the proposed site plans for the apartment and business park components of the Project indicates that a (SU-30) service truck and fire truck, as well as a large truck (WB-65) can access and circulate throughout the site.
This policy was not part of the 1994 General Plan.	Action C-1.2.11: Require adequate off- street parking for all developments. [New]	Consistent. Street parking is currently permitted along the roadways fronting the project. This condition would remain unchanged with construction and operation of the project.
This policy was not part of the 1994 General Plan.	Policy C-3.1: Encourage the use of public transportation for commute and local, and increase citywide transit ridership. [New]	Consistent . Proposed project includes very high density residential component. Project site is located within 1 mile of transit stop so the project would contribute to ridership.
Policy 2-16: Require bus turn-outs and shelters in residential, commercial, and industrial public use areas.	Action C-3.1.3: Require bus turn-outs in residential, commercial, and industrial public use areas. [Same as existing Policy 2-16]	Not Applicable. Appropriate bus service facilities already exist in the project area.
This policy was not part of the 1994 General Plan.	Policy C-3.2: Support other alternatives to single occupant vehicular travel. [New]	Consistent. The project places very high density residential development adjacent to existing and planned employment centers.
This policy was not part of the 1994 General Plan.	Action C-3.2.1: Work with the Chino Valley Unified School District to implement ride sharing, bike routes, and other non-single	Consistent. The project is located within 0.25 mile of Chaparral Elementary and is near to a dedicated bike path along Chino Hills Parkway.

	occupant vehicle transportation options. [New]	Construction and operation of the project at this location affords the students an opportunity to walk or ride a bike to school.
This policy was not part of the 1994 General Plan.	Action C-3.2.3: Support the citywide Bicycle Master Plan and bikeway improvements. [New]	Consistent. The project would place housing and employment opportunities near a dedicated bike path along Chino Hills Parkway. Construction and operation of the project at this location affords residents an opportunity to walk or ride a bike to their destination.
This policy was not part of the 1994 General Plan.	Policy C-4.1: Plan for high density mixed use development close to regional transit and non-vehicular transportation corridors. [New]	Consistent. The project proposes to place mixed use in the form of very high density residential and business park uses along major transportation corridors including SR-71. The project site is also located near existing OmniGo Route 365 with a stop at the intersection of Fairfield Ranch Road and Soquel Canyon Parkway.
This policy was not part of the 1994 General Plan.	Action C-4.1.1: Locate high density housing within walking distance of transit, as determined by state and regional policies. [New]	Consistent. The project proposes to place very high density housing and business park uses near existing OmniGo Route 365. This transit route currently has a stop at the intersection of Fairfield Ranch Road and Soquel Canyon Parkway, which is within walking distance to the property.
This policy was not part of the 1994 General Plan.	Action C-4.1.2: Require mixed use and/or high density development to incorporate pedestrian-oriented design elements, such as accessibility to transit; safe pedestrian connections and crossings; parks and public open spaces; street furniture, attractive pedestrian-oriented design at the street level; street facing buildings; and street trees and landscaping. [New]	Consistent. The applicant would enter into a development agreement with the City of Chino Hills that, among other things, requires certain public benefits from the project. The project would also implement street improvements along Monte Vista Avenue and Fairfield Ranch Road. Under the City's Standard Design Guidelines, street improvements would include sidewalk and landscaping. Residential streetscapes would include decorative wall features and elements that include but are not limited to monument signs for community

This policy was not part of the 1994 General Plan.	Policy C-5.1: Provide adequate infrastructure improvements in conjunction with development. [New]	signage located at primary entrances, new exterior lighting, decorative perimeter fencing and walls, entryways would have stucco walls, and landscaping/perimeter treatments. Consistent. Applicant would construct Monte Vista Avenue along Project frontage to ultimate half-section width per the City of Chino Hills "Collector" street standards while Fairfield Ranch Road along the Project frontage would be constructed to ultimate half-section width per the City of Chino Hills "Secondary Highway" street standards. Project applicant would also pay a fair share towards cost of constructing improvements needed to achieve acceptable Level of Service standards for studied roadway intersections at project buildout.
This policy was not part of the 1994 General Plan.	Action C-5.1.1: Plan and design new roadways and expansion/completion of existing roadways to allow for co-location of water, sewer, storm drainage, communications, and energy facilities within the road right of way. [New]	Consistent. Project site is served by developed circulation system that contains wet and dry utilities collocated within the right-of-way. Project would improve roadways along project frontage to ultimate half width per the City of Chino Hills "Secondary Highway" street standards.
This policy was not part of the 1994 General Plan.	Action C-5.1.2: Require private and public development projects to be responsible for providing road improvements along all frontages abutting a public street right of way in accordance with the design specifications for that roadway. [New]	Consistent. The project would construct Monte Vista Avenue along Project frontage to ultimate half-section width per the City of Chino Hills "Collector" street standards while Fairfield Ranch Road along the Project frontage would be constructed to ultimate half-section width per the City of Chino Hills "Secondary Highway" street standards.
This policy was not part of the 1994 General Plan.	Action C-5.1.3: Require private and public development projects to be responsible for	Project would conduct restriping of Monte Vista Avenue at Driveway No. 1 to provide a separate

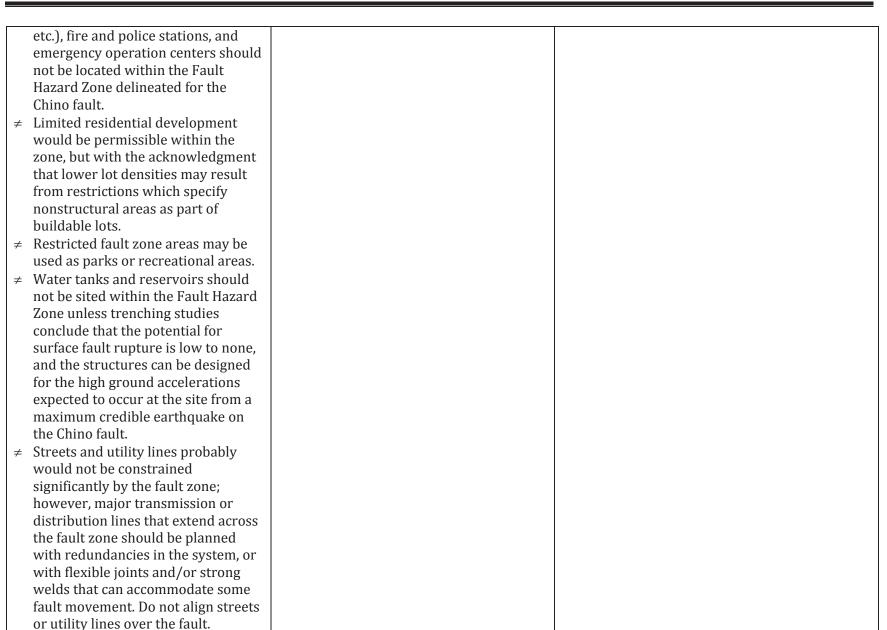
	providing traffic control devices and wet and dry utility improvements necessary to meet the needs of the project, and to properly integrate into the established and planned infrastructure systems. [New]	southbound left-turn lane with a minimum storage of 100-feet and install all necessary pavement markings and signs associated per City of Chino Hills Standard Design Guidelines and CA MUTCD. Project applicant would also install "STOP" signs and stop bars at the proposed apartment driveways and business park driveways on Monte Vista Avenue and/or Fairfield Ranch Road.
	CHAPTER 3. HOUSING ELEMENT POLI	CIES
Existing 1994 General Plan	2006-2014 Housing Element ²	Consistency Analysis
Not applicable.	Policy H-1.1: Provide a variety of residential opportunities in the City, including large lot estates, low density single-family homes, medium density townhomes, and high density condominiums and apartments.	Consistent. The project would provide very high density housing in the form of apartments to help meet the City's regional housing obligations. The project proposes a General Plan Amendment (GPA) to change the land use designation of 14.73 acres from "Business Park" to "Very High Density Residential" and a Housing Element amendment to transfer 346 very high density residential units to the project site. The proposed amendment to the Housing Element is in compliance with Measure U as the transfer of units does not increase the total number of residential units allowed on the properties involved in the transfer. The project also requires a Zone Change to change the zoning designation of 14.73 acres from BP (Business Park) to "RM-3 (Very High Density Residential)".

The 2014 General Plan Update does not include Housing Element. Schedules for Housing Element updates are established by the California Government Code and promulgated by the State Department of Housing and Community Development (HCD). According to these schedules, the City's current 2006-2014 Housing Element was adopted on September 12, 2012.

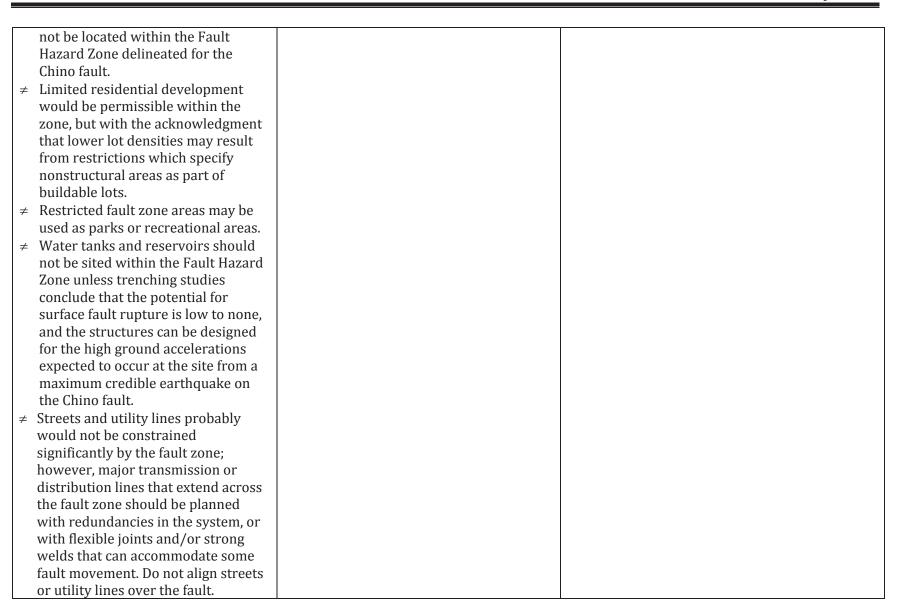
Not applicable.	Action H-1.1.2: Avoid concentration of higher density housing in any single portion of the City.	Consistent. The surrounding uses are comprised of a mixture of land uses such as: Business Park, Commercial, Open Space, Low Density Residential, Institutional/Public Facility, Medium Density Residential, and High Density Residential.
Not applicable.	Action H-1.1.3: Encourage multi-family projects of high quality design.	Consistent. The project proposes features that include unit types with one, two, and three bedrooms (some with attached garages). A clubhouse that serves as a community center with the following amenities: indoor gym, pool, spa, outdoor sports court, landscaped courtyard with fountain, outdoor kitchen with barbeque and outdoor dining area with fireplace. Exterior design features include: a contemporary architectural style with balconies, siding materials that consist of concrete roof tile, metal railing, vinyl windows, stucco, decorative tile, grille, chimney, and foam corbel.
Not applicable.	Policy H-1.4: Provide for new housing sites to satisfy requirements of state housing law and consistent with Measure U.	Consistent. The project would provide Very High Density housing in the City. The transfer of 346 Very High Density Residential Units from Tres Hermanos Site A to the project site is in compliance with Measure U as the transfer of units does not increase the total number of residential units allowed on the properties involved in the transfer. Once re-designated, the project site will allow for up to 35 units per acre. Pursuant to Government Code Section 65583, the project site must require a minimum gross density of 20 dwelling units per acre and allow multi-family by right without a conditional use

	CHAPTER 4. CONSERVATION ELEMENT P	permit, planned unit development or other discretionary action upon completion of the amendment. As proposed, the residential component of the project will have a gross density of 23.4 dwelling units per acre, which is consistent with the gross density requirements required to meet state housing law.
Existing 1994 General Plan	Proposed 2014 General Plan Update	Consistency Analysis
Policy 1-1: Preserve and protect rural and natural scenic qualities by creating open space and wildlife corridors, and by integrating existing natural features into new development.	Policy CN-1.1: Preserve and protect Chino Hills' rural and natural scenic qualities. [Existing Policy 1-1, modified]	Not Applicable. The project site is located within an urbanized area of Chino Hills with industrial uses to the north and east as well as commercial and light industrial uses to the south.
Focused Goal 1-1: Retention of Important ridgelines and open space areas. Focused Goal 1-2: Preservation of important viewsheds (See 1994 Land Use Element).	Action CN-1.1.1: Protect identified extremely prominent ridgelines, prominent ridgelines, and knolls. [Existing Focused Goal 1-1 and 1-2, merged and modified]	Not Applicable. The project site is not located within or near extremely prominent ridgelines, prominent ridgelines, and knolls. Also refer to LU-1.1.4.
This policy was not part of the 1994 General Plan.	Action CN-1.1.2: Preserve the character of natural open spaces by integrating existing natural features into new development. [New]	Not Applicable. The project site is located on disturbed vacant land.
This policy was not part of the 1994 General Plan.	Action CN-1.1.6: Encourage natural contour grading. [New]	Not Applicable. The project site is located on relatively flat parcel.
Policy 1-6: In areas of steep and rugged topography, emphasize existing tree groupings, especially oaks, by planting additional tree groupings in areas of new development. Use additional tree plantings to blend new development and manufactured slopes with the natural setting, especially in highly	Action CN-1.1.7: Use existing trees and additional tree planting to blend new development and manufactured slopes with the natural setting, especially in highly visible locations. [Existing Policy 1-6, modified]	Consistent. Per the preliminary landscaping plans, the project would incorporate several tree and palm tree species throughout the sites exterior for streetscape design. The project does not propose to use any existing trees. The project site is relatively flat disturbed vacant land.

visible locations such as prominent ridgelines. Encourage natural contour grading. Policy 2-4: Trees which in the opinion of the City function as an important part of the City's or a neighborhood's aesthetic character may not be removed without specific permission from the City, regardless of their	Action CN-1.2.4: Require City approval to remove trees that in the opinion of the City function as an important part of the City's or a neighborhood's aesthetics character. [Existing Policy 2-4, modified]	Not Applicable. There are no significant trees that have been identified by the City as important.
location.	CHAPTER 5. SAFETY ELEMENT POLIC	TIFS
Existing 1994 General Plan	Proposed 2014 General Plan Update	Consistency Analysis
Safety Policy 1-2.5: Conduct site-specific studies on the soils, seismicity, and groundwater conditions to evaluate the potential for liquefaction and related ground failure phenomena in canyon bottoms and the alluvial flatlands on the eastern portion of the city. Mitigation measures would be designed based on these studies. In some areas, it is not economically feasible to completely mitigate these hazards, but their effects can be minimized by measures such as densification of near-surface soils, and dewatering.	Policy S-1.1: Regulate development in high-risk seismic, landslide and liquefaction hazard areas to avoid exposure to hazards. [Existing Policy 1-2.5 modified]	Consistent. The proposed project would follow the recommendations sets forth in the Geotechnical Engineering Investigation and adhere to the CBC.
Safety Policy 1-2.3: Observe prudent land use planning in the Fault Hazard Zone delineated for the Chino fault as follows: ≠ Critical structures, including schools, hospitals, high-occupancy facilities (shopping centers, auditoriums,	Action S-1.1.1: Observe prudent land use planning in the Fault Hazard Zone delineated for the Chino Fault, restricting high occupancy and emergency operation facilities and limiting residential development. [Existing Policy 1-2.3]	Not applicable. According to the Geotechnical Engineering Investigation and California Geologic Survey mapping, the proposed project is not located within a Fault Hazard Zone.



Safety Policy 1-2.5: Conduct site-specific studies on the soils, seismicity, and groundwater conditions to evaluate the potential for liquefaction and related ground failure phenomena in canyon bottoms and the alluvial flatlands on the eastern portion of the city. Mitigation measures would be designed based on these studies. In some areas, it is not economically feasible to completely mitigate these hazards, but their effects can be minimized by measures such as densification of near-surface soils, and dewatering.	Action S-1.1.2: Conduct site-specific studies on soils, seismicity, and groundwater conditions to evaluate the potential for liquefaction and related ground failure phenomena in canyon floors and the alluvial flatlands. [Existing Policy 1-2.5, modified]	Consistent. A Geotechnical Engineering Investigation was prepared by NorCal Engineering in June 2013. This study indicates that depth to groundwater precludes potential for liquefaction and related ground failure. Recommendations are provided to address the potential for seismic hazards including ground shaking.
Safety Objective 2-3: Discourage any grading beyond that necessary to create adequate building pads. Follow grading guidelines contained in the City's Development Code, which will be completed by late 1994.	Action S-1.1.6: Discourage any grading beyond that necessary to create adequate and stable building pads. [Existing Objective 2-3, modified]	Consistent. The proposed project would follow the recommendations sets forth in the Geotechnical Engineering Investigation and adhere to the CBC.
Safety Objective 2-3: Discourage any grading beyond that necessary to create adequate building pads. Follow grading guidelines contained in the City's Development Code, which will be completed by late 1994.	Action S-1.1.7: Require all development to conform to the grading guidelines contained in the City Development Code. [Existing Objective 2-3, modified]	Consistent. The proposed project would follow the recommendations sets forth in the Geotechnical Engineering Investigation and adhere to the CBC.
Safety Policy 1-2.3: Observe prudent land use planning in the Fault Hazard Zone delineated for the Chino fault as follows: ≠ Critical structures, including schools, hospitals, high-occupancy facilities (shopping centers, auditoriums, etc.), fire and police stations, and emergency operation centers should	Action S-1.1.8: Require fault zones to be clearly identified on tract and parcel maps to increase public awareness of fault rupture hazards. [Existing Policy 1-2.3, modified]	Not applicable. According to the Geotechnical Engineering Investigation and CGS mapping, the proposed project is not located within a Fault Hazard Zone.



This policy was not part of the 1994 General Plan.	Action S-1.1.9: Within geologic hazard overlay areas, require developments to minimize landscape irrigation. [New]	Consistent. The proposed project would have an engineer monitoring during project construction. Furthermore, the project would follow the recommendations set forth in the Geotechnical Engineering Investigation and adhere to the CBC.
Land Use Policy 4-2: Require erosion control techniques for all new construction.	Action S-1.1.10: Require new development to minimize peak runoff as required by the Municipal Code. [Existing Land Use Policy 4-2]	Consistent. The proposed project would have an engineer monitoring during project construction. Furthermore, the project would follow the recommendations set forth in the Geotechnical Engineering Investigation and adhere to the CBC.
Safety Policy 3-4.2: Require prompt revegetation and/or construction of newly graded sites to control erosion.	Action S-2.2.9: Require prompt revegetation and/or construction of newly graded sites to control erosion. [Same as existing Policy 3-4.2]	Consistent. The proposed project would have an engineer monitoring during project construction. Furthermore, the project would follow the recommendations set forth in the Geotechnical Engineering Investigation and adhere to the CBC.
Safety Policy 3-4.3: Limit grading operations during the rainy season.	Action S-2.2.10: Limit grading operations during the rainy season. [Same as existing Policy 3-4.3]	Consistent. The proposed project would have an engineer monitoring during project construction. Furthermore, the project would follow the recommendations set forth in the Geotechnical Engineering Investigation and adhere to the CBC.
Safety Policy 3-4.4: Review individual project designs to ensure the stability of slopes adjacent to flood control facilities, which could be blocked due to slope failures.	Action S-2.2.11: Review individual project designs to ensure the stability of slopes adjacent to flood control facilities, which could be blocked due to slope failures. [Same as existing Policy 3-4.4]	Consistent. The proposed project is contingent upon review and approval by the Chino Hills Public Works Department.
This policy was not part of the 1994 General Plan.	Policy S-3.1: Ensure that new development has sufficient fire protection, police, and emergency medical services available. [New]	Fire Marshall Jeremy Ault in his correspondence letter dated July 2014, existing fire protection and emergency services would be sufficient to cater to the needs of the proposed development. Based on the correspondence dated August 2014 from Officer John Webster, police protection services currently have adequate staffing levels of service and would not require the expansion

		or construction of a new police station.
This policy was not part of the 1994 General Plan.	Action S-3.1.1: Require the review of development proposals to determine impacts on emergency services and ensure developments meet appropriate safety standards. [New]	Consistent. The Chino Valley Fire Department would review site plans, site construction, and the actual structure prior to occupancy to ensure that required fire protection safety features, and emergency access measures are implemented.
This policy was not part of the 1994 General Plan.	Action S-3.1.2: Provide police services that are responsive to citizens' needs to ensure a safe and secure environment for people and property in the community. [New]	Consistent. The current and desired Deputy-to- resident ratio is one Deputy per 2,000 citizens with average response times within approximately 3 minutes and 25 seconds for all emergency calls and 7 minutes and 50 seconds for non-emergency calls.
	R 6. PARKS, RECREATION AND OPEN SPACE	ELEMENT POLICIES
Existing 1994 General Plan	2008 Parks, Recreation, and Open Space Element ³	Consistency Analysis
Not applicable.	Policy 1-1: Develop a method for protecting and maintaining the open space in perpetuity, and oversee the protection of these areas.	Consistent. Proposed on-site open space would be regularly maintained by property management.
Not applicable.	Policy 1-2: Accept for development as public open space, only land that meets the recommendations of the City Landscape Standards.	Consistent. Proposed private and common open space would meet the City Landscape Standards.
Not applicable.	Policy 1-3: Protect prominent ridgelines and knolls in their natural condition.	Not applicable. The project site is flat.
Not applicable.	Policy 1-4: Protect native trees and cliffsides because they provide habitat for wildlife such as birds that keep the rodent population in check and add to the aesthetic value of the open space.	Not applicable. Project site is abandoned agricultural land that is void of native trees.

The 2014 General Plan Update does not include Parks, Recreation, and Open Space Element. The existing Parks, Recreation, and Open Space Element was adopted by the City of Chino Hills on June 10, 2008.

Not applicable.	Policy 1-5: Protect the natural springs and waterways because they provide needed habitat for wildlife, and have the greatest biological diversity.	Not applicable. Project site is abandoned agricultural land with exposed soil and a small strip of ornamental vegetation.
Not applicable.	Policy 1-8: Provide wildlife habitat through the protection and enhancement of natural resources.	Not applicable. Project site is abandoned agricultural land that lacks suitable habitats for wildlife.
Not applicable.	Policy 1-9: Promote economic viability by balancing managed preservation areas, revenue generating recreational opportunities, and potential commercial ventures such as wood lots, grazing and/or agricultural production where appropriate.	Consistent. The proposed project promotes the highest economical use of the land.
Not applicable.	Policy 1-10: Encourage dedications of open space adjacent to or connecting to the State Park.	Not applicable. Project site is not located adjacent to the State Park. Appropriate circulation design is not required to connect the common open space at the project site to existing circulation network that connect to Chino State Park.
Not applicable.	Policy 1-11: Make open space areas available for the community by providing safe and controlled trail system access points.	Not applicable. No existing trail systems are adjacent to the Project site. Appropriate circulatory network would be provided within the very high density residential portion of the project to connect on-site common open space facilities (i.e., lap pool, sports court, community courtyard and outdoor fireplace).
Not applicable.	Policy 1-12: Limit grading for trails and other development in the hillsides by maintaining the natural topography where feasible.	Not applicable. The project site is located on flat terrain.

Not applicable.	Policy 2-1: Provide local park facilities and recreation areas that are appropriate for the individual neighborhoods and communities in which they are located and that reflect the needs and interests of the population they serve.	Consistent. The proposed common open space and recreational facilities are specifically designed to accommodate the new residential population generated by the proposed project.
Not applicable.	Policy 2-4: Accept for development as public park land only land that meets the recommendations of the City, Landscape Standards.	Consistent. Proposed private and common open space will meet the City Landscape Standards.
Not applicable.	Policy 2-6: Provide in each park site various facilities that, at a minimum, include bike racks, picnic tables, benches, drinking fountain, restrooms, signage, concrete trash receptacles, tot lot and accommodations for at least one other sport or recreational activity.	Consistent. Appropriate site facilities and accommodations would be provided for the indoor and outdoor recreational facilities.
Not applicable.	Policy 2-8: Create recreation opportunities for residents through use of the trail network.	Not Applicable. Proposed project does not include construction of new trails.
Not applicable.	Policy 2-9: Require park land dedicated to the City by developers of property to meet or exceed the development standards established by the City.	Consistent. Proposed project would pay appropriate in-lieu dedication fees or dedicate land for recreational facilities that meet the City development standards.
Not applicable.	Policy 2-10: Acquire and/or preserve diverse open spaces and provide for the advantageous use of these areas for recreation purposes and visual enjoyment.	Consistent. The proposed project would provide open space amenities including scented flower gardens, dog walk area, sport courts, and other facilities for recreational and visual enjoyments.
Not applicable.	Policy 2-12: Provide multi-use facilities for the City's residents, including space for meeting rooms, athletic activities, kitchen facilities, and recreation classes and programs.	Consistent. Payment of in-lieu dedication fees would support the provision of these multi-use facilities for City's residents.

Not applicable.	Policy 2-13: Locate the community centers where they are accessible to public transportation systems.	Not applicable. No community center is constructed as part of the proposed project.
Not applicable.	Policy 2-20: Work with the School District to detuning if the school buildings that are no longer used and no longer needed could be used for park and recreation activities.	Not applicable. Project does not involve the conversion of any school building.
Not applicable.	Policy 2-21: Encourage individual and group participation in the support and development of new park and recreation facilities and programs.	Consistent . Proposed project would undergo an environmental review process and allow public comment on proposed recreational amenities.
Not applicable.	Policy 3-1: Provide a multi-use trail system that safely accommodates bicycles, hikers, and equestrians.	Not Applicable. Proposed project does not include construction of new trails.
Not applicable.	Policy 3-2: Integrate the planning for the trail network with the planning for streetscapes, parks, and open space.	Not Applicable. Proposed project does not include construction of new trails.
Not applicable.	Policy 3-3: Accept for development as public trails, only lands that meet the standards contained in the Trails Master Plan.	Not Applicable. Proposed project does not include construction of new trails.
Not applicable.	Policy 3-4: Require all new development projects to implement the Trails Master Plan.	Not Applicable. Proposed project does not include construction of new trails.
Not applicable.	Policy 3-6: Where possible, tie the open space and parks within the City into the trail system.	Not Applicable. Proposed project does not include construction of new trails.
Not applicable.	Policy 3-7: Develop, in coordination with the State Department of Parks and Recreation, trail connections to Chino Hills State Park.	Not Applicable. Proposed project does not include construction of new trails.

Not applicable.	Policy 3-9: Whenever possible, provide trail connections to regional trails, local trails, and recreation facilities in adjacent communities.	Not Applicable. Proposed project does not include construction of new trails.
Not applicable.	Policy 3-13: Provide a convenient trail system that promotes use of modes of transportation other than the automobile.	Not Applicable. Proposed project does not include construction of new trails.
Not applicable.	Policy 3-14: Mitigate impacts to residential homeowners adjacent to public trails through appropriate trail design.	Not Applicable. Proposed project does not include construction of new trails.
Not applicable.	Policy 4-1: Enrich the cultural and creative life of the community through a diverse program of recreation opportunities for all ages and populations.	Consistent. Proposed project would include recreational amenities appropriate to residents and guests of all ages and populations.
Not applicable.	Policy 5-3: Include public participation in the design process for future park and facility development.	Consistent. Proposed project would undergo an environmental review process and allow public comment on proposed recreational amenities.
Not applicable.	Policy 6-1: Locate parks and other recreation facilities for maximum visibility from surrounding streets.	Consistent. To the extent feasible, proposed project would locate common open space to maximize visibility from surrounding streets.
Not applicable.	Policy 6-2: Maintain all parks, trails, and open space to provide a pleasant and safe experience for users.	Consistent. Proposed project would provide safe and pleasant recreational amenities appropriate to residents and guests of all ages and populations.
Not applicable.	Policy 6-3: Promote use of drought tolerant and native plant material where appropriate in parks.	Consistent. Proposed project would comply with the City Landscape Standards and promote the use of drought tolerant and native plants.
Not applicable.	Policy 6-4: Maintain lighting levels suitable for safety as well as the nighttime use of community and city-wide facilities without undue glare impacts to nearby residential areas.	Consistent. Proposed outdoor recreational amenities and common open space would comply with applicable lighting standards and would not result in undue lighting impacts to nearby residential areas.

Not applicable.	Policy 6-6: Develop a dedicated scenic pedestrian network throughout the City.	Not applicable. Proposed project is a site-specific infill development that does not span the entire city.
Not applicable.	Policy 7-1: Achieve visual unity and a high standard of quality through proper care of all landscape and hardscape material.	Consistent. Project would comply with Chapter 16.06.020 Maintenance of properties, of the municipal code that requires all property in the City to be maintained in a clean, neat, orderly, operable, and usable condition. The project would adhere to CHMC Chapter 16.07 Landscape and Water Conservation Guidelines.
Not applicable.	Policy 7-2: Prune trees as necessary to preserve visual access for pedestrians and vehicular traffic.	Consistent. To the extent feasible, the proposed project would prune trees to preserve visual access for pedestrians and vehicular traffic.
Not applicable.	Policy 7-3: Protect and carefully maintain the landscape to foster its value for air pollution mitigation, fire safety, wildlife habitat and recreation activities.	Consistent. Private and common open space onsite will be regularly maintained to provide functional facilities for guests and residents.
Not applicable.	Policy 7-4: Protect the native vegetation and wildlife habitat in the City's open space areas and preserve the wildlife corridors.	Not applicable. Proposed common open space is intended for human use and may have ornamental vegetation generally not suitable for wildlife.
Not applicable.	Policy 7-5: Continue a fuel modification program for the City's open space areas in order to protect private property from loss due to wildland fires.	Not applicable. Project site is located in an urban setting and is surrounded by residential, industrial, commercial uses.
Not applicable.	Policy 7-6: Require all construction to meet City Landscape Standards.	Consistent. Project is designed to meet the landscape requirements of the municipal code for residential and business park uses (15%). All landscaping and irrigation would comply with plant palette and water conservation guidelines outlined in CHMC Chapter 16.07.

Not applicable.	Policy 7-7: Cooperate with private and government agencies (such as Inland Empire Resource Conservation District, California Conservation Carps, etc.) to ensure that the best management practices are utilized.	Consistent. Proposed project would implement applicable best management practices during construction and operation of the common open space.
Not applicable.	Policy 7-9: Design park facilities to minimize water use and maintenance demands.	Consistent. On-site outdoor common open space and indoor recreational facilities would minimize water use and demand on maintenance through such measures as planting of drought-resistant plants and use of water efficient fixtures.
Not applicable.	Policy 7-10: Save water, control maintenance casts, reduce trash, and economize wherever possible through design, construction and management without sacrificing the quality of the landscape.	Consistent. Proposed project would implement water efficient measures and reduce solid waste generation through recycling programs during construction and operation.
Not applicable.	Policy 7-11: Fallow water conservation principles in all aspects of landscape maintenance including plant selection and development of irrigation systems.	Consistent. Proposed project would follow fallow water principles in all aspects of landscape maintenance.
Not applicable.	Policy 7-12: Consider using reclaimed water for irrigation of City landscapes when this source of water becomes available.	Consistent. The proposed project would comply with the City Landscape Standards and implement applicable water conservation or irrigation standards. Reclaimed water installation will be provided for the entire project for landscape irrigation.
	CHAPTER 7. NOISE ELEMENT POLICE	
Existing 1994 General Plan	Proposed 2014 General Plan Update	Consistency Analysis
Policy 1-1: To the extent feasible, improve noise conditions in Chino Hills through the active, ongoing efforts of the City in coordination with other government agencies.	Action N-1.1.1: Control noise conditions in Chino Hills through the active, ongoing efforts of the City in coordination with other government agencies. [Existing Policy 1-1 modified]	Consistent. Intergovernmental coordination would be taken accordingly.
Policy 1-2: Increase public input on	Action N-1.1.2: Increase public input on	Consistent. Proposed project would undergo an

environmental noise issues, and	environmental noise issues, and establish	environmental review process and allow public
establish a program for the monitoring	a program for the monitoring and	comment on noise issues.
and abatement of local noise sources.	abatement of local noise sources. [Existing Policy 1-2]	
Policy 1-3: Prohibit large commercial	Action N-1.1.3: Prohibit large commercial	Consistent. The project site is designated as
truck traffic in noise-sensitive areas,	truck traffic in noise-sensitive areas, such	Business Park and is not located within the
such as school sites, located in Chino	as school sites, located in Chino Hills.	immediate vicinity of a school. Access to the site
Hills.	[Same as existing Policy 1-3]	is provided by SR-71 at two interchanges. SR-71
		is designated as a state truck route. Over 30% of
		heavy truck trips are projected to travel on this
		route to reach the project.
Policy 1-4: Minimize through vehicular	Action N-1.1.5: Minimize through	Consistent. Access to the site is provided by SR-
traffic in the City's residential areas.	vehicular traffic in the City's residential	71 at two interchanges along with Soquel Canyon
	areas. [Same as existing Policy 1-4]	Road and Chino Hills Parkway. SR-71 is
		designated as a state truck route, while Soquel
		Canyon Road and Chino Hills Parkway are
		designated as major arterial roadways in the City
		Circulation Element.
Policy 1-6: Enforce state motor vehicle	Action N-1.1.6: Enforce state motor vehicle	Not applicable. This is out of the project scope.
noise standards for cars, trucks, and	noise standards for cars, trucks, and	
motorcycles.	motorcycles. [Same as existing Policy 1-6]	
Policy 1-7: Incorporate sound	Action N-1.1.7: Incorporate sound	Consistent. A noise study has been conducted
attenuation measures in residential	attenuation measures in residential	for the project and is available for review in
developments to achieve the City's	developments to achieve the City's	Appendix H. Interior noise levels will be below
standards. Such sound attenuation	standards. Such sound attenuation	the City's interior noise standards with
measures may include noise barriers,	measures may include noise barriers,	implementation of mitigation that requires
replacing existing windows and doors	replacing existing windows and doors	residential windows with a direct line of sight to
with sound-rated assemblies, insulating	with sound-rated assemblies, insulating	Monte Vista Avenue or Fairfield Ranch Road be
exterior walls and attics, and/or	exterior walls and attics, and/or installing	rated for sound transmission class (STC) 30 or
installing forced air ventilation.	forced air ventilation. [Same as existing	higher.
D.1. 4.40 F	Policy 1-7]	
Policy 1-13: Ensure that equipment,	Action N-1.1.8: Ensure that equipment,	Consistent. Project proposes the placement of
machinery, fan, and air conditioning	machinery, fan, and air conditioning noise	mechanical equipment at ground level, use of
noise does not exceed specified levels,	does not exceed specified levels,	shielding walls and landscaping to screen
established in the City's Noise	established in the City's Noise Ordinance.	equipment from view and comply with City's
Ordinance.	[Same as existing Policy 1-13]	Noise Ordinance.

Policy 1-8: Incorporate ambient noise level considerations into land use decisions involving schools, hospitals, and similar noise sensitive uses.	Action N-2.1.4: Incorporate ambient noise level considerations into land use decisions involving schools, hospitals, and similar noise sensitive uses. [Same as existing Policy 1-8]	Consistent. A noise study has been conducted for the project and is available for review in Appendix H. Interior noise levels will be below the City's interior noise standards with implementation of mitigation that requires residential windows with a direct line of sight to Monte Vista Avenue or Fairfield Ranch Road be rated for sound transmission class (STC) 30 or higher.
Policy 1-9: Ensure all new developments provide adequate sound insulation or other protection from existing and projected noise sources.	Action N-2.1.5: Ensure all new developments provide adequate sound insulation or other protection from existing and projected noise sources.[Same as Policy 1-9]	Consistent. A noise study has been conducted for the project and is available for review in Appendix H. Interior noise levels will be below the City's interior noise standards with implementation of mitigation that requires residential windows with a direct line of sight to Monte Vista Avenue or Fairfield Ranch Road be rated for sound transmission class (STC) 30 or higher.
Policy 1-10: Utilize the development approval process to ensure that buildings are sited and traffic circulation systems designed to minimize the impact of noise generating activities on noise sensitive land uses.	Deleted.	Consistent. Proposed project is subject to development approval process (i.e., Site Plan Review 14SPR02)
Policy 1-11: Enforce standards that specify acceptable noise limits for various land uses throughout the City. Table N· 1 shows criteria used to assess the compatibility of proposed land uses with the noise environment. These criteria are the bases of specific Noise Standards.	Action N-2.1.1: Enforce the standards of Table 7-1 – Land Use/Noise Compatibility Matrix, which specify acceptable exterior and interior noise limits for various land uses throughout the City. [Existing Policy 1-11 modified].	Consistent. A noise study has been conducted for the project and is available for review in Appendix H. Interior noise levels will be below the City's interior noise standards with implementation of mitigation that requires residential windows with a direct line of sight to Monte Vista Avenue or Fairfield Ranch Road be rated for sound transmission class (STC) 30 or higher.
Policy 1-12: Enforce the provisions of the State of California Uniform Building	Action N-2.1.7: Ensure that all new hotels, motels, multi-family and single-family	Consistent. A noise study has been conducted for the project and is available for review in

Code, which specifies that the indoor	dwellings to be developed within an area	Appendix H. Interior noise levels will be below
noise levels for multi-family residential	where the outdoor CNEL exceeds 60 dB	the City's interior noise standards with
living spaces not exceed 45 dB CNEL	are designed to achieve an indoor CNEL of	implementation of mitigation that requires
due to the combined effect of all noise	45 dB or less. [Existing Policy 1-12	residential windows with a direct line of sight to
sources. The State requires	modified]	Monte Vista Avenue or Fairfield Ranch Road be
implementation of this standard when		rated for sound transmission class (STC) 30 or
the outdoor noise levels exceed 60 dB		higher.
CNEL. The Noise Referral Zones (the. 60		
dB CNEL contour) can be used to		
determine when this standard needs to		
be addressed. The Code requires that		
this standard be applied to all flew		
hotels, motels, apartment houses and		
dwellings other than detached single-		
family dwellings. The City will also, as a		
matter of policy, apply this standard to		
single family dwellings.		
This policy was not part of the 1994	Policy N-1.1: Protect public health and	Consistent. A noise study conducted for the
General Plan.	welfare by eliminating or minimizing the	project did not identify existing noise problems.
	effects of existing noise problems. [New]	Based on the findings of the noise study, all noise
		generated during construction and operation of
		the project would comply with the City standards
		identified in Title 6, 8 and 16 of the Municipal
		Code.
This policy was not part of the 1994	Policy N-2.1: Minimize increases in noise	Consistent. Increases in ambient and future
General Plan.	levels due to new land use and	noise levels with construction and operation of
	transportation facility decisions. [New]	the project would be less than significant with
		the incorporation of mitigation measures NO-1
		through NO-6.
This policy was not part of the 1994	Policy N-1.2: Where complaints are	Consistent . Based on the findings of the noise
General Plan.	received by residents with regard to non-	study, all noise generated during construction
	transportation noise sources (e.g.,	and operation of the project would comply with
	commercial/retail equipment or activities,	the City standards identified in Title 6, 8 and 16
	fans, air conditioners, etc.), the City will	of the Municipal Code. Mitigation has also been
	protect the public health and welfare by	identified that requires the City to conduct
	implementing the following Action	ambient sampling at the exterior of residence(s)

	Statement as necessary to ensure that the non-transportation noise source does not exceed the noise standards identified in Chapters 6, 8 and 16 of the City of Chino Hills Municipal Code. [New]	if the City receives complaints from local residents about construction noise.
This policy was not part of the 1994 General Plan.	Action N-2.1.3: Require a noise study to be performed and appropriate noise attenuation to be incorporated to reduce interior noise levels to 45 dB CNEL or less prior to approving any multi-family or mixed-use residential development in an area with a CNEL of 65 dB or greater. [New]	for the project and is available for review in Appendix H. Interior noise levels will be below the City's interior noise standards with implementation of mitigation that requires residential windows with a direct line of sight to Monte Vista Avenue or Fairfield Ranch Road be rated for sound transmission class (STC) 30 or higher.

c) Would the project conflict with any applicable habitat conservation plan or natural community conservation plan?

No Impact

There are no adopted habitat conservation or natural community conservation plans with the City of Chino Hills. There are also no applicable approved local, regional, or state habitat conservation plans. As a result, no impacts would occur to any applicable habitat conservation plans or natural community conservation plans.

3.11 MINERAL RESOURCES					
Would the project:	Potentially Significant Impact	Less than Significant with Mitigation Incorporated	Less than Significant Impact	No Impact	
a) Result in the loss of availability of a known mineral resource that would be of value to the region and the residents of the state?				X	
b) Result in the loss of availability of a locally-important mineral resource recovery site delineated on a local general plan, specific plan or other land use plan?				Х	

ENVIRONMENTAL SETTING

According to the City of Chino Hills General Plan Update (2014), there are no known significant mineral resources or deposits of regional or statewide importance located in Chino Hills. The California Division of Oil, Gas and Geothermal Resources have not identified any oil, gas, or geothermal resources on or within 1,500 feet¹ of the project site. Furthermore, the City's Conservation Element (2014) indicates that oil is currently produced and primarily available within the Chino Hills State Park.

REGULATORY SETTING

The project site is under the jurisdiction of the City of Chino Hills (City) and therefore would be subject to the City's General Plan (1994), Conservation Element, and Chino Hills Municipal Code (CHMC).

DISCUSSION OF IMPACTS

a) Would the project result in the loss of availability of a known mineral resource that would be of value to the region and the residents of the State?

No Impact

No mineral resources of statewide or regional importance have been identified in the City. Therefore, project construction and operation would not result in the loss of availability of any known mineral resource that would be of local, regional, or statewide importance. No impact would occur and no mitigation measures would be necessary.

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^{1 &}lt;u>http://maps.conservation.ca.gov/doggr/index.html#close</u> Accessed on August 7, 2014.

b) Would the project result in the loss of availability of a locally important mineral resource recovery site delineated on a local general plan, specific plan, or other land use plan?

No Impact

The City of Chino Hills General Plan Conservation Element does not designate any portion of the City as a locally important mineral resource recovery site. Project construction and operation would not result in the loss of availability of any known mineral resource so no impact would occur.

3.12 NOISE				
Would the project result in:	Potentially Significant Impact	Less than Significant with Mitigation Incorporated	Less than Significant Impact	No Impact
a) Exposure of persons to or generation of noise level in excess of standards established in the local general plan or noise ordinance, or applicable standards of other agencies?		X		
b) Exposure of persons to or generation of excessive groundborne vibration or groundborne noise levels?			X	
c) A substantial permanent increase in ambient noise levels in the project vicinity above levels existing without the project?			X	
d) A substantial temporary or periodic increase in ambient noise levels in the project vicinity above levels existing without the project?		X		
e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project expose people residing or working in the project area to excessive noise levels?				X
f) For a project within the vicinity of a private airstrip, would the project expose people residing or working in the project area to excessive noise levels?				х

The following is summarized in part from the Noise Technical Study prepared by UltraSystems Environmental, Inc. (UltraSystems, 2014e). The noise analysis is included as **Appendix H**.

EXISTING CONDITIONS

Characteristics of Sound

Sound is a pressure wave transmitted through the air. It is described in terms of loudness or amplitude (measured in decibels), frequency or pitch (measured in hertz [Hz] or cycles per second), and duration (measured in seconds or minutes). The decibel (dB) scale is a logarithmic scale that describes the physical intensity of the pressure vibrations that make up any sound. The pitch of the sound is related to the frequency of the pressure vibration. Because the human ear is not equally sensitive to all frequencies, a special frequency-dependent rating scale is used to relate noise to human sensitivity. The A-weighted decibel scale (dBA) provides this compensation by discriminating against upper and lower frequencies in a manner approximating the sensitivity of the human ear. The scale is based on a reference pressure level of 20 micropascals (zero dBA). The

scale ranges from zero (for the average least perceptible sound) to about 130 (for the average human pain level).

Noise Measurement Scales

Several rating scales have been developed to analyze adverse effects of community noise on people. Since environmental noise fluctuates over time, these scales consider that the effect of noise on people depends largely upon the total acoustical energy content of the noise, as well as the time of day when the noise occurs. Those that are applicable to this analysis are as follows:

- \neq L_{eq}, the equivalent noise level, is an average of sound level over a defined time period (such as 1 minute, 15 minutes, 1 hour or 24 hours). Thus, the L_{eq} of a time-varying noise and that of a steady noise are the same if they deliver the same acoustic energy to the ear during exposure.
- \neq L₉₀ is a noise level that is exceeded 90 percent of the time at a given location; it is often used as a measure of "background" noise.
- \neq CNEL, the Community Noise Equivalent Level, is a 24-hour average L_{eq} with a 4.77-A-weighted decibel (dBA) "penalty" added to noise during the hours of 7:00 p.m. to 10:00 p.m., and a 10-dBA penalty added to noise during the hours of 10:00 p.m. to 7:00 a.m. to account for noise sensitivity in the evening and nighttime (Caltrans, 2009). The logarithmic effect of these additions is that a 60-dBA 24-hour L_{eq} would result in a calculation of 66.7 dBA CNEL.
- \neq L_{dn}, the day-night average noise, is a 24-hour average L_{eq} with an additional 10-dBA "penalty" added to noise that occurs between 10 p.m. and 7 a.m. The L_{dn} metric yields values within 1 dBA of the CNEL metric. As a matter of practice, L_{dn} and CNEL values are considered to be equivalent and are treated as such in this assessment.

Noise Setting

The main source of noise in Chino Hills is on-road traffic. State Route 71 (SR-71) is less than a quarter mile to the southwest and creates continuous noise audible throughout much of the project site. Chino Hills Parkway, an arterial road carrying local and regional traffic, is adjacent to the northernmost extension of the project site and generates noise levels near 70 dBA during peak traffic hours.¹

The Noise Element of the 2014 General Plan Update (Chino Hills, 2014) indicates that CNEL values in the general area of the project site are currently 60 to 65 dBA, and are not projected to change with future development.²

Based on UltraSystems' noise measurements taken at the intersection of Chino Hills Parkway and Monte Vista Avenue.

See Figures 7-3 and 7-4 of the 2014 General Plan Update. "Future environment" assumed to be at general plan buildout.

REGULATORY SETTING

The primary regulatory documents that establish noise standards within the city of Chino Hills are the City of Chino Hills General Plan Noise Element (Chino Hills, 1994), its proposed update (Chino Hills, 2014),³ and the City's Municipal Code.⁴ The City Municipal Code mandates that the current general plan be followed. There are very few differences between the noise elements of the 1994 General Plan and the proposed 2014 General Plan Update. One of the most notable changes is that the proposed update relaxes the residential land use exterior noise standard from 60 to 65 dBA CNEL. Interior noise levels are fixed at 45 dBA in both versions and the Noise Element of the 2014 General Plan Update states that exterior noise levels shall "be such that interior noise level will not exceed 45 dB CNEL."

The Municipal Code Section 8.08.020 specifically prohibits all construction not occurring between the hours of 7:00 AM to 7:00 PM on weekdays and 8:00 AM to 6:00 PM on Saturdays. The Noise Element of the General Plan sets noise standards by land use type and is not modified by the proposed General Plan Update. Section 16.48.020 of the City Municipal Code prohibits the creation of noise on one property that results in noise levels on another property that exceed:

- ≠ the established noise standard for more than 30 minutes in any hour; or
- ≠ 5 dBA above the noise standard for more than five minutes in any hour; 5 or
- ≠ 15 dBA above the noise standard for more than one minute in any hour; or
- ≠ 20 dBA for any period of time.

DISCUSSION OF IMPACT

a) Would the project expose persons to or generate noise levels in excess of standards established in the local general plan or noise ordinance, or applicable standards of other agencies?

Less than Significant Impact with Mitigation Incorporated

Construction

The 1994 Chino Hills General Plan limits exterior noise at residential land uses to below 60 dBA CNEL. The proposed 2014 General Plan Update (Chino Hills, 2014) would relax the exterior noise standard to 65 dBA CNEL. The Noise Element of the General Plan Update indicates that CNEL values in the general area of the project site are currently 60 to 65 dBA. As discussed further in **Section 3.12 d)**, noise levels at the nearest sensitive receiver are projected to range from 60.5 to 64.5 dBA during project construction. This noise level exceeds the current exterior noise standard. Mitigation measures **NO-1** through **NO-5** would reduce noise levels during construction to prevent

Per guidance by the City (Walters, 2014a), the noise evaluation was based upon both the 1994 General Plan and the 2014 update, because the update was expected to be adopted before the environmental review was complete.

The Chino Hills Municipal Code is accessed through https://library.municode.com/index.aspx?clientId=16034&stateId=5&stateName=California&customBanner=16034.jpg&imageclass=L&cl=16034.txt.

⁵ The City Municipal Code is redundant and limits 5 and 10 dBA exceedances of the same duration.

exceedances of established standards. Therefore, temporary construction noise impacts would be less than significant with incorporation of the mitigation measures **NO-1** through **NO-5**.

Mitigation Measures

NO-1: Construction Hours

All construction activities are to be limited to between the hours of 7:00 AM to 7:00 PM on weekdays and 8:00 AM to 6:00 PM on Saturdays. No construction activities will take place at any time on Sunday or a Federal holiday.

NO-2: Operating Construction Equipment

The construction contractor will ensure that all construction equipment, fixed or mobile, is properly operating (tuned-up) and that mufflers are working adequately.

NO-3: Local Resident Complaints

If the City of Chino Hills receives complaints from local residents about any construction noise that will at that point be scheduled to continue for five or more days, the City will conduct ambient sampling at the exterior of residence(s) to determine the increase in exposure during construction. The applicant will be responsible for all City costs associated with construction noise monitoring.

NO-4: Temporary Shields and Noise Barriers

If the increase in residential exposure is 10 dBA L_{eq} or more, then the construction contractor will provide temporary shields and noise barriers, including sound blankets, between the areas of active construction and sensitive receivers. Noise barriers typically reduce noise levels by up to 10 dBA.⁶ Placement of the noise barriers shall be confirmed by a City-retained acoustical consultant.

NO-5: Short-term Noise Exposure Measuring

If mitigation measure NO-4 is implemented, the construction contractor will measure short-term noise exposures outside the barrier and at the exterior of the residence(s) at least twice daily to determine whether the barrier should remain in place.

Operation

The main source of noise in Chino Hills is on-road traffic. According to the Noise Element of the City of Chino Hills General Plan, "Motor vehicle noise is of concern because of its high number of Individual events which often create a sustained noise level and its proximity to areas sensitive to noise exposure. State Highway 71 is the single greatest noise generator in the city." **Figure 3.12-1** displays the location of sensitive receivers near the project site. Traffic noise modeling indicates that the project operation would result in exposure to noise levels exceeding the General Plan guidelines. **Table 3.12-1** displays the projected noise due to traffic at sensitive receivers.

^{6 &}quot;Noise Barrier Design – Visual Quality." 6 July 2011. Internet URL: http://www.fhwa.dot.gov/environment/noise/noise_barriers/design_construction/keepdown.cfm.

Table 3.12-1
MAXIMUM TRAFFIC NOISE EXPOSURE AT SENSITIVE RECEIVERS

	Projected Noise Level (dBA CNEL) ^a						
Receiver	2016 Buildout Year		2035 Horizon Year				
	Without Project	With Project	Without Project	With Project			
Rancho Monte Vista Mobile Home Park	76.1	76.4	76.3	76.6			
BAPS Shri Swaminarayan Mandir Temple	71.8	71.8	74.2	74.2			
Project Site	72.2	73.4	73.3	74.0			

Source: Modeling with TNM 2.5

As discussed further in Section 3.12 (c), the project would not significantly contribute to the increase in traffic related noise. Mitigation measure NO-6 would require that "all residential windows with a direct line of sight to Monte Vista Avenue or Fairfield Ranch Road will be rated for a sound transmission class (STC) of 30 or higher." Therefore, interior noise levels will be below the City's interior noise standards for residential land uses and the impacts would be less than significant with incorporation of mitigation measure NO-6.

Mitigation Measure

NO-6: Residential Windows

All residential windows with a direct line of sight to Monte Vista Avenue or Fairfield Ranch Road will be rated for a sound transmission class (STC) of 30 or higher.

b) Would the project expose persons to or generate excessive groundborne vibration or groundborne noise levels?

Less than Significant Impact

Construction of the proposed project could potentially increase groundborne vibration or noise on the project site, but construction effects would be temporary. **Table 3.12-2** below displays the peak particle vibration (PPV) and groundborne noise that may be experienced at the nearest sensitive receiver.

^aNoise levels were calculated by assuming traffic noise only and using TNM 2.5 with existing traffic levels.

Table 3.12-2 VIBRATION LEVELS OF CONSTRUCTION EQUIPMENT

Equipment	PPV at 80 feet (in/sec) ^a	Vibration dB at 80 feet (VdB) ^a
Loaded trucks	0.0133	73
Jack hammer	0.0061	69
Small bulldozer	0.0005	48

Source: Calculated by UltraSystems from FTA data.

 $^{^{\}mathrm{a}}80$ feet is representative of the nearest sensitive receiver to the proposed construction.

Figure 3.12-1 SENSITIVE RECEIVERS



Document Path: J.VProjectsi5937, Failfield, Ranch, Commons\MXDs\Air, and , Noise\5937, Failfield, Ranch, Commons, Sensitive, Receivers, 2014, 09, 18. mxd Service Layer Credits: Source: Esri, Digital(50be, GeoEye, Loubed, Earthstart Geographics, CNES/Airbus DS, USDS, ASX, Gethapping, Aerogrid, IGN, IGP, swisstopo, and the GIS User Community, National Geographic, Esri, DeLorme, HERE, UNEP-WCMC, USGS, NASA, ESA, METI, NRCAN, GEBCO, NOAA, increment P Corp., Esri, HERE, JeLorme, TomTom, MapmyIndia, © OpenStreedMap contributiors, and the GIS user community: San Bernardino County, 2014; UlfraSystems Environmental, Inc., 2014 September 18, 201



Based on the information presented in **Table 3.12-2**, vibration levels could reach approximately 73 VdB at single-family residences in the Rancho Monte Vista Mobile Home Park approximately 80 feet west of the project site. The Federal Transit Authority (FTA) threshold for human annoyance is 80 VdB.⁷ The general threshold where minor damage can occur in fragile buildings is 100 VdB. As vibration levels would not reach 100 VdB, structural damage would not occur as a result of construction activities.

Operation of the residential portion of the project would not generate significant groundborne vibration or noise on the project site. Operation of the light industrial portion of the project would not include ground disturbance and therefore would not generate a significant increase groundborne vibration or noise levels. Therefore, groundborne vibration and noise impacts would be less than significant.

c) Would the project cause a substantial permanent increase in ambient noise levels in the project vicinity above levels existing without the project?

Less than Significant Impact

The proposed residential and industrial developments have distinct noise characteristics. On-site (stationary) noise sources from the residential parcels of the proposed project would include operation of mechanical equipment such as air conditioners, lawnmowers, leaf blowers, and building maintenance equipment; and children playing outdoors. However, noise levels associated with operation of the project's residential parcels are expected to be comparable to those of nearby residential areas.

On-site noise sources from the industrial parcels of the proposed project may include truck traffic and idling, materials handling equipment such as forklifts, and other noise specific to the warehouse occupant. Noise levels from these sources are expected to be comparable to existing land uses to the south and east. However may have an impact on the project's residential parcels to the northwest.

Noise impacts from the industrial parcels on the project's residential receivers would be predominately due to truck traffic near the boundary between the residential and industrial sections. Industrial machinery may produce noise levels above 85 dB, but will likely be indoors and therefore shielded. Industrial parcels 1 and 2 would not result in impacts to the residential receivers because of significant noise attenuation by buildings, walls, and the distance from the receivers. On the other hand, trucks entering or exiting industrial parcel 3 would come within approximately 125 feet of the nearest residence with one six-foot wall⁸ providing partial noise attenuation. The total truck traffic generated by parcel 3 was determined to be 267 trips per day by scaling the total traffic at all industrial lots (Saiyed, 2014) by the ratio of parcel 3 truck bays to total

⁷ Table 8-1 in Transit Noise and Vibration Impact Assessment, FTA-VA-90-1003-06. U.S. Department of Transportation, Federal Transit Administration (May 2006). Available at: http://www.fta.dot.gov/documents/FTA_Noise_and_Vibration_Manual.pdf.

Applicant is proposing a 12 foot wall separating the residential from industrial developments. Section 16.06.120 Fences, walls, and hedges, of the Municipal Code limit the height of residential rear yard to no more than 6 feet. For purposes of this analysis, a 6 foot wall height is assumed.

truck bays.⁹ Noise levels were then modeled by assuming a worst-case scenario of 24-hour operation with increased traffic during morning and night peak hours.¹⁰

Industrial onsite truck traffic noise was calculated by methods prescribed by the Federal Transit Administration for vehicle pass-by events (FTA, 2006). The analysis found that truck traffic at industrial parcels would generate peak noise levels of 57.2 dBA and CNEL values of 58.0 dBA at the nearest future project residence. According to the traffic analysis discussed in Section 5.2.2, noise levels near this location are projected to be 61 dBA in 2016 without the project. Therefore, the project would cause a noise level increase of 1.8 dBA CNEL. According to the U.S. Environmental Protection Agency (USEPA, 1974), a difference of more than 3 dBA is a perceptible change in environmental noise, which is less than significant. Noise from the project industrial parcels will not result in a substantial increase in ambient noise levels at the project residential parcels.

The nearest part of the industrial development is approximately 750 feet away from the Rancho Monte Vista Mobile Home Park. This distance would provide enough sound attenuation to keep the long-term increase in exposure less than significant.

The addition of project-generated traffic to adjacent surface streets could affect sensitive receivers in proximity to the project site. Traffic related noise was modeled using the Federal Highway Administration Traffic Noise Model Version 2.5. Noise levels were modeled at many points along the boundary of sensitive receivers. The highest permanent project-related increases in noise due to traffic are displayed below in **Table 3.12-3**.

Maximum project-related noise levels increases would range from 0.8 to 1.9 dBA CNEL. This change in sound levels is not perceptible to the average person. Permanent impacts due to operation and project-related traffic would be less than significant.

Table 3.12-3
MAXIMUM TRAFFIC NOISE INCREASES AT SENSITIVE RECEIVERS

Receiver	Projected Increase (dBA CNEL)			
Receiver	2016 Buildout Year	2035 Horizon Year		
Rancho Monte Vista Mobile Home Park	1.4	1.3		
BAPS Shri Swaminarayan Mandir Temple	0.8	0.8		
Project Site	1.7	1.9		

Source: Modeling with TNM 2.5

^a Receivers were modeled at multiple points along their perimeter. The maximum projected change in noise level is displayed above.

⁹ Ratio of vehicle truck bays equals the truck bays in industrial parcel 3 divided by the total truck bays in all industrial parcels.

The Traffic Impact Analysis Report contained total daily truck traffic and truck traffic during AM and PM peak hours. Non-peak hour traffic was modeled as equally distributed throughout the day.

d) Would the project cause a substantial temporary or periodic increase in ambient noise levels in the project vicinity above levels existing without the project?

Less than Significant Impact with Mitigation Incorporated

Noise from construction activities would come from the operation of construction equipment, vendor trips, and worker commuter vehicles. The closest sensitive receivers to the project site are the single-family residences in the Monte Vista Mobile Home Park located approximately 80 feet west of the project site. **Table 3.12-4** estimates the noise level at the sensitive receiver closest to the project site.

<u>Table 3.12-4</u> ESTIMATED CONSTRUCTION NOISE EXPOSURES AT NEAREST SENSITIVE RECEIVER

Construction Phase	Projected 1-Hour L _{eq} (dBA)	Change from Ambient (dBA)
Demolition	60.5	5.9
Site Preparation	61.6	7.0
Grading	64.5	9.9
Building Construction	61.5	6.9
Paving & Interior Fixturization	62.1	7.5

Projected noise levels at the nearest sensitive receiver would range from 60.5 to 64.5 dBA. Although the absolute noise levels behind the soundwalls will not be unusually high during construction, the increase in short-term noise exposure would be up to 9.9 dBA L_{eq} . Nearby residents may perceive the construction noise negatively during the any or all phases. Mitigation measures NO-1 through NO-5 would reduce noise impacts from construction to less than significant. These mitigation measures limit construction to specific daytime hours and ensure that equipment will be operated correctly. They also establish criteria for a noise monitoring program and noise level thresholds at which noise shielding must take place.

As noted above, the City of Chino Hills Municipal Code limits construction activities to the hours of 7:00 AM to 7:00 PM on weekdays and 8:00 AM to 6:00 PM on Saturdays. The project would be required to comply with the City's Municipal code requirements and construction would only take place during the specified hours. Therefore impacts related to construction noise would be less than significant with the incorporation of mitigation measures **NO-1** through **NO-5**.

e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project expose people residing or working in the project area to excessive noise levels?

No Impact

The project site is not located within the vicinity of an airport. The nearest airport, Chino Airport, is located approximately 2.3 miles east of the project site, and is outside the boundary of the Chino

Airport Master Plan. 11 Due to this distance, the proposed project would not expose people residing or working in the project area to excessive noise levels.

f) For a project within the vicinity of a private airstrip, would the project expose people residing or working in the project area to excessive noise levels?

No Impact

The project site is not located within the vicinity of a private airstrip. Therefore, the proposed project would not expose people to excessive noise levels related to private airstrip. No impact would occur.

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http://chinomasterplan.airportstudy.com/master-plan/Accessed July 30, 2014.

3.13 POPULATION AND HOUSING					
Would the project:	Potentially Significant Impact	Less than Significant with Mitigation Incorporated	Less than Significant Impact	No Impact	
a) Induce substantial population growth in an area, either directly (for example, by proposing new homes and businesses) or indirectly (for example, through extension of roads or other infrastructure)?			х		
b) Displace substantial numbers of existing housing, necessitating the construction of replacement housing elsewhere?				X	
c) Displace substantial numbers of people, necessitating the construction of replacement housing elsewhere?				X	

ENVIRONMENTAL SETTING

The City of Chino Hills has experienced substantial growth since its incorporation. As the City nears build-out, its population growth has slowed considerably. According to the 2010 Census, Chino Hills' population was 74,799, a 12.0 percent increase over the 2000 Census count. The most recent population data indicates the City population totals 76,131 residents.

According to the Housing Element (2014-2021), Chino Hills has grown from a community with a housing stock of approximately 4,200 units in 1980 to 23,784 units in 2012. Over 97 percent of the developable residential lands are currently built-out. The remaining available residential sites are predominately located in the hillside and environmentally sensitive areas. Of the residential sites that do remain, none are zoned for Very High Density development.

REGULATORY SETTING

The project site is under the jurisdiction of the City of Chino Hills and therefore would be subject to applicable policies, codes, and regulations stipulated in the City of Chino Hills General Plan (1994), Housing Element, Measure U (Ordinance No. 123), and Chino Hills Municipal Code (CHMC).

The City's Housing Element provides for adequate housing for residents of all economic levels and is a mandatory element to the City General Plan. The Housing Element contains analysis of housing needs and programs designed to meet housing needs of local residents. The Housing Element considers trends in Chino Hills' population, households, and the type of housing available. Through the implementation of policies and programs contained in the Housing Element, the City would meet its Regional Housing Needs Assessment (RHNA) allocation for the 2014-2021 planning period.

Measure U¹ requires city-wide approval in order to increase land use density beyond the currently permitted capacity for proposed residential development projects. This applies to existing permitted densities stipulated by the City's General Plan or Zoning Map. Typically, this requirement is approved during local elections with a majority of residents voting in favor for this action. If a

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City of Chino Hills Ordinance No. 123, adopted on November 23, 1999.

majority of voters approves the initiative, the designated City Council or Planning Commission may consider implementation; however; there are two exceptions to this measure when it was initially adopted. The first exception to Measure U includes an increase in residential density, if necessary, in order for the City to meet its minimum mandated Housing Element requirements². The second exception to this measure is whether the City can provide its share of regional housing needs.

DISCUSSION OF IMPACTS

a) Would the project induce substantial growth in an area either directly (for example, by proposing new homes and business) or indirectly (for example, through extension of roads or other infrastructure)?

Less than Significant Impact

Occupancy of the project would directly induce population growth. The average household size for Chino Hills is 3.30 persons per household and the project proposes 346 dwelling units (d/u). This would result in an increased population of 1,142 (346 d/u x 3.30 occupants/unit). The California Department of Finance estimates Chino Hills' current total population at 76,131 residents³. Hence, the total resident population after project implementation would be estimated at 77,273 (see **Table 3.13-1**, Population Growth Forecast). The Southern California Association of Governments (SCAG) projects a total population of 78,400 by 2035 (SCAG, 2012).

Table 3.13-1
POPULATION GROWTH FORECAST

Total Dwelling Units:	Average** Household Size:	Projected Population Increase:	Total population:	Projected Total Population:	SCAG* Projected Population (2035):
346	3.30	1,142	76,1314	77,273	78,400

Source: *(SCAG, 2012) and **State of California Department of Finance (2014)

The project also includes three industrial park buildings which would not directly induce population. The project proposes to develop three concrete tilt up structures ranging from 120,516 to 326,641 square feet in building footprint. The business park zoning designation allows for a wide range of nonresidential uses, generally encompassing light industrial, retail, and other commercial development uses. Since the light industrial use component would be introduced as an existing use by right, it is not anticipated to directly induce population growth.

According to data from the California Department of Finance, the total civilian labor force in Chino Hills is estimated at 41,136 persons with 37,241 persons currently employed. These figures suggest that an estimated 3,895 persons are currently unemployed (a 9.5% unemployment rate). During the project's operational phase, employment opportunities are projected to rise with an estimated 353 new positions based on regional employment estimates for the light industry category.⁵ Project operation would increase the total labor force to 37,594 persons employed, lower the amount of

² Established by California Government Code Section 65580, et seq.

³ <u>http://www.dof.ca.gov/</u> Accessed on August 1, 2014.

^{4 &}lt;u>http://www.dof.ca.gov/research/demographic/</u> Accessed on August 5, 2014.

⁵ The Natelson Company, Employment Density Summary Report, October, 2001.

unemployed to 3,542 persons, and result in a reduced unemployment rate of 8.7% (a 0.80% rate decrease) for Chino Hills. Hence, Chino Hills has an adequate supply of existing residents that are available to join the employed labor force and could fill new positions generated by the project in lieu of non-residents.

No major public infrastructure improvements would be necessary since there are existing roadways and infrastructure facilities. The projected population increase, as a result this project's residential component, is within SCAG's 2035 population growth forecast for Chino Hills. Employment opportunities generated by the project would potentially provide new prospects to Chino Hills' residents, increase the employed labor force, and decrease the unemployment rate. Environmental impacts associated with population increases have been addressed throughout the environmental analysis section (see Section 3.1 through 3.18). Therefore, impacts relating to population growth would be less than significant and mitigation measures would not be necessary.

b) Would the project displace substantial numbers of existing housing, necessitating the construction of replacement housing elsewhere?

No Impact

The site consists of fallow agricultural land that is not currently in production. Only a small portion of the site has a few crops that may or may not be actively cultivated. Hence, the project would occur on disturbed agricultural land and would not displace any existing housing. The project would provide 346 multi-family residential dwelling units as additional housing for Chino Hills. Therefore, no impact would occur and no mitigation measures would be necessary.

c) Would the project displace substantial numbers of people, necessitating the construction of replacement housing elsewhere?

No Impact

As discussed in Section 3.13 b), implementation of the project would not result in the loss of residential units; rather; the project would increase the amount of available housing. No persons or housing units would be displaced and the construction of replacement housing would not be required. Therefore, no impact would occur and no mitigation measures would be necessary.

3.14 PUBLIC SERVICES						
		Potentially Significant	Less than Significant with Mitigation	Less than Significant		
		Impact	Incorporated	Impact	No Impact	
constr	ally altered governmental facilities, th uction of which could cause significa e ratios, response times or other perfor	nt environment	tal impacts, in o	rder to mainta		
a)	Fire protection?			X		
b)	Police protection?			X		
c)	Schools?			X		
d)	Parks?			X		
e)	Other public facilities?			X		

ENVIRONMENTAL SETTING

Fire Protection

The Chino Valley Independent Fire District ("Fire District") provides fire protection services in the City of Chino Hills. The Fire District serves an approximately 80-square-mile area that includes the cities of Chino Hills, and Chino, and surrounding unincorporated areas. The Chino Valley Independent Fire District comprises six fire stations housing over 80 professional firefighters, strategically located to provide fire and emergency medical services throughout the community.

Fire Station 61 located at 5078 Schaefer Avenue, Chino, CA, provides fire service in the project area¹. Other stations respond to emergencies in the project area, as needed. Station 61 consists of a total of eight personnel and comprises one engine company with four firefighters and an additional truck company with hazmat trained staffed. Existing standard response time for fire service in the project area is less than 5 minutes¹.

Police Protection

The City of Chino Hills contracts with the San Bernardino Sheriff's Department to receive law enforcement services². The Chino Hills Police Station is located in the Chino Hills Government Center at 14077 Peyton Drive. Currently, the Police Department has 52 sworn personnel, which includes 38 deputies, 4 detectives, 8 sergeants, 1 lieutenant, and 1 captain. The Department also has 15 civilian personnel.

The Police Department's desired officer-to-resident service ratio is 1 deputy per 2,000 residents. With a current City population of 76,240 residents, the Police Department currently achieves this ratio. In 2012, the Police Department handled 36,694 calls for service, and obtained an average response time for all emergency calls of approximately 3 minutes and 30 seconds. This response time is faster than the Department's goal of responding to all calls for service in less than 7 minutes and 30 seconds (Chino Hills, 2014).

Fire Marshall Jeremy Ault, correspondence letter, July 2014.

² Chino Hills Police Department Homepage, Accessed August 2014.

Schools

The Chino Valley Unified School District (USD) provides primary and secondary public education services to students living in the local area. In the District, there are currently 22 elementary schools, seven middle schools, six high schools, and three alternative and adult schools.

School facilities currently serving the project area include Dickson Elementary School, Ramona Junior High School and Don Lugo High School. **Table 3.14-1**³ provides current student enrollment numbers and their respective student enrollment capacity for each school facility that serves the project area.

Table 3.14-1
CHINO VALLEY UNIFIED SCHOOL DISTRICT STUDENT ENROLLMENT & CAPACITY

School	Address	*Current Student Enrollment	Student Enrollment capacity
Dickson Elementary School	3930 Pamela Drive, Chino, CA	640	814
Ramona Junior High School	4575 Walnut Avenue, Chino, CA	579	1,339
Don Lugo High School	13400 Pipeline Avenue, Chino, CA	1,758	3,245

^{*}Note: Projected 2014/15 school year enrollment

Parks

Parks and recreation facilities in the City include 40 parks with a total of approximately 300 acres of parkland (Chino Hills, 2014). Facilities within the parks include natural open spaces, community buildings, lakes, streams, sports courts and fields, picnic areas, playgrounds, a skate park, an equestrian center, and equestrian staging areas.

The Chino Hills State Park is located approximately 2.0 miles south of the project site. The Chino Hills State Park includes 14,102 acres of parkland and 65 miles of trails. Other Community parks and recreation facilities located nearest to the project site include the following:

- ≠ Glenmead Park located approximately 1.6 miles west of the project site, comprises total park area of 3.2 acres.
- ≠ Hilltop Park located approximately 1.6 miles west of the project site, comprises total park area of 6.4 acres.
- ≠ Danbury Park is located approximately 1.5 miles south of the project site, comprises total park area of 5.7 acres.
- ≠ Ayala Park, located approximately 2.0 miles northeast of the project site, comprises total park area of 140 acres.

These community parks located near the project site provide a range of amenities including tot lots, volleyball and basketball courts, softball, baseball, and soccer fields and picnic facilities to residents in the project area.

³ http://apps.schoolsitelocator.com/index.html?districtCode=58952 Accessed on July 28, 2014.

Other Public Facilities

The Chino Hills Civic Center serves as the governmental core for the City. This area includes the City Hall, Fire District administrative offices, the Police Department building, and the James S. Thalman Chino Hills Public Library, which is a branch of the San Bernardino County library system. This library located at 14020 City Center Drive, approximately 3.2 miles northeast of the proposed project site is the nearest public library. The library is open on the weekends and weekdays as follows: Monday-Thursday 10:00am-8:00pm, on Friday from 10:00am to 6:00pm, on Saturday from 9:00am to 5:00pm and on Sunday from 1:00pm to 5:00pm. This Library includes a Teen Zone, a Kids Zone, programs and classes for beginners and adults, study room space, and public-use computers.

Other public libraries located in close proximity to the project include the Chino Branch Library located at 13180 Central Avenue and Cal Aero Preserve Academy Branch Library located at 15850 Main Street, in the City of Chino. Each is operated as a community resource and gathering place to provide library materials, computer access, and study room space, serving their respective parts of the planning area.

REGULATORY SETTING

The project site is under the jurisdiction of the City of Chino Hills and therefore would be subject to applicable policies, codes, and regulations stipulated in the City of Chino Hills General Plan and Municipal Code. Additional regulations that cover resources affected by the project include:

Chino Valley Independent Fire District Master Plan

According to the Chino Valley Independent Fire District Master Plan, adopted July 11, 2012, the Fire District's mission is to protect the lives and property of the community from detrimental effects of fires, medical emergencies and other hazardous conditions. The Master Plan also outlines Fire District's current organization and existing services, and identifies future facility needs.

Assembly Bill 2926

In 1986, the State Legislature approved Assembly Bill 2926 (AB 2926), to assist in providing facilities to serve students generated by new development projects. This bill allows school districts to collect standardized impact fees from developers of new residential and commercial/industrial building space prior to issuance of building permits. Part of this bill establishes these standard fees as a sufficient mitigation measure to offset impacts on public school facilities in the CEQA process.

Quimby Act

The Quimby Act (California Government Code §66477) of 1975 and subsequent amendments, allows cities and counties to pass ordinances requiring that developers set aside land, donate conservation easements, or pay fees for park improvements. This act allows local agencies to establish ordinances requiring developers of residential subdivisions to provide impact fees for land and/or recreational facilities. Revenues generated through the Quimby Act are used to fund construction of new parks. Pursuant to the requirements of the Quimby Act, local ordinances are required to include definite standards for determining the proportion of the subdivision to be dedicated and the amount of the fee to be paid. The City of Chino Hills has a Quimby Fund as well as a Parks Facilities Fee to fund parks construction. The City requires payment of standardized Park

and Recreation Development Impact fees and Quimby In-lieu fees from developers of new residential developments to offset impacts on parks and recreation facilities.

DISCUSSION OF IMPACTS

a) Fire protection?

Less Than Significant Impact

The project would be served by Fire District's Fire Station 61, which is located at a distance of approximately 2 miles from the project site (Fire Marshall Jeremy Ault, correspondence letter, July 2014). Other stations would respond to emergencies at the project site as needed. Construction and operation of the proposed project would increase demand for fire protection services compared to existing conditions due to increased human presence and activity. The project design plans propose to promote emergency access by including a turning radius that is sufficient to accommodate large fire trucks, dedicating fire lanes, and strategic placement of fire hydrants throughout the development site.

The Fire District would review site plans, site construction, and the actual structure prior to occupancy to ensure that required fire protection safety features, including building sprinklers and emergency access, are implemented. Development with modern materials and in accordance with current standards, inclusive of fire resistant materials, fire alarms and detection systems, automatic fire sprinklers, would enhance safety from fire, and would support fire protection services (Title 24, California Code of Regulations, Part 9). Fire District's response time for the proposed project would fall within the standard response time, which is less than 5 minutes (Fire Marshall Jeremy Ault, correspondence letter, July 2014). Therefore, the proposed project would not substantially affect Station 61's level of service, and would not result in the need to construct new or physically altered fire protection facilities that could have an environmental impact. As such, impacts related to fire protection would be less than significant.

b) Police protection?

Less Than Significant Impact

Law enforcement at the project site would be provided by officers stationed at the Chino Hills Police Station, located approximately 3.0 miles northwest of the project site. The project would incrementally increase the demand for police protection services compared to existing conditions due to the addition of approximately 1,142 new residents (see Section 3.13, Population and Housing for further detail).

Based on the Police Department's current and desired officer-to-resident ratio of 1 deputy per 2,000 residents, the proposed project would not require additional deputies. Any incremental increase in calls for service could be accommodated by existing law enforcement personnel and equipment. The project would not result in the need to construct new or physically altered police protection facilities that could have an environmental impact. Therefore, impacts related to police services would be less than significant.

c) Schools?

Less Than Significant Impact

Construction and occupancy of the proposed project would generate new students requiring education. Using generation rates provided by Chino Valley USD (see Table 3.14-2), the project at full occupancy is predicted to generate 47 elementary school students, 15 junior high students, and 23 high school students. **Table 3.14-3** compares the total number of students predicted at full occupancy against the remaining capacities of the schools serving the project site. Based on the remaining capacity for each school, there would be no need for additional school facilities or expansion of existing facilities to accommodate new students.

<u>Table 3.14-2</u> CHINO VALLEY UNIFIED SCHOOL DISTRICT STUDENT GENERATION RATES

Type of Dwelling Unit	Elementary School Grade K-6	Junior High School Grade 7-8	High School Grade 9-12	All Students
Single Family	0.2835	0.0637	0.1242	0.4714
Multi-Family	0.1209	0.0239	0.0394	0.1814
Apartment	0.1354	0.0437	0.0655	0.2445

Source: E-mail from Gregory J. Stachura Assistant Superintendent, Facilities, Planning & Operations, Chino Valley USD

Table 3.14-3
STUDENT GENERATION AND REMAINING CAPACITY

School	Students Generated by Project	Existing Available Capacity	Remaining Capacity
Dickson Elementary School	47	174	127
Ramona Junior High School	15	760	745
Don Lugo High School	23	1487	1464

*Note: Projected 2014/15 school year enrollment

In accordance with State law the applicant would be required to pay school impact fees. Pursuant to Section 65995 (3)(h) of the California Government Code (Senate Bill 50, chaptered August 27, 1998), the payment of statutory fees "...is deemed to be full and complete mitigation of the impacts of any legislative or adjudicative act, or both, involving, but not limited to, the planning, use, or development of real property, or any change in governmental organization or reorganization." There are no new school facilities or additions to existing facilities proposed by Chino Valley USD. Based on this discussion, the project would not exceed the school district's remaining student enrollment capacity. Thus, payment of the development fees is considered full mitigation for the proposed project's impacts under CEQA and impacts would be less than significant.

d) Parks?

Less Than Significant Impact

Private recreation amenities that will be provided by the project include an indoor gym, pool and spa, outdoor sports court, landscaped courtyard with fountain, outdoor kitchen with barbeque and

outdoor dining area with fireplace. The nearest public community parks are Glenmead Park and Hilltop Park located approximately 1.6 miles west and Danbury Park located approximately 1.5 miles south of the proposed project site. Chino Hills State Park is located approximately 2.0 miles south of the project site and Ayala Park, which is the largest community park in the City of Chino, is located approximately 2.0 miles northeast of the project site.

Development of the proposed project would lead to the development of 346 new residential units and will result in an increase of an estimated 1,142 new residents within the project area. The City of Chino Hills requires the payment of development impact fees for impact on parkland, due to the development of residential and multifamily developments based upon a rate of \$2,422 per dwelling unit. Although implementation of the project would cause an incremental increase in demand for parks and recreation facilities, this increase would be offset by the payment of Quimby In-lieu fees⁴ (governed by Chino Hills Ordinance 66) and by the inclusion of landscaped courtyards and other recreation areas onsite. Therefore, impact to parks and parkland facilities is anticipated to be less than significant.

e) Other public facilities?

Less Than Significant Impact

As discussed in the environmental setting section above, the nearest public library is the James S. Thalman Chino Hills Branch Library. Other public libraries located in close proximity to the project include the Chino Branch Library and Cal Aero Preserve Academy Branch Library. Each of these libraries operates as a community resource and provides library materials, public computer access, and study room space. It is estimated that the proposed project could add up to 1,142 residents. This increase is minimal (less than one percent of the City's population) and will not trigger the need for additional libraries. Therefore, impact to other public facilities such as libraries is anticipated to be less than significant.

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⁴ City of Chino Hills Municipal Code, Chapter 3.40, Section 3.40.090(A.), Quimby In-lieu Fees.

3.15 RECREATION				
Would the project:	Potentially Significant Impact	Less than Significant with Mitigation Incorporated	Less than Significant Impact	No Impact
a) Would the project increase the use of existing neighborhood and regional parks or other recreational facilities such that substantial physical deterioration of the facility would occur or be accelerated?			Х	
b) Include recreational facilities or require the construction or expansion of recreational facilities, which might have an adverse physical effect on the environment?			Х	

ENVIRONMENTAL SETTING

The City of Chino Hills Parks and Recreation Department provides recreational opportunities for all residents. There are currently 44 parks located throughout Chino Hills. According to the Parks, Recreation and Open Space Element of the General Plan, the City of Chino Hills has exceeded the parkland standard of three acres of parkland per 1,000 residents. Chino Hills currently has 284 acres of parkland and a population of 76,131 residents in 2014.

The parkland is comprised of developed, usable acreage made up of active recreational areas containing features such as sports fields, picnic areas, playgrounds/"tot lots", skating facilities, and other support facilities. These facilities are operated and regularly maintained by the City. The Chino Hills State Park, which is not administered or operated by the City, offers an additional 14,102 acres of open space, 7,366 acres of which are within the City's boundaries. The State Park has over 90 miles of trails (38 miles of trails in the City) for hiking, biking, and equestrian riding, and other recreation opportunities for residents of Chino Hills (Chino Hills, 2014).

REGULATORY SETTING

The project would be subject to the plans and policies of the Parks, Recreation, and Open Space Element of the City of Chino Hills General Plan and subject to the requirements of Chino Hills Municipal Code Section 16.86.020 for parkland dedication.

DISCUSSION OF IMPACTS

a) Increase the use of existing neighborhood and regional parks or other recreational facilities such that substantial physical deterioration of the facility would occur or be accelerated?

Less than Significant Impact

Development of the proposed project would increase population and result in higher demand for parks and recreational facilities. According to the Chino Hills Municipal Code Section 16.86.020, a standard of three acres of usable land for each 1,000 persons residing within Chino Hills is required

to be dedicated for neighborhood or community park and recreation facilities. The proposed project would include 346 multifamily residential units and generate approximately 1,142 new residents1. Based on the City parkland and recreation standard and the projected residential population increase, the proposed project would require approximately 3.43 acres of land dedicated to park and recreational facilities. The California Department of Finance estimates the City to have a total population of 76,131 residents in 2014. To meet the parkland dedication standard, the City should have 228 acres of parkland for the existing population and an additional 3.43 acres for the projected population increase, totaling 231.43 acres of park and recreation land.

The City of Chino Hills has 284 acres of parkland, which is made up of 44 parks, 38 miles of trails, five community buildings, and a total of 3,000 acres of publicly owned open space (Chino Hills, 2014). The City's current 284 acres of parkland and existing recreational facilities are sufficient to accommodate the parkland required for the new residential population (i.e., 3.43 acres) as well as the City's existing population (i.e., 228 acres). Furthermore, the proposed project would include a number of recreational opportunities to residents and guests. A total of 0.65 acres is dedicated to private open space and a total of 5.10 acres is dedicated to common open space. On-site recreational amenities include sport court, enclosed garden, formal strolling flower/scented garden, open turf play area, tot-lot play area, gym, dog walk area, pool area, and other amenities.

The City of Chino Hills requires the payment of development impact fees for impact on parkland related to the development of residential and multifamily developments. Although implementation of the project would cause an incremental increase in demand for parks and recreation facilities, this increase would be offset by the payment of Quimby In-lieu fees² (governed by Chino Hills Ordinance 66) and by the inclusion of landscaped courtyards and other recreational facilities onsite. Therefore, impact to parks and parkland facilities is anticipated to be less than significant.

In addition to the residential use, the project site also includes a Business Park Zone comprising of three light industrial buildings. The employees anticipated to work at the Business Park are unlikely to use nearby parks and recreational facilities during working hours. Use of park and recreational facilities by nonresident employees during after work hours would likely be limited. Therefore, impacts related to the use of parks and recreational facilities, such that substantial physical deterioration of the facility would occur or accelerate substantial physical deterioration, would be less than significant.

b) Include recreational facilities or require the construction or expansion of recreational facilities which might have an adverse physical effect on the environment?

Less than Significant Impact

The proposed project would provide outdoor and indoor recreational amenities on-site as well as common open space for residents and guests. The project does not include the construction or expansion of any off-site recreational facilities. The proposed on-site recreational facilities are included as part of the project and are evaluated throughout this Initial Study/Mitigated Negative Declaration (IS/MND). Construction-related physical impacts are addressed in other topic areas in Chapter 4. Thus, the development of common open space, outdoor and indoor recreational facilities would not result in environmental impacts beyond those already identified in this document. Therefore, impacts would be less than significant.

Projected residential population growth is based on an average of 3.30 occupants per residential units.

City of Chino Hills Municipal Code, Chapter 3.40, Section 3.40.090(A.), Quimby In-lieu fees.

Would the project:	Potentially Significant Impact			No Impact	
a) Conflict with an applicable plan, ordinance or policy establishing measures of effectiveness for the performance of the circulation system, taking into account all modes of transportation including mass transit and non-motorized travel and relevant components of the circulation system, including but not limited to intersections, streets, highways and freeways, pedestrian and bicycle paths, and mass transit?		X			
b) Conflict with an applicable congestion management program, including, but not limited to level of service standards and travel demand measures, or other standards established by the county congestion management agency for designated roads or highways?		Х			
c) Result in a change in air traffic patterns, including either an increase in traffic levels or a change in location, which results in substantial safety risks?				х	
d) Substantially increase hazards due to a design feature (e.g., sharp curves or dangerous intersections) or incompatible uses (e.g., farm equipment)?			X		
e) Result in inadequate emergency access?			X		
f) Conflict with adopted policies, plans, or programs regarding public transit, bicycle, or pedestrian facilities, or otherwise decrease the performance or safety of such facilities?			x		

The following is summarized in part from the Traffic Study, prepared by Law and Greenspan (2014). The Traffic Study is included as **Appendix I**.

ENVIRONMENTAL SETTING

Highways and Roads

State Route 71 (SR-71), known as the Chino Valley Freeway, provides regional access to the City of Chino Hills. SR-71 currently provides three mixed flow lanes in each direction with a carpool (high-occupancy vehicle) lane in both directions on either side of Soquel Canyon Parkway/Central Avenue and Ramona Avenue/Chino Hills Parkway. A full interchange at Soquel Canyon Parkway/Central Avenue and a full interchange at Ramona Avenue/Chino Hills Parkway provide regional access to the site.

Local access is provided by a network of streets including Central Avenue, Soquel Canyon Road, Butterfield Ranch Road, Chino Hills Parkway, Ramona Avenue, Fairfield Ranch Road, and Monte Vista Avenue. **Figure 3.16-1** illustrates the locations of the 17 intersections studied in the traffic report.

Table 3.16-1 summarizes the existing operating condition of studied intersection locations during the PM peak hour. As shown, the Central Avenue at El Prado Road intersection currently operates at an unacceptable Level of Service (LOS E) during the PM peak hour. The remaining study intersections currently operate at LOS D or better during the weekday AM and PM peak hours.

Table 3.16-1
EXISTING PEAK HOUR LEVEL OF SERVICE

Key Intersections		Time Period	City/ Jurisdiction	Control Type	Delay (sec/veh)	V/C Ratio	LOS
1.	Pipeline Road at	AM	Chino Hills/	8∪ Traffic	42.6	0.716	D
1.	Chino Hills Parkway	PM	Caltrans	Signal	50.9	0.776	D
2.	SR-71 SB Ramp at	AM	Chino Hills/	4∪ Traffic	11.7	0.346	В
۷.	Chino Hills Parkway	PM	Caltrans	Signal	13.9	0.400	В
3.	SR-71 NB Ramp at	AM	Chino Hills/	4∪ Traffic	22.4	0.605	С
Э.	Chino Hills Parkway	PM	Caltrans	Signal	19.2	0.577	В
4.	Ramona Avenue at	AM	Chino Hills/	8∪ Traffic	30.9	0.557	С
4.	Chino Hills Parkway	PM	Chino	Signal	36.3	0.638	D
5.	Monte Vista Avenue (S) at	AM	Chino Hills/	One-Way	15.8	0.210	С
5.	Chino Hills Parkway	PM	Chino	Stop	18.5	0.239	С
6.	Monte Vista Avenue (N) at	AM	Chino	5∪ Traffic	18.4	0.358	В
0.	Chino Hills Parkway	PM	Chino	Signal	20.9	0.327	С
7.	Central Avenue at	AM	Chino	6∪ Traffic	41.5	0.564	D
/.	Chino Hills Parkway	PM	CIIIIO	Signal	45.5	0.637	D
8.	SR-71 NB Ramp at	AM	Chino Hills/	4∪ Traffic	22.7	0.472	С
Ö.	Ramona Avenue	PM	Caltrans	Signal	23.0	0.497	С

Key Intersections		Time Period	City/ Jurisdiction	Control Type	Delay (sec/veh)	V/C Ratio	LOS
9.	SR-71 SB Ramp at	AM	Chino Hills/	4∪ Traffic	19.5	0.355	В
9.	Ramona Avenue	PM	Caltrans	Signal	21.5	0.446	С
10	Central Avenue at	AM	CI :	6∪ Traffic	45.8	0.914	D
10.	El Prado Road	PM	Chino	Signal	56.9	0.925	E
11	Central Avenue at	AM	China Hilla	8∪ Traffic	49.8	0.766	D
11.	Fairfield Ranch Road	PM	Chino Hills	Signal	37.2	0.561	D
10	SR-71 NB Ramps at Central	AM	Chino Hills/	2∪ Traffic	31.5	0.906	С
12.	Ave / Soquel Canyon Pkwy	PM	Caltrans	Signal	16.4	0.443	В
12	SR-71 SB Ramps at Central	AM	Chino Hills/	2∪ Traffic	19.1	0.645	В
13.	Ave / Soquel Canyon Pkwy	PM	Caltrans	Signal	23.4	0.809	С
1.4	Pomona Rincon Road at	AM	CI : 11:11	3∪ Traffic	25.5	0.919	С
14.	Soquel Canyon Parkway	PM	Chino Hills	Signal	9.4	0.241	A
1.5	Butterfield Ranch Road at	AM	CI : 11:11	8∪ Traffic	36.6	0.551	D
15.	Soquel Canyon Parkway	PM	Chino Hills	Signal	37.3	0.367	D
16	Monte Vista Avenue at	AM	CI.	2∪ Traffic	14.1	0.142	В
16.	Eucalyptus Avenue	PM	Chino	Signal	14.0	0.168	В
1.7	Central Avenue at	AM	CI.	6∪ Traffic	18.8	0.421	В
17.	Eucalyptus Avenue	PM	Chino	Signal	28.0	0.557	С

Source: Linscott, Law, and Greenspan Engineers, September 2014

Note:

 $\textbf{Bold LOS values} \ \text{indicate adverse service levels based on City LOS standards}.$

LOS = Level of Service, please refer to *Tables 3-1* and *3-2* for the LOS definitions.

V/C=volume-to-capacity

Ø = Phase

NB=northbound

SB=southbound

Transit

OmniTrans is the public transit agency that serves the City. The transit agency operates 27 fixed bus routes that connect cities throughout San Bernardino Valley. OmniTrans also operates three other transit services:

- ≠ OmniLink a public dial-a-ride service that provides on-demand curb-to-curb service.
- ≠ Access an Americans with Disabilities (ADA) that provides paratransit service.
- ≠ OmniGo a local shuttle bus service provides access to local points of interest. The project site's closest public transit stop is for OmniGo Route 365 at the intersection of Central Avenue and Fairfield Ranch Road.

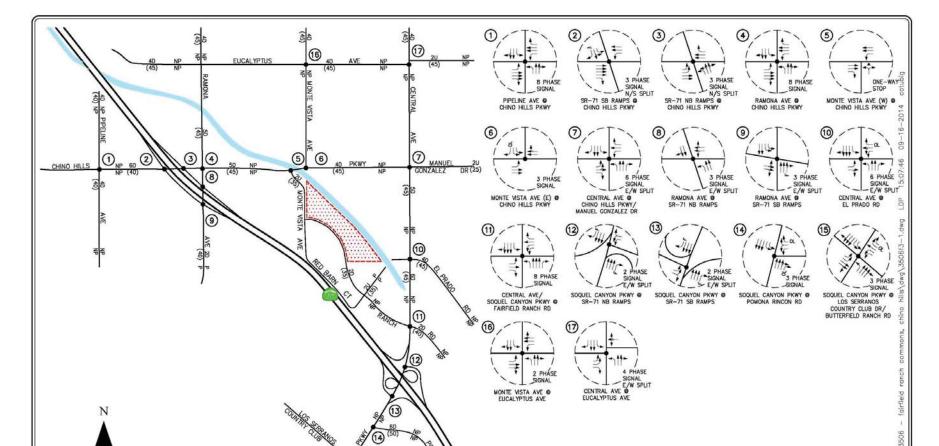


Figure 3.16-1
STUDY INTERSECTION LOCATIONS



Source: Linscott, Law & Greenspan, Engineers, 2014

Not to Scale

Fairfield Ranch Commons

Existing Roadway Conditions and Intersection Controls

Non- motorized Transit

The City of Chino Hills Bicycle Master Plan identifies bike lanes through the City with connections to adjacent communities. Chino Hills Parkway located immediately to the north of the site is designated as a Class 2 bike lane on the Bicycle Master Plan.

Airports

The nearest airport is the Chino Airport located approximately 2.3 miles east of the project site. It is a non-commercial and general aviation airport for independent pilots, students and trainers and corporate users.

REGULATORY SETTING

The proposed project would be subject to the plans and policies of the Circulation Element of the City of Chino Hills General Plan and the countywide Congestion Management Program (CMP) developed by San Bernardino Associated Governments (SANBAG).

The City's Circulation Element identifies the following performance targets:

- ≠ Action C-1.1.1: Achieve and maintain a minimum Level of Service D on all roadway links and at all roadway intersections, with the exception of intersections within one-half mile of the SR-71 Freeway, where a minimum Level of Service E shall be maintained.
- ≠ Action C-1.1.2: Maintain San Bernardino County Congestion Management Program (CMP) highway system roadway links and intersections at Level of Service E.

The City of Chino Hills Municipal Code (CHMC) establishes standards for parking and speed limits and governs the design and construction of streets, sidewalks, and right-of-way.

CMP is a state-mandated program enacted by California State Legislature with the passage of Proposition 111 in 1990. The program addresses the impact of local growth on regional transportation system.

METHODOLOGY

The traffic report analyzed existing and future weekday AM peak hour and PM peak hour traffic conditions for a near-term (Year 2016) and long-term (Post-2035) traffic setting upon completion of the proposed project. Peak hour traffic forecasts for the Year 2016 horizon year have been projected by increasing existing traffic volumes by an annual growth rate of 2.0% per year and adding traffic volumes generated by cumulative projects. Long-term (Post-2035) traffic projections were derived from the San Bernardino Traffic Analysis Model (SBTAM).

Based on the Highway Capacity Manual (HCM), the operating condition of signalized roadway intersections is measured in terms of level of service (LOS), which has five categories to measure the condition of signalized intersections. LOS is defined in terms of control delay, which is a measure of driver discomfort, frustration, fuel consumption, and lost travel time (see **Table 3.16-2**). The delay experienced by a motorist is made up of a number of factors that relate to control, geometries, traffic, and incidents. Total delay is the difference between the travel time actually experienced and the reference travel time that would result during ideal conditions: in the absence

of traffic control, in the absence of geometric delay, in the absence of any incidents, and when there are no other vehicles on the road.

Table 3.16-2 LEVEL OF SERVICE DEFINITIONS

Level of Service (LOS)	Control Delay per Vehicle (Seconds/Vehicle)	Level of Service Description
A	< 10.0	This level of service occurs when progression is extremely favorable and most vehicles arrive during the green phase. Most vehicles do not stop at all. Short cycle lengths may also contribute to low delay.
В	> 10.0 and < 20.0	This level generally occurs with good progression, short cycle lengths, or both. More vehicles stop than with LOS A, causing higher levels of average delay.
С	> 20.0 and < 35.0	Average traffic delays. These higher delays may result from fair progression, longer cycle lengths, or both. Individual cycle failures may begin to appear at this level. The number of vehicles stopping is significant at this level, though many still pass through the intersection without stopping.
D	> 35.0 and < 55.0	Long traffic delays At level D, the influence of congestion becomes more noticeable. Longer delays may result from some combination of unfavorable progression, long cycle lengths, or high v/c ratios. Many vehicles stop, and the proportion of vehicles not stopping declines. Individual cycle failures are noticeable.
Е	> 55.0 and < 80.0	Very long traffic delays This level is considered by many agencies (i.e. SANBAG) to be the limit of acceptable delay. These high delay values generally indicate poor progression, long cycle lengths, and high v/c ratios. Individual cycle failures are frequent occurrences.
F	≥ 80.0	Severe congestion This level, considered to be unacceptable to most drivers, often occurs with over saturation, that is, when arrival flow rates exceed the capacity of the intersection. It may also occur at high v/c ratios below 1.0 with many individual cycle failures. Poor progression and long cycle lengths may also be major contributing factors to such delay levels.

Source: Linscott, Law, & Greenspan Engineers, September 2014.

DISCUSSION OF IMPACTS

a) Conflict with an applicable plan, ordinance or policy establishing measures of effectiveness for the performance of the circulation system, taking into account all modes of transportation including mass transit and non-motorized travel and relevant components of the circulation system, including but not limited to intersections, streets, highways and freeways, pedestrian and bicycle paths, and mass transit?

Less than Significant with Mitigation Incorporated

The proposed project is forecast to generate up to 5,188 daily passenger car trip equivalents¹ (PCE trips), with up to 633 PCE trips (439 inbound, 194 outbound) produced during the AM peak hour and up to 628 PCE trips (182 inbound, 446 outbound) produced during the PM peak hour on a "typical" weekday condition.

These vehicle trips have been distributed onto the existing circulation system based on a variety of factors and then added to existing traffic volumes to evaluate Existing Plus Project conditions. **Table 3.16-3, Existing Plus Project LOS,** summarizes the peak hour level of service at the seventeen (17) key study intersections under Existing Plus Project traffic conditions. As shown, traffic associated with the proposed project will have a significant impact at two of the key study intersections (i.e., Key Intersections #5 and #11) and contribute to the adverse service level at another location (i.e., Key Intersection #10) that is currently operating at an unacceptable LOS E.

The remaining key study intersections are forecast to operate at an acceptable LOS with the addition of project generated traffic. Impacts at the three affected intersections (i.e., Key Intersections #5, #10, and #11) would be mitigated through implementation of recommended improvements outlined below in mitigation measures **TR-1** through **TR-3**.

Mitigation Measures

Per the City of Chino Hills requirements, the project would construct improvements and/or pay a proportional "fair-share" of the improvement costs of the impacted intersections to mitigate the project's traffic impacts. The project applicant would construct and/or pay a fair-share of the construction costs to implement the following mitigation measures for Existing Plus Project conditions:

TR-1: Monte Vista Avenue (S) at Chino Hills Parkway

Install a traffic signal and design for three-phase operation with protected westbound left-turn phasing on Chino Hills Parkway. Provide crosswalks on the south and west legs. Widen Monte Vista Avenue and restripe the westbound approach to provide a separate right-turn lane. Modify existing striping accordingly and install all necessary striping, pavement markings and signs per the City of Chino Hills Standard Design Guidelines and/or California Manual on Uniform Traffic Control Devices (CA MUTCD). Implementation of this improvement will require the approval of the City of Chino Hills.

TR-2: Central Avenue at El Prado Road

¹ Trip generation potential of the business park is presented in passenger car equivalents. A PCE factor of 1.5 has been applied to large 2-axle trucks, a factor of 3.0 for 3-axle trucks and a factor of 4.0 for 4+-axle trucks. These PCE factors are consistent with the values recommended in the San Bernardino County CMP.

Modify existing traffic signal and install a northbound right-turn overlap phase on Central Avenue. Install "No U-turn" signs for westbound traffic on El Prado Road. Implementation of this improvement will require the approval of the City of Chino.

TR-3: Central Avenue at Fairfield Ranch Road

Remove the existing crosswalk across the south leg of intersection on Central Avenue and install a crosswalk across the west leg of the intersection on Fairfield Ranch Road. Modify the existing traffic signal and existing striping accordingly and install all necessary striping, pavement markings, and signs per the City of Chino Hills Standard Design Guidelines and/or CA MUTCD. Implementation of this improvement will require the approval of the City of Chino Hills.

Table 3.16-3
EXISTING PLUS PROJECT LEVEL OF SERVICE

		Time	Existing Traffic Conditions			Existing Plus Project Traffic Conditions			Significant Impact	Existing Plus Project With Improvem		
Key	/ Intersections	Period	Delay	V/C	LOS	Delay	V/C	LOS	Yes/No	Delay	V/C	LOS
1.	Pipeline Road at	AM	42.6	0.716	D	43.2	0.724	D	No			
1.	Chino Hills Parkway	PM	50.9	0.776	D	51.9	0.790	D	No			
2.	SR-71 SB Ramp at	AM	11.7	0.346	В	13.7	0.391	В	No			
۷.	Chino Hills Parkway	PM	13.9	0.400	В	14.8	0.422	В	No			
3.	SR-71 NB Ramp at	AM	22.4	0.605	С	22.0	0.613	С	No			
٥.	Chino Hills Parkway	PM	19.2	0.577	В	18.7	0.508	В	No			
4.	Ramona Avenue at	AM	30.9	0.557	С	31.9	0.596	С	No			
4.	Chino Hills Parkway	PM	36.3	0.638	D	39.2	0.699	D	No			
5.	Monte Vista Avenue (S)	AM	15.8	0.210	С	24.6	0.479	С	No	16.0	0.418	В
٥.	at Chino Hills Parkway	PM	18.5	0.239	С	73.8	0.816	F	Yes	16.4	0.511	В
6.	Monte Vista Avenue (N)	AM	18.4	0.358	В	18.7	0.377	В	No			
0.	at Chino Hills Parkway	PM	20.9	0.327	С	21.1	0.346	С	No			
7.	Central Avenue at	AM	41.5	0.564	D	42.8	0.573	D	No			
/.	Chino Hills Parkway	PM	45.5	0.637	D	45.8	0.638	D	No			
8.	SR-71 NB Ramp at	AM	22.7	0.472	С	22.7	0.472	С	No			
0.	Ramona Avenue	PM	23.0	0.497	С	23.0	0.497	С	No			
9.	SR-71 SB Ramp at	AM	19.5	0.355	В	19.5	0.355	В	No			
7.	Ramona Avenue	PM	21.5	0.446	С	21.5	0.446	С	No			

<u>Table 3.16-3</u>
EXISTING PLUS PROJECT LEVEL OF SERVICE (Continued)

		Time	Existing Traffic Conditions		Existing Plus Project Traffic Conditions			Significant Impact]	Existing Plus Project /ith Improvements		
Key	Intersections	Period	Delay	V/C	LOS	Delay	V/C	LOS	Yes/No	Delay	V/C	LOS
10.	Central Avenue at	AM	45.8	0.914	D	47.8	0.923	D	No	33.4	0.827	С
10.	El Prado Road	PM	56.9	0.925	E	61.8	0.952	E	Yes	34.4	0.740	С
11.	Central Avenue at	AM	49.8	0.766	D	83.8	0.946	F	Yes	54.8	0.745	D
11.	Fairfield Ranch Road	PM	37.2	0.561	D	41.1	0.561	D	No	39.3	0.555	D
12	SR-71 NB Ramps at Central	AM	31.5	0.906	С	43.5	0.993	D	No			
12.	Ave / Soquel Canyon Pkwy	PM	16.4	0.443	В	18.1	0.485	В	No			
13.	SR-71 SB Ramps at Central	AM	19.1	0.645	В	19.3	0.657	В	No			
13.	Ave / Soquel Canyon Pkwy	PM	23.4	0.809	С	23.8	0.812	С	No			
14.	Pomona Rincon Road at	AM	18.7	0.593	В	18.6	0.596	В	No			
14.	Soquel Canyon Parkway	PM	9.4	0.236	A	9.3	0.239	Α	No			
15.	Butterfield Ranch Road at	AM	36.6	0.551	D	36.7	0.556	D	No			
13.	Soquel Canyon Parkway	PM	37.3	0.367	D	36.9	0.371	D	No			
16	Monte Vista Avenue at	AM	14.1	0.142	В	14.2	0.150	В	No			
16.	Eucalyptus Avenue	PM	14.0	0.168	В	14.2	0.175	В	No			
17.	17. Central Avenue at	AM	18.8	0.421	В	19.0	0.436	В	No			
	Eucalyptus Avenue	PM	28.0	0.557	С	28.6	0.564	С	No			

Source: Linscott, Law, & Greenspan Engineers, September 2014.

Year 2016 Plus Project Conditions

The results of the traffic impact analysis under the Year 2016² Plus Project condition indicates that the proposed project will have a cumulative impact at the seven key study locations outlined below. The remaining ten intersections are forecast to operate at acceptable levels of service during the AM peak and PM peak hour in the Year 2016. Impacts at the seven affected intersections would be mitigated through implementation of recommended improvements outlined below in mitigation measures **TR-4** through **TR-10**.

1.	Pipeline Rd at Chino Hills Pkwy	(LOS E in PM)
5.	Monte Vista Ave (S) at Chino Hills Pkwy	(LOS E in AM, LOS F in PM)
7.	Central Ave at Chino Hills Pkwy	(LOS E in PM)
10.	Central Ave at El Prado Rd	(LOS F in AM, LOS F in PM)
11.	Central Ave at Fairfield Ranch Rd	(LOS F in AM)
12.	SR-71 NB Ramps at Central Ave	(LOS F in AM)
13.	SR-71 SB Ramps at Soquel Cyn	(LOS F in AM)

Mitigation Measures

Per the City of Chino Hills requirements, the project would construct improvements and/or pay a proportional "fair-share" of the improvement costs of the impacted intersections to mitigate the project's traffic impacts. The project applicant would construct and/or pay a fair-share of the construction costs to implement the following mitigation measures for Year 2016 Plus Project conditions:

TR-4: Pipeline Avenue at Chino Hills Parkway

Widen and/or restripe the southbound approach on Pipeline Avenue to provide a second left-turn lane. A preliminary assessment of existing conditions indicates that this improvement could be accomplished via the restriping of Pipeline Avenue, but could require widening within the existing right-of-way to provide additional pavement (via narrowing of the existing sidewalks) to meet the City of Chino Hills design criteria. Modify existing traffic signal and existing striping accordingly and install all necessary striping, pavement markings and signs per the City of Chino Hills Standard Design Guidelines and/or CA MUTCD. Implementation of this improvement will require the approval of the City of Chino Hills and/or Caltrans.

TR-5: Monte Vista Avenue (S) at Chino Hills Parkway

(Same as recommended TR-1 for Existing Plus Project Recommended Improvements) Install a traffic signal and design for three-phase operation with protected westbound left-turn phasing on Chino Hills Parkway. Provide crosswalks on the south and west legs. Widen Monte Vista Avenue and restripe the westbound approach to provide a separate right-turn lane. Modify existing striping accordingly and install all necessary striping, pavement markings and signs per the City of Chino Hills Standard Design Guidelines and/or CA MUTCD. Implementation of this improvement will require the approval of the City of Chino Hills.

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² Future growth in traffic compared to existing conditions has been calculated at two percent (2%) per year. When applied to the Year 2014 traffic volumes, this factor results in a 4.0% growth to the near-term horizon year 2016.

TR-6: Central Avenue at Chino Hills Parkway

Remove the existing crosswalk across the north leg of intersection on Central Avenue and install a crosswalk across the south leg of the intersection on Central Avenue. Modify the existing traffic signal and existing striping accordingly and install all necessary striping, pavement markings and signs per the City of Chino Hills Standard Design Guidelines and/or CA MUTCD. Implementation of this improvement will require the approval of the City of Chino Hills.

TR-7: Central Avenue at El Prado Road

(Same as recommended TR-2 for Existing Plus Project Recommended Improvements) Modify existing traffic signal and install a northbound right turn overlap phase on Central Avenue. Install "No U-turn" signs for westbound traffic on El Prado Road. Implementation of this improvement will require the approval of the City of Chino.

TR-8: Central Avenue at Fairfield Ranch Road

Restripe the northbound approach on Central Avenue to provide a second left-turn lane. A preliminary assessment of existing conditions indicates that this improvement could be accomplished via the restriping of Central Avenue. Remove the existing crosswalk across the south leg of intersection on Central Avenue and install a crosswalk across the west leg of the intersection on Fairfield Ranch Road. Modify the existing traffic signal and existing striping accordingly and install all necessary striping, pavement markings and signs per the City of Chino Hills Standard Design Guidelines and/or CA MUTCD. Implementation of this improvement will require the approval of the City of Chino Hills.

TR-9: SR-71 Northbound Ramps at Central Avenue

Widen the northbound off-ramp to provide an exclusive northbound right-turn lane and maintain the existing northbound left-turn lane and northbound shared left-turn/right-turn lane. Modify existing traffic signal and existing striping accordingly and install all necessary striping, pavement markings and signs per the City of Chino Hills Standard Design Guidelines, Caltrans requirements and/or CA MUTCD. Implementation of this improvement will require the approval of the City of Chino Hills and/or Caltrans.

TR-10: SR-71 Southbound Ramps at Soquel Canvon Parkway

Widen the southbound off-ramp to provide an exclusive southbound right-turn lane and maintain the existing southbound left-turn lane and southbound shared left-turn/right-turn lane. Modify existing traffic signal and existing striping accordingly and install all necessary striping, pavement markings and signs per the City of Chino Hills Standard Design Guidelines, Caltrans requirements and/or CA MUTCD. Implementation of this improvement will require the approval of the City of Chino Hills and/or Caltrans.

Year 2035 Plus Project Conditions

The results of the traffic impact analysis under the Year 2035 Plus Project condition indicates that the proposed project will have a cumulative impact at seven (7) of the seventeen (17) key study

locations.³ The remaining ten (10) intersections are forecast to operate at acceptable levels of service during the AM peak and PM peak hour in the Year 2035. The locations projected to operate at an adverse LOS in the Year 2035 Plus Project traffic conditions are as follows:

1. Pipeline Rd at Chino Hills Pkwy	(LOS E in AM, LOS E in PM)
5. Monte Vista Ave (S) at Chino Hills Pkwy	(LOS E in AM, LOS F in PM)
7. Central Ave at Chino Hills Pkwy	(LOS E in AM, LOS E in PM)
10. Central Ave at El Prado Rd	(LOS F in AM)
11. Central Ave at Fairfield Ranch Rd	(LOS E in PM)
12. SR-71 NB Ramps at Central Ave	(LOS F in AM)
17. Central Avenue at Eucalyptus Ave	(LOS E in PM)

Impacts at the seven affected intersections would be mitigated through implementation of recommended improvements outlined below in mitigation measures **TR-11** through **TR-17**.

Mitigation Measures

Per the City of Chino Hills requirements, the project would construct improvements and/or pay a proportional "fair-share" of the improvement costs of the impacted intersections to mitigate the project's traffic impacts. The project applicant would construct and/or pay a fair-share of the construction costs to implement the following mitigation measures for Year 2035 Plus Project conditions:

TR-11: Pipeline Avenue at Chino Hills Parkway

Widen and/or restripe the southbound approach on Pipeline Avenue to provide a second left-turn lane. A preliminary assessment of existing conditions indicates that this improvement could be accomplished via the restriping of Pipeline Avenue, but could require widening within the existing right of way to provide additional pavement (via narrowing of the existing sidewalks) to meet the City of Chino Hills design criteria. Restripe the westbound approach on Chino Hills Parkway Avenue to provide a second left-turn lane. A preliminary assessment of existing conditions indicates that this improvement could be accomplished via the restriping of Chino Hills Parkway. Modify existing traffic signal and existing striping accordingly and install all necessary striping, pavement markings and signs per the City of Chino Hills Standard Design Guidelines and/or CA MUTCD. Implementation of this improvement will require the approval of the City of Chino Hills and/or Caltrans.

TR-12: Monte Vista Avenue (S) at Chino Hills Parkway

(Same as recommended TR-1 for Existing Plus Project Recommended Improvements and TR-5 for Year 2016 Recommended Improvements)

Install a traffic signal and design for three-phase operation with protected westbound left-turn phasing on Chino Hills Parkway. Provide crosswalks on the south and west legs. Widen Monte Vista Avenue and restripe the northbound approach to provide a separate right-turn lane. Modify existing striping accordingly and install all necessary striping, pavement markings and signs per the City of Chino Hills Standard Design Guidelines and/or CA

³ Twelve (12) cumulative projects in the City of Chino Hills and fourteen (14) cumulative projects in the City of Chino have been identified. These 26 cumulative projects have been included as part of the analysis. In total, the cumulative projects identified are forecast to generate 61,242 daily trips, with 3,840 trips (2,006 inbound and 1,834 outbound) forecast during the AM peak hour and 4,621 trips (2,083 inbound and 2,538 outbound) forecast during the PM peak hour.

MUTCD. Implementation of this improvement will require the approval of the City of Chino Hills.

TR-13: Central Avenue at Chino Hills Parkway

(Same as recommended TR-6 for Year 2016 Recommended Improvements)

Remove the existing crosswalk across the north leg of intersection on Central Avenue and install a crosswalk across the south leg of the intersection on Central Avenue. Modify the existing traffic signal and existing striping accordingly and install all necessary striping, pavement markings and signs per the City of Chino Hills Standard Design Guidelines and/or CA MUTCD. Implementation of this improvement will require the approval of the City of Chino Hills.

TR-14: Central Avenue at El Prado Road

Restripe the southbound approach on Central Avenue to provide a second left-turn lane. A preliminary assessment of existing conditions indicates that this improvement could be accomplished via the restriping of Central Avenue. Modify existing traffic signal and install a northbound right-turn overlap phase on Central Avenue. Install "No U-turn" signs for westbound traffic on El Prado Road. Implementation of this improvement will require the approval of the City of Chino.

TR-15: Central Avenue at Fairfield Ranch Road

(Same as recommended TR-8 for Year 2016 Recommended Improvements)

Restripe the northbound approach on Central Avenue to provide a second left-turn lane. A preliminary assessment of existing conditions indicates that this improvement could be accomplished via the restriping of Central Avenue. Remove the existing crosswalk across the south leg of intersection on Central Avenue and install a crosswalk across the west leg of the intersection on Fairfield Ranch Road. Modify the existing traffic signal and existing striping accordingly and install all necessary striping, pavement markings and signs per the City of Chino Hills Standard Design Guidelines and/or CA MUTCD. Implementation of this improvement will require the approval of the City of Chino Hills.

TR-16: SR-71 Northbound Ramps at Central Avenue

(Same as recommended TR-9 for Year 2016 Recommended Improvements)

Widen the northbound off-ramp to provide an exclusive northbound right-turn lane and maintain the existing northbound left-turn lane and northbound shared left-turn/right-turn lane. Modify existing traffic signal and existing striping accordingly and install all necessary striping, pavement markings and signs per the City of Chino Hills Standard Design Guidelines, Caltrans requirements and/or CA MUTCD. Implementation of this improvement will require the approval of the City of Chino Hills and/or Caltrans.

TR-17: Central Avenue at Eucalyptus Avenue

Restripe Central Avenue to provide a third northbound through (approach) lane and a third northbound receiving (departure) lane. A preliminary assessment of existing conditions indicates that this improvement could be accomplished via the restriping of Central Avenue. Modify existing traffic signal and existing striping accordingly and install all necessary striping, pavement markings and signs per the City of Chino Design Guidelines, and/or CA MUTCD. Implementation of this improvement will require the approval of the City of Chino.

b) Conflict with an applicable congestion management program, including, but not limited to level of service standards and travel demand measures, or other standards established by the county congestion management agency for designated roads or highways?

Less than Significant with Mitigation Incorporated

The project would pay its fair share of the improvement costs at impacted intersections (mitigation measures **TR-1** through **TR-17**) per the City of Chino Hills requirements and consistent with the San Bernardino County CMP guidelines. With construction of these improvements, the impacted intersections are forecast to operate at LOS D or better during the AM peak hour and PM peak hour and the project would not conflict with the LOS standards outlined in the Circulation Element of the City of Chino Hills General Plan or the San Bernardino Congestion Management Plan. For these reasons, impact would be less than significant after the incorporation of mitigation measures TR-1 through TR-17.

c) Result in a change in air traffic patterns, including either an increase in traffic levels or a change in location, which results in substantial safety risks?

No Impact

The project site is not located within the vicinity of a public airport. The nearest airport, Chino Airport, is located approximately 2.3 miles east of the project site. Furthermore, the project site is outside the boundary of the Chino Airport Master Plan.⁴ Therefore, no impact is anticipated.

d) Substantially increase hazards due to a design feature (e.g., sharp curves or dangerous intersections) or incompatible uses (e.g., farm equipment)?

Less than Significant Impact

The traffic report found that project driveways would provide adequate access to the site and are forecast to operate at LOS A or LOS B. Motorists entering and exiting the project site will be able to do so comfortably without undue congestion. Further, internal circulation for the project is adequate. An assessment of the proposed site plans for the apartment and business park components of the project indicates that a (SU-30) service truck and fire truck, as well as a large truck (WB-65) can access the Project site and circulate throughout site. Refer to Figures 11-1 through 11-5 of the traffic study found in **Appendix I** for details. Thus, traffic impacts related to design features and incompatible uses would be less than significant.

e) Result in inadequate emergency access?

Less than Significant Impact

The proposed project would provide adequate emergency access to meet the approval and permitting requirements of the Chino Valley Independent Fire District. The Fire District's review of site plans, site construction, and the inspection of building structures prior occupancy ensure that required fire protection safety features, including building sprinklers and emergency access, are implemented. The proposed driveways for the residential complex and the business park would

⁴ http://chinomasterplan.airportstudy.com/master-plan/ Accessed July 30, 2014.

provide emergency access to the project site and not impede such access to other adjoining properties. For this reason, impacts related to emergency access would be less than significant.

f) Conflict with adopted policies, plans, or programs regarding public transit, bicycle, or pedestrian facilities, or otherwise decrease the performance or safety of such facilities?

Less than Significant Impact

The project would not conflict with policies and programs intended to promote public transit and alternative methods of travel. The closest bike trail to the site is located along Chino Hills Parkway, which is approximately 500 feet north of the project site. Construction activity would be temporary and all improvements including striping, pavement markings, and signs would be constructed per the City of Chino Hills Standard Design Guidelines. Construction and operation of the project would require improvements along certain locations of Chino Hills Parkway over time as conditions warrant. Therefore, impacts are less than significant.

3.17 UTILITIES AND SERVICE SYSTEMS				
Would the project:	Potentially Significant Impact	Less than Significant with Mitigation Incorporated	Less than Significant Impact	No Impact
a) Exceed wastewater treatments of the applicable Regional Water Quality Control Board	e			X
b) Require or result in the construction of new water or wastewater treatmer facilities or expansion of existin facilities, the construction of whice could cause significant environmental effects?	g h			x
c) Require or result in the construction of new storm water drainage facilities of expansion of existing facilities, the construction of which could cause significant environmental effects?	r e		X	
d) Have sufficient water supplies available to serve the project from existing entitlements and resources, or are new or expanded entitlements needed?	g		X	
e) Result in a determination by the wastewater treatment provider which serves or may serve the project determined that it has adequate the serve the project's projected demand if addition to the provider's existing commitments?	h ct o n		X	
f) Be served by a landfill with sufficier permitted capacity to accommodate th project's solid waste disposal needs?			X	
g) Comply with federal, state, and loca statutes and regulations related to soli waste?				X

ENVIRONMENTAL SETTING

Water Supply

Water supply in the City of Chino Hills comes from a combination of sources including imported water, local wells, local surface water, and recycled water. According to the City of Chino Hills 2010 Urban Water Management Plan, from Fiscal Years 2005-06 to 2010-11, the City received an average of 17,692 acre-feet per year (AFY) of water from several agencies. **Table 3.17-1** below provides a list of City's different sources for water supply and their contribution towards the City's average annual water demand.

Table 3.17-1
WATER SUPPLY IN THE CITY OF CHINO HILLS

Agency	Source of Water	Percentage of City's Annual Average Water Demand
Monte Vista Water District	Imported water, groundwater	36%
Water Facilities Authority	Imported raw water from the State Water Project and the Colorado River	29%
City of Chino Hills	Groundwater wells	10%
Chino Basin Desalter Authority	Desalted water	17%
Inland Empire Utilities Agency	Recycled water	8%

Source: City of Chino Hills, 2010 Urban Water Management Plan

The City of Chino Hills owns and maintains the local water system that delivers water from the primary supply sources listed in the table above. Water supply in the project area is provided through the City's distribution system, which includes more than 319 miles of water mains, 12 pump stations, 19 reservoirs and more than 21,000 individual water connections (Chino Hills, 2014).

Wastewater

The City of Chino Hills Sewer Division is responsible for the collection, and conveyance of wastewater, which is discharged into a regional system operated by the Inland Empire Utilities Agency (IEUA). The City's sewer infrastructure includes more than 200 miles of sewer lines and 17 pumps and motors¹; preventive maintenance of this system and minor repairs is provided by the City's Public Works Department.

According to the IEUA 2010 Urban Water Management Plan (IEUA, 2011), the IEUA service area has a population of approximately 850,000 residents. IEUA provides municipal/industrial wastewater treatment services to a 242-square mile area that generally encompasses the Chino Basin. Chino Hills is a member agency of the IEUA. Through the Regional Sewer System, the IEUA conveys primarily domestic wastewater to four water recycling facilities, while wastewater containing high levels of dissolved salts is collected by the Non-Reclaimable Wastewater System.

Wastewater in the project area is conveyed to IEUA's Carbon Canyon Wastewater Reclamation Facility (CCWRF) Treatment Plant that works in tandem with Regional Plant No. 2 (RP-2) for treatment and disposal of wastewater. CCWRF provides primary, secondary, and tertiary treatment, as well as disinfection, after which the recycled water may be reused. CCWRF treats an average annual flow of 9.5 million gallons per day². The IEUA transfers biosolids that settle out during primary treatment to Regional Solids Plant No. 2, where it is turned into compost for beneficial reuse.

City of Chino Hills official website. Accessed August 2014

http://www.ieua.org/ Accessed August 2014.

http://www.ieua.org/ Accessed August 2014.

The City of Chino Hills is located in the jurisdiction of the Santa Ana Regional Water Quality Control Board (SARWQCB), which is responsible for the development and enforcement of water quality objectives to meet the requirements of the Federal Clean Water Act, California Porter-Cologne Act, and the National Pollutant Discharge Elimination System (NPDES). IEUA's regional wastewater treatment and reclamation facilities operate in accordance with the Waste Discharge Requirements established by the Santa Ana Regional Water Quality Control Board, through issuance of an NPDES Permit at each facility. These permits set restrictions on treatment volumes and processes and handling of discharges from the treatment plants into surface and ground waters.

Solid Waste

According to the information listed by The California Integrated Waste Management Board in its Solid Waste Information System (SWIS), there are eleven (11) San Bernardino County-operated landfills including both regional and local facilities. In addition, 52 other facilities encompassing the full complement of solid waste services are identified in the SWIS, including facilities operated and managed by the County of San Bernardino Department of Public Works, Solid Waste Management Division (SWMD) and facilities operated and managed by private owners/ operators. The SWMD is responsible for the operation and management of the County's solid waste disposal system which consists of six regional landfills, five community collection centers, and eight transfer stations.

Solid Waste from the City of Chino Hills is hauled by Republic Services, the City's franchised hauler, to material recovery facilities in Anaheim, with the remaining waste taken to the Olinda Alpha Landfill located at 1942 North Valencia Avenue in Brea, CA. Olinda Alpha Landfill is owned and operated by the County of Orange Integrated Waste Management Department (IWMD). The Olinda Alpha Landfill accepts municipal solid waste from commercial haulers and the public. The landfill is permitted to receive a daily maximum of 8,000 tons of waste per day. The landfill is approximately 565 acres with 420 acres permitted for refuse disposal. The Olinda Alpha Landfill opened in 1960; currently the landfill is scheduled to terminate importation of any out-of-county waste within the next five years, and is expected to reach capacity by 2030. At that time, the City will have a number of alternative sites to transfer their waste, including the Otay Landfill in Chula Vista, the Sycamore Canyon Landfill in San Diego County near the San Diego and Santee border, the Sunshine Canyon Landfill in Sylmar, the Apex Landfill in Clark County Nevada, and other landfills owned and operated by Republic Services, which currently operates 13 landfills in California (City of Chino, Hills 2014).

The City of Chino Hills currently generates approximately 2.8 pounds of trash per day per capita, and 62% of the City's trash is diverted from landfill disposal through materials recovery and recycling efforts. In conjunction with trash pick-up, Chino Hills operates a recycling program, "Chino Hills Recycles," that directs customers to sort trash into three separate and helps control the volume of waste sent to landfills. The three separate trash bins include:

- ≠ Gray Bin for household metal, plastic, glass and paper products;
- ≠ Black Bin for yard waste
- ≠ Green Bin for food and animal waste, and other trash that does not sort into either the Gray or Black Bin.

The City contracts with Republic Services for all trash and recyclable collection services in the City. For residential areas, the City provides three 110-gallon collection bins to collect solid waste, green waste, and recyclables. The City restricts disposal of Household Hazardous, Electronic (E-waste) or

Universal Waste in trash, recycle or green waste bins. San Bernardino County operates a Household Hazardous Waste Collection Center for disposal of household hazardous waste.

REGULATORY SETTING

Porter Cologne (Porter-Cologne) Water Quality Control Act

The Porter-Cologne Water Quality Control Act gives the State Water Resources Control Board (SWRCB) authority over state water rights and water quality policy. Porter-Cologne also establishes nine Regional Water Quality Control Boards (RWQCBs) to oversee water quality on a day-to-day basis at the local/regional level. The City of Chino Hills is overseen by the SARWQCB.

Urban Water Management Planning Act

Pursuant to requirements of the Urban Water Management Planning Act (UWMPA), codified in §§10610-10656 in Division 5 of the CWC, "[e]very urban water supplier shall prepare and adopt an urban water management plan in the manner set forth in Article 3 (commencing with §10640)" (§10620[a], CWC). As defined therein, an "urban water supplier" is defined as a publicly or privately owned supplier providing water for municipal purposes either directly or indirectly to more than 3,000 customers or supplying more than 3,000 acre-feet (AF) of water annually (§10617, CWC). Each urban water supplier shall update its plan at least once every five years (§10621, CWC). The urban water management plan must address: current and projected water supplies, water demand, supply reliability, conservation measures, response to potential water shortages, and an evaluation of water supply and demand.

The 2010 update of the City of Chino Hills' Urban Water Management Plan (UWMP) was prepared in accordance with the California Urban Water Management Planning Act which requires plans to be submitted to the State of California Department of Water Resources (DWR) every five years. The City's UWMP serves as the primary source documentation for future Water Supply Assessments and Written Verifications required under SB 610 and SB 221.

City of Chino Hills Municipal Code Chapter 13.08 - Water Conservation

This ordinance establishes municipal procedures to respond and minimize impacts of water shortages through the practice of water conservation pursuant to California Water Code § 375 et seq., based upon the need to conserve water supplies and to avoid or minimize the effects of any future shortage.

City of Chino Hills Municipal Code Chapter 13.32 - Reclaimed Water Regulations

This ordinance reiterates the City's policy that reclaimed water should be used for any purpose approved for reclaimed water use, when it is economically, financially, technically and institutionally feasible to do so. Use of potable water for nondomestic uses is contrary to City policy, and is to be avoided to the maximum extent feasible.

California Integrated Solid Waste Management Act

California Integrated Solid Waste Management Act of 1989 (AB 939), codified in Division 30, §40000 et seq. of the Public Resources Code, requires every City and county in the state to reduce or recycle 25% of the solid wastes disposed in landfills by the year 1995 and 50% by the year 2000.

Monetary penalties can be imposed against jurisdictions that are unable to meet AB 939 diversion objectives and established deadlines. AB 939 requires that all cities and counties in California maintain at least fifteen years of available countywide solid waste disposal capacity. AB 939 mandates local governments to develop a long-term strategy for the management and diversion of solid waste and also mandates recycling, composting, and regulations for safe landfill disposal. All requirements established by AB 939 are implemented through the County of San Bernardino Countywide Integrated Waste Management Plan.

California Solid Waste Reuse and Recycling Access Act

California Solid Waste Reuse and Recycling Access Act of 1991 (AB 1327), codified in §§42900-through 42911 of the California Public Resources Code, requires that the California Integrated Waste Management Board draft a model ordinance requiring the designation of areas for collecting and loading recyclable materials in "development projects."

City of Chino Hills Municipal Code Chapter 13.20 - Integrated Waste Management

This ordinance establishes municipal procedures for controlling vectors and carrying out mandatory duties related to the collection, transfer and disposal of solid waste, recyclables, and compostables, or any combination of the three.

City of Chino Hills Municipal Code Chapter 13.40 - Materials and Waste Management Plan for Construction and Demolition Projects

This section of the Municipal Code establishes requirements to prepare project level waste management plans and implement measures to reduce construction and demolition wastes and to divert such wastes from landfills.

DISCUSSION OF IMPACTS

a) Would the project exceed wastewater treatment requirements of the applicable Regional Water Quality Control Board (RWQCB)?

No Impact

Wastewater generated by the proposed project would be conveyed to IEUA's CCWRF Treatment Plant for treatment and disposal. IEUA's regional wastewater treatment and reclamation facilities operate in accordance with the Waste Discharge Requirements established by the SARWQCB. As described below in the response to checklist item b, project generated wastewater could be accommodated within the permitted capacity of the existing treatment and reclamation system without the need for expansion of new facilities. Therefore, the project would not cause an exceedance of wastewater treatment requirements and no impact is anticipated.

b) Would the project require or result in the construction of new water or wastewater treatment facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?

No Impact

Project occupancy would increase the amount of wastewater requiring treatment within the City. **Table 3.17-2** shows the estimated amount of wastewater that would be generated by the proposed project at full occupancy.

Table 3.17-2
ESTIMATED WASTEWATER GENERATION

Type of Use	Quantity	Generation factor	Amount (gpd)
Residential			
1 Bedroom Apartment	156 units	120 gallons/unit/day	18,720
2 Bedroom Apartment	172 units	160 gallons/unit/day	27,520
3 Bedroom Apartment	18 units	200 gallons/unit/day	3,600
Commercial/Industrial			
Warehouse	295,641 square feet	20/1000 square feet	5,913
Office	31,000 square feet	150/1000 square feet	4,650
Total			60,403

Source: City of Los Angeles CEQA Thresholds Guideline, 2006

gpd- gallons per day

As shown, the project is estimated to generate 60,403 gpd in wastewater while CCWRF's average annual flow is 9.5 million gpd and its current plant capacity is 11.4 MGD³. Wastewater generated by the project would be conveyed by an on-site sewer system and into the existing IEUA sewer system line which traverses through the site. IEUA has indicated that this existing line possesses the capacity to accommodate effluent produced by the project. As shown in **Table 3.17-2**, the net increase in wastewater expected to be generated by the proposed project per day is only a fraction (0.06% approximately) of the CCWRF's current daily flow (9.5 million gallons) and is within the total treatment capacity of 11.4 MGD. Therefore, the proposed project would have minimal affect on the City's existing wastewater conveyance system and is not expected to result in the construction of new wastewater treatment facilities or expansion of existing facilities.

c) Require or result in the construction of new storm water drainage facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?

Less than Significant Impact

As discussed in Section 4.9, Hydrology and Water Quality, the proposed project would construct a drainage system that is designed to accommodate 100 year flood events. The City's storm drainage system operates in accordance with the San Bernardino County's countywide NPDES Municipal Separate Storm Sewer System Discharge (MS-4) Permit issued by the SARWQCB and the project would be required to comply with the requirements of this Municipal Stormwater Permit. With the implementation of the proposed drainage improvements on site and best management practices for managing stormwater, construction of new storm water drainage facilities or expansion of existing facilities would not be required and impacts would be less than significant.

http://www.ieua.org/ Accessed August 2014.

d) Have sufficient water supplies available to serve the project from existing entitlements and resources, or are new or expanded entitlements needed?

Less than Significant Impact

Implementation of the proposed project would lead to the development of 346 new residential units and will result in an increase of an estimated 1,142 new residents within the project area. Using the City of Chino Hills 2010 Urban Water Management Plan's baseline water demand rate of 218 gallons per capita per day for the proposed multifamily residential use, it is estimated that water demand generated by the proposed residential development would be approximately 248,956 gallons per day (gpd) or 279 acre-feet per year (AFY). The proposed project also includes development of light industrial/commercial use buildings. Assuming that water demand generated by the commercial development would be approximately 120% of wastewater generation, the proposed project would require approximately 12,676 gpd, or 14.2 acre-feet per year (AFY) (based on the estimated 10,563 gpd of wastewater generated by warehouse/office uses as shown in **Table 3.17-2**). **Table 3.17-3** shows actual and projected water supply and demand in the City through 2035.

<u>Table 3.17-3</u> NORMAL YEAR WATER SUPPLY AND DEMAND CITYWIDE

	Current*		Projected (AFY)	
	(AFY)	2014-2015	2024-2025	2034-2035
Water Supply	17,693	27,250	27,250	27,250
Water Demand	17,692	17,950	19,280	20,950
Remaining Supply	1	9,300	7,970	6,300

Source: City of Chino Hills, 2010 Urban Water Management Plan (UWMP), Table 5.3

Increased water demand estimated to be generated with the implementation of the proposed project is approximately 293 AFY. Based on the data for projected remaining supply of water in the City of Chino Hills provided in **Table 3.17-3** above, it is anticipated that sufficient water supply is available to serve. Therefore, impacts related to water supply would be less than significant.

e) Result in a determination by the wastewater treatment provider which serves or may serve the Project that it has adequate capacity to serve the Project's projected demand in addition to the provider's existing commitments?

Less than Significant Impact

As described in the analysis for Section 3.17 b) above, the net increase in wastewater expected to be generated by the proposed project per day is only a fraction (0.06% approximately) of the CCWRF's current daily flow (9.5 Million gallons). Therefore, the proposed project is anticipated to be within the existing capacity of the wastewater treatment provider and have a less than significant impact.

f) Would the project be served by a landfill with sufficient permitted capacity to accommodate the project's solid waste disposal needs?

^{*}Current water supply and demand represent averages from Fiscal Year (FY) 2005-06 to FY 2010-2011

Less than Significant Impact

Per estimated solid waste generation factors provided by Cal Recycle, the solid waste generation factor for multi-family residential use is 12.23 pounds per household per day and the solid waste generation factor for light industrial (including warehouse) use is 1.42 pounds per 100 square feet per day. Based on these solid waste generation factors, the proposed project is estimated to generate a total of approximately 8,857 pounds of solid waste per day.

Pursuant to an Importation Agreement, Republic Services, the City's franchised hauler would transport waste generated by the proposed project to material recovery facilities in Anaheim, with the remaining waste taken to the Olinda Alpha Landfill (Mark McGee, Municipal Manager, Republic Services, Correspondence Letter, July 2014; City of Chino Hills, 2014 General Plan Update Program EIR). The landfill has a maximum permitted capacity of 74,900,000 Cubic Yards and has a remaining capacity of 38,578,383 cubic yards⁴. The daily maximum solid waste accepted is 8,000 tons, while the project would potentially generate 8,857 pounds of solid waste per day. Therefore, since the project would not exceed the landfill's maximum daily permitted capacity and overall remaining capacity, impacts would be less than significant.

g) Would the project comply with federal, state, and local statutes and regulations related to solid waste?

No Impact

All requirements established by the California Integrated Solid Waste Management Act (AB 939) are implemented through the County of San Bernardino Countywide Integrated Waste Management Plan (CIWMP). Primary objectives for the reduction of solid waste in accordance with the requirements of AB 939, identified in the CIWMP include reduction in the production of waste at its source, recycling, and composting. According to the City of Chino Hills, 2014 General Plan Update Program EIR, the City has consistently met its goals for solid waste diversion, and achieved a diversion rate of 64% in 2011.

Sixty two percent (62%) of the City's trash is diverted from landfill disposal through materials recovery and recycling efforts. The proposed project would generate solid waste that would be stored in refuse containers until picked-up by Republic Services and transported offsite for recycling and/or disposal. The project would benefit from the City's existing policies, procedures and programs for solid waste diversion including Chino Hills Recycles automated waste collection and recycling program, provision of waste sorting and collection bins to collect solid waste, green waste, and recyclables, restrictions on disposal of Household Hazardous Electronic (E-waste) or Universal Waste in trash and provision of a Household Hazardous Waste Collection Center for disposal of household hazardous waste.

The CIWMP, Five Year Review Report prepared in the year 2011-2012 indicates that the County of San Bernardino continues to have disposal capacity available for solid waste generated, but not diverted, in excess of 15 years as required under Public Resources Code Section 41701. The proposed project would comply with the requirements mandated by the CIWMP and the City of Chino Hills Municipal Code for reduction and disposal of solid waste, thereby complying with the requirements of AB 939. Therefore, the proposed project would result in no impact regarding compliance with regulations related to solid waste.

⁴ http://www.calrecycle.ca.gov/SWFacilities/Directory/30-AB-0035/Detail/ Accessed August 14, 2014.

	Potentially Significant Impact	Less than Significant with Mitigation Incorporated	Less than Significant Impact	No Impact
a) Does the project have the potential to degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels, threaten to eliminate a plant or animal community, reduce the number or restrict the range of a rare or endangered plant or animal or eliminate important examples of the major periods of California history or prehistory?		X		
b) Does the project have impacts that are individually limited, but cumulatively considerable? ("Cumulatively considerable" means that the incremental effects of a project are considerable when viewed in connection with the effects of past projects, the effects of other current projects, and the effects of probable future projects)?		X		
c) Does the project have environmental effects which will cause substantial adverse effects on human beings, either directly or indirectly?		X		

a) Does the project have the potential to degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels, threaten to eliminate a plant or animal community, reduce the number or restrict the range of a rare or endangered plant or animal or eliminate important examples of the major periods of California history or prehistory?

Less than Significant with Mitigation Incorporated

The project site represents vacant land located along major transportation corridors including State Route 71 and Chino Hills Parkway¹. The project site itself is characterized by disturbed land that has been historically subject to cultivation with row crops since the 1930s. Field investigations undertaken by qualified wildlife biologist and archeologist uncovered no sensitive resources on-site during a pedestrian survey. However, the project footprint is located near and adjacent to Chino Creek, which drains into the Prado Basin. The project site is located approximately seven miles north of the Prado Dam. Upstream of the Prado Dam lays the single largest stand of forested,

¹ Chino Hills Municipal Code, Chapter 16.08, Section 16.08.030

riparian habitat remaining in Southern California; it is rich in plant and animal life, including rare, threatened and endangered species.² Chino Creek, located east of the project site, flows approximately 3.5 miles into the Prado Basin created by Prado Dam.

UltraSystems' biologists conducted a literature review, a habitat assessment, a plant survey, a wildlife survey, a jurisdictional assessment, and a wildlife movement evaluation within the project site and a 500-foot zone referred to as the biological study area (BSA) to (1) assess the potential presence of special-status plant and wildlife species; (2) identify plant communities, jurisdictional waters, critical habitat, and potential wildlife corridors; and (3) identify potential impacts to these biological resources within 500 feet of the proposed project (Section 3.4, Biological Resources). Focused protocol surveys for plants or wildlife, such as fish, were not conducted for this initial study. No listed or sensitive plants were observed within the BSA during the survey. No listed wildlife was observed within the BSA during the general biological survey and two sensitive wildlife species, the Cooper's hawk (Accipiter cooperii) and the California horned lark (Eremophila alpestris actia), were observed within the BSA during the general biological survey. In addition, the literature review and field survey concluded that habitat conditions within the BSA create a moderate to high potential for two listed and six sensitive wildlife species to occur. The project is not anticipated to have significant impacts on biological resources. For those resources that may potentially be impacted by this project, mitigation measures BR-1 through BR-7 (see Section 3.4 for Biological Resources) would be implemented to reduce potential impacts below the level of significance.

Section 3.5, Cultural Resources, concluded that it is very unlikely for cultural resources to be adversely affected by this project since the site has been continuously used as farmland since the early 20th Century. Additionally, with highly disturbed soils on-site, the potential for affecting cultural resources is highly unlikely. However, due to the areas proximity to other identified cultural resources within the APE, there may be potential for discovering unknown buried cultural resources during ground disturbance activities. Hence, in the unlikely event that buried cultural resources are discovered, incorporation of mitigation measures **CR-1** and **CR-2** (see Section 3.5 for Cultural Resources) would reduce potential impacts to less than significant levels. Therefore, with implementation of the recommended mitigation measures, the project is not anticipated to eliminate important examples of major periods in California history or prehistory.

b) Does the project have impacts that are individually limited, but cumulatively considerable? ("Cumulatively considerable" means that the incremental effects of a project are considerable when viewed in connection with the effects of past projects, the effects of other current projects, and the effects of probable future projects)?

Less than Significant with Mitigation Incorporated

As previously mentioned in Section 3.18 (a), the project site is located along major transportation corridors that include State Route 71 and Chino Hills Parkway. The traffic analysis contained in checklist response 3.17 identified 26 cumulative projects within the study area. In the year 2035, plus project condition, seven study intersections would be significantly impacted. Therefore, implementation of mitigation measure **TR-4** through **TR-17** (see Section 3.17 for Transportation/Traffic) would mitigate cumulative impacts to less than significant levels.

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Orange County Water District website on Prado Dam, http://www.ocwd.com/Environment/PradoBasin.aspx Accessed August 2014.

Additionally, concurrent and future projects within the jurisdiction of Chino Hills would be under the City's discretionary review and be subject to standard procedures of approval. These projects would be examined on a project-by-project basis to determine the appropriate type of CEQA review process and would be required to provide mitigation measures for their impacts. All projects must also comply with the development and design standards stipulated in the City's Municipal Code. Therefore, with mitigation measures incorporated into the project, impacts that are individually limited but cumulatively considerable would be reduced to less than significant levels.

c) Does the project have environmental effects which will cause substantial adverse effects on human beings, either directly or indirectly?

Less than Significant with Mitigation Incorporated

The analysis contained in the responses to checklist thresholds 3.1 through 3.17 indicate that all direct and indirect project impacts associated with Air Quality, Biological Resources, Cultural Resources, Geology/Soils, Greenhouse Gas Emissions, and Transportation/Traffic would be mitigated to less than significant levels. Construction and operation of the project would not result in a substantial adverse effect to human health and welfare. Therefore, with mitigation measures incorporated, all impacts previously mentioned would be reduced to less than significant levels.

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- UltraSystems, 2014d. Greenhouse Gas Emissions Report for Fairfield Ranch Commons Project: UltraSystems Environmental, Inc., Irvine, CA. September.
- UltraSystems, 2014e. Noise Report for Fairfield Ranch Commons Project: UltraSystems Environmnetal, Inc., Irvine, CA. September.

5.0 LIST OF PREPARERS

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6.0 MITIGATION MONITORING & REPORTING PROGRAM

The Mitigation Monitoring and Reporting Program (MMRP) has been prepared in conformance with Section 21081.6 of the Public Resources Code and Section 15097 of the California Environmental Quality Act (CEQA) Guidelines, which requires all state and local agencies to establish monitoring or reporting programs whenever approval of a project relies upon a Mitigated Negative Declaration (MND) or an Environmental Impact Report (EIR). The MMRP ensures implementation of the measures being imposed to mitigate or avoid the significant adverse environmental impacts identified through the use of monitoring and reporting. Monitoring is generally an ongoing or periodic process of project oversight; reporting generally consists of a written compliance review that is presented to the decision making body or authorized staff person.

It is the intent of the MMRP to: (1) provide a framework for document implementation of the required mitigation; (2) identify monitoring/reporting responsibility; (3) provide a record of the monitoring/reporting; and (4) ensure compliance with those mitigation measures that are within the responsibility of the City of Chino Hills to implement.

As discussed in the analysis of the Initial Study/MND, impact areas requiring mitigation are:

- ≠ Air Quality
- ≠ Biological Resources
- ≠ Cultural Resources
- ≠ Geology and Soils
- ≠ Greenhouse Gas Emissions
- ≠ Noise
- ≠ Transportation and Traffic

The following table lists impacts, mitigation measures adopted by the City of Chino Hills in connection with approval of the proposed project, responsible and monitoring parties, and the project phase in which the measures are to be implemented.

MITIGATION MONITORING AND REPORTING PROGRAM

I was at	Mitigation Massaus	Responsible/ Monitoring	Monitoring Action/ Implementation
Impact AIR QUALITY	Mitigation Measure	Party	Stage
Threshold 3.3 (b): Earth-moving or ground disturbing activities may produce dust emissions during construction.	AQ-1: Watering of Exposed Areas Water exposed areas at least twice per day.	Construction Contractor City of Chino Hills - Community	Field verification/ Grading and construction
		Development Department SCAQMD	
Threshold 3.3 (b): Construction activities may produce criteria pollutant emissions above SCAQMD significance thresholds	AQ-2: EPA-Approved Construction Equipment All equipment of the following types that are used in project construction will have engines that meet the U.S. Environmental Protection Agency's "Tier 4" emission standards for new off-road, in-use equipment: ≠ Cranes ≠ Generator Sets ≠ Graders ≠ Pavers ≠ Paving Equipment ≠ Rollers ≠ Rubber Tired Dozers ≠ Scrapers ≠ Tractors/Loaders/Backhoes	Construction Contractor City of Chino Hills - Community Development Department SCAQMD	Field verification/ Grading and construction
Threshold 3.3 (b): Increasing housing density and placement of high density	AQ-3: Use of Project Landscape Equipment For project landscaping, use electric lawnmowers, leaf blowers and chainsaws at least 50% of the time.	Project Applicant City of Chino	Submittal and review of landscape contract/During

Impact	Mitigation Measure	Responsible/ Monitoring Party	Monitoring Action/ Implementation Stage
residential near existing transit routes would exceed thresholds for project		Hills – Community Services Department –	operational phase
operational emissions.		Code Enforcement Division	
Threshold 3.3 (b): Increasing housing density and placement of high density residential near to existing transit routes would exceed thresholds for project operational emissions.	AQ-4: No Fireplaces or Hearths Apartment units will not have fireplaces or hearths.	Project Applicant City of Chino Hills – Community Development Department	Final Plan Check
Threshold 3.3 (b): Increasing housing density and placement of high density residential near to existing transit routes would exceed thresholds for project operational emissions.	AQ-5: 100% Reclaimed Water for Irrigation Use 100% reclaimed water for all irrigation.	Project Applicant City of Chino Hills – Community Development Department Inland Empire Utilities Agency	Final Plan Check
Threshold 3.3 (e): The light industrial portion of the project could have odor-	AQ-6: Odor Disclosure Relating to Business Park The owner and/or manager of the apartment units will provide full disclosure to prospective tenants that the project is adjacent to light industrial land uses and that tenants may perceive unpleasant odors on	Project Applicant City of Chino	Preparation of disclosure documents/ Prior to issuance

Impact producing diesel truck traffic and manufacturing processes.	Mitigation Measure certain days. The disclosure will be both oral and written. The form and content of the disclosure will be submitted to the City for approval prior to Certificate of Occupancy. The disclosure will contain the current phone number and web address for the SCAQMD odor complaint system. The disclosure, at the owner and/or manager's option, may contain data on historical wind patterns and descriptions of manufacturing processes occurring at the light industrial properties.	Responsible/ Monitoring Party Hills Community Development Department	Monitoring Action/ Implementation Stage of Certificate of Occupancy
Threshold 3.3 (e): The wastewater treatment plant is within 500 feet of the locations of future apartment buildings.	AQ-7: Odor Disclosure Relating to Wastewater Treatment Plant The owner and/or manager of the apartment units will provide full disclosure to prospective tenants that the project is within 500 feet of a wastewater treatment plant and that tenants may perceive unpleasant odors on certain days. The disclosure will be both oral and written. The form and content of the disclosure will be submitted to the City for approval prior to Certificate of Occupancy. The disclosure will contain the current phone number and web address for the SCAQMD odor complaint system. The disclosure, at the owner and/or manager's option, may contain data on historical wind patterns.	Project Applicant City of Chino Hills - Community Development Department	Preparation of disclosure documents/ Prior to issuance of Certificate of Occupancy
BIOLOGICAL RESOURCE	EES		
Threshold 3.4 (a): Construction activities may impact breeding birds and active nests protected by Migratory Bird Treaty Act (MBTA) and California Fish and Game Code	BR-1: Pre-Construction Breeding Bird Survey To be in compliance with the MBTA and the California Fish and Game Code, and to avoid impacts or take of migratory non-game breeding birds, their nests, young, and eggs, the following measures will be implemented. These measures will help to reduce direct and indirect impacts caused by construction on migratory non-game breeding birds to less than significant levels. ≠ Project activities that will remove or disturb potential nest sites will be scheduled outside the breeding bird season to avoid potential direct impacts on migratory non-game breeding birds protected by the MBTA and Fish and Game Code. The raptor and breeding bird	Construction Contractor City of Chino Hills - Community Development Department CDFW/USFWS	Receipt and review of survey results/ Prior to grading or construction

Impact	Mitigation Measure	Responsible/ Monitoring Party	Monitoring Action/ Implementation Stage
	nesting season is typically from January 31 through September 15, but can vary slightly from year to year, usually depending on weather conditions. Removing all physical features that could potentially serve as nest sites will also help to prevent birds from nesting within the project site during the breeding season and during construction activities.		
	≠ If project activities cannot be avoided during January 31 through September 15, a qualified biologist will conduct a pre-construction breeding bird survey for breeding birds and active nests or potential nesting sites within the limits of project disturbance. The survey(s) will be conducted at least seven days prior to the onset of scheduled activities, such as mobilization and staging. It will end no more than three days prior to vegetation, substrate, and structure removal and/or disturbance.		
	≠ If a breeding bird territory or an active bird nest is located during the pre-construction survey(s) and will potentially be impacted, the site will be mapped with a Global Positioning System (GPS) unit and on engineering drawings and a no-activity buffer zone will be marked (fencing, stakes, flagging, orange snow fencing, etc.) a minimum of 100 feet in all directions or 500 feet in all directions for listed bird species and all raptors. The biologist will determine the appropriate buffer size based on the type of activities planned near the nest and the type of bird that created the nest. Some bird species are more tolerant than others of noise and activities occurring near their nest. This no-activity buffer zone will not be disturbed until a qualified.		

Impact	Mitigation Measure	Responsible/ Monitoring Party	Monitoring Action/ Implementation Stage
	biologist has determined that the nest is inactive, the young have fledged, the young are no longer being fed by the parents, the young have left the area, or the young will no longer be impacted by project activities. Periodic monitoring by a biologist will be performed to determine when nesting is complete. Once the nesting cycle has finished, project activities may begin within the buffer zone. ≠ If listed bird species, such as the least Bell's vireo, are observed within the project site during the pre-construction surveys, the biologist will immediately map the area and notify the appropriate resource agency to determine suitable protection measures and/or mitigation measures and to determine if additional surveys or focused protocol surveys are necessary. Project activities may begin within the area only when concurrence is received from the appropriate resource agency. ≠ Birds or their active nests will not be disturbed, captured, handled or moved. Active nests cannot be removed or disturbed; however nests can be removed or disturbed if determined inactive by a qualified biologist.		
Threshold 3.4 (a): The project site has moderate potential for burrowing owl to occur. Construction activities may impact burrowing owls, their nests, young, and eggs.	BR-2: Pre-Construction Burrowing Owl Surveys To be in compliance with the MBTA and Fish and Game Codes, and to avoid impacts or take of burrowing owls, their nests, young, and eggs, a qualified biologist will conduct a pre-construction burrowing owl survey (Take Avoidance Surveys, page 29) within the project site in accordance with the Staff Report on Burrowing Owl Mitigation (Staff Report) (CDFG, 2012) no less than 14 days prior to initiating ground disturbance activities. Following the completion of the pre-construction burrowing owl survey, the biologist will prepare a letter report in accordance with the Survey Report Guidelines described in the Staff Report (page 30) summarizing the results of the survey. The report will be submitted to CDFW prior to initiating any ground disturbance activities.	Construction Contractor City of Chino Hills - Community Development Department CDFW	Receipt and review of survey results / Prior to grading or construction.

Impact	Mitigation Measure	Responsible/ Monitoring Party	Monitoring Action/ Implementation Stage
	If no burrowing owls or active burrow(s) (signs of which may include: molted feathers, cast pellets, prey remains, eggshell fragments, or excrement at or near a burrow entrance or perch site) are observed during the pre-construction survey and concurrence is received from CDFW, project activities may begin and no further mitigation will be required.		
	If burrowing owls or active burrow(s) are observed during the preconstruction survey, the biologist will contact CDFW and conduct an impact assessment in accordance with the <i>Staff Report</i> to assist in the development of avoidance, minimization, and mitigation measures, prior to commencing project activities. If burrowing owls are present then the ultimate disposition is a negotiation with CDFW to determine the locations for active relocation.		
Threshold 3.4 (a) – (d): Construction activities such as grading, vegetation removal, other ground disturbing activities and habitat alternating activities may impact on-site and nearby sensitive wildlife, habitats, and jurisdictional waters.	BR-3: Project Limits and Designated Areas To avoid impacts on nearby sensitive biological resources, the applicant will implement the following measures prior to project construction and commencement of any ground-disturbing activities or vegetation removal. ≠ Specifications for the project boundary, limits of grading, project related parking, storage areas, laydown sites, and equipment storage areas will be mapped and clearly marked in the field with temporary fencing, signs, stakes, flags, rope, cord, or other appropriate markers. All markers will be maintained until the completion of activities in that area.	Construction Contractor City of Chino Hills - Community Development Department	Mark limits of disturbance/ Prior to ground disturbing activities or vegetation removal Construction Phase
	≠ To minimize the amount of disturbance, the construction/laydown areas, parking areas, staging areas, storage areas, spoil areas, and equipment access areas will be restricted to designated areas.		

Impact	Mitigation Measure	Responsible/ Monitoring Party	Monitoring Action/ Implementation Stage
	Designated areas will comprise existing disturbed areas (parking lots, access roads, graded areas, etc.) to the extent possible.		
	Project related work limits will be defined and work crews will be restricted to designated work areas. Disturbance beyond the actual construction zone is prohibited without site-specific surveys. If sensitive biological resources are detected in the area to be impacted, then appropriate measures will be implemented to avoid impacts (i.e., flag and avoid, erect orange snow fencing, biological monitor present during work, etc.). However, if avoidance is not possible and the sensitive biological resources will be directly impacted by project activities, the biologist will mark and/or stake the site(s) and map the individuals on an aerial map and with a GPS unit. The biologist will then contact the appropriate resource agencies to develop additional avoidance, minimization and/or mitigation measures prior to commencing project activities.		
	$ \neq$ A 50-foot setback will be maintained from the edge of all jurisdictional areas. The setback zone will be clearly marked in the field.		
	Existing roads and trails will be utilized wherever possible to avoid unnecessary impacts. Project-related vehicle traffic will be restricted to established roads, staging areas, and parking areas. Travel outside construction zones is prohibited.		
Threshold 3.4 (a):	BR-4: Worker Environmental Awareness Program (WEAP)	Construction	Prepare and
Construction workers or personnel may	If special-status wildlife species are observed and determined present within the project site during the pre-construction breeding bird or	Contractor	submit WEAP/Prior to
inadvertently impact	burrowing owl surveys, then a qualified biologist will prepare and	City of Chino	construction
sensitive and	conduct a Worker Environmental Awareness Program (WEAP) that will	Hills -	activities if
protected biological	describe the biological constraints of the project prior to project	Community	sensitive species

Impact	Mitigation Measure	Responsible/ Monitoring Party	Monitoring Action/ Implementation Stage
resources.	implementation and construction activities. All on-site personnel who will work within the project site will attend the WEAP prior to performing any work. The WEAP will be administered to all on-site personnel regarding the results of the pre-construction surveys, sensitive biological resources potentially present on the site, restrictions, avoidance, and protection measures, mitigation measures (if any), and individual responsibilities associated with the project. Training materials will be language-appropriate for all construction personnel. Upon completion of the WEAP, workers will sign a form stating they attended the program, understand all protection measures, and will abide all the rules of the WEAP. A record of all trained personnel will be kept with the construction foreman on-site. If new construction personnel are added to the project later, the construction foreman will ensure that new personnel receive training before they start working. The biologist will prepare and provide written hard copies of the WEAP and photos of the sensitive biological resources to the construction foreman.	Development Department CDFW	identified.
Threshold 3.4 (a): Two listed bird species, least Bell's vireo (Vireo bellii pusillus) and southwestern willow flycatcher (Empidonax traillii extimus), have no potential to occur within the project site boundary and a moderate to high potential to occur within the black willow thicket located	BR-5: Biological Monitor If special-status wildlife species are observed and determined present within the project site during the pre-construction breeding bird or burrowing owl surveys, then a biological monitor will be on site to monitor activities that result in the clearing or grading of areas known to contain sensitive biological resources to ensure that impacts do not exceed the limits of grading and to minimize the likelihood of inadvertent impacts on listed species and other wildlife species. The biological monitor will ensure that all biological mitigation measures, best management practices (BMPs), avoidance, and protection measures and mitigation measures described in the relevant project permits and reports are in place and are adhered to. Monitoring will cease when the sensitive habitats have been cleared or impacted. The biological monitor will have the authority to halt all construction	Construction Contractor City of Chino Hills - Community Development Department CDFW/USFWS	Submittal of monitoring reports if needed/ During construction phase

Impact	Mitigation Measure	Responsible/ Monitoring Party	Monitoring Action/ Implementation Stage
in Chino Creek outside of the project footprint, but within the Biological Study Area.	activities and all non-emergency actions if listed species are identified and will be directly impacted. The monitor will notify the appropriate resource agency and consult if needed. If needed and possible, the monitoring biologist will relocate the individual outside of the work area where it will not be harmed. Work can continue at the location if he applicant and the consulted resource agency determine that the activity will not result in impacts on the species. The appropriate agencies will be notified if a dead or injured protected species is located within the project site. Written notification must be made within 15 days of the date and time of the finding or incident (if known) and must include: location of the carcass, a photograph, cause of death (if known), and other pertinent information.		
Threshold 3.4 (a): The Biological Study Area has moderate to high occurrence potential for sensitive and listed species. Construction-related activities may cause direct and indirect impacts to breeding birds, listed wildlife species, and introduce non-native invasive vegetation.	 BR-6: General Vegetation and Wildlife Avoidance and Protection The project site contains habitats which can support wildlife species. The applicant will implement the following measures to protect vegetation and wildlife, to the extent practical. Vegetation will only be disturbed and/or removed immediately before grading or trimming activities in order to reduce erosion, sedimentation, and/or siltation into biologically sensitive areas. Cleared or trimmed vegetation and woody debris will be disposed of in a legal manner at an approved disposal site. Cleared or trimmed non-native, invasive vegetation will be disposed of in a legal manner at an approved disposal site as soon as possible to prevent regrowth and the spread of weeds. Vehicles and equipment will be free of caked mud or debris prior to entering the project site to avoid the introduction of new invasive weedy plant species. 	Construction Contractor City of Chino Hills - Community Development Department CDFW	Field Verification/ During construction phase

Impact	Mitigation Measure	Responsible/ Monitoring Party	Monitoring Action/ Implementation Stage
	 ≠ To minimize construction-related mortalities of nocturnally active species such as mammals and snakes, it is recommended that all work be conducted during daylight hours. Night-time work (and use of artificial lighting) will not be permitted unless specifically authorized. If required, night lighting will be directed away from the preserved open space areas to protect species from direct night lighting. All unnecessary lights will be turned off at night to avoid attracting wildlife such as insects, migratory birds, and bats. ≠ If any wildlife is encountered during the course of project activities, said wildlife will be allowed to freely leave the area unharmed. ≠ Wildlife will not be disturbed, captured, harassed, or handled. Fishing will be prohibited at the project site. Animal nests, burrows and dens will not be disturbed without prior survey and authorization from a qualified biologist. ≠ Active nests cannot be removed or disturbed. Nests can be removed or disturbed if determined inactive by a qualified biologist. ≠ To avoid impacts on wildlife, the applicant will comply with all litter and pollution laws and will institute a litter control program throughout project construction. All contractors, subcontractors, and employees will also obey these laws. Trash and food items will be disposed of promptly in predator-proof containers with resealing lids. These covered trash receptacles will be placed at each designated work site and the contents will be properly disposed at least once a week. Trash removal will reduce the attractiveness of the area to opportunistic predators such as common ravens (Corvus corax), coyotes (Canis latrans), northern raccoons (Procyon lotor), and Virginia opossums (Didelphis virginiana). 		

Impact	Mitigation Measure	Responsible/ Monitoring Party	Monitoring Action/ Implementation Stage
	 ≠ Contractors, subcontractors, employees, and site visitors will be prohibited from feeding wildlife and collecting plants and wildlife. ≠ Disturbance near ponded water will be limited during the rainy season. It could serve as potential habitat for amphibians and sensitive invertebrates. 		
Threshold 3.4 (c): Impacts to plant and animal species may occur due to the creation of fugitive dust and quality of stormwater leaving the project site during construction.	BR-7: Construction BMPs Project work crews will be directed to use construction BMPs where applicable. These measures will address the potential for fugitive dust and quality of stormwater runoff leaving the project site. The BMPs to be used must be identified prior to construction and incorporated into the construction operations.	Construction Contractor City of Chino Hills - Community Development Department	Field verification/ Prior to and during construction
Threshold 3.4 (d): The project site is adjacent to the Chino Creek, which could potentially serve as a wildlife corridor.	BR-8: Wildlife Corridors and Native Open Space Mitigation The following measures are recommended, to the extent feasible, to help minimize the potential degradation of native open space habitats and areas utilized as wildlife corridors due to project development. ≠ Perimeter fencing/walls constructed of solid material will be installed along the back of the residential portion of the project that is located adjacent to the Chino Creek to help serve as an effective barrier to keep out domestic animals. ≠ Street and residential lighting will be designed to shield light spillage into the creek to protect wildlife species within the area. The overall landscaping will ensure	Designer Construction Contractor City of Chino Hills - Community Development Department	Submittal and review of site plan/ Project design review
CULTURAL RESOURCE	S		

Impact	Mitigation Measure	Responsible/ Monitoring Party	Monitoring Action/ Implementation Stage
Threshold 3.5 (b) – (d): Although there are no known archeological or Native American resources on the project site, the proposed project has the potential to uncover resources during ground-disturbing activity.	CR-1: Cultural Monitoring A qualified archaeologist or Native American cultural monitor, whose credentials are reviewed and found acceptable by the City, shall be present to observe rough grading for site development. If a buried cultural resource is discovered during grading activities, all work in that area will be immediately halted within 50 feet of the discovery and/or diverted until a qualified archaeologist can evaluate the nature and significance of the find. Recommendations on the proper course of action will be made to the City Community Development Director or his/her designee and archaeological monitor. These recommendations may include test excavations to determine the extent and significance of the find; additional documentation of the find; or data recovery excavation if not other options are feasible. If the find is determined to be a historical resource or a unique archeological resource, the applicant shall implement the recommendations of the archeologist in order to mitigate impacts to the find. The mitigation measures shall be designed and implemented in accordance with applicable provisions of Public Resources Code Section 21083.2 and CEQA Guidelines Sections 15064.5 and 15126.4	Construction Contractor City of Chino Hills - Community Development Department	Field verification/ During construction phase
Threshold 3.5 (d): Although there are no known human remains on the project site, the proposed project has the potential to uncover human remains during grounddisturbing activity.	CR-2: Discovery of Human Remains If human remains are encountered during excavations associated with this project, work will halt and the County Coroner will be notified (Section 5097.98 of the Public Resources Code). The Coroner will determine whether the remains are of forensic interest. If the coroner, with the aid of the supervising archaeologist, determines that the remains are prehistoric, they will contact the NAHC. The NAHC will be responsible for designating the most likely descendant (MLD), who will be responsible for the ultimate disposition of the remains, as required by Section 7050.5 of the California Health and Safety Code. The MLD will make recommendations within 24 hours of their notification by the NAHC. These recommendations may include scientific removal and	Construction Contractor City of Chino Hills – Community Development Department County of San Bernardino Sheriff's	Field Verification/ During construction phase

Impact	Mitigation Measure	Responsible/ Monitoring Party	Monitoring Action/ Implementation Stage
	nondestructive analysis of human remains and items associated with Native American burials (Section 7050.5 of the Health and Safety Code).	Department/ Coroner Division	
GEOLOGY AND SOILS			
Threshold 3.6 (c) & (d): Existing fill soils, up to 1.5 feet, primarily consist of silty, clayey, and poorly graded sands with occasional sand clay layers that are susceptible to differential settlement. On-site fill compaction does not meet the minimum 90 percent of the maximum dry density commonly used for slope stability and structures. The project site contains expansive soil; therefore, structures may be subject to movement and	Site Preparation and Grading Site preparation, grading, and construction of the proposed project shall adhere to the recommendations set forth in the Geotechnical Engineering Investigation prepared by NorCal Engineering, as applicable. GS-2: Certified Soils Engineer A certified soils engineer shall be retained for consultation during design and construction phases. The certified soils engineer shall also provide construction monitoring for necessary soil testing during construction to ensure compliance with the Geotechnical Engineering Investigation and to provide site specific guidance as subsurface materials are encountered.	Construction Contractor City of Chino Hills – Community Development Department City of Chino Hills – Engineering Department	Field Verification/ During grading, and construction phase

Impact	Mitigation Measure	Responsible/ Monitoring Party	Monitoring Action/ Implementation Stage
hairline cracking of			- C
walls and slabs.			
GREENHOUSE GAS EM			
Threshold 3.7 (b): Greenhouse gas emissions during operation	GG-1: Use of Project Landscape Equipment (Same as AQ-3) For project landscaping, use electric lawnmowers, leaf blowers and chainsaws at least 50% of the time.	Project Applicant City of Chino Hills – Community Services Department - Code	Submittal and review of landscape contract/ During operational phase
Threshold 3.7 (b): Greenhouse gas emissions during operation	GG-2: No Fireplaces or Hearths (Same as AQ-4) Apartment units will not have fireplaces or hearths.	Enforcement Division Project Applicant City of Chino Hills – Community Development Department	Final Plan Check
Threshold 3.7 (b): Greenhouse gas emissions during operation	GG-3: 100% Reclaimed Water for Irrigation (Same as AQ-5) Use 100% reclaimed water for all irrigation.	Project Applicant City of Chino Hills – Community Development Department Inland Empire	Final Plan Check/ During operational phase

Impact	Mitigation Measure	Responsible/ Monitoring Party	Monitoring Action/ Implementation Stage
		Utilities Agency	
NOISE		, 0	
Threshold 3.12 (a) & (d): Construction activities may produce novel levels that exceed established standards.	NO-1: Construction Hours All construction activities are to be limited to between the hours of 7:00 AM to 7:00 PM on weekdays and 8:00 AM to 6:00 PM on Saturdays. No construction activities will take place at any time on Sunday or a Federal holiday.	Construction Contractor City of Chino Hills – Community Development Department	Field verification/ During construction phase
Threshold 3.12 (a) & (d): Construction activities may produce novel levels that exceed established standards.	NO-2: Operating Construction Equipment The construction contractor will ensure that all construction equipment, fixed or mobile, is properly operating (tuned-up) and that mufflers are working adequately.	Construction Contractor City of Chino Hills – Community Development Department	Field verification/ During construction phase
Threshold 3.12 (a) & (d): Construction activities may produce novel levels that exceed established standards.	NO-3: Local Resident Complaints If the City of Chino Hills receives complaints from local residents about any construction noise that will at that point be scheduled to continue for five or more days, the City will conduct ambient sampling at the exterior of residence(s) to determine the increase in exposure during construction.	Construction Contractor City of Chino Hills – Community Development Department	Field verification/ During construction phase
Threshold 3.12 (a) & (d): Construction activities may produce novel levels that	NO-4: Temporary Shields and Noise Barriers If the increase in residential exposure is 10 dBA L_{eq} or more, then the construction contractor will provide temporary shields and noise barriers, including sound blankets, between the areas of active	Construction Contractor City of Chino	Field verification/ During construction

Impact	Mitigation Measure	Responsible/ Monitoring Party	Monitoring Action/ Implementation Stage
exceed established standards.	construction and sensitive receivers. Noise barriers typically reduce noise levels by up to 10 dBA.	Hills - Community Development Department	phase
Threshold 3.12 (a) & (d): Construction activities may produce novel levels that exceed established standards.	NO-5: Short-term Noise Exposure Measuring If mitigation measure NO-4 is implemented, the construction contractor will measure short-term noise exposures outside the barrier and at the exterior of the residence(s) at least twice daily to determine whether the barrier should remain in place.	Construction Contractor City of Chino Hills - Community Development Department	Field verification/ During construction phase
Threshold 3.12 (a): Noise modeling indicates that the project operation would result in exposure to noise levels exceeding the General Plan guidelines.	NO-6: Residential Windows All residential windows with a direct line of sight to Monte Vista Avenue or Fairfield Ranch Road will be rated for a sound transmission class (STC) of 30 or higher.	City of Chino Hills – Community Development Department	Site plan review and field verification/ During construction phase
TRANSPORTATION AN	D TRAFFIC		
Threshold 3.16 (a) & (b): Traffic associated with the proposed Project would affect two key study intersections (i.e., Monte Vista Ave./Chino Hills Pkwy and Central	TR-1: Monte Vista Avenue (S) at Chino Hills Parkway Install a traffic signal and design for three-phase operation with protected westbound left-turn phasing on Chino Hills Parkway. Provide crosswalks on the south and west legs. Widen Monte Vista Avenue and restripe the westbound approach to provide a separate right-turn lane. Modify existing striping accordingly and install all necessary striping, pavement markings and signs per the City of Chino Hills Standard Design Guidelines and/or California Manual on Uniform Traffic Control Devices (CA MUTCD). Implementation of this improvement will require the	Construction Contractor City of Chino Hills - Engineering Department	Submittal of receipt for payment of fair share or submit improvement plans for review/ Prior to issuance of building permit.

Impact	Mitigation Measure	Responsible/ Monitoring Party	Monitoring Action/ Implementation Stage
Ave./Fairfield Ranch Rd.) and contribute to the adverse service level at another location (i.e., Central Avenue/El Prado Rd.) that is currently operating at an unacceptable LOS.	TR-2: Central Avenue at El Prado Road Modify existing traffic signal and install a northbound right-turn overlap phase on Central Avenue. Install "No U-turn" signs for westbound traffic on El Prado Road. Implementation of this improvement will require the approval of the City of Chino. TR-3: Central Avenue at Fairfield Ranch Road Remove the existing crosswalk across the south leg of intersection on Central Avenue and install a crosswalk across the west leg of the intersection on Fairfield Ranch Road. Modify the existing traffic signal and existing striping accordingly and install all necessary striping, pavement markings, and signs per the City of Chino Hills Standard Design Guidelines and/or CA MUTCD. Implementation of this improvement will require the approval of the City of Chino Hills.		
Threshold 3.16 (a) & (b): The results of the traffic impact analysis under the Year 2016 plus Project condition indicates that the proposed project will have a cumulative impact at the seven (7) key study locations and operate at a level of service that conflict with performance targets outlined in Circulation	TR-4: Pipeline Avenue at Chino Hills Parkway Widen and/or restripe the southbound approach on Pipeline Avenue to provide a second left-turn lane. A preliminary assessment of existing conditions indicates that this improvement could be accomplished via the restriping of Pipeline Avenue, but could require widening within the existing right-of-way to provide additional pavement (via narrowing of the existing sidewalks) to meet the City of Chino Hills design criteria. Modify existing traffic signal and existing striping accordingly and install all necessary striping, pavement markings and signs per the City of Chino Hills Standard Design Guidelines and/or CA MUTCD. Implementation of this improvement will require the approval of the City of Chino Hills and/or Caltrans. TR-5: Monte Vista Avenue (S) at Chino Hills Parkway (Same as recommended TR-1 for Existing Plus Project Recommended	Construction Contractor City of Chino Hills – Engineering Department Caltrans- District 8	Submittal of receipt for payment of fair share or submit improvement plans for review/ Prior to issuance of building permit.

Impact	Mitigation Measure	Responsible/ Monitoring Party	Monitoring Action/ Implementation Stage
Element of General	Improvements)	-	
Plan and San	Install a traffic signal and design for three-phase operation with		
Bernardino CMP.	protected westbound left-turn phasing on Chino Hills Parkway. Provide crosswalks on the south and west legs. Widen Monte Vista Avenue and		
	restripe the westbound approach to provide a separate right-turn lane.		
	Modify existing striping accordingly and install all necessary striping,		
	pavement markings and signs per the City of Chino Hills Standard Design		
	Guidelines and/or CA MUTCD. Implementation of this improvement will require the approval of the City of Chino Hills.		
	TR-6: Central Avenue at Chino Hills Parkway Remove the existing crosswalk across the north leg of intersection on		
	Central Avenue and install a crosswalk across the south leg of the		
	intersection on Central Avenue. Modify the existing traffic signal and		
	existing striping accordingly and install all necessary striping, pavement		
	markings and signs per the City of Chino Hills Standard Design Guidelines and/or CA MUTCD. Implementation of this improvement will require the		
	approval of the City of Chino Hills.		
	TR-7: Central Avenue at El Prado Road		
	(Same as recommended TR-2 for Existing Plus Project Recommended Improvements)		
	Modify existing traffic signal and install a northbound right turn overlap		
	phase on Central Avenue. Install "No U-turn" signs for westbound traffic		
	on El Prado Road. Implementation of this improvement will require the		
	approval of the City of Chino.		
	TR-8: Central Avenue at Fairfield Ranch Road		
	Restripe the northbound approach on Central Avenue to provide a		
	second left-turn lane. A preliminary assessment of existing conditions		
	indicates that this improvement could be accomplished via the restriping of Central Avenue. Remove the existing crosswalk across the south leg of		

Impact	Mitigation Measure	Responsible/ Monitoring Party	Monitoring Action/ Implementation Stage
	intersection on Central Avenue and install a crosswalk across the west leg of the intersection on Fairfield Ranch Road. Modify the existing traffic signal and existing striping accordingly and install all necessary striping, pavement markings and signs per the City of Chino Hills Standard Design Guidelines and/or CA MUTCD. Implementation of this improvement will require the approval of the City of Chino Hills.	·	
	TR-9: SR-71 Northbound Ramps at Central Avenue Widen the northbound off-ramp to provide an exclusive northbound right-turn lane and maintain the existing northbound left-turn lane and northbound shared left-turn/right-turn lane. Modify existing traffic signal and existing striping accordingly and install all necessary striping, pavement markings and signs per the City of Chino Hills Standard Design Guidelines, Caltrans requirements and/or CA MUTCD. Implementation of this improvement will require the approval of the City of Chino Hills and/or Caltrans.		
	TR-10: SR-71 Southbound Ramps at Soquel Canyon Parkway Widen the southbound off-ramp to provide an exclusive southbound right-turn lane and maintain the existing southbound left-turn lane and southbound shared left-turn/right-turn lane. Modify existing traffic signal and existing striping accordingly and install all necessary striping, pavement markings and signs per the City of Chino Hills Standard Design Guidelines, Caltrans requirements and/or CA MUTCD. Implementation of this improvement will require the approval of the City of Chino Hills and/or Caltrans.		
Threshold 3.16 (a) & (b): The results of the traffic impact analysis under the Year 2035 plus Project condition	TR-11: Pipeline Avenue at Chino Hills Parkway Widen and/or restripe the southbound approach on Pipeline Avenue to provide a second left-turn lane. A preliminary assessment of existing conditions indicates that this improvement could be accomplished via the restriping of Pipeline Avenue, but could require widening within the	Construction Contractor City of Chino – Engineering	Submittal of receipt for payment of fair share or submit improvement

Impact	Mitigation Measure	Responsible/ Monitoring Party	Monitoring Action/ Implementation Stage
indicates that the proposed project will have a cumulative impact at seven (7) of the seventeen (17) key study locations and operate at a level of service that conflict with performance targets outlined in Circulation Element of General Plan and San Bernardino CMP.	existing right of way to provide additional pavement (via narrowing of the existing sidewalks) to meet the City of Chino Hills design criteria. Restripe the westbound approach on Chino Hills Parkway Avenue to provide a second left-turn lane. A preliminary assessment of existing conditions indicates that this improvement could be accomplished via the restriping of Chino Hills Parkway. Modify existing traffic signal and existing striping accordingly and install all necessary striping, pavement markings and signs per the City of Chino Hills Standard Design Guidelines and/or CA MUTCD. Implementation of this improvement will require the approval of the City of Chino Hills and/or Caltrans. TR-12: Monte Vista Avenue (S) at Chino Hills Parkway (Same as recommended TR-1 for Existing Plus Project Recommended Improvements) Install a traffic signal and design for three-phase operation with protected westbound left-turn phasing on Chino Hills Parkway. Provide crosswalks on the south and west legs. Widen Monte Vista Avenue and restripe the northbound approach to provide a separate right-turn lane. Modify existing striping accordingly and install all necessary striping, pavement markings and signs per the City of Chino Hills Standard Design Guidelines and/or CA MUTCD. Implementation of this improvement will require the approval of the City of Chino Hills. TR-13: Central Avenue at Chino Hills Parkway (Same as recommended TR-6 for Year 2016 Recommended Improvements) Remove the existing crosswalk across the north leg of intersection on Central Avenue and install a crosswalk across the south leg of the intersection on Central Avenue. Modify the existing traffic signal and existing striping accordingly and install all necessary striping, pavement markings and signs per the City of Chino Hills Standard Design Guidelines and/or CA MUTCD. Implementation of this improvement will require the approval of the City of Chino Hills.	Department Caltrans – District 8	plans for review/ Prior to issuance of building permit.

Impact	Mitigation Measure	Responsible/ Monitoring Party	Monitoring Action/ Implementation Stage
	TR-14: Central Avenue at El Prado Road Restripe the southbound approach on Central Avenue to provide a second left-turn lane. A preliminary assessment of existing conditions indicates that this improvement could be accomplished via the restriping of Central Avenue. Modify existing traffic signal and install a northbound right-turn overlap phase on Central Avenue. Install "No U-turn" signs for westbound traffic on El Prado Road. Implementation of this improvement will require the approval of the City of Chino.		
	TR-15: Central Avenue at Fairfield Ranch Road (Same as recommended TR-8 for Year 2016 Recommended Improvements) Widen and/or restripe the northbound approach on Central Avenue to provide a second left-turn lane. A preliminary assessment of existing conditions indicates that this improvement could be accomplished via the restriping of Central Avenue. Remove the existing crosswalk across the south leg of intersection on Central Avenue and install a crosswalk across the west leg of the intersection on Fairfield Ranch Road. Modify the existing traffic signal and existing striping accordingly and install all necessary striping, pavement markings and signs per the City of Chino Hills Standard Design Guidelines and/or CA MUTCD. Implementation of this improvement will require the approval of the City of Chino Hills.		
	TR-16: SR-71 Northbound Ramps at Central Avenue (Same as recommended TR-9 for Year 2016 Recommended Improvements) Widen the northbound off-ramp to provide an exclusive northbound right-turn lane and maintain the existing northbound left-turn lane and northbound shared left-turn/right-turn lane. Modify existing traffic signal and existing striping accordingly and install all necessary striping, pavement markings and signs per the City of Chino Hills Standard Design Guidelines, Caltrans requirements and/or CA MUTCD. Implementation of this improvement will require the approval of the City of Chino Hills		

Impact	Mitigation Measure	Responsible/ Monitoring Party	Monitoring Action/ Implementation Stage
	TR-17: Central Avenue at Eucalyptus Avenue Restripe Central Avenue to provide a third northbound through (approach) lane and a third northbound receiving (departure) lane. A preliminary assessment of existing conditions indicates that this improvement could be accomplished via the restriping of Central Avenue. Modify existing traffic signal and existing striping accordingly and install all necessary striping, pavement markings and signs per the City of Chino Design Guidelines, and/or CA MUTCD. Implementation of this improvement will require the approval of the City of Chino.		

COPIES OF THE APPENDICES ARE AVAILABLE FOR REVIEW AT THE LAFCO OFFICE:

Appendix A – Air Quality

Appendix B – Biological Assessment Report

Appendix C – Cultural Resources Survey

Appendix D – Geotechnical Engineering Investigation

Appendix E – Greenhouse Gas Analysis

Appendix F – Phase I ESA Report

Appendix G – Preliminary Hydrology Study

Appendix H – Noise Technical Study

Appendix I – Traffic Impact Analysis

Draft Resolution No. 3198 (Sphere of Influence Amendment) Attachment 4

PROPOSAL NO.: LAFCO 3183

HEARING DATE: May 20, 2015

RESOLUTION NO. 3198

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY MAKING DETERMINATIONS ON LAFCO 3183 AND APPROVING THE SPHERE OF INFLUENCE AMENDMENTS FOR THE CITY OF CHINO (REDUCTIONS) AND CITY OF CHINO HILLS (EXPANSIONS) (sphere amendment encompassing a total of approximately 9,411 square feet generally described as parcels located along the southwest side of Chino Creek—Flood Control Channel—immediately south of Chino Hills Parkway).

On motion of Commissioner _____, duly seconded by Commissioner _____, and carried, the Local Agency Formation Commission adopts the following resolution:

WHEREAS, an application for the proposed sphere of influence amendment (expansion/reduction) in the County of San Bernardino was filed with the Executive Officer of this Local Agency Formation Commission (hereinafter referred to as "the Commission") in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Sections 56000 et seq.); and,

WHEREAS, at the times and in the form and manner provided by law, the Executive Officer has given notice of the public hearing by the Commission on this matter; and,

WHEREAS, the Executive Officer has reviewed available information and prepared a report including her recommendations thereon, the filings and report and related information having been presented to and considered by this Commission; and,

WHEREAS, the public hearing by this Commission was called for May 20, 2015 at the time and place specified in the notice of public hearing; and,

WHEREAS, at the hearing, this Commission heard and received all oral and written support and opposition; the Commission considered all objections and evidence which were made, presented, or filed; and all persons present were given an opportunity to hear and be heard in respect to any matter relating to the application, in evidence presented at the hearing; and,

WHEREAS, this Commission reviewed and considered the Mitigated Negative Declaration prepared by the City of Chino Hills for the Fairfield Ranch Commons Project prior to reaching a decision on the proposal, finding that the information substantiating the Mitigated Negative Declaration as adequate for its use in making a decision as a CEQA responsible agency and that it

does not intend to adopt alternatives or mitigation measures for this project as all changes, alternations and mitigation measures are within the responsibility and jurisdiction of the City and/or other agencies and not the Commission, and directed its Executive Officer to file a Notice of Determination within five (5) working days with the San Bernardino County Clerk of the Board of Supervisors; and,

WHEREAS, based on presently existing evidence, facts, and circumstances filed with the Local Agency Formation Commission and considered by this Commission, it is determined that Areas 1 and 2 are to be removed from the City of Chino's sphere of influence and added to the City of Chino Hills' sphere of influence, as more specifically described on the attached Exhibits "A", "A-1", "B", and "B-1" to this resolution; and,

WHEREAS, the Commission determined that because the sphere of influence amendments being considered are intended to fix a boundary problem between the Cities of Chino and Chino Hills along the Flood Control Channel, and because the two areas will generally remain vacant (ancillary to the project's parking and landscape facilities), and because there will be no change in public facilities and/or services available within the sphere areas to be amended that a Service Review would not be necessary to fulfill the determinations required by Government Code Section 56430:

WHEREAS, the following determinations are made in conformance with Government Code Section 56425 and local Commission policy:

1. The Present and Planned Land Uses in the area including agricultural and open-space lands

Currently, the service needs within the area are minimal due to its vacant nature. Upon development of the project, which is a proposal to create 346 very high density residential apartment units and a 326,641 square foot industrial park on the overall project site, the two areas being considered for sphere amendment are located within the residential portion of the project. However, the areas will generally remain vacant as ancillary to the parking and landscape facilities for the overall project.

2. The present and probable need for public facilities and services in the area

There will be no change to the public facilities and/or utility services within the areas proposed for annexation. Being that the areas are located westerly of the channel, any facilities and/or services have been provided by the City of Chino Hills and will continue to do so upon approval of the concurrent reorganization proposal, LAFCO 3184. The sphere amendment (and ultimately the reorganization) simply places the two areas within the appropriate jurisdiction in order to facilitate the development of the proposed project.

3. The present capacity of public facilities and adequacy of public services that the agency provides

The City of Chino Hills provide a full range of municipal services. These include municipal facilities within the proposed development such as water mains, sewer mains, etc. However, the sphere amendment (and ultimately the reorganization) simply places the two areas within the appropriate jurisdiction in order to facilitate the development of the proposed project.

4. The existence of any social or economic communities of interest

The centerline of Chino Creek has been the common boundary line between the Cities of Chino and Chino Hills from Chino Hills Parkway all the way to Pine Avenue. The Chino Creek has been channelized from north of State Highway 60 to just south of the project site. The sphere amendment will bring the sphere (and ultimately the boundary) of both cities for these two areas to the westerly right-of-way line of the channel.

5. Additional Determinations

- Notice of the Commission's consideration of this issue has been advertised as required by State law through publication in *The Inland Daily Bulletin*, a newspaper of general circulation in the area. As required by State law, individual notification was provided to affected and interested agencies, County departments, and those individuals and agencies wishing mailed notice.
- The map and legal description for these spheres of influence amendment, was certified by the County Surveyor's office.

WHEREAS, having reviewed and considered the determinations as outlined above, the Commission determines to expand the sphere of influence for the City of Chino Hills and reduce the sphere of influence for the City of Chino, encompassing a total of approximately 9,411 square feet.

NOW, THEREFORE, BE IT RESOLVED by the Local Agency Formation Commission for San Bernardino County, State of California, that this Commission shall consider the territory described in Exhibits "A", "A-1", "B", and "B-1" as being within the sphere of influence for the City of Chino Hills and removed from the sphere of influence for the City of Chino, it being fully understood that the amendment of such spheres of influence is a policy declaration of this Commission based on existing facts and circumstances which, although not readily changed, may be subject to review and change in the event a future significant change of circumstances so warrants.

BE IT FURTHER RESOLVED that the Local Agency Formation Commission for San Bernardino County, State of California, does hereby determine that the City of Chino Hills shall indemnify, defend, and hold harmless the Commission from any legal expense, legal action, or judgment arising out of the Commission's approval of this proposal, including any reimbursement of legal fees and costs incurred by the Commission.

THIS ACTION APPROVED AND ADOPTED by the Local Agency Formation Commission for San Bernardino County by the following vote:

AYES: COMMISSIONERS:

NOES: COMMISSIONERS:

ABSENT: COMMISSIONERS:

* * * * * * * * * * * * * * * * *

STATE OF CALIFORNIA)
•	SS
COUNTY OF SAN BERNARDING Y	١

I, KATHLEEN ROLLINGS-MCDONALD, Executive Officer of the Local Agency Formation Commission for San Bernardino County, California, do hereby certify this record to be a full, true, and correct copy of the action taken by said Commission by vote of the members present as the same appears in the Official Minutes of said Commission at its regular meeting of May 20, 2015.

DATED:

KATHLEEN ROLLINGS-MCDONALD Executive Officer

Draft Resolution No. 3199 (Reorganization) Attachment 5

PROPOSAL NO.: LAFCO 3184

HEARING DATE: OCTOBER 22, 2014

RESOLUTION NO. 3199

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY MAKING DETERMINATIONS ON LAFCO 3184 AND APPROVING THE REORGANIZATION TO INCLUDE DETACHMENTS FROM THE CITY OF CHINO AND ANNEXATIONS TO THE CITY OF CHINO HILLS. (The reorganization area includes two areas encompassing a total of approximately 9,411 square feet generally described as parcels located along the southwest side of Chino Creek—Flood Control Channel—immediately south of Chino Hills Parkway).

On motion of Commissioner ______, duly seconded by Commissioner _____, and carried, the Local Agency Formation Commission adopts the following resolution:

WHEREAS, an application for the proposed reorganization in the County of San Bernardino was filed with the Executive Officer of this Local Agency Formation Commission (hereinafter referred to as "the Commission") in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Sections 56000 et seq.), and the Executive Officer has examined the application and executed her certificate in accordance with law, determining and certifying that the filings are sufficient; and,

WHEREAS, at the times and in the form and manner provided by law, the Executive Officer has given notice of the public hearing by the Commission on this matter; and,

WHEREAS, the Executive Officer has reviewed available information and prepared a report including her recommendations thereon, the filings and report and related information having been presented to and considered by this Commission; and,

WHEREAS, the public hearing by this Commission was called for May 20, 2015 at the time and place specified in the notice of public hearing; and,

WHEREAS, at the hearing, this Commission heard and received all oral and written support and/or opposition; the Commission considered all plans and proposed changes of organization, objections and evidence which were made, presented, or filed; it received evidence as to whether the territory is inhabited or uninhabited, improved or unimproved; and all persons present were given an opportunity to hear and be heard in respect to any matter relating to the application, in evidence presented at the hearing.

NOW, **THEREFORE**, **BE IT RESOLVED**, that the Commission does hereby determine, find, resolve, and order as follows:

DETERMINATIONS:

SECTION 1. The proposal is approved subject to the terms and conditions hereinafter specified:

CONDITIONS:

<u>Condition No. 1.</u> The boundaries of this change of organization are approved as set forth in Exhibits "A", "A-1", "B", and "B-1" attached;

<u>Condition No. 2.</u> The following distinctive short-form designation shall be used through this proceeding: LAFCO 3184;

<u>Condition No. 3</u>. All previously authorized charges, fees, assessments, and/or taxes currently in effect by the City of Chino Hills (annexing agency) shall be assumed by the annexing territory in the same manner as provided in the original authorization pursuant to Government Code Section 56886(t).

<u>Condition No. 4.</u> The City of Chino Hills shall indemnify, defend, and hold harmless the Local Agency Formation Commission for San Bernardino County from any legal expense, legal action, or judgment arising out of the Commission's approval of this proposal, including any reimbursement of legal fees and costs incurred by the Commission.

<u>Condition No. 5.</u> Pursuant to Government Code Section 56886.1, public utilities, as defined in Section 216 of the Public Utilities Code, have ninety (90) days following the recording of the Certificate of Completion to make the necessary changes to impacted utility customer accounts.

<u>Condition No. 6.</u> The date of issuance of the Certificate of Completion shall be the effective date of this reorganization.

SECTION 2. The Commission determines that:

- a) this proposal is certified to be legally uninhabited;
- b) it has 100 % landowner consent; and,
- c) no written opposition to a waiver of protest proceedings has been submitted by any subject agency.

Therefore, the Commission does hereby waive the protest proceedings for this action as permitted by Government Code Section 56663(c).

SECTION 3. <u>DETERMINATIONS</u>. The following determinations are noted in conformance with Commission policy:

- 1. The Registrar of Voters Office has determined that the reorganization area is legally uninhabited, containing no registered voter as of April 15, 2015.
- 2. Through approval of the companion proposal, LAFCO 3183, Areas 1 and 2 are within the sphere of influence assigned the City of Chino Hills.
- 3. The County Assessor's Office has determined that the total assessed value of land and improvements within the reorganization area is \$0 as of April 9, 2015. The zero value is based on the reorganization area being tax exempt property owned by a public agency.
- 4. Commission consideration of this proposal has been advertised in *The Inland Daily Bulletin*, a newspaper of general circulation within the reorganization area. As required by State law, individual notification was provided to affected and interested agencies, County departments, and those individuals and agencies having requested such notice.
- 5. LAFCO staff has provided individual notices to landowners and registered voters surrounding the reorganization area (totaling 227 notices) in accordance with state law and adopted Commission policies. Comments from registered voters and landowners and any affected local agency in support or opposition were reviewed and considered by the Commission in making its determination.
- 6. The City of Chino Hills designates the project area as Business Park (BP) but is proposing a zone-change for the northern portion of the overall project site, which includes the areas identified for the reorganization, from Business Park to Very High Density Residential (RM-3). However, the two areas, which are currently vacant, will generally remain vacant as ancillary to the parking and landscape facilities for the overall project.
 - The Southern California Associated Governments (SCAG) adopted its 2012-2035 Regional Transportation Plan and Sustainable Communities Strategy pursuant to Government Code Section 65080. LAFCO 3184 has no direct impact on SCAG's Regional Transportation Plan.
 - 7. The City of Chino Hills, as a function of its review for the General Plan Amendment (14GPA01), Zone Change (14ZC01), Tentative Parcel Map 19539, Site Plan Review (14SPR02), Major Variance (14MJV02), Minor Variance (14MNV06), and Development Agreement for the Fairfield Ranch Commons Project, prepared an environmental assessment and adopted a Mitigated Negative Declaration which indicates that approval of the project will not have a significant adverse impact on the environment.

The Commission certifies that it has reviewed and considered the City's Mitigated Negative Declaration and the environmental effects as outlined in the Initial Study prior to reaching a decision on the project and finds the information substantiating the Mitigated Negative Declaration adequate for its use in making a decision as a CEQA responsible agency. The Commission finds that it does not intend to adopt alternatives or mitigation measures for this project as all changes, alternations and mitigation measures are within the responsibility and jurisdiction of the City and/or other agencies and not the Commission; and finds that it is the responsibility of the City to oversee and implement these measures.

- The Commission directs its Executive Officer to file a Notice of Determination within five (5) days within the San Bernardino County Clerk of the Board of Supervisors.
- 8. The local agencies currently serving the area are: City of Chino, Chino Valley Independent Fire Protection District, Inland Empire Resource Conservation District, Chino Basin Water Conservation District, West Valley Vector Control District, Metropolitan Water District of Southern California, and Inland Empire Utilities Agency (formerly known as Chino Basin Municipal Water District) and its Improvement District C
 - The City of Chino will be detached as a function of the reorganization. None of the other agencies are affected by this proposal as they are regional in nature.
- 9. The City of Chino Hills submitted a plan for services as required by law. This plan indicates that there will be no change in the level and range of any of the existing public services. The reorganization proposal simply places the two areas within the appropriate jurisdiction, which is the City of Chino Hills, in order to facilitate the development of the proposed project.
- 10. This proposal will not affect the ability of the City of Chino Hills to achieve its fair share of the regional housing needs since the reorganization only includes areas that will remain generally vacant as ancillary to the parking and landscape facilities for the overall project.
- 11. With respect to environmental justice, the reorganization area, which will remain generally vacant upon completion of the overall project, will not result in the unfair treatment of any person based on race, culture or income.
- 12. The Cities of Chino and Chino Hills have adopted tax resolutions, as required by law, outlining there will be no exchange of property tax revenues between cities upon completion of this reorganization. This fulfills the requirements of Section 99 of the Revenue and Taxation Code.
- 13. The map and legal description as revised are in substantial compliance with LAFCO and State standards through certification by the County Surveyor's Office.
- **SECTION 4.** The primary reason for this reorganization is to simply place the two areas within the appropriate jurisdiction, which is the City of Chino Hills, in order to facilitate the development of the proposed project.
- **SECTION 5.** The affected territory shall be taxed for existing bonded indebtedness or contractual obligations of the City of Chino Hills through the reorganization. The regular County assessment rolls are utilized by the City Chino Hills.
- **SECTION 6.** Approval by the Local Agency Formation Commission indicates that completion of this proposal would accomplish the proposed change of organization in a reasonable manner with a maximum chance of success and a minimum disruption of service to the functions of other local agencies in the area.
- **SECTION 7.** The Commission hereby orders the territory described in Exhibits "A", "A-1", "B", and "B-1"" reorganized. The Commission hereby directs, that following completion of the

reconsideration period specified by Government Code Section 56895(b), the Executive Officer shall prepare and file a Certificate of Completion, as required by Government Code Section 57176 through 57203, and a Statement of Boundary Change, as required by Government Code Section 57204.

SECTION 8. The Executive Officer is hereby authorized and directed to mail certified copies of this resolution in the manner provided by Section 56882 of the Government Code.

THIS ACTION APPROVED AND ADOPTED by the Local Agency Formation Commission for San Bernardino County by the following vote:

AYES:	COMMISSIONERS:	
NOES:	COMMISSIONERS:	
ABSENT:	COMMISSIONERS:	
******	***	
STATE OF CA	-	
COUNTY OF	SAN BERNARDINO)	SS.
Formation Commiss to be a full, true, and	sion for San Bernardino Coun d correct copy of the action ta s the same appears in the Offi	D, Executive Officer of the Local Agency ty, California, do hereby certify this record ken by said Commission by vote of the cial Minutes of said Commission at its
DATED:		
		KATHLEEN ROLLINGS-MCDONALD Executive Officer

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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DATE: MAY 13, 2015

FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer

MICHAEL TUERPE, Project Manager

TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #9: LAFCO 3174 – Service Review for Water

Conservation within the Valley Region

RECOMMENDATION:

Staff recommends that the Commission take the following actions related to LAFCO 3174:

- 1. For environmental review certify that the service review is statutorily exempt from environmental review and direct the Executive Officer to file the Notice of Exemption within five (5) days.
- Receive and file the service review for Water Conservation within the Valley Region which provides the written statements for the six determinations outlined in Government Code Section 56430.
- Direct LAFCO staff to provide continued monitoring of the districts as warranted related to reporting issues on Appropriation Limits for the Municipal Water Districts and compliance with the provisions of Govt. Code Section 56133 for the Chino Basin Water Conservation District as outlined in the report.
- 4. Initiate a sphere of influence review for the Chino Basin Water Conservation District to evaluate the alternatives of:
 - a. Expansion of the sphere of influence to be coterminous with the sphere of influence of the Inland Empire Utilities Agency;
 - b. Expansion to include the whole of the Chino Basin; or
 - c. Designation of a zero sphere of influence.
- 5. Modify LAFCO 3173 (application submitted by the San Bernardino Valley Water Conservation District) to evaluate alternatives for the sphere of influence designation as follows:

- a. Expansion of the sphere of influence to be coterminous with the sphere of influence of San Bernardino Valley Municipal Water District,
- b. Include the whole of the Bunker Hill Basin, or
- c. The request initiated by the District to expand the sphere of influence from its current zero sphere designation to include the district's boundary plus an additional 1,973 acres.

BACKGROUND:

In November 2013 the San Bernardino Valley Water Conservation submitted an application to expand its sphere of influence to include the territory of the Santa Ana River and its existing boundaries (LAFCO 3173). As required by law, such a sphere of influence request requires that a service review under Government Code Section 56430 be conducted. Since LAFCO had initiated the second cycle of service reviews for the Valley Region it was determined that the discussion of water conservation would be the first regional service review to be prepared. This review evaluates the activities related to water recharge and water conservation education under the new concept of an assessment of services regionally rather than the community-by-community approach utilized in the first cycle of service reviews.

This evaluation required the receipt of substantial amounts of information from each of the five entities which provide for the recharge of the Valley groundwater basins: Chino Basin Water Conservation District, Inland Empire Utilities Agency, San Bernardino Valley Water Conservation District, San Bernardino Valley Municipal Water District, and the San Bernardino County Flood Control District.

The draft service review report was provided to all the affected agencies for review and comment which culminated with a joint meeting on March 30. Written comments to the draft report were received from the all of the primary districts and are included as Attachment #8 to the service review. The final step for the service review is the presentation of the report to the LAFCO Commission at a public hearing. The report prepared is provided as Attachment #1 to this report.

PRESENTATION OF WRITTEN STATEMENTS ON DETERMINATIONS:

Government Code Section 56430 requires that the Commission evaluate six determinations when conducting a service review and provide a written statement for each. The following provides a summary of the statements dealt with in-depth in the service review report provided.

Determination I - Growth and population projections for the affected area

Within San Bernardino County, the Valley Region is the most densely populated area, with 73% of the population within it, but accounting for only 2.5% of the county's land

area. Based on these figures, the estimated population density of the Valley Region is approximately 2,977 persons per square mile, which is similar to neighboring Los Angeles and Orange Counties.

The 2014 estimated population is 1.5 million, and projections identify the Valley to grow at a rate of 0.3% annually through 2020. It is not until 2025 that the growth rate is projected to increase. LAFCO uses a 30-year horizon for its population projections, and its analysis in conjunction with Southern California Associated Governments ("SCAG") projections provides a projected population of 2.1 million in 2045. The 2045 figure would be roughly twice that of 1990, with presumably twice the density overall. These population projections are shown below:

Population Source		Census		Estimate		Projected	
Year	1990	2000	2010	2014	2025	2035	2045
Valley Region							
Population	1,064,522	1,280,603	1,476,306	1,510,985	1,710,583	1,899,690	2,119,309
Annual Growth Rate		1.6%				1.1%	
sources:							
1990, 2000, and 2010 popul	Census)						
2014 estimate population (ESRI)							
2025 thorugh 2045 population	nd LAFCO)						

The population projections do not include the heavy daily business, commercial, education and industrial activities. Further, the transient traffic on Interstates 10 and 15 (two of four interstates that exit Southern California to the east) has significantly increased in volume each decade and is anticipated to continue to do so. All of this signals that the Valley Region is one of the most densely populated and traveled parts of the state and that conjunctive use of water resources will only intensify for the already impacted groundwater basins.

<u>Determination II - The location and characteristics of any disadvantaged unincorporated</u> communities within or contiguous to the sphere of influence

The Valley Region as defined by LAFCO contains 75 square miles of unincorporated territory (15% of the Valley Region). Of that 75 square miles of unincorporated territory, 32 square miles (or 43%) is classified as a disadvantaged community; although some of that area includes government-owned, open space, or park land.

Determination III - Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs and deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence

Integration of flood and stormwater management strategies with recharge and conjunctive use opportunities contributes to water supply reliability in the region. The San Bernardino Valley region has been significantly urbanized over the past several decades and the area continues to grow with numerous in-fill development projects. As

the amount of impervious surface increases with urbanization, the runoff, and, therefore, storm and flood flows are also increasing. Without adequate flood control systems to capture and contain these surface waters for recharge, the opportunities for water supply, water quality, and environmental improvement are greatly lessened or lost. Therefore, formulating strategies to further capture storm runoff and use it for recharge of the groundwater basins will provide both flood management and water supply benefits to the region.

As identified by the Department of Water Resources, the Chino Basin, Bunker Hill, and Riverside-Arlington basins have been designated as High Priority basins and the other basins as Medium Priority basins for future monitoring. Within the Chino Basin, storm water recharge has declined significantly since FY 2010-11 (due to the drought), being less than the storm water recharge average during the previous 10 years. Recycled water was first considered a recharge source to reduce reliance on imported water from the Metropolitan Water District of Southern California. However, due to the current drought and restrictions placed upon the State Water Project, recycled water has now become a necessity for the basin. In the San Bernardino Basin Area, groundwater storage is now at the lowest level in recorded history, easily surpassing the previous low point in 1964, which took place at the end of a 20-year drought. In turn, multiple recharge and recovery projects are moving forward to be able to capture and use as much of the local supply as possible in order to lessen reliance on the State Water Project.

In response to efforts to reduce consumer consumption, the two water conservation districts in the Valley are neither 1) responsible for the demand reductions required by the Water Conservation Act of 2009 (10% demand reduction by 2015 and 20% by 2020), nor 2) responsible for helping the retail agencies within their respective boundary achieve their water use reductions as the water conservations districts are not "urban wholesale water providers". The Inland Empire Garden Friendly program was developed by the four major water suppliers of western Riverside and San Bernardino counties with cooperation from a university institute, conservation district and local botanic garden. The Inland Empire Garden Friendly program was created to assist consumers in locating and learning about climate-appropriate plants for the Inland Empire.

Specific to the West Valley portion of the region, the Chino Basin WCD has long provided water conservation sustainability services to its constituents through demonstration and education and it provides this service well. To further its demonstration and education service, it opened its Water Conservation Center campus in 2014. However, the service of Chino Basin WCD is limited to within its boundary which encompasses only a portion of the Chino Basin. Chino Basin WCD has received QWEL (Qualified Water Efficient Landscaper Board) and EPA certification as an adopter of the QWEL program and as an EPA WaterSense Labeled Professional Certification Program provider. QWEL certification is a valuable tool for consumers to be able to select landscape and maintenance professional who understand and have value for water and resource conservation. Seven district staff are QWEL certified and can teach the class to others.

For the East Valley portion of the region, the SB Valley WCD currently budgets very limited funding toward conservation education and outreach efforts. Instead, it focuses on water recharge efforts in cooperation with other agencies such as providing school and other outreach through Inland Empire Resource Conservation District. Additionally, SB Valley WCD actively supports and helps fund the iEfficient initiative, leads a Basin Technical Advisory Committee subcommittee for landscape education for implementing the qualified water efficient landscaper program (QWEL), and has a certified trainer on staff.

<u>Determination IV - Financial ability of agencies to provide services</u>

The Chino Basin WCD has a high unassigned fund balance that seems disproportionate to the services the district provides. MUNI had an unrestricted Net Position of \$108 million at June 30, 2013, a substantially high figure. The Board of Directors has designated \$18 million of this reserve to be retained for the purpose of self-insuring the district against any claims made against it.

SB Valley WCD has recently come out of a difficult financial time which began in 2008 and continued through 2011. This situation mirrored the overall economic slow-down; however, the effect on the district was more severe because all sources of its revenues were impacted at the same time. Since this time the district has revised its financial structure, reduced costs and implemented various policies that will reduce the likelihood and severity of these occurrences in the future. The district implemented cost reductions documented in the annual budgets including the reduction from seven to five divisions for the board of directors as allowed by special legislation (SB-235). In 2011 and 2012 the Groundwater Charge was increased by 25% and 15% respectively to allow the groundwater fund to raise adequate revenue to operate the facilities within its financial ability without subsidy from the district reserves or other enterprises. The district has high liquidity, no long-term debt, and meets its service obligations (after capital projects). Therefore, a high unassigned fund balance seems disproportionate to the services the district provides. In response to the review of the draft staff report, SB Valley WCD has provided additional information that identifies that it has a countercyclic revenue and expense cycle and that without accumulating this reserve rates would be highly variable. The District has also identified that it is presently designing capital improvements which will use much of the reserve attributed to groundwater. Should the district desire to actively provide habitat management and enhancement (related to the Wash Plan) beyond its own properties, it would need to receive special legislation to expand the scope of its authorized activities as well as submit an application to LAFCO to request authorization to provide said service under the provisions outlined in Government Code Section 56824.10 et seq.

Chino Basin WCD, IEUA, and MUNI are subject to an appropriations limit as outlined in the State Constitution. San Bernardino Valley WCD is not subject to the appropriations limit as it was determined to be exempt due to its limited tax rate in 1977-78. IEUA and MUNI annually adopt the limit as part of its budget process. A review of the audits for IEUA and MUNI does not identify a review of the annual calculation of the limit as

required by the Constitution. LAFCO staff recommends that IEUA and MUNI include this requirement in future audits. Chino Basin WCD established its appropriations limit on January 12, 2015 and has indicated it will be reviewed in future audits.

Determination V - Status of, and opportunities for, shared facilities

Throughout the Valley Region there are numerous partnerships between Flood Control District, the municipal water districts, and the water conservation districts for storm water capture. This symbiotic relationship produces both economies of scale and duplication of service. As long as there are multiple agencies authorized to provide stormwater capture the opportunity to share facilities will remain.

<u>Determination VI - Accountability for community service needs, including governmental</u> structure and operational efficiencies

Within at least the past ten years, the two water conservation districts have not consistently yielded enough candidates for the board of directors to field competitive elections. This has resulted in the majority of the seats being filled by appointments in lieu of election. The elections for the Municipal Water Districts are more competitive: IEUA has had an election for at least one board member in eight out of the last ten election cycles; and MUNI has had an election for at least one board member in seven out of the last ten election cycles.

Given the determinations outlined within this service review, LAFCO staff's position is that one of two options should be supported by the Commission: (1) the consolidation of the two Water Conservation Districts into a single Water Conservation District serving the entirety of the Valley region and bringing the educational opportunities to a much broader constituency, or (2) the two water conservation districts should consolidate with its respective overlaying municipal water district.

ENVIRONMENTAL CONSIDERATIONS:

The Commission's Environmental Consultant, Tom Dodson of Tom Dodson and Associates, has indicated his recommendation that the review of LAFCO 3174 is statutorily exempt from California Environmental Quality Act (CEQA). This recommendation is based on the finding that the service review is not judged to pose any adverse changes to the physical environment. Therefore, the service review is exempt from the requirements of CEQA, as outlined in the State CEQA Guidelines, Section 15061 (b)(3). A copy of Mr. Dodson's analysis is included as Attachment #3 to this report.

CONTINUED MONITORING:

This service review identifies areas where the districts fail to comply with the State Constitution, State Law, and generally accepted good-governance practices. San Bernardino Valley Municipal Water District disputes one issue where continued monitoring is recommended related to its appropriation limit annual review.

LAFCO staff's positions relates to the language of Section 1.5 of the State Constitution which reads that the annual calculation of the appropriations limit (Gann Limit) for each entity of local government shall be reviewed as part of an annual financial audit. The draft service review recommended that the Commission continue to monitor the two municipal water districts (IEUA and MUNI) as a review of their audits does not identify the annual calculation of the appropriation limit.

During the review and comment period for the draft service review report, MUNI voiced opposition through letter and legal counsel position that there is no constitutional or statutory requirement for municipal water districts to review the appropriations limit in its annual independent audit. MUNI requested that the Commission not adopt the recommendation of staff to require that its annual audit include a review of whether or not MUNI has complied with the Gann Limit. Inland Empire Utilities Agency ("IEUA") did not provide comment on this matter during the review and comment period of the draft service review.

Further research by LAFCO staff through its Legal Counsel reveals that while the annual review of the appropriations limit does not have to be included in the annual independent audit, a review of the appropriations limit calculations nonetheless has to occur in some manner (e.g. independent auditor, the agency). In addition, MUNI's action of establishing its annual appropriations limit and submitting an Annual Statement of Financial Transactions to the State Controller, in which it identifies its Gann Limit, does not satisfy the separate additional requirement imposed by Section 1.5 to review the annual calculation of the appropriations limit. Attachment #2 to this report includes the differing legal opinions provided by MUNI and LAFCO legal counsels.

Given the analyses of the legal counsels, LAFCO staff has amended its recommendation as follows:

LAFCO staff recommends that the Commission determine that Section 1.5 of the State Constitution (that the annual calculation of the appropriations limit (Gann Limit) for each entity of local government shall be reviewed as part of an annual financial audit) may be satisfied through an annual review either by independent auditors, the agency, or its agents, not including the Annual Statement of Financial Transactions submitted to the State Controller. Confirmation of such review is to be provided to LAFCO to satisfy evaluation of this constitutional requirement as a part of a service review.

Therefore, LAFCO staff's position remains that the Commission approve the recommendation for continued monitoring of MUNI and IEUA related to reporting issues on appropriations limits. Chino Basin WCD recently adopted its appropriations limit and evaluation of the calculation would not take place until the conduct of its next audit.

Further, this requirement extends to all agencies which are statutorily required to have an appropriation limit. Therefore, LAFCO staff's position is that, as a best practice, the cities and special districts should provide for an annual review of its Gann Limit calculations as

part of their annual independent financial audits and a letter outlining this requirement will be provided to all agencies.

ADDITIONAL DETERMINATIONS:

- 1. As required by State Law notice of the hearing was provided through publication in a newspaper of general circulation within the area, the *San Bernardino Sun* and the *Inland Valley Daily Bulletin*. Individual notice was not provided as allowed under Government Code Section 56157 as such mailing would include more than 1,000 individual notices. As outlined in Commission Policy, in-lieu of individual notice the notice of hearing publication was provided through an eighth page legal ad.
- 2. As required by State law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice.

CONCLUSION:

Given the determinations presented in the service review report, it is LAFCO staff's position that the Commission should support one of two options:

- The consolidation of the two Water Conservation Districts into a single Water Conservation District serving the entirety of the Valley region and bringing the educational opportunities to a much broader constituency, or
- The two water conservation districts should consolidate with its respective overlaying municipal water district.

The first scenario of a single Water Conservation District encompassing the Valley has not been supported by any of the districts citing such concerns as separate basin activities and resources to the location of operations and governance. While this scenario would provide direct control of the consolidation process by the Water Conservation Districts and provides for a means to extend the conservation educational elements to all of the urban valley region, it appears that it has been discounted by all involved in the study. Without support from some quarter of the affected agencies, success would not be anticipated.

Turning to option two, consolidation with the respective Municipal Water Districts, for SB Valley WCD, a proposed consolidation of the SB Valley WCD and the San Bernardino Valley Municipal Water District was denied by LAFCO on the basis that the financial and structural issues identified by staff were being addressed by the District and consolidation would not offer an assurance of the continued services. During the processing of this service review, both the SB Valley WCD and MUNI have outlined their reluctance to consolidate given the contentious nature of the previous process and the deep and painful wounds that linger. However, as a part of this service review these agencies, along with East Valley Water District, have submitted an outline to form a Groundwater Sustainability Council ("Council") for stormwater capture, water import funding, and groundwater recharge

which they are circulating to the east valley retailers. This effort a means or mechanism to coordinate key functions and shared services and facilities, absent formal consolidation. The Council would be the responsible entity for ensuring adequate stormwater capture, imported water funding, and groundwater recharge efforts. The Council would be composed of the general managers of the water producers from the basin. While this scenario does not achieve consolidation it moves toward shared services and facilities, and it provides a means to move towards more efficient provision of this service in the East Valley area. While not the preferred method for service provision, LAFCO staff would support this option absent a desire for consolidation by the agencies. The one caveat with the structure is that the general managers form the council rather than elected officials which does not allow for a true functional consolidation as a joint powers authority would. Given the proviso identified above, LAFCO staff supports this effort and in doing so recommends that the Commission modify LAFCO 3173 to evaluate the alternative of modifying the SB Valley WCD's sphere of influence to be more in line with the Council's proposed efforts.

For the West Valley, efforts and sentiments to dissolve the Chino Basin WCD date back to at least 1969 based on the reasoning that the district's functions and services could be assumed by an overlying agency that has the same authorized functions and services (IEUA or Flood Control District). Given the information gathered and the determinations of this service review, LAFCO staff's position is that the best option for continuing the level of service currently offered for the entire West Valley would be for the Chino Basin WCD to consolidate with the IEUA. Should these districts not desire to put forth an application to LAFCO, the formation of an alliance, joint powers agency, or council similar to that as being proposed in the East Valley would move towards achieving greater economies of scale. Therefore, LAFCO staff recommends that the Commission initiate a sphere of influence proposal to evaluate an expansion of the Chino Basin WCD's existing coterminous sphere.

In order to address these recommendations, LAFCO staff is proposing that the Commission:

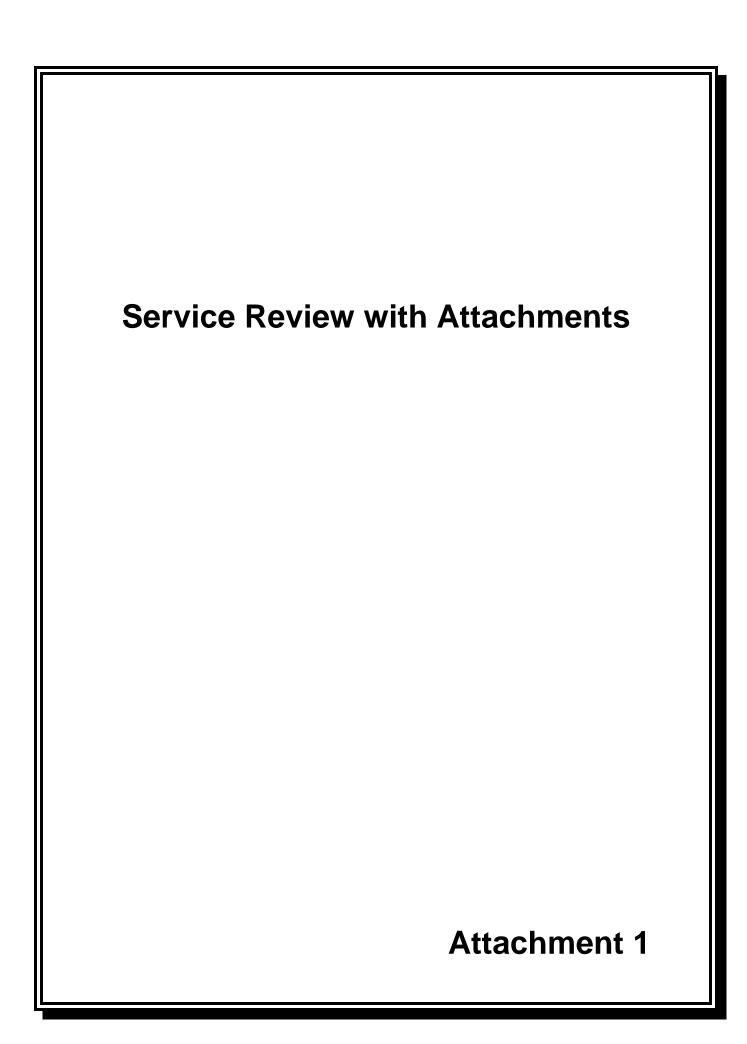
- Initiate a sphere of influence review for the Chino Basin Water Conservation District to include analysis of the following alternatives:
 - Expansion of the sphere of influence to be coterminous with the sphere of influence of the Inland Empire Utilities Agency;
 - o Expansion to include the whole of the Chino Basin; or,
 - Designation of a zero sphere of influence.
- Modify LAFCO 3173 (application submitted by the San Bernardino Valley Water Conservation District) to include the analysis of the following alternatives:
 - Expansion of the sphere of influence to be coterminous with the sphere of influence of San Bernardino Valley Municipal Water District,
 - o Include the whole of the Bunker Hill Basin, or
 - The request initiated by the District to expand the sphere of influence by 1,973 acres.

Staff recommends that the Commission take the actions outlined on pages 1 and 2 to provide for the completion of the service review for water conservation in the Valley Region and initiate the further sphere of influence studies.

KRM/MT

Attachments:

- 1. Service Review with Attachments
- 2. Appropriations Limit Analysis
 - a. Memorandum from LAFCO Legal Counsel dated April 22, 2015
 - b. Letter from San Bernardino Valley Municipal Water District Legal Counsel dated April 6, 2015
- 3. Environmental Recommendation from Tom Dodson



Service Review for Water Conservation in the Valley Region



LAFCO

for San Bernardino County

May 2015

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Executive Summary

Introduction

In 2013 the Local Agency Formation Commission ("LAFCO") for San Bernardino County initiated its second cycle service reviews undertaking them on a regional service perspective rather than the prior community-by-community approach. This initiation included the development of a Fiscal Indicators database to be used in the service review analysis as well as placing the information on the LAFCO website to provide background information to the public. The development of this program required sometime to complete and the service reviews did not move forward during this period.

During the same time period, the San Bernardino Valley Water Conservation District initiated by Board resolution an application to amend its zero sphere designation and provide for a return to its prior sphere including the territory of the Santa Ana River easterly of the I-10/I-215 interchange. Due to overlap and complexity on the subject of water and the submission of an application from the San Bernardino Valley Water Conservation District (hereafter shown as SB Valley WCD), the LAFCO service review schedule for the Valley Region has two service reviews on the water subject – one service review for water conservation and another service review for wholesale, retail, and recycled water. The next service review scheduled will encompass wholesale, retail, and recycled water which will complement this water conservation service review.

All communities and water agencies are facing increasing challenges and opportunities in their role as stewards of water resources in the region. Increased environmental regulations, drought, and competition for water from outside the Valley Region have resulted in reduced supplies of imported water. Although the rate of regional population and economic growth has slowed due to the declined economy, water demand is still projected to rise, but at a slower rate, thus putting an even larger burden on local supplies.

Service Review Determinations

LAFCO staff responses to the requirement for written statements of the determinations outlined in Government Code 56430 for a service review are summarized below and incorporate the districts' responses and supporting materials.

Determination I - Growth and population projections for the affected area

Within San Bernardino County, the Valley Region is the most densely populated area, with 73% of the population within it, but accounting for only 2.5% of the county's land area. Based on these figures, the estimated population density of the Valley Region is approximately 2,977 persons per square mile, which is similar to neighboring Los Angeles and Orange Counties.

The 2014 estimated population is 1.5 million, and projections identify the Valley to grow at a rate of 0.3% annually through 2020. It is not until 2025 that the growth rate is projected to increase. LAFCO uses a 30-year horizon for its population projections, and

its analysis in conjunction with Southern California Associated Governments ("SCAG") projections provides a projected population of 2.1 million in 2045. The 2045 figure would be roughly twice that of 1990, with presumably twice the density overall.

The population projections do not include the heavy daily business, commercial, education and industrial activities. Further, the transient traffic on Interstates 10 and 15 (two of four interstates that exit Southern California to the east) has significantly increased in volume each decade and is anticipated to continue to do so. All of this signals that the Valley Region is one of the most densely populated and traveled parts of the state and that conjunctive use of water resources will only intensify for the already impacted groundwater basins.

<u>Determination II - The location and characteristics of any disadvantaged unincorporated</u> communities within or contiguous to the sphere of influence

The Valley Region as defined by LAFCO contains 75 square miles of unincorporated territory (15% of the Valley Region). Of that 75 square miles of unincorporated territory, 32 square miles (or 43%) is classified as a disadvantaged community; although some of that area includes government-owned, open space, or park land.

<u>Determination III - Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs and deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence</u>

Integration of flood and stormwater management strategies with recharge and conjunctive use opportunities contributes to water supply reliability in the region. The San Bernardino Valley region has been significantly urbanized over the past several decades and the area continues to grow with numerous in-fill development projects. As the amount of impervious surface increases with urbanization, the runoff, and, therefore, storm and flood flows are also increasing. Without adequate flood control systems to capture and contain these surface waters for recharge, the opportunities for water supply, water quality, and environmental improvement are greatly lessened or lost. Therefore, formulating strategies to further capture storm runoff and use it for recharge of the groundwater basins will provide both flood management and water supply benefits to the region.

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point in 1964, which took place at the end of a 20-year drought. In turn, multiple recharge and recovery projects are moving forward to be able to capture and use as much of the local supply as possible in order to lessen reliance on the State Water Project.

In response to efforts to reduce consumer consumption, the two water conservation districts in the Valley are neither 1) responsible for the demand reductions required by the Water Conservation Act of 2009 (10% demand reduction by 2015 and 20% by 2020), nor 2) responsible for helping the retail agencies within their respective boundary achieve their water use reductions as the water conservations districts are not "urban wholesale water providers". The Inland Empire Garden Friendly program was developed by the four major water suppliers of western Riverside and San Bernardino counties with cooperation from a university institute, conservation district and local botanic garden. The Inland Empire Garden Friendly program was created to assist consumers in locating and learning about climate-appropriate plants for the Inland Empire.

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Chino Basin WCD, IEUA, and MUNI are subject to an appropriations limit as outlined in the State Constitution. San Bernardino Valley WCD is not subject to the appropriations limit as it was determined to be exempt due to its limited tax rate in 1977-78. IEUA and MUNI annually adopt the limit as part of its budget process. A review of the audits for IEUA and MUNI does not identify a review of the annual calculation of the limit as required by the Constitution. LAFCO staff recommends that IEUA and MUNI include this requirement in future audits. Chino Basin WCD established its appropriations limit on January 12, 2015 and has indicated it will be reviewed in future audits.

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Throughout the Valley Region there are numerous partnerships between Flood Control District, the municipal water districts, and the water conservation districts for storm water capture. This symbiotic relationship produces both economies of scale and duplication of service. As long as there are multiple agencies authorized to provide stormwater capture the opportunity to share facilities will remain.

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Within at least the past ten years, the two water conservation districts have not consistently yielded enough candidates for the board of directors to field competitive elections. This has resulted in the majority of the seats being filled by appointments in lieu of election. The elections for the Municipal Water Districts are more competitive:

IEUA has had an election for at least one board member in eight out of the last ten election cycles; and MUNI has had an election for at least one board member in seven out of the last ten election cycles.

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The first scenario of a single Water Conservation District encompassing the Valley has not been supported by any of the districts citing such concerns as separate basin activities and resources to the location of operations and governance. While this scenario would provide direct control of the consolidation process by the Water Conservation Districts and provides for a means to extend the conservation educational elements to all of the urban valley region, it appears that it has been discounted by all involved in the study. Without support from some quarter of the affected agencies, success would not be anticipated.

Turning to option two, consolidation with the respective Municipal Water Districts, for SB Valley WCD, a proposed consolidation of the SB Valley WCD and the San Bernardino Valley Municipal Water District was denied by LAFCO on the basis that the financial and structural issues identified by staff were being addressed by the District and consolidation would not offer an assurance of the continued services. During the processing of this service review, both the SB Valley WCD and MUNI have outlined their reluctance to consolidate given the contentious nature of the previous process and the deep and painful wounds that linger. However, as a part of this service review these agencies, along with East Valley Water District, have submitted an outline to form a Groundwater Sustainability Council ("Council") for stormwater capture, water import funding, and groundwater recharge which they are circulating to the east valley retailers. This effort proposes a means or mechanism to coordinate key functions and shared services and facilities, absent formal consolidation. The Council would be the responsible entity for ensuring adequate stormwater capture, imported water funding, and groundwater recharge efforts. The Council would be composed of the general managers of the water producers from the basin. While this scenario does not achieve consolidation it moves toward shared services and facilities, and it provides a means to move towards more efficient provision of this service in the East Valley area. While not the preferred method for service provision, LAFCO staff would support this option absent a desire for consolidation by the agencies. The one caveat with the structure is that the general managers form the council rather than elected officials which does not allow for a true functional consolidation as a joint powers authority would. Given the proviso identified above, LAFCO staff supports this effort and in doing so recommends that the Commission modify LAFCO 3173 to evaluate the alternative of modifying the SB Valley WCD's sphere of influence to be more in line with the Council's proposed efforts.

For the West Valley, efforts and sentiments to dissolve the Chino Basin WCD date back to at least 1969 based on the reasoning that the district's functions and services could be assumed by an overlying agency that has the same authorized functions and services (IEUA or Flood Control District). Given the information gathered and the determinations of this service review, LAFCO staff's position is that the best option for continuing the level of service currently offered for the entire West Valley would be for the Chino Basin WCD to consolidate with the IEUA. Should these districts not desire to put forth an application to LAFCO, the formation of an alliance, joint powers authority, or council similar to that as being proposed in the East Valley, as identified above, would move towards achieving greater economies of scale. Therefore, LAFCO staff recommends that the Commission initiate a sphere of influence proposal to evaluate an expansion of the Chino Basin WCD's existing coterminous sphere.

In order to address these recommendations, LAFCO staff is proposing that the Commission:

- Initiate a sphere of influence review for the Chino Basin Water Conservation District to include analysis of the following alternatives:
 - Expansion of the sphere of influence to be coterminous with the sphere of influence of IEUA;
 - o Expansion to include the whole of the Chino Basin; or,
 - Designation of a zero sphere of influence.
- Modify LAFCO 3173 to include the analysis of the following alternatives for consideration:
 - Expansion of the sphere of influence to be coterminous with the sphere of influence of MUNI,
 - o Include the whole of the Bunker Hill Basin, or
 - The request initiated by the District to expand the sphere of influence from its current zero sphere designation to include the district's boundary plus an additional 1,973 acres.

Continued Monitoring of the Districts by LAFCO

This service review identifies areas where the districts fail to comply with the State Constitution, State Law, and generally accepted good-governance practices. LAFCO staff recommends that the Commission determine that continued monitoring of the districts is warranted and that LAFCO staff be directed to return to the Commission every six months until all of the items below are satisfied.

Inland Empire Utilities Agency and San Bernardino Valley Municipal Water District

Section 1.5 of the State Constitution reads that the annual calculation of the appropriations limit (Gann Limit) for each entity of local government shall be reviewed as part of an annual financial audit. A review of the audits for IEUA and MUNI does not identify the annual calculation of the limit. LAFCO staff recommends that these agencies include this requirement in future audits.

Chino Basin Water Conservation District

Chino Basin WCD administers landscape and irrigation audits in partnership with IEUA and the eight member retail member agencies, and other agencies contract with the district to provide conservation programs on its behalf outside the Chino Basin WCD boundary.

Pursuant to Government Code Section 56133, LAFCO is charged with the responsibility for reviewing and taking action on any city or district contract to extend service outside of its jurisdiction. Even though the district's parent act, Water Conservation District Law of 1931, does not explain this circumstance, Section 56133 subjects all those agencies under LAFCO purview to this requirement. However, the law provides for exemptions and one such exemption is for contracts or agreements solely involving two or more public agencies where the public service to be provided is an alternative to, or substitute for, public services already being provided by an existing public service provider and where the level of service to be provided is consistent with the level of service contemplated by the existing service provider.

Should it be necessary to request an exemption on the basis of two government agencies contracting for service, LAFCO staff recommends that the district submit an application to LAFCO requesting an exemption under Government Code 56133(e) in order to provide service outside of its jurisdiction.

Introduction

LAFCO Authority

In 2000, state legislation designated Local Agency Formation Commissions as the agency to conduct a review of municipal services within each county. Having jurisdiction for the largest county in the continental United States, the Local Agency Formation Commission for San Bernardino County ("LAFCO") has adopted a policy to conduct its service reviews on a regional basis. The initial round of service reviews for the Valley Region were conducted between 2002 and 2004 and were organized by community.

A service review is a comprehensive review to inform LAFCO, local agencies, and the community about the provision of municipal services. Service reviews attempt to describe and analyze information about service providers and to identify opportunities for increased effectiveness and efficiencies of service delivery. The service review can work in conjunction with a sphere of influence determination and may also guide (not require) LAFCO to take other actions under its authority. LAFCO, local agencies and the community may then use the service review to consider potential proposals to LAFCO (i.e. annexations, consolidations).

Second Round of Service Reviews

For the second round of service reviews, LAFCO is reviewing each region of the County (Valley, North Desert, South Desert, and Mountain) by service. This is the first service review of the second round for the Valley region, defined by the Valley Service Zone of the San Bernardino County Fire Protection District, generally described as extending from the Los Angeles and Orange County Lines eastward to Oak Glen, from the Riverside County line northward extending beyond the National Forest Boundary. Note that the Valley description is general and does not preclude the review from extending beyond the described boundary.

Two Service Reviews for Water

The topic and service of water is multi-faceted which includes overlap of subject matter and agencies that provide a variety of water-related services. For example, groundwater recharge operations include surface water, stormwater, imported water, and reclaimed water. Further, the Inland Empire Utilities Agency (a municipal water district) and San Bernardino Valley Municipal Water District both provide wholesale water, and the flood control efforts of the San Bernardino County Flood Control District have been used in part for groundwater recharge. Due to overlap and complexity of the subject, the LAFCO service review schedule has two service reviews on the topic – one service review for water conservation and another service review for wholesale, retail, and recycled water.

¹ The service review requirement is specified in the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code §56000 et. seq.). Upon adoption of the service review determinations, the Commission can update the spheres of influence for the reviewed agencies under its purview.

Application to Expand the Sphere of Influence

The San Bernardino Valley Water Conservation District submitted an application to LAFCO requesting expansion of its sphere of influence from a zero sphere designation to one that extends beyond its boundary to include territory along the Santa Ana River (LAFCO 3173). As required by law, a service review must be conducted in conjunction with a sphere of influence application. For this reason, the first service review for the Valley is for water conservation. The next service review will encompass wholesale, retail, and recycled water which will complement this water conservation service review.

Subsequent Service Reviews and Sphere of Influence Updates

Subsequent service reviews will include, but not be limited to, wastewater collection/treatment/reclamation, law enforcement, fire protection/emergency medical services/ambulance, park and recreation, streetlights, solid waste, etc.

In each service review, staff may recommend a sphere of influence update which would require a separate action and environmental analysis by the Commission.

Water Conservation Service Review

Water conservation can be defined as practices, techniques, and technologies that improve the efficiency of water use. Increased efficiency expands the use of the water resource, freeing up water supplies for other uses, such as population growth, new industry, and environmental conversation.²

Efforts to Reduce Consumer Consumption through Education and Outreach

When one hears the phrase "water conservation", generally the first thing that comes to mind is reducing consumer consumption and misuse. Water conservation programs involved in social solutions are typically initiated at the local level, by either municipal water agencies or regional governments. Common strategies include public outreach campaigns, programs such as cash for grass, tiered water rates (charging progressively higher prices as water use increases), and restrictions on outdoor water use such as lawn watering and car washing. Cities in dry climates often require or encourage the installation of xeriscaping or natural landscaping in new homes to reduce outdoor water usage. The Environmental Protection Agency's use of the term deals with actions that lead to projects that reduce water use and intensity.³ Further, the Water Conservation Act of 2009 (California Senate Bill SBX7-7) requires a 10% demand reduction by 2015 and 20% by 2020. Fittingly, reducing consumer consumption and eliminating misuse is the first conjuring of the term "water conservation".

² Water Conservation Programs: A Planning Manual, American Water Works Association, M52 First Ed., 2006.

³ Environmental Protection Agency. http://www.epa.gov/greeningepa/water/index.htm. Accessed 18 September 2014. Last updated 5 November 2012.

Governor's Executive Order

For the first time in California's history, urban water suppliers will soon be required to comply with new mandatory restrictions aimed at achieving a statewide 25 percent reduction in potable urban water use. Under an executive order issued by Gov. Jerry Brown on April 1, 2015, the State Water Resources Control Board will develop, impose and enforce the mandatory water reduction measures, which will apply to local agencies that supply water to cities and towns across California. The Executive Order comes as water supplies continue to decline due to the severe drought gripping the state. The Order will have far-reaching implications for urban water suppliers, which will be required to develop rate structures and other pricing mechanisms, including new surcharges, fees and penalties, designed to maximize water conservation. The new restrictions will require water suppliers to cities and towns to reduce usage, as compared to the amount used in 2013. The Water Board will consider the relative per capita water usage of the service area of each water supplier, and require that areas with high per capita use achieve proportionately greater reductions than those with low use.

Natural Replenishment of the Basin

However, for governmental service there is another meaning, one which deals with water conservation districts. San Bernardino County has two water conservation districts: the Chino Basin WCD (located in the Chino Basin in the western portion of the Valley Region) and the San Bernardino Valley WCD (located in the Bunker Hill Basin in the eastern portion of the Valley Region). The Water Conservation District Law of 1931 does not define "water conservation" but authorizes water conservation districts a full range of water-related powers, to include:

- Make surveys and investigations of the water supply and resources of the district
- Appropriate, acquire, and conserve water and water rights for any useful purpose
- Conserve, store, spread, and sink water and for such purposes acquire or construct dams, dam sites, reservoirs and reservoir sites, canals, ditches and conduits, spreading basins, sinking wells, and sinking basins
- Provide for the construction, operation, and maintenance of such works, facilities, or operations within or without the district boundaries as the board deems necessary to protect the land or property in the district from damage by flood or overflow
- Pump water therefrom and thereby for sale, delivery, distribution, or other disposition
- Sell, deliver, distribute, or otherwise dispose of any water that may be stored or appropriated, owned, or controlled by the district
- Fix the rates at which water may be sold by the district

The two water conservation districts in the Valley are within the boundary of another public agency or private company that is the sole provider for: 1) wholesale, retail, and recycled water, 2) wastewater treatment, collection, and reclamation, and 3) water resource investigations (each is within an adjudicated basin with a court-appointed watermaster). Therefore, the remaining water-related powers of the water conservation districts per Water Conservation District Law of 1931 in San Bernardino County generally concerns the following: naturally replenishing the basin from surface water. The two water conservation

districts in San Bernardino County are the only water conservation districts in the state that do not provide wholesale or retail water

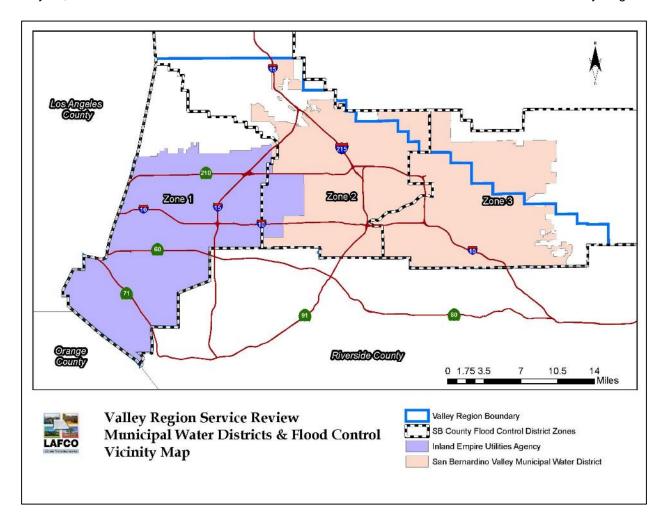
The Chino Basin WCD actively protects and replenishes the Chino Basin with rainfall and storm water discharge from the San Gabriel Mountains. Additionally, it performs water conservation education to individuals and organizations within the basin to further promote the efficient use of local water resources (hence the first meaning of the term "water conservation" as described above). The San Bernardino Valley WCD's primary role is groundwater recharge in the Bunker Hill Basin through replenishment of the basin by spreading surface water from the Santa Ana River and Mill Creek. San Bernardino Valley WCD uses its water allocation from the Santa Ana River to channel water through a network of canals and percolation basins that naturally recharge the Basin.

Agencies Reviewed

This report reviews water conservation activities throughout the Valley Region. The four agencies that provide the majority of the natural replenishment activities are the two water conservation districts (Chino Basin WCD and San Bernardino Valley WCD) and the two overlaying municipal water districts (Inland Empire Utilities Agency and San Bernardino Valley Municipal Water District). Correspondingly, the crux of the review is based on these agencies. Additionally, the San Bernardino County Flood Control District encompasses the entire county and its primary performed function is flood control. However, its principal act states it is authorized to "provide for the control and conservation of flood and storm waters" as well as water conservation to conserve and reclaim waters.

Location

The West and East Valley areas can generally be described by two municipal water districts and the zones to the San Bernardino County Flood Control District. The West Valley can be generally described by the Inland Empire Utilities Agency and Zone 1 of the San Bernardino County Flood Control District. The East Valley can be generally described by the San Bernardino Valley Municipal Water District and Zones 2 and 3 of the San Bernardino County Flood Control District. A map showing two municipal water districts and the flood control zones is shown below.



Agency Descriptions

Valley-wide

The San Bernardino County Flood Control District ("Flood Control District") encompasses the entire county. The Flood Control District was formed as a special district in April 1939 after the 1938 floods in San Bernardino County, created by the San Bernardino County Flood Control Act of 1939, found in Chapter 43 of the California Water Code Appendix. Its current functions include flood protection from major streams, flood control planning, storm drain management, debris removal programs, right-of-way acquisition, flood hazard investigations, and flood operations. However, Flood Control District is authorized under its Act to:

- "provide for the control and conservation of flood and storm waters...", and
- "prevent the waste of water...and to obtain, retain, and reclaim drainage, storm, flood and other waters and to save and conserve all or any such waters for beneficial use in said district.",

LAFCO staff consulted with the San Bernardino County Flood Control District during the SB Valley WCD service review in 2007 (LAFCO 2919) and the position of the district's administrator was that its purpose was to move water through its facilities as quickly and safely as possible and it did not directly pursue water conservation efforts. In response to the draft staff report, the Flood Control District has clarified its position and states the following,

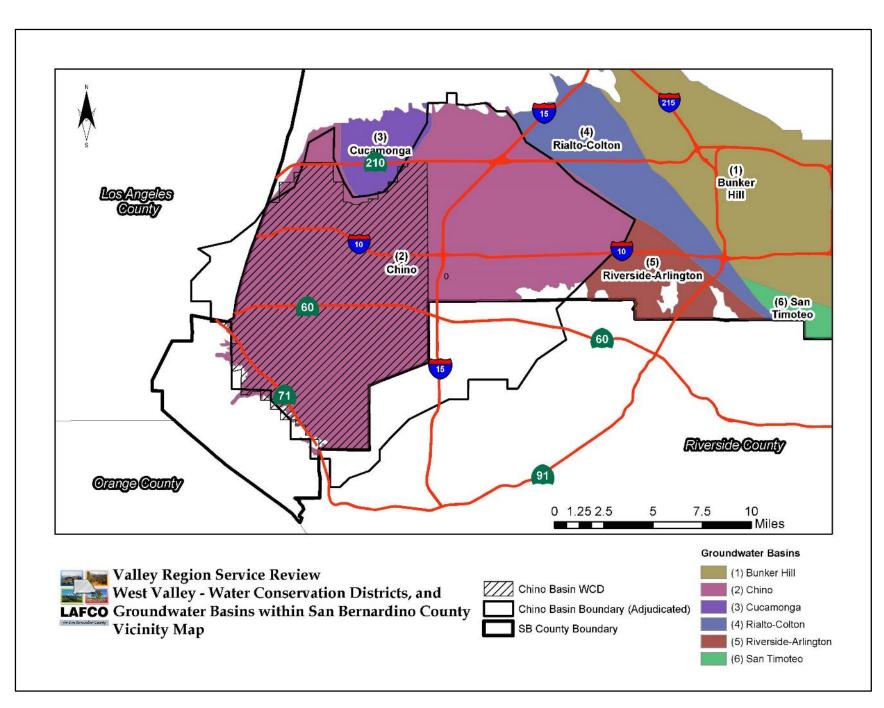
"The District has a history of actively using its facilities for water conservation purposes that dates back to 1939 when the District was formed. A number of the existing storm water detention/water conservation basins originated as spreading grounds for water conservation. The District owns and operates 120 basins that are either debris, detention, conservation basins or a mixture thereof. The District also has ownership of most of the natural creeks and rivers in the valley area where recharge also occurs.

Due to its limited resources providing flood protection for life and property has been considered the Districts higher purpose, but its secondary mission of water conservation has been considered important as evidenced by the number of basins constructed by the District. A number of these facilities are operated in conjunction with water agencies in order for them to be utilized for the recharge of state project water and recycled water in order to maximize the groundwater recharge since storm water is so variable."

West Valley

The western portion of the Valley includes all or portions of the Chino and Cucamonga Groundwater Basins, including the Cities of Chino, Chino Hills, Fontana, Montclair, Ontario, Rancho Cucamonga, and Upland.

The following agencies play a major role in actively recharging the groundwater basins or account for recharge within the west valley: Chino Basin Water Conservation District, Chino Basin Watermaster (account and implement basin management), and Inland Empire Utilities Agency. The map below shows these West Valley agencies and the groundwater basins followed by a description of each agency.



The Chino Basin Water Conservation District ("Chino Basin WCD") was formed in 1949 and has a goal to protect the Chino Groundwater Basin in order to guarantee that current and future water needs will be met. In conjunction with the Inland Empire Utilities Agency and San Bernardino County Flood Control District, the district actively protects and replenishes the Basin with rainfall and storm water discharge from the San Gabriel Mountains. The district overlaps the western portion, or about 113 square miles, of the Chino Groundwater Basin. The district's service area includes all or portions of the cities of Chino, Chino Hills, Montclair, Ontario, Rancho Cucamonga, and Upland, and unincorporated areas of San Bernardino County. Additionally, the district's primary function has evolved into providing water conservation education to individuals and organizations within the Basin to further promote the efficient use of local water resources. The recent expansion and improvement of the district headquarters and its demonstration gardens as well as landscape techniques contribute to this public education.

The Chino Basin Watermaster ("Watermaster") is the court-appointed Watermaster for the Chino Groundwater Basin which facilitates development and utilization of the Basin. The Watermaster consists of various entities pumping water from the Basin including cities, water districts, water companies, agricultural, commercial and other private concerns. The Watermaster's mission is, "To manage the Chino Groundwater Basin in the most beneficial manner and to equitably administer and enforce the provisions of the Chino Basin Watermaster Judgment", Case No. RCV 51010 (formerly Case No. SCV 164327). The Watermaster is progressively and actively implementing the Basin's Optimum Basin Management Program which includes extensive monitoring, further developing recharge capabilities, storage and recovery projects, managing salt loads, developing new yield such as reclaimed and storm water recharge and continuing to work with other agencies and entities to enhance this resource. The Watermaster is not under LAFCO purview; however its public members are.

The Inland Empire Utilities Agency, originally called the Chino Basin Municipal Water District ("CBMWD"), was formed in 1950 by popular vote of its residents to become a member agency of the Metropolitan Water District of Southern California for the purpose of importing water under the Municipal Water District Law (Water Code Section 71000 et seq). The Inland Empire Utilities Agency ("IEUA") is a wholesale water agency and does not provide any retail sales to other agencies. Since its formation in 1950, the IEUA has significantly expanded its water and wastewater utility services. These now include production of recycled water, distribution of imported and recycled water supplies, sewage treatment, co-composting of manure and municipal biosolids, desalinization of groundwater supplies and disposal of non-reclaimable industrial wastewater and brine. In 1998, the CBMWD officially became the Inland Empire Utilities Agency. The name change was meant to reflect the changes in the district's mission. IEUA's 242 square mile service mile area provides regional wastewater service and imported water deliveries to eight contracting agencies: Cities of Chino, Chino Hills, Ontario and Upland; as well as the Monte

Vista Water District, the Cucamonga Valley Water District, the Fontana Water Company⁴ and the San Antonio Water Company⁵.

Additionally, the City of Upland and Monte Vista Water District actively recharge in the West Valley and are discussed in Determination III of this report.

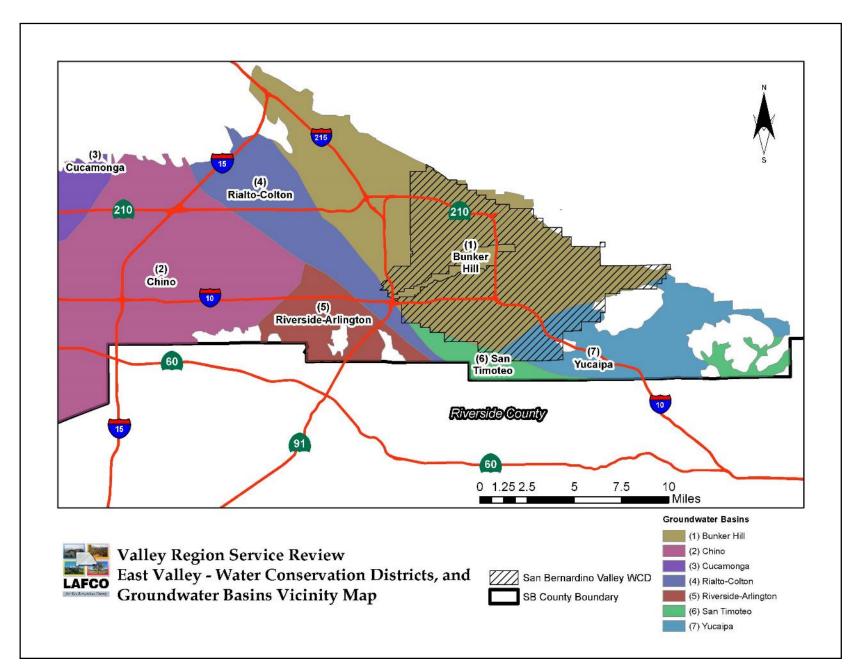
East Valley

The eastern portion of the Valley includes all or portions of the Bunker Hill, Rialto-Colton, Riverside-Arlington, San Timoteo, and Yucaipa Groundwater Basins. The East Valley includes the Cities of San Bernardino, Colton, Loma Linda, Redlands, Rialto, Highland, Grand Terrace, and Yucaipa; and unincorporated communities of Bloomington, Mentone, Muscoy and Oak Glen

The following agencies play a major role in actively recharging the groundwater basins within the general east valley: San Bernardino Valley Municipal Water District and San Bernardino Valley Water Conservation District. The map below shows these East Valley agencies and the groundwater basins followed by a description of each agency.

⁴ Fontana Water Company is a retail investor-owned utility company that provides water to approximately 190,000 residents mainly in the City of Fontana, and also serves portions of the cities of Rancho Cucamonga and Rialto as well as unincorporated area, outside the IEUA service area.

⁵ San Antonio Water Company is a retail investor-owned utility company that provides water to approximately 3,150 residents in the unincorporated area of Upland.



San Bernardino Valley Water Conservation District ("SB Valley WCD") was formed in 1932 under the Water Conservation District Law of 1931, as amended (Water Code §§74000 et seq.). SB Valley WCD's primary role is groundwater conservation in a portion of the Bunker Hill Basin through replenishment of the Basin by spreading surface water from the Santa Ana River and Mill Creek. SB Valley WCD uses its water allocation from the Santa Ana River to channel water through a network of canals and percolation basins that naturally recharge the Basin. The district provides the Daily Flow Report for surface water and annual Engineering Investigation Report for groundwater levels and change in storage as required by the Water Code. SB Valley WCD also serves as one of three court-appointed members of the Big Bear Watermaster, accounting for flows in and out of Big Bear Lake. The SB Valley WCD's boundaries encompass more than 78.1 square miles and include portions of the communities of San Bernardino, Loma Linda, Redlands, and Highland, as well as the unincorporated area of Mentone and various county "islands" within the incorporated cities.

San Bernardino Valley Municipal Water District ("MUNI") was formed in 1954 under the Municipal Water District Law of 1911, as amended (Water Code §§71000 et seq.), as a regional agency to plan for long-range water supplies for the San Bernardino Valley. As a State Water Contractor, MUNI imports water into its service area through participation in the State Water Project. MUNI also manages groundwater storage within its boundaries and serves as Watermaster for the Western and Orange County Judgments. Although MUNI's principal act provides for a broad range of powers and services, MUNI's primary roles in the San Bernardino Valley are to: (1) import and deliver State Water Project water to wholesale and retail water agencies in San Bernardino Valley; and (2) recharge and replenish groundwater in accordance with the Western and Orange County Judgments. MUNI's service territory covers about 325 square miles and a population of about 600,000. MUNI spans the eastern two-thirds of the San Bernardino Valley, the Crafton Hills, and a portion of the Yucaipa Valley and includes the cities and communities of San Bernardino, Colton, Loma Linda, Redlands, Rialto, Bloomington, Highland, East Highland, Mentone, Grand Terrace, and Yucaipa.

Additionally, the Beaumont-Cherry Valley Water District, City of San Bernardino Municipal Water Department, East Valley Water District, West Valley Water District, and Yucaipa Valley Water District actively recharge in the West Valley and are discussed in Determination III of this report.

LAFCO Tour of the Facilities of the Water Conservation Districts

On March 2, 2015, representatives from the LAFCO commission and staff toured the facilities of the Chino Basin WCD and SB Valley WCD. The tour consisted of the Water Conservation Center and two storm basins of the Chino Basin WCD and two spreading grounds of the SB Valley WCD.

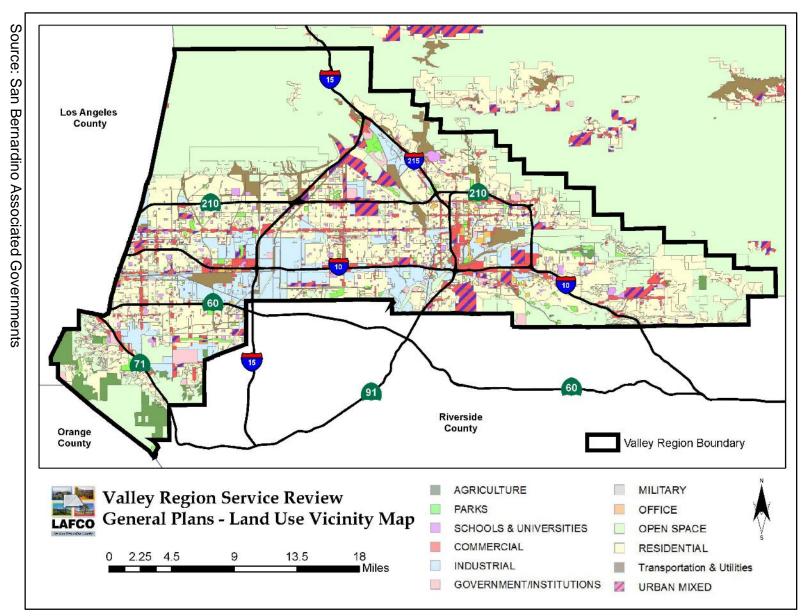
WATER CONSERVATION SERVICE REVIEW FOR VALLEY REGION

At the request of LAFCO staff the agencies provided information, were interviewed by LAFCO staff, and have been available to LAFCO staff upon request. LAFCO staff also obtained information from public sources, as well as referring to literature and other service reviews conducted in the state on water conservation. LAFCO staff responses to the mandatory factors for consideration in a service review (as required by Government Code 56430) are to follow and incorporate the agencies' responses and supporting materials.

<u>Determination I.</u> <u>Growth and Population Projections for the Affected Area</u>

A. Land Use Designations

The map below illustrates the land use designations of each city and county jurisdiction within the Valley Region. As shown, residential, urban mixed, and industrial uses are prevalent in the urbanized areas with commercial interspersed. Parks and Open Space are heavy at the southwestern and eastern ends of the Valley Region.



B. Population

Within San Bernardino County, the Valley Region is the most densely populated area, with 73% of the population residing in that region, but accounting for only 2.5% of the county's land area. Based on these figures, the estimated population density of the Valley Region is approximately 2,977 persons per square mile, which is similar to neighboring Los Angeles and Orange Counties, as shown below.⁶

ounty (Major City)	Persons per Square Mile
an Bernardino	104
lark (Las Vegas)	256
iverside	318
Maricopa (Phoenix)	436
an Diego	766
liami-Dade (Miami)	1,345
os Angeles	2,467
an Bernardino Valley Region	2,977
range (Santa Ana)	3,945

Source: San Bernardino County 2014 Community Indicators Report

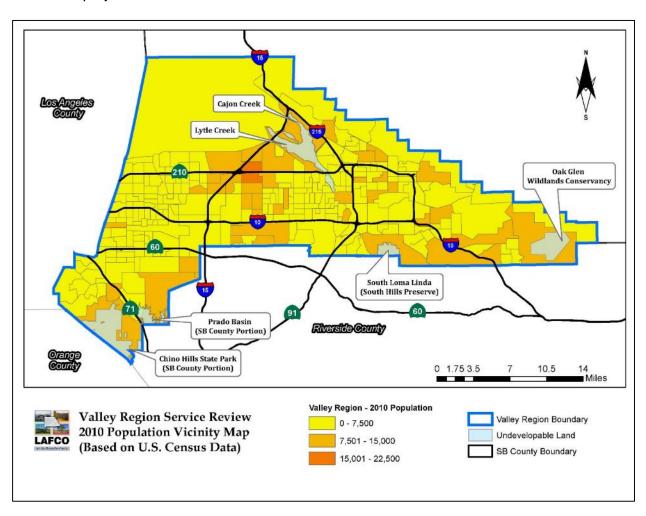
The Valley Region population increased 39% from 1990 to 2010, or at an annual rate of 1.6%. Interestingly, the Valley Region grew at a lesser rate from 2000 to 2010 during the construction boom (15%) than from 1990 to 2000 (20%). The 2014 estimated population is 1.5 million, and projections identify the Valley to grow at marked lesser rate of 0.3% annually through 2020. It is not until 2025 that the growth rate is projected to increase. LAFCO uses a 30-year horizon for its population projections, and its analysis in conjunction with Southern California Associated Governments ("SCAG") projections provides a projected population of 2.1 million in 2045. The 2045 figure would be roughly twice that of 1990 with an evident corresponding increase in population density.

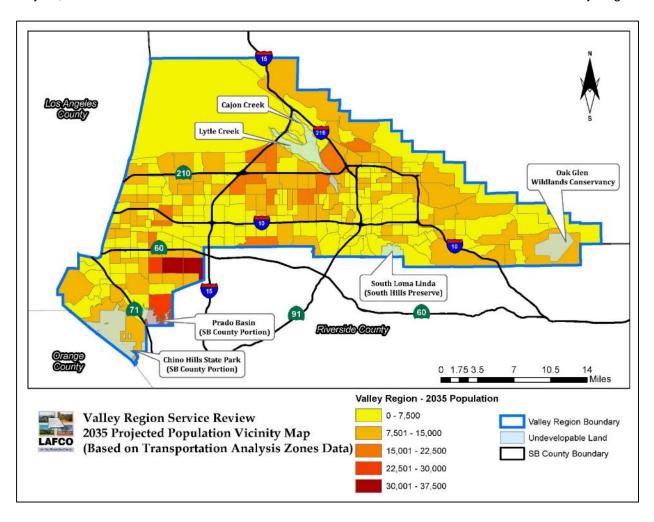
⁶ San Bernardino County 2014 Community Indicators Report, produced by The Community Foundation.

Population (2000 - 2045)

Population Source		Census					
Year	1990	1990 2000 2010		2014	2025 2035 3		2045
Valley Region							
Population	1,064,522	1,280,603	1,476,306	1,510,985	1,710,583	1,899,690	2,119,309
Annual Growth Rate		1.6%				1.1%	
sources:							
1990, 2000, and 2010 popul							
2014 estimate population (E							
2025 thorugh 2045 population (SCAG and LAFCO)							

The illustrations below shows population density from the 2010 Census and the 2035 SCAG projections.





C. Conclusion for Determination I.

Within San Bernardino County, the Valley Region is the most densely populated area, with 73% of the population residing within it, but accounting for only 2.5% of the county's land area. Based on these figures, the estimated population density of the Valley Region is approximately 2,977 persons per square mile, which is similar to neighboring Los Angeles and Orange Counties.

The 2014 estimated population is 1.5 million, and projections identify the Valley to grow at a rate of 0.3% annually through 2020. It is not until 2025 that the growth rate is projected to increase. LAFCO uses a 30-year horizon for its population projections, and its analysis, in conjunction with Southern California Associated Governments ("SCAG") projections, provides a projected population of 2.1 million in 2045. The 2045 figure would be roughly twice that of 1990, with presumably twice the density overall.

The population projections do not include the heavy daily business, commercial, education, and industrial activities. Further, the transient traffic on Interstates 10 and 15 (two of four interstates that exit Southern California to the east) has significantly

May 13, 2015

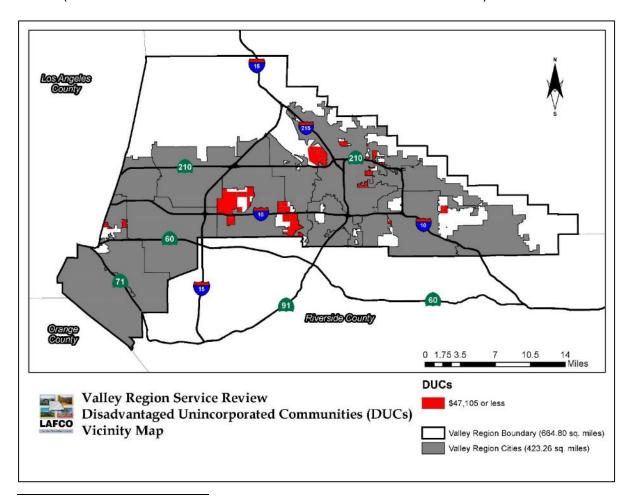
increased in volume each decade and is anticipated to continue to do so. All of this signals that the Valley Region is one of the most densely populated and traveled parts of the state and that conjunctive use of water resources will only intensify for the already impacted groundwater basins.

Determination II.

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence

LAFCO is required to determine the location and characteristics of any disadvantaged unincorporated communities ("DUC") within or contiguous to the sphere of influence.⁷ A DUC is defined by two criteria: median household income and if the area is inhabited.⁸ First, a DUC is territory that constitutes all or a portion of a community with an annual median household income that is less than 80% of the statewide annual median household income. For 2014, 80% of the statewide median household income was \$47,1059.

Second, for the purposes of defining a DUC, San Bernardino LAFCO policy defines a community as an inhabited area comprising no less than 10 dwellings adjacent or in close proximity to one another. ¹⁰ Uninhabited areas include vacant or government lands. Based upon the two criteria identified, the areas shown in red on the map below are classified as DUCs (meet the median household income criteria and are inhabited).



⁷ Government Code §56430(a)(2).

^{8 §56033.5}

⁹ Environmental Systems Research Institute (ESRI) Community Analyst.

¹⁰ San Bernardino LAFCO Project/Application Policy #13.

Conclusion for Determination II.

The Valley Region as defined by LAFCO contains 75 square miles of unincorporated territory (15% of the Valley Region). Of that 75 square miles, 32 square miles (or 43%) is classified as a disadvantaged community; although some of that area includes government-owned, open space, or park land.

Determination III.

Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs and deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence

This section of the report first discusses capture and recharge of surface water and stormwater/runoff followed by agency efforts to reduce consumer consumption. Recharge activities are recorded by the respective watermaster in the area: Chino Basin Water Master (in conjunction with the Inland Empire Utilities Agency) in the West Valley and San Bernardino Valley Municipal Water District in the East Valley. Due to the size of the Valley Region, for presentation purposes only, the illustrations and its associated data are organized by West Valley (generally the area of the Inland Empire Utilities Agency) and the East Valley (generally the area of the San Bernardino Valley Municipal Water District). This Determination is organized as follows:

- A. Capture and Recharge of Surface Water and Stormwater/Runoff West Valley
- B. Capture and Recharge of Surface Water and Stormwater/Runoff East Valley
- C. Efforts to Reduce Consumer Consumption Valley Wide
- D. Efforts to Reduce Consumer Consumption West Valley
- E. Efforts to Reduce Consumer Consumption East Valley

Over the next 25 years, the Valley Region population is expected to significantly increase. It is paramount that the agencies recognize the need to develop and promote programs that protect existing water resources for the region's sustainability and future growth. Conservation and the efficient use of water is the most cost-effective source of water supply reliability and are essential to meeting the Valley region's current and future demand.

A. Capture and Recharge of Surface Water and Stormwater/Runoff – West Valley

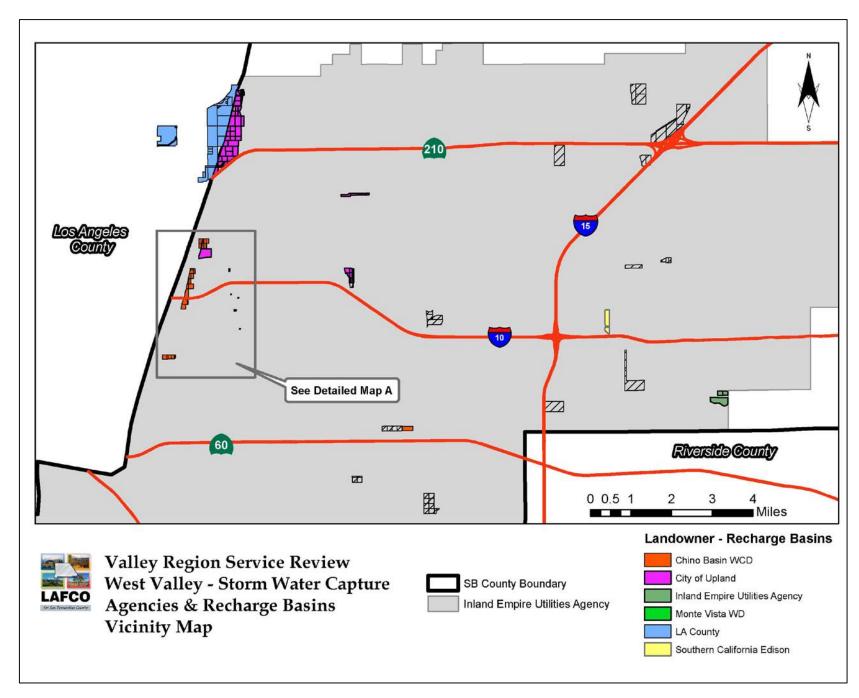
West Valley Overview

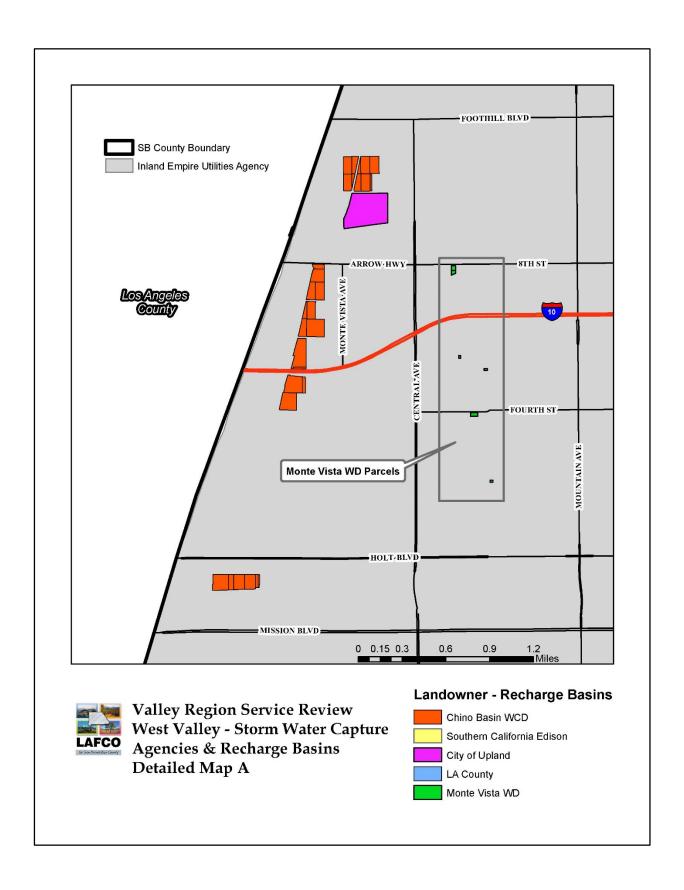
There are generally two basins within the West Valley: Chino and Cucamonga, both of which are adjudicated. The figure below is a summary of the two basins from the Department of Water Resources ("DWR"). As part of the California Statewide Groundwater Elevation Monitoring Program and pursuant to the California Water Code §10933, DWR is required to prioritize California groundwater basins, so as to help identify, evaluate, and determine the need for additional groundwater level monitoring. As identified by the DWR, the Chino Basin has been designated as a High Priority basin and the Cucamonga Basin as a Medium Priority basin for future monitoring. Both share similar population, groundwater reliance factors, and have been impacted from the population. The discussion which follows provides additional information on the basins and the efforts to improve water quality through recharge.

California Statewide Groundwater Elevation Monitoring Program								
Upper Santa Ana Valley Basin - West Valley								
				DWR Rating	(1 = low, 5 = h	igh)		
Sub-Basin	Sq. Miles	2010 Pop.	Pop.	Pop. Growth	GW Reliance	Impacts	Basin Priority	Impact Comments
Chino	242	898,653	4	2	4	3	High	High nitrates and dissolved solids.
Cucamonga	15	51,001	4	1	3.5	3	Medium	High nitrates reported in 14 of 24 wells tested.

The following agencies actively recharge the groundwater basins (not limited to surface water and stormwater/runoff) or account for recharge within the general West Valley: Chino Basin Water Conservation District, Chino Basin Watermaster (account and implement basin management), Inland Empire Utilities Agency, Monte Vista Water District, and City of Upland. The Inland Empire Utilities Agency encompasses the whole of the agencies under LAFCO purview: Chino Basin Water Conservation District, Monte Vista Water District, and City of Upland. The Chino Basin Watermaster is the court-appointed watermaster for the Chino Groundwater Basin which extends into Los Angeles and Riverside Counties. The adjudicated boundary does not encompass the entirety of the physical boundary, as depicted by the Department of Water Resources. The remaining areas of the physical boundary do not contain significant recharge activities.

The maps below illustrates the agencies that actively capture surface and storm water and the associated recharge sites in the West Valley. This first map identifies the landowner of the recharge basins in the West Valley along with a detail map, and the third map identifies the type of recharge (e.g. storm, imported) within the Chino Basin. The Cucamonga Valley Water District generally comprises the Cucamonga Basin (an adjudicated basin), and it does not actively recharge the basin.







Chino Basin Description

The Chino Basin is one of the largest groundwater basins in Southern California containing approximately 5 million acre-feet of water and has an unused storage capacity of approximately 1 million acre-feet. The Chino Basin consists of approximately 235 square miles of the upper Santa Ana River watershed and lies within portions of San Bernardino, Riverside, and Los Angeles counties. Approximately 5% of the Chino Basin is located in Los Angeles County, 15% in Riverside County, and 80% in San Bernardino County. The legal, not the geological, boundaries of the Chino Basin are defined in a court Judgment.¹¹

Chino Basin Watermaster

In 1978, the San Bernardino County Superior Court entered a Judgment establishing a new entity, the Chino Basin Watermaster. The Judgment adjudicated all groundwater rights in Chino Basin and contains a physical solution to meet the requirements of water users having rights in or dependent upon the Chino Basin. The Judgment also appointed the Watermaster to account for and implement the management of the Chino Basin. It is composed of three stakeholder groups, called Pools, represented by separate Pool Committees:

- Overlying Agricultural Pool Committee, representing dairymen, farmers, and the State of California;
- Overlying Non-Agricultural Pool Committee, representing area industries;
- Appropriative Pool Committee, representing local cities, public water districts, and private water companies.

The Watermaster board is represented by the parties to the Judgment, and includes nine members which rotate amongst each pool until there is a Court approved change. At present the representatives are:

Member	Agency	Association
Steve Elie, Chair	Inland Empire Utilities Agency	Municipal
Paul Hofer, Vice-Chair	Crops	Agricultural
Arnold Rodriguez,	Santa Ana River Water Company	Appropriative/Minor
Secretary/Treasurer		
Bob Kuhn	Three Valleys Municipal Water	Municipal
	District	
Mark Kinsey	Monte Vista Water District	Appropriative
Bob Bowcock	Vulcan Materials Company	Non-agricultural
Donald Galleano	Western Municipal Water District	Municipal
Jim Bowman	City of Ontario	Appropriative
Geofrrey Vanden Heuvel	Dairy	Agricultural

¹¹ Metropolitan Water District of Southern California. Chapter IV – Groundwater Basins Report.

¹² San Bernardino County Superior Court. 1978. Case No. RCV 51010 (formerly Case No. SCV 164327).

The main source of revenue for the Watermaster are assessments. The Watermaster levies and collects Administrative Assessments, Optimum Basin Management Plan ("OBMP") Assessments, and Replenishment Assessments. Administrative Assessments are general administrative and special project expenses incurred by the Watermaster and assessed to the respective pools based on allocations made by the Watermaster. OBMP assessments are levied to the Pools, to implement the OBMP, and Replenishment Assessments are levied to purchase replenishment water to replace production by any Pool during the preceding year which exceeds such Pool's allocated safe yield.

Agencies within the Chino Basin

The figure below describes the agencies that provide for some level of basin management within the Chino Basin. Following the figure is a discussion of the primary recharge agencies and their activities.

Summary of Management Agencies in the Chino Basin				
Agency	Role			
Chino Basin Watermaster	Court-appointed Watermaster for Chino Basin.			
Chino Basin Desalter Authority	Joint Powers Authority established to operate and manage the Chino I and Chino II Desalters.			
Chino Basin Water Conservation District (CBWCD)	Operation of some recharge facilities in Chino Basin. The CBWCD also promotes water conservation through an active public education program.			
San Bernardino County Flood Control District (SBCFCD)	Operation of some recharge and flood control facilities in Chino Basin.			
City of Upland	Operation of one recharge facility in Chino Basin.			
Monte Vista Water District	Owns and operates ASR wells in Chino Basin.			
Santa Ana Watershed Project Authority (SAWPA)	Joint Powers Authority established to plan and build facilities to protect the water quality of the Santa Ana River Watershed.			
San Bernardino County Department of Environmental Health	Regulation of new well permits within vicinity of recharge basins and throughout basin.			
Inland Empire Utilities Agency (IEUA)	Implementation of recharge and management strategies. Operation and maintenance of some recharge			
	basins and associated facilities in Chino Basin.			
Santa Ana River Watermaster	Watermaster for 1969 Stipulated Judgment that defined water allocations in the Santa Ana River between lower Santa Ana River and upper Santa Ana River producers.			
California Department of Health Services	Regulation of water quality in recharge facilities and production wells.			
Regional Water Quality Control Board – Santa Ana Region (Regional Board)	Regulation of recharge of recycled water and desalter facilities.			

Source: Metropolitan Water District

ASR wells = Aquifer Storage and Recovery wells

Inland Empire Utilities Agency

Historically, IEUA has engaged in wholesale water and wastewater treatment services, and its recycled water has been captured and recharged by downstream water agencies for decades. In the late 1990s, IEUA began to implement groundwater recharge with recycled water at Ely Basin. The initial Ely Basin project was followed by the Chino Basin Watermaster's development of the Optimum Basin Management Program ("OBMP") and the region's efforts (including IEUA) to implement the OBMP. In 2002, the Watermaster, Chino Basin WCD, the San Bernardino County Flood Control District ("Flood Control District") and IEUA joined forces to greatly expand groundwater recharge capacity. The surface spreading operation significantly enhances storm water conservation and replenishment with imported and recycled water. Intense focus continues today on developing the recycled water supply.

IEUA recharges its recycled water is currently at Brooks Basin (owned by Chino Basin WCD), RP3 basin (owned by IEUA), and 8th Street, Ely, Turner, Victoria, Banana, Hickory, Declez, San Sevaine basins (owned by Flood Control District). IEUA is permitted to recharge recycled water at several other Flood Control District sites, but has not yet invested in infrastructure to take water there. All other recharge activities (stormwater and imported water) are performed by IEUA on the behalf of Chino Basin Watermaster.

Under Article X of Chino Basin Watermaster Rules and Regulations, IEUA applied for and received approval from Chino Basin Watermaster in 2002 to recharge up to 30,000 acre-feet per year of recycled water in the Chino Basin consistent with the elements of the 1999 Optimum Basin Management Plan, the Peace Agreement to the Chino Basin Judgment, and the 2001 Chino Basin Recharge Master Plan.

In December 2007, the IEUA Board of Directors approved an aggressive Three Year Business Plan that calls for 50,000 acre feet of connected demand of recycled water by 2013. According to IEUA staff, the plan was last updated in FY 2010-11. Per the updated plan, the goal was to have 50,000 AFY of connected demand by FY 2011-12, with the projected recycled water deliveries of 50,000 AFY by FY 2012-13. Conditions within the region and IEUA's member agencies have been evolving over the past few years, and with the changes, the period at which IEUA estimates to reach the delivery of 50,000 AFY is FY 2019-20. The long-term goal for ultimate beneficial use in the region varies between 65,000 AFY and 78,000 AFY. These numbers are still being revised per IEUA's current planning initiatives.

As a member of the Metropolitan Water District of Southern California ("Metropolitan Water District"), one-third of the water distributed by IEUA is imported through the State Water Project.¹⁴ Recognizing the limitation on imported water supplies caused by

¹³ Recycled Water Annual Report

¹⁴ Imported water to the western one-third of San Bernardino Valley is provided through the Metropolitan Water District of Southern California ("MWD") and several of its 26 member agencies. As one of 27 State Water Contractors in California, MWD delivers water to a 5,200-square-mile service area spanning Ventura, Los Angeles, Orange, Riverside, San Bernardino, and San Diego counties. Due to the statewide and regional demand for

drought conditions and environmental restrictions, a key business goal for IEUA is to "drought proof" the region by developing local supplies and maximizing groundwater recharge. IEUA has been able to increase the local supply of water by 33 percent through the construction of recycling plants and piping, new catch basins, and desalting plants. IEUA operates five regional water recycling plants and produces three key "environmentally sustainable" products: recycled water, renewable energy, and high-quality biosolids compost. Protecting the region's vital groundwater supplies is a core element of the IEUA's "drought proof" business goal. The more water recharged into the Chino Groundwater Basin, the more self-reliant and less dependent the region becomes on imported water supplies. It does this through 19 groundwater recharge basins. If

As identified IEUA's 2014-19 Strategic Plan, three major recharge objectives stand out:

- Identify and protect the best recharge land sites in the service region by June 2016
- Conduct research to find new methods to safely recharge more water into Chino Basin by June 2016
- Coordinate with the Chino Basin Watermaster on the Recharge Master Plan Update by July 2019

The IEUA Asset Management Plan outlines planned capital projects for the agency's activities. Those related to recharge are listed below:

- Vulcan Pit Flood Control and Aquifer Recharge Project. This project will convert the existing Vulcan mining pit into a functional 60-acre groundwater recharge basin. \$100,000 in FY 2014-15. The City of Fontana is the lead agency on the project.
- Wineville Extension Pipeline Segments A and B. A new 24-inch recycled water pipeline along Wineville Ave. from Airport Dr. to Jurupa St. continuing with a new 36-inch recycled water pipeline to RP-3 Groundwater Recharge Basin. The project includes a recycled water turnout to feed RP-3 Basin and a turnout to feed Declez Basin. \$6 million in 2014-15 and \$21.5 million in 2015-16.
- RP-3 Basin Improvements. Groundwater Recharge Master Plan Update 2013 project #11. IEUA cost share = 50% total cost. \$200,000 in 2014-15, \$5.1 million in 2015-16.

Colorado River and SWP water, imported water is significantly more expensive to purchase or acquire than groundwater.

¹⁵ Neil Nisperos, "Inland Empire Water Agencies Shoring Up Supply for Times of Drought," San Bernardino Sun, 13 January 2015.

¹⁶ 2014-19 Strategic Plan

• Victoria Basin Improvements. Groundwater Recharge Master Plan Update 2013. IEUA cost share = 50% total cost. \$24,000 in 2014-15, \$126,000 in 2015-16.

Additionally, the Turner Basin Recharge Project involves the installation of new pipe/gate within the two new recharge basins and connecting an existing flood control retention facility as a new recharge basin. IEUA, San Bernardino County, and several local and regional stakeholders developed the West End Conservation and Groundwater Task Force, for the development of a comprehensive plan that will guide future improvement efforts of the Turner / Guasti site. The next phase of the project will be a feasibility / planning study for the entire site, including construction or enlargement of several other recharge basins, appurtenances to allow more recycled water and storm water to be captured and recharged, wetlands, and educational opportunities. This project is partially funded by a Bureau of Reclamation grant of \$406,712. The remaining cost of the project is shared between IEUA and the Watermaster.

Chino Basin Water Conservation District

The Chino Basin Water Conservation District owns eight basins that are used to percolate water from local runoff, imported water purchased by Watermaster parties, and recycled water from IEUA. Five of the basins are located in Montclair, two in Upland, and one in Ontario. The eight basins are described below:

Drainage System, Basin	IEUA Role	CBWCD Role	Storage Capacity (AFY)	Water Recharge Source	Notes
San Antonio Channel Dra	San Antonio Channel Drainage System				
College Heights East	A,B,D,F,H,I,J,L,N	G,M	145	Storm, State Project	No need for E, no infrastructure for C
College Heights West	A,B,D,F,H,I,J,M,N	G,L	126	Storm, State Project	No need for E, no infrastructure for C
Montclair 1	A,B,D,F,H,I,K,M,N	E,G,J,L	134	Runoff, storm, State Project	No infrastructure for C
Montclair 2	A,B,D,F,H,I,K,M,N	E,G,J,L	243	Runoff, storm, State Project	No infrastructure for C
Montclair 3	A,B,D,F,H,I,K,M,N	E,G,J,L	49	Runoff, storm, State Project	No infrastructure for C
Montclair 4	A,B,D,F,H,I,K,M,N	E,G,J,L	97	Runoff, storm, State Project	No infrastructure for C
Brooks	A,B,C,D,F,H,I,K,M,N	E,G,J,L	503	Runoff, storm, recycled, State Project	
West Cucamonga Chann					
Ely 3 *	A,B,C,D,F,H,I,J,M,N	E,G,L,K	136	Runoff, storm, recycled	

^{*} Ely #1 and #2 are owned by San Bernardino County Flood Control District.

- A) Stormwater Passive Capture and Volume Accounting
- B) Stormwater Active Diversion and Volume Accounting
- C) Recycled Water Delivery and Volume Accounting
- D) Imported Water Delivery and Volume Accounting
- E) Vector Control Coordination
- F) Weeding Monthly in Areas of Impact
- G) Landscape and Property Maintenance
- H) Operate and Maintain GWR Communication Infrastructure
- I) Operate and Maintain Diversion Infrastructure
- J) Infiltration Restoration Lead Agency
- K) Infiltration Restoration support agency
- L) Basin grading maintenance lead agency
- M) Basin grading maintenance support agency
- N) Biologic Surveys and Biological Permitting

sources: Chino Basin WCD and IEUA

As shown above, IEUA plays a significant role in accounting, operating, and maintaining the Chino Basin WCD basins. The outline below summarizes the activity roles from the figure above:

IEUA only, all basins

- Stormwater passive capture and volume accounting
- o Stormwater active diversion and volume accounting

- o Imported water delivery and volume accounting
- o Weeding monthly in areas of impact
- o Operate and maintain GWR communication infrastructure
- o Operate and maintain diversion infrastructure
- Biologic surveys and biological permitting

• IEUA only, various basins

o Recycled water delivery and volume accounting

Chino Basin WCD only, all basins

Landscape and property maintenance

Chino Basin WCD only, various basins

Vector control coordination

IEUA and Chino Basin WCD, various basins

- o Infiltration restoration lead agency
- o Infiltration restoration support agency
- Basin grading maintenance lead agency
- Basin grading maintenance support agency

The district's basins from FY 2005-06 through FY 2012-13 captured and recharged an average of 9,848 acre-feet of water. Of the 9,848 acre feet of water captured, the annual average includes 2,411 acre-feet of storm and nuisance water; 1,058 acre-feet of recycled water; and 6,378 acre-feet of imported water. According to the district, utilizing the Metropolitan Water District's Tier 2 treated rate (\$997/ac. ft.), the nominal present value of the average captured and recharged water is over \$9,815,000.

Because storm runoff water represents a potential threat to both residential and commercial property owners, yet is the most economical source for recharge of the Basin water supply, Chino Basin WCD works closely with the Watermaster and the Flood Control District through mutual cooperative efforts, the most effective balance between flood control and water conservation result. As a consequence, a number of Chino Basin WCD land acquisitions and construction projects for water conservation purposes have been made with the Flood Control District and others in mind. Historically, the district has also constructed diversion facilities and improvements to Flood Control District owned basins that help replenish the Chino Basin. Water retained by these facilities would otherwise be lost in flows to the Santa Ana River.

In 2000, the County Board of Supervisors approved a five-year cooperative agreement with five five-year options to extend with the Chino Basin WCD for the construction of additional improvements to the Grove Basin, including an outlet to the detention basin.¹⁷ The Flood Control District completed construction of the Grove Basin Drain in 2000, the Grove Avenue Basin in 2001, and the Riverside Storm Drain in 2004 as a means of

¹⁷ County contract No. 00 -1086. In order to increase ground water recharge through the capture and percolation of storm and local run-off water, the District participated financially in increasing the depth of the San Bernardino County Flood Control District's Grove Basin when constructed in the late 1990s and early 2000s and so includes the recharged water from that basin in the CBWCD's recharge figures.

minimizing future flooding in the Chino Agricultural Preserve area. The Flood Control District, in exchange for financial participation by the Flood Control District in the construction of the Basin, allowed the bottom portion of the Basin to be used for water conservation. As part of the agreement, Chino Basin WCD performs weed abatement on the bottom of Grove Basin and a portion of the slopes. The original term of the cooperative agreement was from October 25, 2000 through October 24, 2005 and has been extended to 2015. Three five-year options remain.

Other Agencies

Monte Vista Water District

The Monte Vista Water District operates four Aquifer Storage and Recovery ("ASR") groundwater wells which inject high quality water into the ground when water is plentiful, usually in wet winter months. When additional groundwater production is needed, in the hot summer months or in times of severe drought, ASR wells reverse operations and extract groundwater from the aquifer similar to typical production wells.

The total injection and recharge capacity of the district's ASR wells is 4.9 million gallons per day, which equates to an annual capacity in excess of 5,000 acre-feet per year (AFY). This represents just over 7% of the total recharge capacity in the Chino Basin. In addition to its ASR program, the district is a party to the Chino Basin Judgment (1978) and a signatory to the Chino Basin Peace Agreement (2000) which incorporates an Optimum Basin Management Program for the Chino Basin. The district has participated in the funding for recharge projects across the Chino Basin, and, for projects that create additional stormwater capture, the district receives additional groundwater production rights.

Finally, IEUA recharges recycled water into the Chino Basin for the benefit of its contracting parties, including the City of Montclair. The Monte Vista Water District has a Recycled Water Purchase Agreement (2007) with the City that gives the district exclusive right to purchase the City's share of this recycled water recharge. The recycled water is recharged in facilities across the Chino Basin under a permit from the Santa Ana Regional Water Quality Control Board.

City of Upland

City staff operates not only its own recharge basins but facilities for IEUA and the Pomona Valley Protective Association in Los Angeles County.

In 2005, the City of Upland, IEUA and Chino Basin Watermaster entered into an agreement that IEUA and Chino Basin Watermaster could utilize the capacity of Upland Basin not used for flood control for groundwater recharge. IEUA and Watermaster contributed \$750,000 towards construction of Upland Basin and received a minimum recharge pool volume of 200 acre-feet. With this funding contribution, Upland assured IEUA and Watermaster that the facility would be used to the maximum practical extent for groundwater recharge. Maintenance costs due to recharge activities would be the responsibility of IEUA and Chino Basin Watermaster.

Optimum Basin Management Program

The Superior Court mandated that the Chino Basin Watermaster develop an Optimum Basin Management Plan ("OBMP"), with reports of progress and annual reports to be submitted to the Court and the major parties. The OBMP sets forth an overall management guide to clean the Chino Basin groundwater aquifer (which consists of several subareas) and to increase the yield of the Chino Basin for the water purveyors and other large groundwater producers in the Basin. In its simplest form the program consists of a number of actions that increase the recharge of water into northern and central portions of the Basin; extract high salt and nitrate contaminated water at the south end of the Basin; and provide for conjunctive use by expanding storage in the Basin. A key component of the OBMP implementation program is the recharge of the Chino Basin groundwater aquifer with stormwater, recycled water and imported water both to offset forecast increases in groundwater extraction and to increase the groundwater in storage.

The end result is that 20 recharge basins, almost all originally designed and installed by the Flood Control District, have been prepared to receive a mix of stormwater, recycled water and imported water to increase the volume of groundwater in storage within the Chino Basin. The necessary connections (pipelines and turnouts) have been installed and additional facilities are being considered, reviewed and funded on an ongoing basis.

The Watermaster has identified three recharge priorities. Capture of storm water has been identified as the top priority by the Watermaster. Increasing the yield of the Basin with this high quality source of water will improve groundwater quality and increase the assimilative capacity of the Basin. The second priority for recharge is the use of the high quality recycled water produced at IEUA's wastewater treatment facilities. Over 60,000 acre-feet of recycled water is currently produced and there is approximately 20,000 acre-feet of capacity in the Chino Basin to be recharged. In 2005, the Santa Ana Regional Water Quality Control Board issued the permit for the use of recycled water for groundwater recharge. This is the first permit for indirect potable reuse in California that received unanimous local and statewide support. In 2007, the permit was updated to include additional recharge sites. In 2009, the permit was amended to increase the averaging period used for compliance to 120 months and to allow groundwater underflow to be used as diluent in the computation of the running average Recycled Water Contribution.

The third priority for recharge is the use of imported water supplies. The Groundwater Recharge Master Plan identifies opportunities to use these supplies during wet years when surplus water is available. The Agreement for Operation and Maintenance of Facilities to Implement the Groundwater Recharge Master Plan is commonly referred to as the Four Party Agreement or the Peace Agreement, and was entered into by the Flood Control District, IEUA, Chino Basin WCD, and IEUA to cooperate in a program to implement certain portions of the Recharge Master Plan for the purpose of assuring that the Chino Basin has adequate recharge capabilities to meet its future needs. The

¹⁸ 2011 Urban Water Management Plan

effective date of the agreement was January 23, 2003 and continues through December 31, 2032.

To provide a comprehensive program to increase the recharge of storm-water, recycled water, and imported water into the Chino Basin groundwater aquifer, the Groundwater Recharge Master Plan was developed in 2001 (and updated in 2010) as part of the Watermaster OBMP. A 2013 Recharge Master Plan Update to the 2010 Recharge Master Plan was recently completed. The update evaluated 27 yield enhancing capital projects for the Chino Basin and recommends implementation of 11 projects over the next six years. IEUA has agreed to finance three of the projects (RP 3 basin improvements, Victoria Basin, and Lower Day). The remaining projects require additional investigation to evaluate the feasibility and cost-effectiveness of incorporating the basins into the recharge program.

The same member agencies of the Groundwater Recharge Master Plan (Four Party Agreement) are on the Groundwater Recharge Coordinating Committee ("GRCC"). The purpose of the GRCC is to coordinate and manage the use of the recharge basins for all recharge purposes contemplated under the Groundwater Recharge Master Plan. Each of the Parties is entitled to appoint one member and one alternate member to the GRCC. The GRCC meets quarterly or as often as necessary to facilitate full coordination of groundwater recharge operations.

In addition, Watermaster holds the water right permits to divert, percolate and store stormwater. Operation of the facilities is handled by IEUA, which defers to Flood Control District during storm periods. Watermaster and IEUA have a joint recharge permit from the Regional Water Quality Control Board for the recharge of imported, storm and recycled water.

Water purveyors in the Chino Basin also participate in a variety of in-lieu groundwater storage programs whereby they receive imported water from Metropolitan Water District in-lieu of pumping groundwater. These programs result in decreased pumping when water is delivered and increased pumping later. Historically, these have included Metropolitan Water District's cyclic, replenishment water and conjunctive use programs.¹⁹

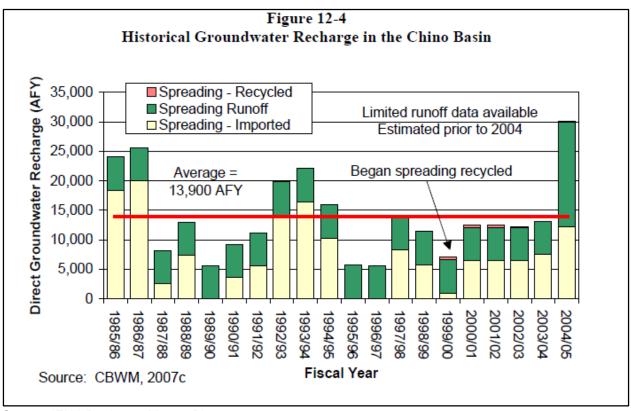
Spreading in the Chino Basin

Imported water, recycled water and runoff (to include surface water) are currently spread in the Chino Basin. As shown in the figure below, an average of about 13,900 AFY has been spread between fiscal years 1985-86 and 2004-05.²⁰ About 7,700 AFY has been recharged with imported water from Metropolitan Water District during this time. Runoff recharge was not measured prior to 2004; however, the Watermaster estimates that the historical runoff spread was approximately 5,600 AFY. In fiscal year 1999-00, recycled water began to be recharged in the Ely Basins and, an average of about 300 AFY of recycled water has been recharged in the Chino Basin through 2004-05.²¹

¹⁹ Chino Basin Recycled Water Groundwater Recharge Program, 2013 Annual Report, 1 May 2014

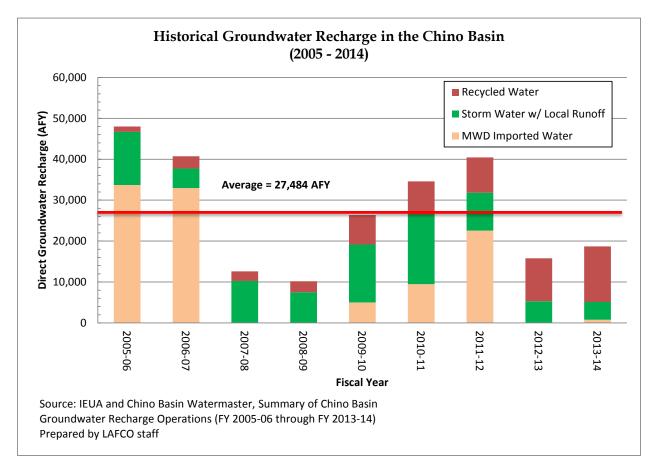
²⁰ Chino Basin Watermaster, 2007. Recharge data provided 3/28/07. As cited in Metropolitan Water District.

²¹ Metropolitan Water District.



Source: IEUA Recharge Master Plan

Expanding from the above data, 27,484 AFY has been spread from FY 2005-06 through FY 2013-14. Below LAFCO staff has created a figure to illustrate the amount of groundwater recharge from all three sources. As shown, storm water recharge has declined significantly since FY 2010-11 (due to the drought), being less than the storm water recharge average during this timeframe. What was first considered a recharge source to reduce reliance on imported water from Metropolitan Water District, due to the current drought recycled water has now become a necessity for the basin.



SUMMARY OF CHINO BASIN GROUNDWATER RECHARGE OPERATIONS										
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	
Recycled Water	1,304	2,989	2,340	2,684	7,210	8,065	8,634	10,479	13,593	
Storm Water w/ Local Runoff	12,999	4,770	10,243	7,498	14,141	17,051	9,266	5,298	4,299	
MWD Imported Water	33,705	32,968	0	0	5,001	9,465	22,560	0	795	
TOTAL	48,008	40,727	12,583	10,182	26,352	34,581	40,460	15,777	18,687	
units in acre-feet										
source: IEUA and Chino Basin	Watermas	ter, Summ	ary of Chir	no Basin Gr	oundwate	r Recharge	Operation	s (FY 2005	-06 througl	n FY 2013-1
Average = 27,484 acre feet/ye	ear									

Cucamonga Valley Basin Description

The Cucamonga Valley Basin comprises roughly 15 square miles and underlies the northern part of upper Santa Ana Valley. It is bounded on the north by alluvium abutting the San Gabriel Mountains and on the west, east, and south by the Red Hill fault. This portion of the upper Santa Ana Valley is drained by Cucamonga and Deer Creeks to the Santa Ana River.

The groundwater rights for the Cucamonga Basin were adjudicated, as defined in the 1958 Judgment of the Superior Court (Decree No. 92645). Currently, the Chino Basin

Watermaster has been designated to manage the Cucamonga Basin. The basin's legal boundary as stipulated in the Judgment is smaller than the geologic boundary of the basin. As defined in the Judgment, the eastern boundary of the basin is not based on geologic features, thus a portion of the geologically defined basin is within the legal boundary of the Chino Basin.

Recharge to the sub-basin is provided by infiltration of stream flow, percolation of rainfall to the valley floor, underflow from the San Gabriel Mountains, and return irrigation flow. Additional recharge to the sub-basin is from storm flow at spreading grounds along Cucamonga Creek and near Red Hill and Alta Loma. Groundwater flow generally is southward from areas of recharge in the north towards the Red Hill fault in the south. As part of the Judgment, San Antonio Water Company is required to recharge a minimum of 2,000 AFY of imported water (mostly runoff) into the basin annually as calculated over a 10-year period. Over this period, 95 percent of any additional water spread may be added to San Antonio Water Company's adjudicated right. It is the goal of the Cucamonga Valley Water District to finalize a management plan for the Cucamonga Basin and work with the San Antonio Water Company to develop a conjunctive use and recharge program to minimize the impacts of overproduction in the Cucamonga Basin.

Retail water providers are the Cucamonga Valley Water District, and the following private entities: San Antonio Water Company, Sunset Water Company, Alta Loma Mutual Water Company, and Foothill Irrigation Company.

No groundwater banking, storage, or transfers occur within the Cucamonga Basin. Total storage space in the basin is unknown.

B. Capture and Recharge of Surface Water and Stormwater/Runoff – East Valley

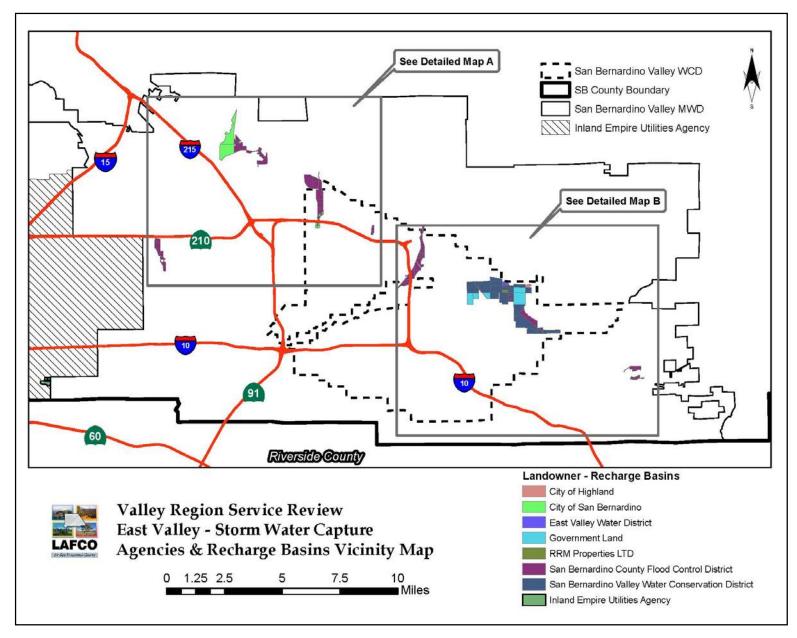
There are, or portions of, five basins within the East Valley. Below is a summary of the basins from the Department of Water Resources ("DWR"). As part of the California Statewide Groundwater Elevation Monitoring Program and pursuant to the California Water Code §10933, DWR is required to prioritize California groundwater basins, so as to help identify, evaluate, and determine the need for additional groundwater level monitoring. As identified by the DWR, the Bunker Hill and Riverside-Arlington basins have been designated as High Priority basins and the others as Medium Priority basins for future monitoring. The discussion which follows provides additional information on the basins and the efforts to improve water quality through recharge.

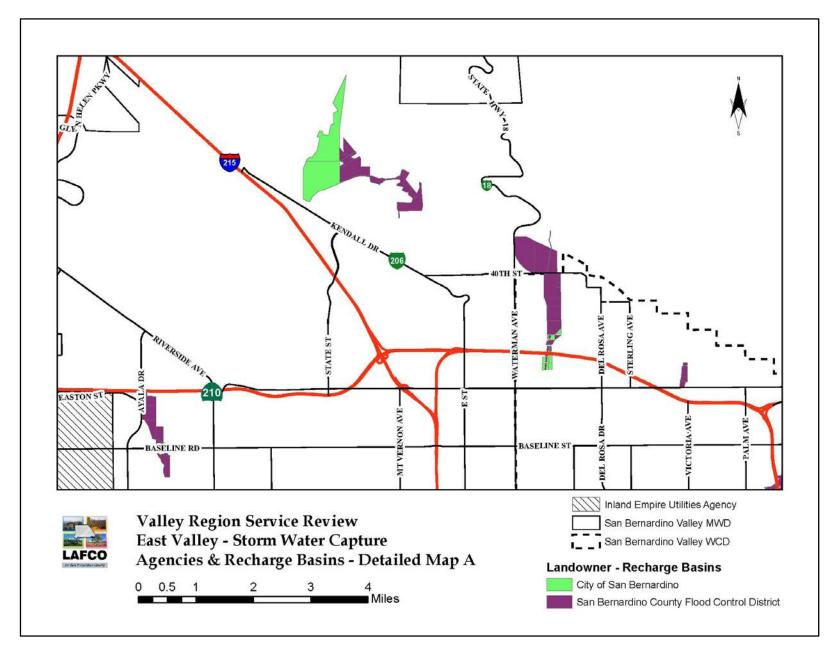
California State	wide G	roundwa	ter E	levation N	lonitoring	Program	n	
Upper Santa Ana	Valley Ba	sin - East	Valley	1				
				DWR Rating (1 = low, 5 = h	igh)		
Sub-Basin	Sq. Miles	2010 Pop.	Pop.	Pop. Growth	GW Reliance	Impacts	Basin Priority	Impact Comments
								Impacted with toxins from Newmark Superfund site &
Bunker Hill	127	363,394	4	1	3	3	High	perchlorate from Crafton-Redlands plume.
Rialto-Colton	47	145,832	4	1	3	3	Medium	Extensive perchlorate contamination in basin.
								Water quality degradation issues known in several public
Riverside-Arlington	92	336,884	4	2	4.5	5	High	supply wells.
San Timoteo	115	54,169	2	5	2.5	3	Medium	High nitrates and salinity. Upper basin water quality issues.
Yucaipa	40	65,180	3	1	3.5	5	Medium	Overdraft. Documented impacts of nitrates and sulfates.

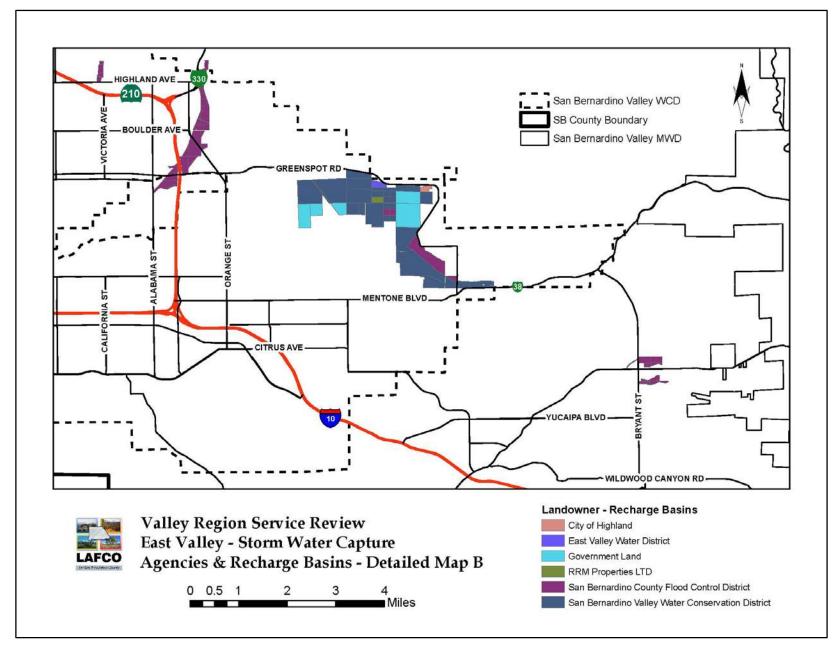
The following agencies actively recharge the groundwater basins (not limited to stormwater/runoff) or account for recharge within the general East Valley. The San Bernardino Valley Municipal Water District encompasses the whole of the agencies under LAFCO review. The San Bernardino Valley Municipal Water District is the court-appointed watermaster for the San Bernardino Basin Area which includes the Bunker Hill Basin in San Bernardino County, which extends into Riverside County.

- Primary Agencies
 - San Bernardino Valley Municipal Water District
 - o San Bernardino Valley Water Conservation District
 - San Bernardino County Flood Control District
- Secondary Agencies
 - o Beaumont-Cherry Valley Water District
 - o City of San Bernardino Municipal Water Department
 - East Valley Water District
 - West Valley Water District
 - Yucaipa Valley Water District

Numerous existing groundwater recharge facilities (spreading grounds or spreading basins) are located in the San Bernardino Basin Area, Rialto-Colton, and Yucaipa basins. The locations of these facilities are shown below, and selected characteristics are summarized in the following table. Existing turnouts serve each recharge facility, with the exception of the Cactus Spreading and Flood Control Basins, which would be served by the Cactus Basins Pipeline proposed by MUNI. A description of each spreading ground follows.







		Conveyance	Recharge Facility Characteristics ¹				
Facility Name	Owner or Operator	Used to Serve Facility Turnout Name & Capacity (cfs)	Active Recharge Facility Area ² (acres)	Percolation Rate ³ (feet/day)	Monthly Capacity (AF)	Groundwater Basin (and Subbasin) Recharged ⁴	
SAR Spreading Grounds	SBVWCD	Foothill Pipeline Santa Ana Low Flow (288) Santa Ana Intake (200 Max)	64 ⁴	3	12,000	SBBA (Bunker Hill)	
Devil Canyon and Sweetwater Basins	SBCFCD ³	Foothill Pipeline Sweetwater (37)	30	1.5	1,350	SBBA (Bunker Hill)	
Lytle Basins	Lytle Creek Water Conservation Association	Fontana Power Plant Constructed drainage channel	Variable	1.5	Variable	SBBA (Lytle Creek)	
City Creek Spreading Grounds	SBCFCD	Foothill Pipeline City Creek (60)	75	1.5	3,375	SBBA (Bunker Hill)	
Patton Basins	SBCFCD	Foothill Pipeline Patton (12)	3	0.3	27	SBBA (Bunker Hill)	
Waterman Basins	SBCFCD	Foothill Pipeline Waterman (135)	120	0.5	1800	SBBA (Bunker Hill)	
East Twin Creek Spreading Grounds	SBCFCD	Foothill Pipeline Waterman (135)	32	1.5	1440	SBBA (Bunker Hill)	
Badger Basins	SBCFCD	Foothill Pipeline Sweetwater (22)	15	0.5	225	SBBA (Bunker Hill)	
Mill Creek	SBVWCD	Greenspot Pipeline Mill Creek Spreading (50) Mill Creek Intake (110)	66	3	6,000	SBBA (Bunker Hill)	
Cactus Spreading and Flood Control Basins	SBCFCD	San Gabriel Valley MWD Lytle Pipeline Lower Lytle Creek (55)	46	1.5	2,070	Rialto-Colton	
Wilson Basins	SBCFCD	East Branch Extension Wilson Basins (30)	12	1	360	Yucaipa subbasin	
Garden Air Creek	Valley District	East Branch Extension Garden Air Creek (16)0	n/a	n/a	n/a	San Timoteo subbasin	

¹ Values are from tabulation on map contained in Water Right Application by Valley District and Western to appropriate water from the SAR or by engineering evaluation of spreading grounds.

Source: Upper Santa Ana River Watershed: Integrated Regional Water Management Plan. 2015.

² Recharge facility area is the geographical extent of each basin that can be inundated for recharge.

³ Estimated percolation rate. This is the estimated rate at which water can percolate into the ground through the basin, expressed in feet per day. The values used have generally been computed from the annual recharge capacity. These rates are typically about one-half of the percolation rates presented by the USGS (1972). The use of the small percolation rates is reasonable in that it would involve longer-term percolation rates that are typically smaller than short-term rates.

⁴ Note that there may be flow out of the subbasin or basin identified. For example, a report by Geoscience Support Services, Inc. (1992) estimated that only 36 percent of the water recharged in the upper Lytle Creek area remains in the Lytle Creek subbasin, while most of it flows to the Rialto-Colton subbasin.

 $^{^{5}}$ Recharge facility area based upon 4/11/03, SBVWCD Report: "SBVWCD Basin Storage Capacity for SAR and MC." Or by estimating using GIS.

In response to the draft staff report, SB Valley WCD clarifies the data in the chart above:

- SAR Spreading Grounds Diversion capacity at Cuttle Weir is approximately 900 CFS, current capacity under Greenspot trail is 200-250 CFS. Enhanced Recharge Cooperative project is designed to increase to 500 CFS.
- Mill Creek Row Two 50 CFS canals can deliver a peak of 100 CFS.
 Improvements are in design to upgrade the reliability at this capacity during more productive storm events.

In response to the draft staff report, Flood Control District clarifies the data in the chart above by noting that its Oak Glen and Wildwood basins are a part of the Yucaipa area basins.

Basin Descriptions

The following descriptions of the five sub-basins is taken from the Department of Water Resources Bulletin 118 (last updated 2004):

Bunker Hill Sub-basin

The Bunker Hill sub-basin underlies the San Bernardino Valley and comprises 120 square miles. This sub-basin is bounded by contact with consolidated rocks of the San Gabriel Mountains, San Bernardino Mountains, and Crafton Hills, and by several faults. The Santa Ana River, Mill Creek, and Lytle Creek are the main tributary streams in the sub-basin. Groundwater generally converges toward the Santa Ana River in the southwestern part of the sub-basin and discharges over the San Jacinto fault at Colton Narrows.

Recharge to the Bunker Hill Sub-basin historically has resulted from infiltration of runoff from the San Gabriel and San Bernardino Mountains. The Santa Ana River, Mill Creek, and Lytle Creek contribute more than 60 percent of the total recharge to the ground-water system. Lesser contributors include Cajon Creek, San Timoteo Creek, and most of the creeks flowing southward out of the San Bernardino Mountains. The sub-basin is also replenished by deep percolation of water from precipitation and resulting runoff, percolation from delivered water, and water spread in streambeds and spreading grounds.

Rialto-Colton Sub-basin

The Rialto-Colton Sub-basin underlies a portion of the upper Santa Ana Valley in southwestern San Bernardino County and northwestern Riverside County and comprises 47 square miles. This sub-basin is bounded by the San Gabriel Mountains on the north, the San Jacinto fault on the east, the Box Spring Mountains on the south, and the Rialto-Colton fault on the west. Lytle Creek drains this part of the valley

southeastward to its confluence with the Santa Ana River in the southern part of the sub-basin.

The principal recharge areas are Lytle Creek in the northwestern part of the sub-basin, Reche Canyon in the southeastern part, and the Santa Ana River in the south-central part. Lesser amounts of recharge are provided by percolation of precipitation to the valley floor, underflow, and irrigation and septic returns. Underflow occurs from fractured basement rock and through the San Jacinto fault in younger Santa Ana River deposits at the south end of the sub-basin and in the northern reaches of the San Jacinto fault system.

Riverside-Arlington Sub-basin

The Riverside-Arlington Sub-basin underlies part of the Santa Ana River Valley in northwest Riverside County and southwest San Bernardino County and comprises 92 square miles. This sub-basin is bound by impermeable rocks of Box Springs Mountains on the southeast, Arlington Mountain on the south, La Sierra Heights and Mount Rubidoux on the northwest, and the Jurupa Mountains on the north. The northeast boundary is formed by the Rialto-Colton fault, and a portion of the northern boundary is a groundwater divide beneath the Bloomington community. The Santa Ana River flows over the northern portion of the sub-basin.

The Riverside-Arlington Sub-basin is replenished by infiltration from Santa Ana River flow, underflow past the Rialto-Colton fault, intermittent underflow from the Chino Sub-basin, return irrigation flow, and deep percolation of precipitation.

San Timoteo Sub-basin

The San Timoteo Sub-basin underlies Cherry Valley and the City of Beaumont in southwestern San Bernardino and northwestern Riverside Counties and comprises 114 square miles. The sub-basin is bounded to the north and northeast by the Banning fault and impermeable rocks of the San Bernardino Mountains, Crafton Hills, and Yucaipa Hills, on the south by the San Jacinto fault, on the west by the San Jacinto Mountains, and on the east by a topographic drainage divide with the Colorado River Hydrologic Region. The surface is drained by Little San Gorgonio Creek and San Timoteo Canyon to the Santa Ana River.

Groundwater is replenished by subsurface inflow and percolation of precipitation, runoff, and imported water. Runoff and imported water are delivered to streambeds and spreading grounds for percolation.

Yucaipa Sub-basin

The Yucaipa Sub-basin underlies the southeast part of San Bernardino Valley and comprises 39 square miles. It is bounded on the north by the San Andreas fault, on the west by the Redlands fault and the Crafton Hills, on the south by the Banning fault, and on the east by the Yucaipa Hills. The average annual precipitation ranges from 12 to 28 inches. This part of the San Bernardino Valley is drained by Oak Glen, Wilson, and

Yucaipa Creeks south and west into San Timoteo Wash, a tributary to the Santa Ana River.

Dominant recharge to the sub-basin is from percolation of precipitation and infiltration within the channels of overlying streams, particularly Yucaipa and Oak Glen Creeks, underflow from the fractures within the surrounding bedrock beneath the sub-basin, and artificial recharge at spreading grounds. Four artificial recharge facilities were noted in 1967 by the Department of Water Resources with a total capacity of about 56,500 af/yr. By increasing the spreading acreage along Oak Glen Creek by 25-50 acres, the capability exists to spread 7,000 to 14,000 af of surface water annually to recharge the Yucaipa Sub-basin.

San Bernardino Basin Area

The Bunker Hill Basin and surrounding areas comprise the San Bernardino Basin Area. The Bunker Hill Basin is an adjudicated groundwater basin through a 1969 judgment in Western Municipal Water District v. East San Bernardino County Water District which appointed MUNI and Western Municipal Water District as Watermasters for the San Bernardino Basin Area. As Watermaster, MUNI is required to monitor and replenish the basin when surface diversions and groundwater extractions exceed the determined safe yield. The defining geologic characteristic of the basin is a topography that generally slopes from the foothills of the San Bernardino National Forest down to the San Bernardino Valley floor. The Santa Ana River is a major feature traversing the area, providing a major water supply source for groundwater recharge as well as drainage and flood control. Groundwater extraction and replenishment activities must be carefully balanced in the Bunker Hill Basin due to the unique hydrogeology of the basin. As its primary mission, the San Bernardino Valley Water Conservation District is also responsible for replenishment of the Bunker Hill Basin which it accomplishes through a network of canals, diversion structures, and percolation basins.

According to MUNI, groundwater storage in the San Bernardino Basin Area is currently 650,000 acre-feet lower than it was in the base year, 1934. This new, historic low storage level is about 78,000 acre-feet lower than the previous, historic low storage level recorded in 1965.

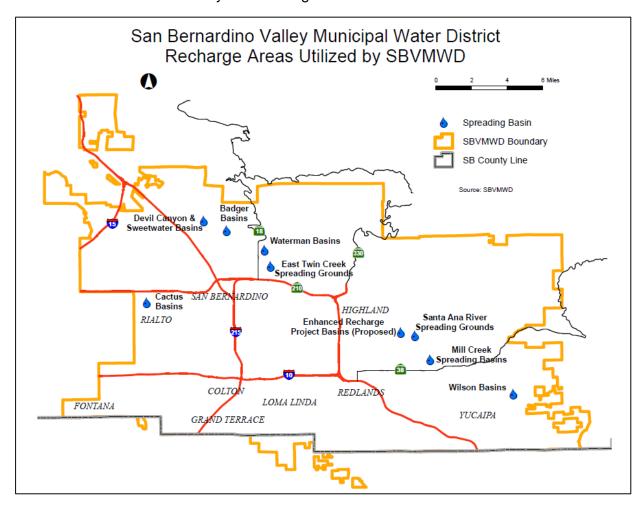
MUNI and SB Valley WCD cooperatively monitor and report on surface and groundwater for the Bunker Hill Basin. SB Valley WCD provides the Daily Flow Report for surface water and annual Engineering Investigation Report for groundwater levels and change in storage as required by the Water Code Section 75601.

San Bernardino Valley Municipal Water District

The San Bernardino Valley Municipal Water District ("MUNI") is responsible for long-range water supply management, including importing supplemental water, and is responsible for most of the groundwater basins within its boundaries and for groundwater extraction over the amount specified in the judgments. It has specific responsibilities for monitoring groundwater supplies in the San Bernardino and Colton-Rialto basins and maintaining flows at the Riverside Narrows on the Santa Ana River. It fulfills its responsibilities in a variety of ways, including importing water through the State

Water Project ("SWP") for direct delivery and groundwater recharge and by coordinating water deliveries to retail agencies throughout its service area.

MUNI receives delivery of SWP water at the Devil Canyon Power Plant Afterbay, which is located just within its northern boundary. Water is conveyed 17 miles eastward to various spreading grounds, agricultural, and wholesale domestic delivery points in the San Bernardino Basin, which are shown in the figure below. Water is also conveyed westward for direct delivery and recharge in the Colton-Rialto basin.



Current and Future Projects

MUNI is currently undergoing or planning the following future recharge projects:²²

• The Enhanced Recharge in Santa Ana River Basins is a joint project with MUNI, the Western Municipal Water District, Riverside Public Utilities and SB Valley WCD. The first phase involves construction of intake improvements, a sedimentation basin, new canal, 96-inch diameter pipeline and new recharge ponds. The second phase involves construction of additional 96-inch diameter

²² Neil Nisperos, "Inland Empire Water Agencies Shoring Up Supply for Times of Drought," *San Bernardino Sun*, 13 January 2015.

pipeline to connect to the Metropolitan Water District of Southern California 12-foot diameter Inland Feeder Pipeline. Phase 1 is currently in process and is expected to cost \$35 million. Overall, this project is expected to capture and recharge an average of 12,000 acre-feet per year. A grant from the Santa Ana Watershed Project Authority provides additional funding and SB Valley WCD provides land, environmental mitigation support and long term operations.

 Riverside North Aquifer Storage and Recovery Project. A rubber dam that will traverse the Santa Ana River just south of the 10-215 Freeway interchange. The new infrastructure is expected to provide an additional 12,800 acre-feet of water and will help recharge the area's water basin. \$25 million.

Active Recharge Project. New infrastructure to capture more storm water at various creeks connecting to the Santa Ana River. Estimated yield would mean an additional 26,000 acre-feet annually. The cost has yet to be determined, and the district is in the initial stages of identifying locations.

Plunge Creek Conservation Project. New infrastructure and operations to direct
and slow stormwater increasing recharge and habitat quality. The joint project
with the USFWS and funding from Proposition 84 funding through the Santa Ana
Watershed Project Authority, it will increase recharge by approximately 1,200
Acre feet per year on average and increase habitat for the endangered species in
the lower Plunge Creek area.

The additional capture and recharge facilities are made possible by the granting of additional Santa Ana River water rights by the State Regional Water Quality Control Board in 2010. The rights were granted to water agencies within the boundaries of MUNI and Western Municipal Water District. Water agencies within MUNI have a right to 72 percent of the new water rights, while agencies within Western have a right to 28 percent of the new water rights (derived from the 1969 Stipulated Settlement (Judgment) that governs groundwater rights in the San Bernardino Basin Area). The water agencies also share proportionally in the cost of improvements to capture and recharge facilities on a proportional basis. The 1969 Judgment provides that the annual "adjusted right" of each plaintiff to extract and export water from the San Bernardino Basin Area is the sum of (a) its base right, which was adjusted based on a determination of safe yield and is currently expressed as a percentage of safe yield; and (b) an equal percentage of any new conservation, provided the conditions described in the judgment are met.

- Other Than Plaintiffs Safe Yield Adjusted Right: 167,238 ac-ft
- Plaintiffs Safe Yield Adjusted Right: 64,862 ac-ft
- Sum of Other Than Plaintiffs and Plaintiffs Safe Yield Adjusted Right: 167,238 + 64,862 = 232,100 ac-ft
- Other Than Plaintiffs—base right expressed as a percentage: (167,238 / 232,100) * 100 = 72.05% (water agencies within MUNI)
- Plaintiffs—base right expressed as a percentage: (64,862 / 232,100) * 100 = 27.95% (water agencies within Western MWD)

San Bernardino Valley Water Conservation District

The San Bernardino Valley Water Conservation District ("SB Valley WCD") and its predecessors have conducted groundwater recharge activities since 1912 or earlier in two areas that overlie the Bunker Hill groundwater basin in the San Bernardino Valley. These areas are at the upper end of the Santa Ana River wash area and on Mill Creek just upstream of the confluence with the Santa Ana River (collectively, the wash area). The SB Valley WCD diverts surface water flows during both storm and normal runoff from the Santa Ana River and Mill Creek and channels the flows into two separate systems of recharge basins where it percolates into the groundwater basin for later pumping and use by local entities and private producers.

To accomplish the recharge, the district maintains 71 water percolation basins in the Mill Creek and Santa Ana River spreading grounds. The district also plans for, maintains or leases over 3,600 acres in the Santa Ana River Wash at and below the confluence of the Santa Ana River and Mill Creek. With water years 2013 and 2014 being dry years, the district recharged all water that was available; 7,946 acre feet of water successfully recharged into the groundwater basin for the water year ending September 30, 2013 and 8,153 acre feet for the water year ending September 30, 2014.

Until 1979, the Mill Creek Spreading Property was owned by the City of Redlands with the SB Valley WCD operating the recharge functions. In 1979, the City deeded the property to SB Valley WCD for \$1 for the sole purpose of water spreading. However, the City retained full rights to operate, build, and expand water facilities on the property.²³ After 2005, a facility has been built and operates seamlessly with other SB Valley WCD facilities.

SB Valley WCD has two water right licenses that allow for up to 10,400 acre feet of Santa Ana River water to be diverted for groundwater recharge during certain periods during the year. SB Valley WCD also claims to hold certain quantities of pre-1914 water rights on the Santa Ana River and Mill Creek.

Community Strategic Plan

The Community Strategic Plan for SB Valley WCD was adopted during FY 2012-13 and expanded upon the district's 2010 Strategic Plan. The Strategic Plan completed in 2010 was created to assist the district board and management in the development of a vision for the district shortly after the 2009 effort to consolidate the district was terminated. The purpose of the update was to assess progress from the 2010 plan and to evaluate certain elements of the 2010 plan for community support and financial feasibility. Certain expansion strategies and financial issues were of concern to various communities and district partners. The board set aside the approved plan and commenced with the short term actions and seeking community and partner feedback on the Community Strategic Plan. The following table summarizes the Community Strategic Plan goals as described in more detail as they relate to the district's mission in the rest of the plan.

²³ Letter dated 2 August 2005 from City of Redlands to LAFCO regarding LAFCO 2919 (SB Valley WCD service review).

No. Community Strategic Plan Goal

- 1 Increase and enhance basin water resources and conservation management through core mission efforts and enhancement projects.
- 2 Provide effective stewardship of District lands for environmental, water conservation and habitat management through the Wash Plan.
- 3 Continue to develop and improve financially sound and efficient District organization with secure foundation to better serve District partners and communities.
- 4 Deliver services and programs to improve non-retail outdoor water use efficiency and new groundwater recharge in the valley watershed.
- 5 Support Trails and outdoor recreation identified in the Wash Plan and in cooperation with District Partners and Communities where financially viable.
- 6 Develop staff and District organization to support District Mission and regional projects and programs.
- 7 Support and lead regional efforts related to water conservation and management of natural resources with District partners and communities.

Mining

Responsibly planning, managing and developing the district's lands are key to the sustainability of the district and its land holdings. A strategic goal related to this area is to continue to develop an alternate long term funding mechanism for the district to mitigate rates for groundwater producers and to fund district land management needs.

An example of these development proposals is aggregate mining leases which pay royalties to the district. In 2011 the district negotiated a revised agreement with CEMEX to provide Minimum Annual Guaranteed revenue to the district in the case that they did not mine the resources. The district also has agreements with Redlands Aggregate for permitted aggregate mining. In addition, the district has a contract with Robertsons Ready Mix, including a prepaid \$5 million royalty, which provides for mining on district property when new permitting is completed under the Wash Plan.

Other Agencies

City of San Bernardino

Per the City of San Bernardino City Charter, the City of San Bernardino operates its water functions through its Municipal Water Department which has its own general manager and Board of Commissioners. The City routinely purchases State Water Project water from MUNI and schedules deliveries with MUNI at the three spreading basins (Devil Canyon, Badger, and Waterman).

Yucaipa Valley Water District

There are two primary recharge facilities. Water recharge occurs in the Wilson Creek Basins and Oak Glen Creek Basins, both facilities are owned by the Flood Control District. The Wilson Creek Basins are operated by the Flood Control District, MUNI, and

Yucaipa Valley WD. The Oak Glen Basins are operated by the Flood Control District, MUNI, Yucaipa Valley WD, and the City of Yucaipa. The Oak Glen Creek Basin impacts portions of the downstream areas of Oak Glen and Wilson Creeks. The project improves flood control and overflow capabilities, passive recreational opportunities, habitat mitigation, and assists the Yucaipa Valley WD in developing adequate groundwater recharge capabilities to meet the future needs of the Yucaipa community. The facilities reduce the amount of water flow and sediment movement in the downstream areas of Oak Glen and Wilson Creeks.

Agreement to Develop and Operate Enhanced Recharge Facilities

In 2012 an agreement to Develop and Operate Enhanced Recharge Facilities was entered into by the SB Valley WCD, MUNI, and Western Municipal Water District (Riverside County). The purpose for the agreement is to allow for collaboration by increasing opportunities to recharge local surface water supplies, as well as State Project Water, in the San Bernardino Basin Area by reducing the time and cost required to permit and construct essential public infrastructure (such as spreading basins); and by working together to achieve an efficient division of labor in the operation and maintenance of water infrastructure.

The goal of the agreement is to harmonize their water resource activities with other uses, for the optimization of coordinated use by all. The other uses include the mining of sand and gravel mineral deposits pursuant to existing leases, and habitat conservation and management, pursuant to a series of multi-agency cooperative initiatives (as yet unapproved) involving local, state, and federal resource management and control agencies. The parties agreed that they must increase groundwater storage in the basin in order to meet current and future demands for water among their constituents. The agreement term is for 25 years with optional renewals.

Pursuant to the agreement, SB Valley WCD is to lease its facilities and land with financial compensation for the purpose of recharging to MUNI and Western MWD, and such use shall be only for the purpose of recharging, storing or conveying water from any source into or through the percolation basins and other facilities owned or controlled by the SB Valley WCD. The Agreement also requires SB Valley WCD to, hold in reserve, money from the lease payments to prepare for basin cleaning.

Current efforts include coordinating engineering, environmental and other planning. In 2013 and 2014 SB Valley WCD supported the final design and permitting as well as the construction and initial operations of the Enhanced Recharge facilities. The district will support these efforts with current field staff and contract personnel. Upon completion of the facilities and initial operations the district will budget to add an additional field staff person to assist in the operations and maintenance of the new facilities, as needed.

MOU between MUNI and County Flood Control District

Flood Control District owns and operates a number of flood control facilities within MUNI's operational boundaries. MUNI and Flood Control District first entered into a

²⁴ County of San Bernardino. Agreement No. 08-30. 8 Jan 2008.

cooperative agreement for MUNI to deliver water to several Flood Control District detention basins for purposes of recharging the groundwater basin in 1972, and both agencies have continued to cooperatively use these facilities since.

In 2013, MUNI and County Flood Control District entered into a ten-year planning memorandum of understanding for the purpose of working together in the planning and evaluation of Flood Control District facilities for joint use by Flood Control District and MUNI for both flood control and groundwater replenishment operations. The goal of the MOU is to maximize the amount of water recharge performed while acknowledging the primary goal of Flood Control District facilities is to maintain adequate flood protection for the safety and protection of the public.

OWOW Grant

In 2012, the SB Valley WCD was selected for a One Water One Watershed grant under the Santa Ana Watershed Project Authority ("SAWPA") Integrated Regional Water Management Planning program. This project seeks to increase water recharge and endangered habitat in the Upper Plunge Creek. This project developed in conjunction with the Flood Control District, MUNI, and U.S. Fish and Wildlife service will support increased recharge, significantly improve habitat and help restore the healthy function of Plunge Creek. As a collaborative project, its shared benefits efficiently provide services to the region and it is an opportunity to work together with the resources agencies and habitat managers in the region. The project is located on district-owned land east of Orange Street and south of Greenspot Road within Division 1 of the District.

Upper Santa Ana River Habitat Conservation Plan (Wash Plan)

A key planning and management effort related to the land management enterprise is the Upper Santa Ana River Habitat Conservation Plan (also known as the Wash Plan). Located at the confluence of the Santa Ana River and Mil Creek the wash is bounded on south by the Santa Ana River, on the north and east by Greenspot Road, and continues west to Alabama Street. This plan is a long term environmental, infrastructure, and management approach to create a comprehensive program to manage the Wash Area. A map showing the Wash Plan sub-components is shown in the figure below; this map and a map of the Wash Plan covered activities are included as Attachment #2. The development of this plan has been and continues to be difficult and requires the participation of a Task Force, made up of stakeholder communities and partners as well as resource agencies, U.S. Fish and Wildlife Service, the Bureau of Land Management, and the California Department of Fish and Wildlife. The Task Force intends to have an approved program by Fall 2015.

In 2012 and 2013 the SB Valley WCD was able to work with the U.S. Fish and Wildlife Service to refocus efforts and increase progress toward completion of the Wash Plan Habitat Conservation Plan. The plan supports a land exchange between SB Valley WCD and the Bureau of Land Management to improve water recharge thereby enhancing local supplies and continuing to supply the region aggregate for local construction projects. This plan will contribute significant environmental improvements

²⁵ County Agreement No. 13-608. 23 July 2013.

May 13, 2015

to habitat for several endangered species including the San Bernardino Kangaroo Rat and the Santa Ana River Woolly Star plant in the wash. The plan also allows expanded water conservation facilities, mining, transportation and trails.

Advances to Wash Plan

SB Valley WCD provides various funding for Wash Plan operations on behalf of interested parties. Amounts are to be reimbursed to the district by members of the task force based on the Plan's formative agreement. As of June 30, 2014, the district received repayment of its 2013-14 expenses and its prior advances. The advancements and repayments for the past six audit years are shown below.

Year	2009	2010	2011	2012	2013	2014
Advances	\$0	\$8,242	\$68,875	\$51,142	\$26,459	\$150,043
Repayment	\$0	\$0	\$0	\$0	\$0	\$338,408

Habitat Management and Enhancement

Several strategic goals are related to this planning effort that are summarized by the Wash Plan's commitments to effective stewardship of easement lands owned and managed by the SB Valley WCD. According to SB Valley WCD, habitat management and enhancement in accordance with the Wash Plan is both a requirement and an opportunity for the district. However, SB Valley WCD is not authorized by LAFCO or State Law the function or service of habitat management or similar activity. Further, Water Conservation District Law does not allow for a water conservation district to provide habitat management services. Since March 2006, SB Valley WCD is authorized by LAFCO to provide "water conservation" and "surveys of water supply and resources" pursuant to the Rules and Regulations of the Local Agency Formation Commission for San Bernardino County Affecting Functions and Services of Special Districts. Should the district desire to actively provide habitat management and enhancement, it would need to receive special legislation to expand the scope of its authorized activities in Water Conservation District Law as well as submit an application to LAFCO requesting authorization to provide said service. As an alternative to SB Valley WCD providing habitat management and enhancement, the Inland Empire Resource Conservation District could perform this service as its parent act and LAFCO authorize it to do so.

According to SB Valley WCD, the land management aspects of the Wash Plan, however, will secure long-term mining leases and revenue streams to SB Valley WCD to pay for water conservation services, which is both "desirable" and "advantageous" to SB Valley WCD and the public.

Spreading in the San Bernardino Basin Area

Below is MUNI's recharge efforts within the San Bernardino Basin for years 2010-13:

Year	SBBA Recharge (all values in ac-ft)
2010	13,134
2011	14,540
2012	18,077
2013	7,937
Sum	53,688

Source: MUNI

C. Efforts to Reduce Consumer Consumption – Valley Wide

For efforts to reduce consumer consumption, the two water conservation districts in the Valley are neither 1) responsible for the demand reductions required by the Water Conservation Act of 2009 (10% demand reduction by 2015 and 20% by 2020), nor 2) responsible for helping the retail agencies within its boundary achieve their water use reductions as the water conservations districts are not "urban wholesale water providers". ²⁶

Santa Ana River Watershed Action Team

IEUA, Orange County Water District, MUNI, Western Municipal Water District, and Eastern Municipal Water District, formed the Santa Ana River Watershed Action Team ("TEAM") to actively identify large-scale water supply and reliability projects that will provide benefits to the entire Santa Ana watershed. Some of the drought mitigation projects identified by TEAM include turf removal from commercial and residential landscaping, water use efficiency education, and technology based water conservation tools such as aerial imagery of the region to support future conversion to sustainable water budget rates by retail water suppliers.

A key goal for the TEAM is to secure grants and necessary funding, including Department of Water Resources Proposition 84 funding through the Santa Ana Watershed Project Authority's "One Water One Watershed" (OWOW) program, to defray the cost to implement necessary projects. Such collaboration has enabled the Agency and partners to secure federal and state grant funding that has significantly advanced the capital investment in the region.

Inland Empire Garden Friendly

The Inland Empire Garden Friendly program was developed by the four major water suppliers of western Riverside and San Bernardino counties in California with cooperation from a university institute, conservation district and local botanic garden. The Inland Empire Garden Friendly program was created to assist consumers in locating and learning about climate-appropriate plants for the Inland Empire. The program provides educational opportunities and easily identifiable and obtainable sources of climate appropriate plants. The program conducts landscape workshops, plant sales, and provides information on water friendly plants and landscaping techniques. Its website is iegardenfriendly.com. The founding members are:

- Inland Empire Utilities Agency (San Bernardino County)
- San Bernardino Valley Municipal Water District (San Bernardino County)
- Chino Basin Water Conservation District (San Bernardino County)
- Water Resources Institute (San Bernardino County)²⁷

²⁶ Water Code 10608.36

water Code 10608.36

²⁷ The Water Resources Institute is an academic partnership with the Southern California communities driven by the vision that sustaining water resources rests on sound research, analysis and public policy collaboration.

- Eastern Municipal Water District (Riverside County)²⁸
- Western Municipal Water District (Riverside County)²⁹
- Rancho Santa Ana Botanic Garden (Los Angeles County)³⁰

D. Efforts to Reduce Consumer Consumption – West Valley

Inland Empire Utilities Agency

In 2009, IEUA worked with its member agencies, to create a Regional Water Use Efficiency Partnership Workgroup. The Workgroup initiated an eight-step process that resulted in the creation of a regional Water Use Efficiency Business Plan to guide its future conservation efforts. The purpose of the Plan is to create the strategy to meet the region's per capita water demand goals. Among the proposed actions that the Regional Water Conservation Partnership Workgroup agreed to follow to implement the Plan include the following:

- Maintain existing and new conservation programs that assist the retail water agencies in complying with new regulatory initiatives.
- Maintain existing and develop new conservation programs that achieve a 10 percent reduction in annual water use over the next five years.
- Work with member agencies to coordinate conservation programs to optimize regional savings and streamline reporting requirements.
- Manage regional water use efficiency programs, incentives, and associated funding.

The Plan also identifies cost-effective water use efficiency programs to be implemented in order to achieve regional conservation goals. These programs place a strong emphasis on landscape irrigation efficiency since landscape water use represents a significant portion of the total water demand for the IEUA service area. These plans include: high efficiency nozzle installations, smart controllers for larger landscape sites, turf removal, water budgets, landscape evaluations, and education and outreach programs.

IEUA is a member of the Metropolitan Water District of Southern California ("Metropolitan"). Metropolitan provides rebates to Commercial, Industrial, and Institutional ("CII") customers for various water saving technologies through the Save a Buck Rebate Program and Public Sector Program. Rebates vary from \$30 to \$2,250 depending on the water savings device. The rebate eligible devices include high

²⁸ Since its formation in 1950, Eastern Municipal Water District has matured from a small, primarily agricultural-serving agency, to one whose major demands come from domestic customers.

²⁹ Western Municipal Water District was formed by the voters in 1954 to bring supplemental water to growing western Riverside County. Today, the District serves roughly 24,000 retail and eight wholesale customers with water from the Colorado River, State Water Project and groundwater.

³⁰ Rancho Santa Ana Botanic Garden promotes botany, conservation and horticulture to inspire, inform and educate the public and the scientific community about California's native flora. The Garden is devoted to the collection, cultivation, study and display of native California plants and to graduate training and research in plant systematics and evolution.

efficiency toilets, waterless urinals, cooling tower conductivity controllers, synthetic turf, pressurized water brooms, weather sensitive irrigation controllers, and locally implemented residential rebate programs, including the Landscape Turf Removal Program and the Landscape Retrofit Program. These rebate programs provide financial incentives to the CII sector to participate in water conservation activities in a cost effective manner.

Each year, IEUA prepares a comprehensive water-use efficiency report (Annual Water Use Efficiency Programs Report) which captures all of the activities from the past fiscal year. This report tracks the progress that has been made against the goals and objectives, identified in its long-term Water-Use Efficiency Plan. Member agencies receive service area specific data, which serves as a roadmap for developing the next annual budget and assists in evaluating overall program performances. For FY 2012-13, the direct water savings achieved through these regional water conservation activities is estimated at 646 acre-feet per year with an average lifetime savings of 7,376 acre-feet. For FY 2013-14, the direct water savings achieved through these regional water conservation activities is estimated at 486 acre-feet per year with an average lifetime savings of 4,216 acre-feet. These new water savings are in addition to IEUA's cumulative lifetime water savings of 101,983 acre-feet for all conservation activities since 1992.

IEUA operates the Chino Creek Wetlands and Educational Park located adjacent to the IEUA headquarters in Chino.³¹ The park consists of 22 acres that have been landscaped with a wide variety of "California Friendly" trees and grasses and features a state-of-the-art irrigation management system. Some of the key components of the park are the community education elements that weave throughout the site. The park serves as a demonstration area for the community on improving water supply, storm water treatment and water efficiency. It is a place for individuals to enjoy at their leisure as well as a facility to provide educational programs to students. The park's construction was partially funded by a grant from the State Water Resources Control Board. The Park's Water Discovery program has received a total of 212 field trips with 10,890 students since the inception of the program. In addition to the field trips, 7,266 community members and 4,384 students have taken part in IEUA's annual Earth Day celebration since 2007.

Since 2004, IEUA has reached over 19,000 students with its Garden in Every School program.³² The Garden in Every School Program educates the school, family, and community about water-wise usage through a garden landscape, featuring drought tolerant plants and efficient irrigation. The program works as an assisted grant: first, applicants participate in a mandatory introductory workshop. Then, selected applicants are awarded a grant valued at \$4,500 for IEUA to assist in the installation of an up to 2,000 square foot garden. The garden is designed, created, and installed through a series of hands on work sessions with teachers, parents, students, and program staff. IEUA participating agencies are eligible to participate in this program.

³¹ The Chino Basin Water Conservation District and Monte Vista Water District are among the sponsors of the park.

³² Sponsors of the program include: Inland Empire Utilities Agency and the Regional Conservation Partnership, composed of the Cities of Chino, Chino Hills, Ontario, Upland, Cucamonga Valley Water District, Monte Vista Water District, Fontana Water Company and San Antonio Water Company.

Additional IEUA programs include its Solar Cup (sponsoring race-powered boats in a high school competition), School Assembly Program (sponsoring National Theater for Children focusing on water supply issues and water savings tips), and STEM (offering schools with STEM activities).

Chino Basin Water Conservation District

A primary function of Chino Basin WCD, as identified by its mission statement, is educating the community to conserve water as well as assisting the community in retrofitting efforts. The district opened its renovated Water Conservation Center campus in 2014. The Center includes a landscape design room where one can draft a water wise landscape, classroom that holds 50 people, an educational lobby exhibit and a dedicated classroom building and edible garden area for Children's Education. The newly renovated water-wise demonstration features nine demonstration zones with over 300 water wise plant species arranged by type and water needs. The 1.5 acre garden is open to the public for self-guided or staff guided tours and includes educational signage and demonstration exhibits that teach about water-wise landscaping, efficient irrigation and good maintenance practices. The district site also includes a demonstration parking lot that showcases various permeable pavements and Low Impact Development techniques; and a wilderness park that contains examples of 40 tree species that require low water - both are open to the public. At the Center, the district conducts workshops, hosts public events, accepts and actively pursues field trip visits from schools, and showcases various construction and landscape designs that reduce water consumption. In 2012-13 the district taught 24 workshops which had an average attendance of 25.

One of the district's longest running programs, an annual Earth Day field trip event, has reached over 25,000 5th graders with water conservation education since 1992. The district also offers daily teaching field trips, focused on water conservation and with curriculum that is compliant with state education standards. This past school year the program reached over 4,300 local school children, their teachers and many parents. In addition to these on-site programs, the District runs a water conservation poster contest which received 2,600 entries from 133 classes last year and a grant program that, since 1999, has provided up to \$5,000 for college bound students who are studying towards a career in a water related field.

Landscape Audits

The district administers landscape and irrigation audits in partnership with IEUA and the eight member retail member agencies. Additionally, the district conducts landscape design consultations, and has financially assisted public schools and parks within its boundaries to help offset the costs of onsite irrigation system conversion as a result of connecting to the recycled water system, thus reducing the need for potable water. Chino Basin WCD also provides incentives for public sector schools and parks within its service area. The figure below identifies the district's landscape audit program performance from FY 2007-08 through FY 2013-14.

Chino Basin WCD - Landscape Evaluation and Audit Program

Year	Total Site	Total Irrigated	Total Potential
	Audits	Acreage Audited	Water Savings (AF/yr)
FY 07-08	24	36	196
FY 08-09	135	289	782
FY 09-10	105	114	303
FY 10-11	78	86	173
FY 11-12	114	64	71
FY 12-13	48	14	49
FY 13-14	83	15	38

Source: IEUA, Annual Water Use Efficiency Programs Report, FY 2013-14

Conservation Contracts with IEUA

Other agencies contract with Chino Basin WCD to provide conservation programs on its behalf. Documents provided by the district identify IEUA as the main agency that contracts with the district to carryout efforts to reduce consumer consumption. Below is a summary of the current contracts between Chino Basin WCD and IEUA.

- Implementation and Completion of Landscape Audits for Customer Sites Currently Identified as Potentially Significant Water Conservation Candidates within the IEUA Service Area.
 - o Contract Date: September 2010
 - Latest Amendment Date: August 2014
- Residential Landscape Training Program
 - Contract Date: January 2011
 - Latest Amendment Date: August 2014
- Dedicated Irrigation Landscape Meters Water Budget Program
 - Contract Date: December 2012
 - Latest Amendment Date: August 2014
- Implementation and Completion of Landscape Transformation Services for Customer Service within the IEUA Service Area
 - o Contract Date: July 2013
 - Completed July 2014
- Garden in Every School Program Services within the IEUA Service Area
 - o Contract Date: September 2013
 - Latest Amendment Date: November 2014

Service Outside of Boundaries

Chino Basin WCD administers landscape and irrigation audits in partnership with IEUA and the eight member retail member agencies, and other agencies contract with the district to provide conservation programs on its behalf.

Pursuant to Government Code Section 56133, LAFCO is charged with the responsibility for reviewing and taking action on any city or district contract to extend service outside of its jurisdiction. Even though the district's parent act, Water Conservation District Law of 1931, does not explain this circumstance, Section 56133 subjects all those agencies under LAFCO purview to this requirement. However, the law provides for exemptions such as for contracts issued prior to January 1, 2001 for contracts or agreements solely involving two or more public agencies where the public service to be provided is an alternative to, or substitute for, public services already being provided by an existing public service provider and where the level of service to be provided is consistent with the level of service contemplated by the existing service provider.

Should it be necessary to request an exemption on the basis of two government agencies contracting for service, LAFCO staff recommends that the district submit an application to LAFCO requesting an exemption under Government Code 56133(e).

Weather Based Irrigation Controllers

In July 2012 the Bureau of Reclamation contracted with the district to install 300 Weather Based Irrigation Controllers in residential homes within the district's service area and provide two years of data monitoring. The Program currently provides better irrigation management for 300 residential accounts and the reduction of approximately 225 acre-feet per year of water supply year-round. Indirect benefits from reduced water use include reduced energy costs and greenhouse gas emissions from water conveyance, deferred generation of new water sources, and water quality benefits from reduced urban runoff. Additionally, the program assists water agencies within the district's service area comply with the 20x2020 Water Conservation Plan. The contract stipulates that the Bureau and the district equally split the program cost at roughly \$92,000 each. The potential savings per home is 0.1625 acre-feet per year ("AFY") which equates to 49 AFY savings after all 300 controllers are installed.

Qualified Water Efficient Landscaper Certification Program

The Qualified Water Efficient Landscaper (QWEL) Program (developed by the Sonoma Saving Water Partnership and the Environmental Protection Agency) provides landscape professionals with 20 hours of education on principals of proper plant selection for the local climate, irrigation system design and maintenance, and irrigation system programming and operation. QWEL certification is a valuable tool for consumers to be able to select landscape and maintenance professional who understand and have value for water and resource conservation. Seven district staff are QWEL certified and can teach the class to others. The District has received QWEL Board and EPA certification as an adopter of the QWEL program and as an EPA WaterSense Labeled Professional Certification Program provider.

Other Agencies

For the other public agencies in the West Valley, conservation efforts can be categorized in three ways: funded by the agency alone, in partnership with another agency/district or regional programs. Focusing on those funded by the agency alone, all

of the other agencies in some manner provide water conservation materials to its customers and have programs in order to reduce consumer consumption. Below are examples of these efforts as provided by the agencies.

City of Chino

In 2009, the City of Chino amended its Water Conservation Ordinance to respond to the then current water shortage caused by drought conditions prevailing in the state. The Ordinance implements Water Conservation measures to reduce the quantity of water used by persons in the City. The ordinance further defines permanent measures to prevent the waste of water resources and also defines three stages of water shortage contingency where additional measures of potable water use are limited or curtailed. The City administers a code compliance program designed to increase public awareness of municipal codes such as the Water Conservation Ordinance. The City's retail water rates are based on volumetric rates which meets the definition of "Conservation Pricing" as defined by the California Urban Water Conservation Council. 33 Additionally, the City employs a Water Conservation Coordinator.

City of Chino Hills

The City of Chino Hills has adopted an ordinance to minimize the potential for water shortage through the practice of water conservation.

City of Upland

Landscape classes are primarily sponsored by the City. The classes are paid entirely by IEUA as part of its annual regional conservation program. Additionally, the City is retrofitting City facilities (park and median irrigation systems, restroom facilities, and turf removal). Although these are partially funded by rebates, the City has made the largest contribution financially and administered the programs with City staff. Upland recently received a grant from the Bureau of Reclamation for Weather Based Irrigation Controllers in medians which was completed in 2014. The City also tested some unique products including geyser stops, water fountains that refill water bottles and a DVD specifically made for Upland showcasing its unique water resources, conservation methods and the water system. The City employs a water conservation specialist and also has a water conservation ordinance.

Cucamonga Valley Water District

The Cucamonga Valley Water District provides a quarterly newsletter, *The Pipeline*, to customers, conducts landscape workshops, conducts landscape tours, and has conservation information available on its website.

³³ The California Urban Water Conservation Council was created to increase efficient water use statewide through partnerships among urban water agencies, public interest organizations, and private entities. The Council's goal is to integrate urban water conservation Best Management Practices into the planning and management of California's water resources.

The district and the Frontier Project operate demonstration gardens which are open to visit each weekday. The gardens provide information on water wise landscaping and feature over 100 water savvy plants. Additionally, the district provides landscape consultations for the homes of district customers to identify water waste in the home's landscape. Each spring, the district hosts a Water Savvy Garden Tour (previously Landscape Tour) to educate residents about the beauty and benefits of water saving landscapes. Since its inception in 2009, the Water Savvy Garden Tour has educated over 600 residents on how they can make changes in their yards to use water efficiently.

Monte Vista Water District

The Monte Vista Water District has a robust water conservation program and provides regular communications to its customers regarding these programs. The district has also developed a special water conservation communication campaign, "Watch the Water," which seeks to heighten customers' awareness of how and when they use water in their daily lives. Within the past five years, the district has declared water shortages and requested that customers adopt additional conservation measures. The district in 2010 adopted a tiered rate structure.

The district regularly communicates about conservation with its customers using multiple methods and media, including but not limited to the following: its newsletter, *The Waterline*, which is inserted into bimonthly customer bills 2 -3 times per year, bill inserts, information provided on its website, and presentations delivered to community groups, at educational events, and before gardening classes.

Fontana Water Company

The Fontana Water Company provides water conservation materials to its customers, conducts gardening workshops, has a high-efficiency toilet program, has adopted two-tiered water conservation rates per direction of the California Public Utilities Commission, and has adopted a Water Conservation and Rationing Plan.

Other Efforts

Formed in 1989 by various agencies in Los Angeles and San Bernardino County, the Water Education Awareness Committee ("WEWAC") works with school districts to promote water conservation, acquaint children and adult consumers with the critical importance of water, provide them with information on water use efficiency, and sponsor teachers' Project Water Education for Teachers training. WEWAC members co-sponsor educational programs for students at all grade levels. WEWAC's website, www.UseWaterWisely.com, provides user friendly information to the general public. Members in San Bernardino County include: Cities of Chino, Chino Hills, Ontario, and Upland; and the Chino Basin WCD, Cucamonga Valley Water District, Fontana Water District, Golden State Water Company, IEUA, and Monte Vista Water Company.

E. Efforts to Reduce Consumer Consumption – East Valley

lefficient.com

A group of water agencies in east San Bernardino County and north Riverside County surveyed about 400 residents in March 2014 to determine their knowledge of several water related facts as a way of determining the kinds of messaging water agencies need to do to better inform their customers.

The group launched a public relations campaign and a website at www.iefficient.com to heighten public awareness of water facts and the things businesses and residents need to do to conserve water, not just during the current drought, but on an ongoing basis. In San Bernardino County, the members include: the Cities of Colton, Loma Linda, and Redlands; East Valley Water District, Marygold Mutual Water Company, Riverside Highland Water Company, MUNI, SB Valley WCD, Western Heights Mutual Water Company, and Yucaipa Valley Water District.

San Bernardino Valley Municipal Water District

MUNI offers large water users (1,500 ccf per year, or higher) a financial incentive to invest in weather stations and weather based irrigation controllers, and has developed a brochure that offers a variety of water efficient plants that do well in the Southern California climate.

MUNI Contract with IERCD

The performance of environmental education programs to a variety of audiences within the district's service area is a key function of the Inland Empire Resource Conservation District ("IERCD"). The original contract between MUNI and the IERCD for performance of Water Use Efficiency presentations was signed in 2007, making MUNI one of the IERCD's most critical education partners. The Water Use Efficiency programs performed on behalf of MUNI focus on MUNI's core function and central role in provision of water to residents in the Inland Empire as well as importance of and methods for water conservation. In addition to the interactive discussion, students also participate in either the 3D model illustrating local water connectivity and need for conservation, or in planting and taking home a drought-tolerant native California plant.

Water Use Efficiency Program

As a wholesaler, MUNI is not responsible for the demand reductions required by the Water Conservation Act of 2009 – SBX7-7 (10% demand reduction by 2015 and 20% by 2020) but is responsible for helping the retail agencies within its boundary achieve their water use reductions (Water Code §10608.36). MUNI's water use efficiency program is designed to help the retail agencies within its service area achieve their demand reductions through:

 Weather Based Irrigation Controller Program (WBIC) – Muni pays 50% of the installation and maintains the weather stations for free, water savings 20%

- Provides free sprinkler nozzles (25% cost from MUNI, 75% from retail agency), water savings 30%
- Inland Empire Garden Friendly Program MUNI pays 90%, water savings 70%
- Rebates (efficient toilets, nozzles, washers, etc.) MUNI pays 25%
- Regional Rebate website one location for retail customers to find rebate programs. MUNI pays 25% of website cost and all of hosting cost.

San Bernardino Valley Water Conservation District

SB Valley WCD also participates with the IERCD in its Elementary School Education efforts. By partnering with the IERCD the District can convey messages about conservation and its efforts to help while supporting the existing programs. This cost effective program shares staff and facilities, and achieves multiple goals at a low cost.

The District currently budgets very limited funding toward conservation education and outreach efforts. Instead, it focuses on water recharge efforts in cooperation with other agencies.

SB Valley WCD is the local sponsor (with the Basin Technical Advisory Committee, Conservation Subcommittee) to provide QWEL training for landscapers. Instructors are to be drawn from local district conservation staff and IERCD staff. The district cosponsored the cost of the training for participants from the service area. The training was held in cooperation with Chino Basin WCD at their facilities in December 2014. In response to the draft staff report, SB Valley WCD states that it works closely with agricultural and commercial groundwater producers to address conservation opportunities and is an active participant in the regional iEfficient program and helps fund the program.

Other Agencies

City of San Bernardino Municipal Water Department

The City of San Bernardino Municipal Water Department has approved water rates including water conservation charges and tiers as well as water supply shortage measures as a result of natural disasters or other emergency events. In 2010 the City implemented a Replenishment Charge as part of the rate structure to recover the cost of water purchased to replenish the basin in the amount of \$0.09 per billing unit (100 cubic feet of water, or about 750 gallons). Since the Replenishment Charge was established in 2010, the City has purchased and delivered a total of over 65,000 acre-feet in three spreading basins (Devil Canyon, Badger, and Waterman).

Additionally, the City engages in activities to reduce consumer consumption:

- Annual Water Conservation Poster Contest
- Bi-Annual Drought Tolerant Landscaping Class Flyer
- Bill Inserts / Plant Sale Flyers
- Free Household Conservation Kit (contents & installation instructions)

- Water Conservation Rebate Program (toilets, sprinklers, washing machine, drought-tolerant plants)
- Water Conservation / Education Elementary- Middle Schools
- Literature/Handouts for various local public events

City of Redlands

The City of Redlands Water Conservation Plan is codified in its Municipal Code (Section 13.06). The conservation programs of the City include a water efficiency rebate program, water audits, annual poster contest, handouts, webpage, as well as employing a conservation coordinator. At City Hall the planters have been replaced with drought tolerant plants and information on drought-tolerant plants is accessible at this location.

South Mesa Water Company

At this time the South Mesa Water Company does not have recharge facilities, but it is conducting a ground water study within the Yucaipa basin. Through this study it is working with MUNI, USGS, and Geoscience to find the best locations for potential recharge.

West Valley Water District

The West Valley Water District in 2010 adopted its first Water Conservation Program that addressed issues related to the Best Management Practices set forth by the California Urban Water Conservation Council, which substantially addresses the measures the district is taking to meet the requirements of the Water Conservation Act of 2009. Effective January 2013 rates are now tiered pricing to promote conservation.

Efforts to reduce consumer consumption include: a water conservation coordinator position, water conservation poster contest, quarterly newsletter, waterwise demonstration garden, conservation section of website, new customer packet, partnership with MUNI to promote Weather Based Irrigation Control program, workshops and classes, water audit program, Inland Empire Garden Friendly Program, and rebates for efficient fixtures (25% cost share).

Yucaipa Valley Water District

The Yucaipa Valley Water District disseminates materials via workshops, facility tours, school programs, website, and community events, as well as employing a water resource manager. The district actively participates as a partner in California Urban Water Conservation Council, which requires the district to comply with the Best Management Practices for water conservation.

Inland Empire Resource Conservation District

According to the Inland Empire Resource Conservation District, it provides the following services for water conservation education/outreach:

- Installation of small demonstration gardens on campuses of community centers and schools; since 2012 the district has installed 11 of these which involve approximately 40 plants, mulch, rock, and accompanying education programming.
- Performance of water conservation-focused educational programming in K-12 campuses throughout the district. The district performed 176 of these programs last year, most of which were funded by its water provider partners in individual service areas including:
 - o San Bernardino Valley Municipal Water District
 - o San Bernardino Valley Water Conservation District
 - o The City of San Bernardino Municipal Water Department
 - Yucaipa Valley Water District
 - West Valley Water District

F. Conclusion for Determination III.

Integration of flood and stormwater management strategies with recharge and conjunctive use opportunities contributes to water supply reliability in the region. The San Bernardino Valley region has been significantly urbanized over the past several decades and the area continues to grow with numerous in-fill development projects. As the amount of impervious surface increases with urbanization, the runoff, and, therefore, storm and flood flows are also increasing. Without adequate flood control systems to capture and contain these surface waters for recharge, the opportunities for water supply, water quality, and environmental improvement are greatly lessened or lost. Therefore, formulating strategies to further capture storm runoff and use it for recharge of the groundwater basins will provide both flood management and water supply benefits to the region.

As identified by the Department of Water Resources, the Chino, Bunker Hill, and Riverside-Arlington basins have been designated as High Priority basins and the other basins as Medium Priority basins for future monitoring. Within the Chino Basin, storm water recharge has declined significantly since FY 2010-11 (due to the drought), being less than the storm water recharge average during the previous 10 years. Recycled water was first considered a recharge source to reduce reliance on imported water from the Metropolitan Water District of Southern California. However, due to the current drought and restrictions placed upon the State Water Project, recycled water has now become a necessity for the basin. In the San Bernardino Basin Area, groundwater storage is now at the lowest level in recorded history, easily surpassing the previous low point in 1964, which took place at the end of a 20-year drought. In turn, multiple recharge and recovery projects are moving forward to be able to capture and use as much of the local supply as possible in order to lessen reliance on the State Water Project.

In response to efforts to reduce consumer consumption, the two water conservation districts in the Valley are neither 1) responsible for the demand reductions required by the Water Conservation Act of 2009 (10% demand reduction by 2015 and 20% by

2020), nor 2) responsible for helping the retail agencies within their respective boundary achieve their water use reductions as the water conservations districts are not "urban wholesale water providers". The Inland Empire Garden Friendly program was developed by the four major water suppliers of western Riverside and San Bernardino counties with cooperation from a university institute, conservation district and local botanic garden. The Inland Empire Garden Friendly program was created to assist consumers in locating and learning about climate-appropriate plants for the Inland Empire.

Specific to the West Valley portion of the region, the Chino Basin WCD has long provided water conservation sustainability services to its constituents through demonstration and education and it provides this service well. To further its demonstration and education service, it opened its Water Conservation Center campus in 2014. However, the service of Chino Basin WCD is limited to within its boundary which encompasses only a portion of the Chino Basin. Chino Basin WCD has received QWEL (Qualified Water Efficient Landscaper Board) and EPA certification as an adopter of the QWEL program and as an EPA WaterSense Labeled Professional Certification Program provider. QWEL certification is a valuable tool for consumers to be able to select landscape and maintenance professional who understand and have value for water and resource conservation. Seven district staff are QWEL certified and can teach the class to others.

For the East Valley portion of the region, the SB Valley WCD currently budgets very limited funding toward conservation education and outreach efforts. Instead, it focuses on water recharge efforts in cooperation with other agencies such as providing school and other outreach through Inland Empire Resource Conservation District. Additionally, SB Valley WCD actively supports and helps fund the iEfficient initiative, leads a Basin Technical Advisory Committee subcommittee for landscape education for implementing the qualified water efficient landscaper program (QWEL), and has a certified trainer on staff.

<u>Determination IV.</u> <u>Financial ability of agencies to provide services</u>

This determination outlines the accounting practices of the agencies, reviews debt and obligations, net assets, and fund balance in order to determine the financial ability to provide services. LAFCO staff obtained copies of the agencies' financial documents from the agencies and public sources: San Bernardino County Assessor, San Bernardino County Auditor, California Public Employees Retirement System, and the California State Controller's report for cities and special districts.

This Determination reviews two water conservation districts and the governmental activities of the two municipal water districts, and is organized as follows:

- A. Property Tax
- B. Fiscal Indicators to include Service Obligation, Liquidity, Debt Service (Governmental), Pension Payments, and Other Post-Employment Benefits Payments
- C. Additional Information on Governmental Activities
- D. Appropriations Limits
- E. Posting of Annual Compensation
- F. Conclusion for Determination IV

A. Property Tax

The two municipal water districts receive a healthy share of the one percent general levy. Property tax revenue is the primary revenue source for the Chino Basin WCD, and the SB Valley WCD receives a small amount of property tax revenue for its general operations, comprising two to four percent of revenue.

Property Tax Rates

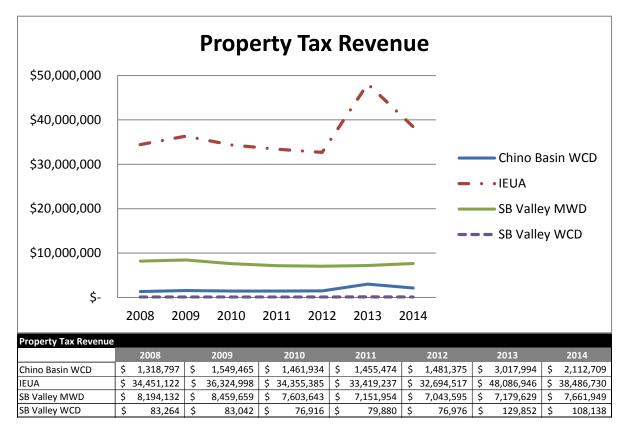
The table below is a breakdown of the share that each agency receives within its boundaries. As shown, for water conservation districts property taxes are collected on the assessed value of land only, not to include improvement value. SB Valley WCD receives just 0.03% of every property tax dollar collected which does not result in significant revenue. Conversely, as discussed in the property tax section below, the tax receipts for the Chino Basin WCD result in significant revenue for its water conservation education operations. As for IEUA, most areas of the agency contribute two shares of the general levy tax: 1) the first is identified as Improvement District C which comprises all but seven tax rate areas of the agency, and 2) a second share from its original boundary and its subsequent annexations.³⁴

³⁴ Seven tax rate areas for IEUA do not contribute to Improvement District C.

Agency Property Tax (as identified by County Assessor)	Avg. Agency Share of 1% General Levy	No. of Tax Rate Areas in 2013-14	No. of Tax Rate Areas with Allocation
Chino Basin WCD, land only	0.30%	301	244
IEUA, Imp. Dist. C (most of district)	2.90%	673	564
IEUA, Original (original boundary)	1.60%	310	273
IEUA, Bryant (annexation)	1.70%	3	2
IEUA, Mid Valley (annexation)	1.50%	365	292
IEUA, 1969 Annex/Imp. Dist. 1	3.80%	22	2
SB Valley MWD	2.80%	752	555
SB Valley WCD, land only	0.03%	237	181

Property Tax Revenue

As this revenue source is relatively stable and lags about two years behind changes in market conditions, this indicator can potentially depict the level of stability of an agency's revenue base. However, this is particularly problematic when the overall tax base is capped at a maximum two percent growth under Proposition 13 (not to include property sales) and while districts experienced decreasing property values. Increases in costs for labor and benefits, training, replacement of equipment and facilities all have grown at a rate greater than two percent.



In 2012-13 the agencies received a large property tax distribution due to one-time payment for the agency's share of the unobligated funds returned by the Redevelopment Successor Agencies for re-distribution to eligible taxing agencies. The

"one-time" receipts are the result of the dissolution of redevelopment agencies which took effect on February 1, 2012. Those agencies in the Chino Basin benefited more than those in the San Bernardino Valley due to the number of redevelopment agencies.

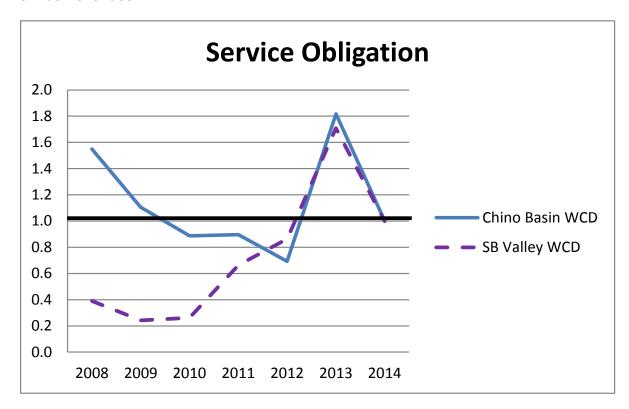
For IEUA, a majority of the increase in non-operating revenues was due to the Successor Agency Pass-through Payment increase of \$9.3 million over the prior year.

B. Fiscal Indicators – Governmental Activities

The accumulation of consistently presented financial information allows a reader to understand an agency's financial position and determine whether there is improvement or deterioration. The following indicators are for the governmental activities of the districts (water conservation/recharge); this does not include the business-type activities of IEUA or MUNI. As of March 3, 2015, the FY 2013-14 audit has not been completed for one district, therefore the fiscal indicator analysis is through 2012-13.

Service Obligation

Service Obligation measures whether or not a government's annual revenues were sufficient to pay for annual operations. In most cases, as the percentage of general revenues decreases, an agency loses its ability to respond to changing conditions and to citizens' needs and demands. It is calculated by dividing operating expenditures by operating revenues. A ratio of one or higher indicates that a government lived within is annual revenues.



Service Obligation							
	2008	2009	2010	2011	2012	2013	2014
Chino Basin WCD	1.5	1.1	0.9	0.9	0.7	1.8	1.0
SB Valley WCD	0.4	0.2	0.3	0.7	0.9	1.7	1.0

SB Valley WCD's healthy increase in this indicator can be attributed to both an increase in operating revenues and a decrease in operating expenditures.

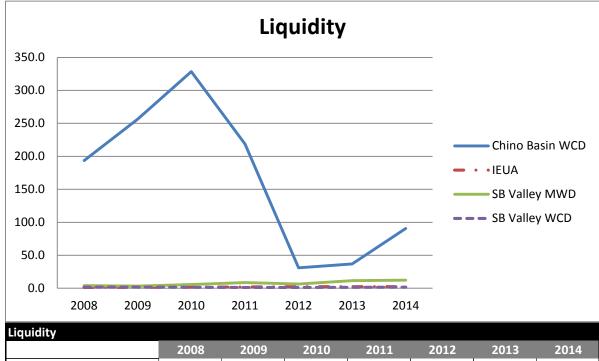
The following explains the decline identified above for Chino Basin WCD:

- 2009 Property tax revenues increased and interest earnings decreased causing an overall decrease in revenue; expenses increased due to increased personnel and beginning first phase of the District's capital improvement plan to construct new office headquarters and educational facility.
- 2010 Property tax revenues and interest earnings decreased; expenses for programs and continuing capital improvements were offset by a decrease in grounds maintenance expenses due to on-going construction.
- 2011 Property tax revenues and interest earnings decreased; expenses for increased personnel, programs, and basin maintenance expenses, in addition to continuing phases of the District's capital improvement plan were offset by a decrease in public education activities at the District due to construction at District facilities.
- 2012 Property tax revenues increased slightly from the prior year. Decrease in interest earnings is due to lower interest rates and lower cash balances related to the self-funding of the District's capital improvement plan which came from the sale of unutilized district property. Increase in operating expenditures was primarily due to an approximately \$650,000 increase in depreciation expense related to the disposal of District's old administration building as part of the final phase of the District's capital improvement plan.

As discussed further below, the SB Valley WCD increased its groundwater assessment in 2011 and 2012, which increased operating revenues.

Liquidity

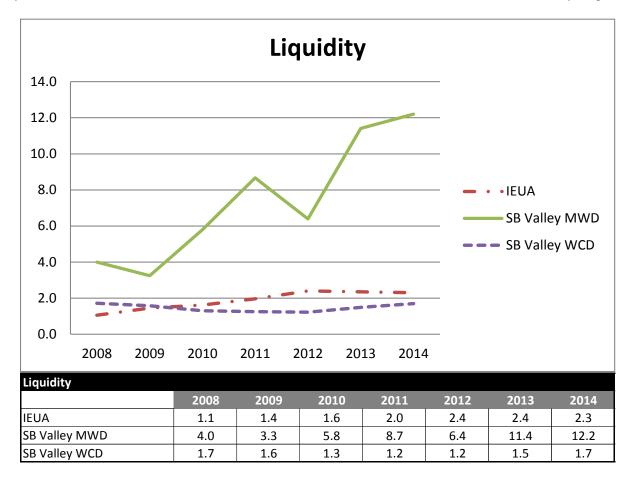
Liquidity measures a government's ability to meet its short-term obligations. In other words, if a short-term obligation became due would the agency be able to satisfy that obligation with cash. It is calculated by dividing current liabilities by cash and investments. The higher the ratio suggests a government is better able to meet its short-term obligations. For agencies not meeting its service obligations (see previous indicator), the literature suggests a ratio of ten or above.



Chino Basin WCD 90.7 193.7 256.4 328.6 218.6 31.1 36.8 IEUA 1.4 1.6 2.0 2.4 2.4 2.3 1.1 SB Valley MWD 4.0 3.3 5.8 8.7 6.4 11.4 12.2 SB Valley WCD 1.7 1.6 1.3 1.2 1.2 1.5 1.7

Chino Basin WCD in this indicator displays an outlier in relation to the other agencies. Chino Basin WCD currently maintains a significant cash reserve due to the prior sale of some of the district's land holdings. A significant portion of reserves are designated for on-going programs, and potential acquisition and development of water recharge basins in accordance with the District's Master Plan. The yearly decrease in cash reserves is due to on-going Capital Improvement Projects in accordance with the District's Master Plan. Increase in current liabilities in fiscal year 2012 is related to ongoing capital improvement projects.

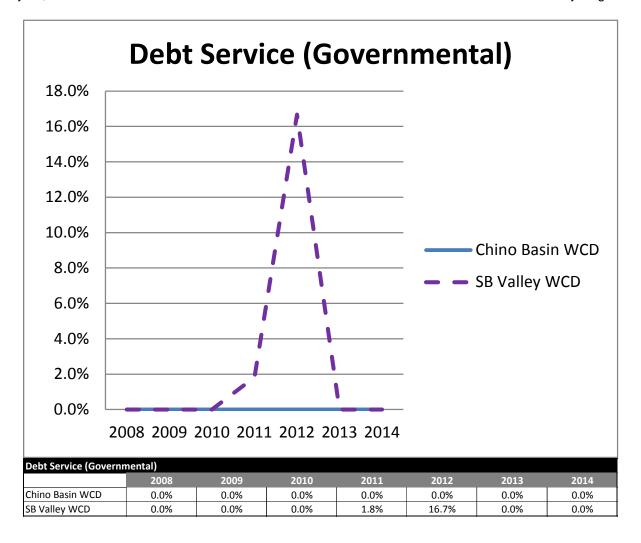
In order to illustrate this indicator for the other agencies, the graphical display below does not include the Chino Basin WCD.



The SB Valley WCD holds a prepaid royalty on aggregate materials under lease which must be repaid if not mined on District lands, this is shown as a current liability whether or not it is displayed that way based on audit standards.

Debt Service

Debt Service looks at service flexibility by determining the amount of total expenditures committed to annual debt service. It is calculated by dividing operating expenses by debt service. Service flexibility decreases as more resources are committed to annual debt service.



Chino Basin WCD does not have any long-term debt.

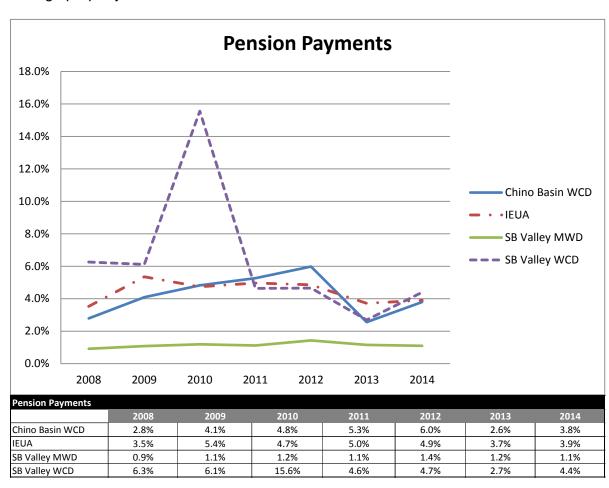
SB Valley WCD has limited debt and does not include debt service in rates. Most capital projects are done in cooperation with partners such as MUNI and Western Municipal Water District. Debt shown is recognized CalPERS debt, the side note was repaid in 2012.

Not shown in the chart above, is IEUA debt for the Ground Water Basin Enhancement Project funded by the 2008B Variable Rate Bonds (refinancing the 2002A Bonds in May 2008). Debt principal and interest payments are equally reimbursed by the Chino Basin Watermaster and the IEUA. IEUA's portion is supported by a fund transfer from the Regional Wastewater Capital Improvement Fund. At June 30, 2014, the 2008B bond had \$45,850,000 in principal outstanding. The bonds mature through 2032 with annual installments ranging from \$1.66 million to \$3.48 million.

Pension Payments

Each agency is a member of the California Public Employees Retirement System (CalPERS).³⁵ CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance.

The Pension Payments indicator below depicts the relationship between the pension payments as a percentage of an agency's revenues. It is calculated by dividing annual pension cost by total revenue (operating and non-operating revenue). For all the agencies, pension costs as a percentage of total revenues generally increased through 2012 with a decrease in 2013. This decrease was due to the one-time receipt of pass-through property tax revenues.



³⁵ CalPERS issues a Comprehensive Annual Financial Report (CAFR). The CAFR is issued in aggregate and includes the sum of all CalPERS plans. Copies of the CalPERS CAFR may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

The annual pension cost for these districts is shown in the chart below. In 2010, SB Valley WCD reduced staffing, which in turn reduced its pension costs the following year.

Annual Pension Cost

Agency	2009	2010	2011	2012	2013	2014
Chino Basin WCD	\$ 83,518	\$ 78,382	\$ 82,844	\$ 92,985	\$ 78,305	\$ 82,065
IEUA	5,083,038	4,747,436	4,730,153	4,976,080	4,875,602	4,769,984
MUNI	824,594	804,058	793,239	999,768	973,159	982,982
SB Valley WCD	125,441	149,714	50,376	63,658	67,671	96,258

source: District audits

The employer contribution rate that each agency pays to CalPERS is shown in the chart below. Beginning with FY 2015-16 CalPERS will collect employer contributions toward each agency's unfunded liability and side fund as dollar amounts instead of the prior method of a contribution rate. This will allow for better tracking of the unfunded liability by employers as well as allowing them to pay it down faster if they choose. As for IEUA, the additional contribution payments do not apply to that agency; additional contribution payments only apply to smaller agencies (in terms of employee count) in risk pools. Therefore, additional contribution payments do not apply to IEUA. Rather, the 2016 total employer contribution rate for IEUA includes the employer normal cost (8.269%) and the unfunded rate (9.749%), or 18.018% as shown below.

The high rate for MUNI is a combination of the normal cost to participate in the plan, the side fund to account for adopted benefit amendments, and its share of the plan's unfunded liability.

Employer Contribution Rates and Unfunded Liability Payments

Agency	2011	2012	2013	2014	2015	20	16	
Chino Basin WCD	7.209%	8.197%	8.311%	8.486%	8.435%	7.163%	\$8,467	
IEUA	11.727%	14.753%	15.332%	16.105%	16.641%	18.018%	\$0	
MUNI	29.145%	31.777%	33.421%	33.029%	34.392%	13.995%	\$597,198	
SB Valley WCD	14.126%	16.435%	16.957%	14.660%	15.701%	9.671%	\$34,629	

source: CalPERS, October 2014

Looking forward, the chart below identifies the projected employer contribution rates and unfunded liability payments through 2021. As shown, the Normal Cost remains static for Chino Basin WCD, MUNI, and SB Valley WCD with increasing unfunded liability payments for the two water conservation districts. As of now, the CalPERS projections identify a marked decrease for MUNI's unfunded liability payments. IEUA is in its own pool since it is a large employer, and its unfunded liability payment is a component of the overall rate.

Projected Employer Contribution Rates and Unfunded Liability Payments

Agency	2017 2018				2	2019	2	.020	2021		
Chino Basin WCD	7.6%	\$11,217	7.6%	\$14,124	7.6%	\$17,194	7.6%	\$20,437	7.6%	\$20,764	
IEUA	18.8%	\$ 0	19.2%	\$ 0	19.7%	\$ 0	20.1%	\$ 0	20.1%	\$ 0	
MUNI	15.0%	\$647,780	15.0%	\$700,861	15.0%	\$225,178	15.0% \$380,930		15.0%	\$396,636	
SB Valley WCD	10.1%	\$40,192	10.1%	\$46,058	10.1%	\$52,241	10.1%	\$58,751	10.1%	\$60,070	

source: CalPERS, October 2014

The information below shows the actuarial accrued liability, market value of assets, unfunded liability, and funded ratios. The funded status is a measure of how well funded a plan or risk pool is with respect to assets vs. accrued liabilities. A ratio greater than 100% means the plan or risk pool has more assets than liabilities and a ratio less than 100% means liabilities are greater than assets. The funded ratio based on the market value of assets is an indicator of the short-term solvency of the plan.

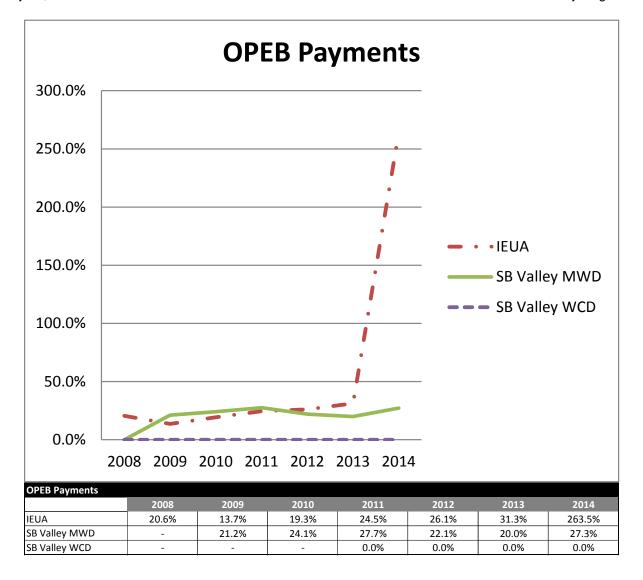
Agency Plans' Funded Status as of June 30, 2013

Agency	Accrued Liability	Plan's Market Value of Assets	Plan's Unfunded Liability	Funded Ratio
Chino Basin WCD	\$1,503,454	\$1,267,647	\$235,807	84.3%
IEUA	138,490,379	99,338,537	39,151,842	71.7%
MUNI	21,556,078	15,820,011	5,736,067	73.4%
SB Valley WCD	2,953,003	2,249,969	703,034	76.2%

source: CalPERS, October 2014

OPEB Payments

The Other-Post Employment Benefits (OPEB) Payments indicator below monitors whether an agency is able to pay or is paying the amount required to fund the OPEB system as determined by its actuary. It is calculated by dividing OPEB payments by OPEB annual cost. IEUA, MUNI, and SB Valley WCD provide OPEB to its retired employees, although at varying benefits and costs. For example, for employees hired before April 19, 2011, MUNI pays the cost of the monthly medical and dental insurance premiums for retired employees and their dependents who have reached at least age 50 with a minimum of 10 years of service. For employees hired after April 19~ 2011 who have reached the age of 60 with a minimum of 15 years of service, MUNI will pay the cost of monthly medical and dental insurance premiums for retired employees and their dependents, until the retired employee reaches the age of Medicare eligibility.



What the agencies do have in common is not contributing the full amount of the annual OPEB cost. For IEUA, as of July 1, 2013, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$17,476,486 and the actuarial value of assets was nil, resulting in unfunded actuarial accrued liabilities (UAAL) of \$17,476,486. As of June 30, 2013, no decision has been made to fund the actuarially calculated OPEB liability. For the past three years, the percentage of OPEB contributed has been 24%, 26%, and 31%. The IEUA 2014-15 Budget identifies a prefunding payment of \$3.5 million for the IEUA OPEB liability from designated reserves in the Administrative Services fund. On May 21, 2014, the IEUA Board approved the establishment of a trust account with the California Employee Retirement Benefit Trust (CERBT). To date, a total of \$6.8 million has been paid into the trust account which eliminated the accrued liability reported in the Agency's financial report for fiscal year ending 2013-14.

MUNI intends to pre-fund its OPEB with CalPERS through the California Employers' Retiree Benefits Trust (CERBT) Fund. The CERBT is a trust fund that allows public

employers to prefund the future cost of their retiree health insurance benefits and OPEB obligations for their covered employees or retirees. The district has not adopted a funding policy for its OPEB obligation. For the past three years, the percentage of OPEB contributed has been 28%, 22%, and 20%.

SB Valley WCD first completed an OPEB actuarial study in 2011. The study indicated an annual contribution for OPEB at \$962 per year with an accrued liability of \$3,118. The district contributed \$3,118 in 2011 and has contributed at least \$962 per year for the following two years (2012 and 2013). In 2014, the district, as required, updated the actuarial study which concluded that based on experience, the annual OPEB contribution should be \$8,883. The unfunded liability was estimated at \$29,305. Based on Board direction the unfunded liability difference was funded in 2014. The district budgets \$8,883 annually to fund the OPEB Reserve. The district intends to convert the OPEB Reserve to a Trust in the coming fiscal year.

C. Additional Information on Governmental Activities

The information below provides additional information on the financial workings of the agencies reviewed. In depth review focusing on the water conservation activities of the two municipal water districts cannot be extracted from its financial documents and the State Controller Reports for Special Districts. For this report, in depth reviews occur for the water conservation districts. The subsequent service review for wholesale and retail water will include in depth reviews for the municipal water districts.

Chino Basin WCD

Net Position

The accumulation of consistently presented financial information allows a reader to understand an agency's financial position and determine whether there is improvement or deterioration. One such measure of improvement or decline is the change in net position. Net position has increased by 2% since FY 2008-09 as shown on the chart below. During this time Total Assets have increased by 3% and Total Liabilities have increased by 86% (with construction of the district's new headquarters and demonstration garden in 2012-13). From the Net Assets perspective, the financial health of the Governmental Funds overall has increased during the past five years. As of June 30, 2014, the district had \$23.6 million in net assets. Of this amount, most is cash followed by investment in capital assets, net of related debt.

			NET	PC	SITION				
	2008-09		2009-10		2010-11	2011-12	2012-13	2013-14	5-yr Var.
Assets:		•						•	
Cash & cash equivalents	19,934,788		19,626,327		17,566,715	16,963,911	13,508,040	13,100,943	-349
Other	142,340		229,559		261,887	220,858	72,516	80,611	-439
Capital assets (net)	3,048,296		3,117,994		5,077,611	5,535,259	10,383,193	10,544,644	2469
Total Assets	\$ 23,125,424	\$	22,973,880	\$	22,906,213	\$ 22,720,028	\$ 23,963,749	\$ 23,726,198	39
_iabilities:									
Current liabilities	77,735		59,727		80,351	545,641	366,853	144,455	869
Long-term liabilities	-		-		-	-	-	-	
Total Liabilities	\$ 77,735	\$	59,727	\$	80,351	\$ 545,641	\$ 366,853	\$ 144,455	869
Change in Net Position	\$ 95,776	\$	(133,536)	\$	(88,291)	\$ (651,475)	\$ 1,422,509	\$ (15,153)	
Total Net Position	\$ 23,047,689	\$	22,914,153	\$	22,825,862	\$ 22,174,387	\$ 23,596,896	\$ 23,581,743	29
Net Assets:									
Invested in capital assets,									
net of related debt	3,048,296		3,117,994		5,077,611	5,535,259	10,383,193	10,544,644	2469
Restricted	-		-		-	-	-	-	2.07
Unrestricted	 19,999,393		19,796,159	_	17,748,251	16,639,128	13,213,703	13,037,099	-359
Total Net Position	\$ 23,047,689	\$	22,914,153	\$	22,825,862	\$ 22,174,387	\$ 23,596,896	\$ 23,581,743	29
	1.0%		-0.6%		-0.4%	-2.9%	6.4%	-0.1%	

Expanding upon the Unrestricted Net Position line item from the figure above, the district has designated or set aside significant amounts cash for the following categories: major structural failures, water conservation projects, recycled water conservation, and operating revenue.

		UNRESTRIC	TED NET POSITIO	N			
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	
Non-spendable net assets:	15,480	15,263	66,253	13,066	13,184	31,771	105%
Spendable net assets designated:					•		
Major structural failures	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	0%
Water conservation projects	11,778,000	11,778,000	9,942,640	10,196,033	6,933,749	6,665,558	-43%
Recycled water conservation	3,993,975	3,993,975	3,869,029	3,830,029	3,666,770	3,739,770	-6%
Operating Reserve	2,711,938	2,508,921	2,370,319	1,100,000	1,100,000	1,100,000	-59%
Total Unrestricted Net Position	\$ 19,999,393	\$ 19,796,159	\$ 17,748,241	\$ 16,639,128	\$ 13,213,703	\$ 13,037,099	-35%
source: Notes to the Basic Financial Stater	nents						

Fund Balance

Considering net position alone does not indicate if an agency has enough fund balance to operate short and long-term operations. Governmental funds focus on the availability of resources on a short-term basis, showing inflows and outflows and resulting in an ending balance of spendable resources. A trend of operating surpluses or deficits is a key indicator of the financial health of an agency. The chart below shows fund balances for the governmental activities for the past five audited years. The fund balance has decreased by 35% since FY 2008-09 (with construction of the district's new

headquarters and demonstration garden in 2012-13) with Total Revenues increasing by 7% (with a one-time receipt of former redevelopment property taxes in 2012-13) and Total Expenditures increasing by 28%.

Unassigned Fund Balance

The 2013-14 audit identifies Total Fund Balance of \$13.1 million, which represents 544% of Total Expenditures as shown in the second figure below. For an agency with no retail service infrastructure such as water lines, the industry guidelines recommend a minimum 10% reserve based on the annual expenditures. This fund balance amount includes the \$1.1 million assigned as a one-year operating reserve and \$6.0 million for "recharge improvements". The program offers financial assistance to convert publicly owned parks and schools within the District boundaries from using potable (drinking) water to recycled water to irrigate their outdoor landscaping.

It is important to note that a significant portion of district reserves are designated for ongoing programs (see Unrestricted Net Assets above), and potential acquisition and development of water recharge basins in accordance with the District's Master Plan. Nonetheless, the district has high liquidity, no long-term debt, and meets its service obligations (after capital projects).

			F	UNI	D BALANCE			 	 	
	2008-09		2009-10		2010-11		2011-12	2012-13	2013-14	5-yr Var.
Non-spendable:	\$ 15,480	\$	15,263	\$	66,253	\$	13,066	\$ 13,184	\$ 31,771	
Committed:										
Recycled water programs							146,259	73,000	3,739,770	
Capital Projects					200,531		5,309,968	722,938		
Assigned:										
Compensated absences			24,998		29,280		29,883	-	37,557	
Recycled water programs							3,683,770	3,666,770	-	
Operating reserve - 1 year							1,100,000	1,100,000	1,100,000	
LEAP - 2 year reserve							268,954	300,000	300,000	
Structural failures							1,500,000	1,500,000	1,500,000	
Carry forward									126,358	
Capital Projects					12,638,220		4,497,393	2,591,858	6,000,000	
Unassigned:	20,011,501		19,672,747		4,732,124		6,432	3,276,043	239,200	
Total Fund Balances	\$ 20,026,981	\$	19,713,008	\$	17,666,408	\$	16,555,725	\$ 13,243,793	\$ 13,074,656	-35%
Revenues:										
Charges: landscape audits	-		7,200		18,750		18,950	20,888	27,728	
Charges: edu. workshops			-		-		11,600	8,340	1,000	
Charges: rent of basin space	5,607		3,692		-		-	-	-	
Grants & contributions	41,729		63,349		75,878		5,933	16,042	19,188	-54%
Property taxes	1,549,465		1,353,785		1,455,474		1,481,375	3,131,280	2,112,709	36%
Investment earnings	486,553		160,178		107,067		61,636	33,011	56,330	-889
Other			783		7,157		10,387	11,399	15,340	
Total Revenues	\$ 2,083,354	\$	1,588,987	\$	1,664,326	\$	1,589,881	\$ 3,220,960	\$ 2,232,295	79
-										
Expenditures:										
Salaries & benefits	860,645		805,103		897,080		919,379	882,098	933,684	89
Basin & garden maint.	260,807		88,912		264,350		79,908	112,070	604,513	1329
Public education	114,773		300,800		152,646		109,023	153,963	89,019	-229
Materials & services	521,106		560,179		352,274		400,505	452,159	357,725	-319
Total Exp. (no cap. outlay)	1,757,331		1,754,994		1,666,350		1,508,815	1,600,290	1,984,941	139
Capital outlay	120,150		147,966		2,044,577		1,191,749	4,932,602	416,491	2479
Total Expenditures	\$ 1,877,481	\$	1,902,960	\$	3,710,927	\$	2,700,564	\$ 6,532,892	\$ 2,401,432	289
·		<u> </u>		<u> </u>					 	
Revenues less Expenditures:	\$ 205,873	\$	(313,973)	\$	(2,046,601)	\$	(1,110,683)	\$ (3,311,932)	\$ (169,137)	
Fund Balances, Ending	\$ 20,026,981	\$	19,713,008	\$	17,666,407	\$	16,555,725	\$ 13,243,793	\$ 13,074,656	-359
Increase from prior year	1.0%		-1.6%		-10.4%		-6.3%	-20.0%	-1.3%	
increase from prior year	1.0%	'	-1.0%		-10.4%	<u> </u>	-0.3%	-20.0%	 -1.5%	

As shown in the chart above, there are no assigned funds for Compensated Absences in FY 2012-13. According to the district, the compensated absences liability remains and the assigned funds to cover the liability was unintentionally misclassified as unassigned. The district notified its auditor of the erroneous error, which was corrected for the 2013-14 audit to show a balance of \$35,557 as of June 30, 2014.

Expanding upon the Fund Balance discussion from above, as a measure of a district's general fund liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. At the end of FY 2013-14, unassigned fund balance of the general fund was \$239,200 while total fund balance reached \$13,074,656. Unassigned fund balance represents 10 percent of total general fund expenditures (previous year 50%), while total fund balance represents 544 percent of

that same amount (previous year 203%). Therefore, a total fund balance of this magnitude seems disproportionate to the services the district provides.

GENERAL FUND LIQUIDITY		2008-09		2009-10	2010-11			2011-12	2012-13			2013-14
Total GF expenditures	\$	1,877,481	\$	1,902,960	\$	3,710,927	\$	2,700,564	\$	6,532,892	\$	2,401,432
Unassigned GF fund balance		20,011,501		19,672,747		4,732,124		6,432		3,276,043		239,200
(as a % of total expenditures)		1066%		1034%		128%		0%		50%		10%
Total fund GF balance		20,026,981	•	19,713,008		17,666,407		16,555,725		13,243,793		13,074,656
(as a % of total expenditures)		1067%		1036%		476%		613%		203%		544%
sources: Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance												

Director Expenses

The figure below identifies Director Expenses as provided by the district. A review of the district's agendas identifies that the district board met 14 times in calendar year 2014 with an additional combined 53 director meetings/events at a per diem rate of \$150 per meeting. Additionally, board members receive medical insurance totaling \$16,135 in FY 13-14.

Chino	Chino Basin WCD - Seven Board of Directors Expenses and Reimburesements													
Fiscal Year	Per Diem Compensation			Mileage eimbursement	Pa	rking Fees, Tolls		/ledical surance	TOTAL					
2010-11	\$	19,050	\$	1,115	\$	8	\$	12,203	\$ 32,376					
2011-12		22,950		2,029		63		16,805	41,847					
2012-13		17,400		966		12		17,631	36,009					
2013-14		22,650		1,150		65		16,135	40,000					

SB Valley WCD

The financial operations of the SB Valley WCD are unique and complex and require the following discussion. The most recent audit for SB Valley WCD is for FY 2013-14.

Net Position

The accumulation of consistently presented financial information allows a reader to understand an agency's financial position and determine whether there is improvement or deterioration. One such measure of improvement or decline is the change in net position. Net position has increased by 11% since FY 2008-09 as shown on the chart below, with most gains realized during the past two audit years. During this time Total Assets have increased by 4% and Total Liabilities have decreased by 2%. From the Net Assets perspective, the financial health of the district overall has increased during the past five years. As of June 30, 2014, the district's net position was \$5.0 million. Of this amount, most is unrestricted. In response to the draft staff report, the district states that

while the district's assets are mostly unrestricted from an accounting perspective they are subject to the District's Reserve Policy.

			NE	T P	OSITION				
		2008-09	2009-10		2010-11	2011-12	2012-13	2013-14	5-yr Var.
Assets:									
Cash & investments		8,091,273	6,613,884		6,360,057	6,194,467	7,511,352	8,392,451	4%
Other		285,707	250,297		377,261	493,664	631,679	502,139	76%
Capital assets (net)		1,396,720	1,481,052		1,460,704	1,373,408	1,283,635	1,278,721	-8%
Total Assets	\$	9,773,700	\$ 8,345,233	\$	8,198,022	\$ 8,061,539	\$ 9,426,666	\$ 10,173,311	4%
Liabilities:	\Box								
Current liabilities		154,886	75,361		112,620	51,840	52,289	85,995	-44%
Long-term liabilities		5,078,072	5,061,495		5,202,772	5,050,810	5,062,433	5,043,583	
Total Liabilities	\$	5,232,958	\$ 5,136,856	\$	5,315,392	\$ 5,102,650	\$ 5,114,722	\$ 5,129,578	-2%
Change in Net Position	\$	(832,656)	\$ (1,332,365)	\$	(325,747)	\$ 76,259	\$ 1,353,055	\$ 731,789	
Total Net Position	\$	4,540,742	\$ 3,208,377	\$	2,882,630	\$ 2,958,889	\$ 4,311,944	\$ 5,043,733	11%
Net Position:	\neg								
Invested in capital assets,	\top								
net of related debt		1,396,720	1,481,052		1,460,704	1,373,408	1,283,635	1,278,721	-8%
Restricted:		-	-		-	-	-	-	
Unrestricted		3,144,022	1,727,325		1,421,926	1,585,481	3,028,309	3,765,012	20%
Total Net Position	\$	4,540,742	\$ 3,208,377	\$	2,882,630	\$ 2,958,889	\$ 4,311,944	\$ 5,043,733	11%
Increase from prior year		-15.5%	-29.3%		-10.2%	2.6%	45.7%	17.0%	
source: Statement of Net Assets/F	osition	1							

Revenue Sources

SB Valley WCD's General Fund revenues include receipt of the one percent general levy property tax, mining lease revenues/royalties, groundwater assessments, and interest income. Mining royalties fluctuate based on several variables, including the market demand for aggregate, the economic health of the mining entities, and the terms and conditions of the leases. The district reserves are adequate to ensure future operations and the variability of its revenue sources. The investments include significant funding provided as a prepayment of mining royalties. Investment of these cash reserves provides a small but sustainable amount of revenue to the district.

				NI	ET II	NCOME							
		2008-09		2009-10		2010-11		2011-12	2	2012-13		2013-14	5-yr Var.
perating revenues:												,	•
Groundwater assessments		532,378		434,397		601,466		671,192		896,150		919,338	73%
Water spreading ops								157,298		653,388		354,550	
Services for other agencies		24,486		28,956		30,000		30,000		30,000		30,000	23%
Total Oper. Revenue	\$	556,864	\$	463,353	\$	631,466	\$	858,490	\$	1,579,538	\$	1,303,888	134%
perating expenses:	1												
Water spreading ops													
Prof. Services		1,314,616		630,938		281,386		167,750		139,159			-100%
Salaries & Benefits		873,062		954,158		538,793		580,931		564,807			-100%
Other				<u> </u>		80,811		141,140		69,597		1,312,446	
Other		381,821		359,454		2,194		1,028		6,750			-100%
Depreciation		63,892		71,559		99,224		105,948		101,985		94,204	479
General & admin													
Director's fee/expense		152,303		195,094		92,231		123,721		95,319			-100%
Other		99,252		83,545		75,676		69,990		56,084			-100%
Total Oper. Expenses	\$	2,884,946	\$	2,294,748	\$	1,170,315	\$	1,190,508	\$	1,033,701	\$	1,406,650	-51%
lon-operating rev. (expense):													
Property taxes	\$	83,042	\$	76,916	\$	79,880	\$	76,976	\$	129,852	\$	108,138	30%
Royalty income	\$	1,196,989	\$	205,315	\$	47,106	\$	201,064	\$	264,912	\$	416,294	-65%
Rental income, net					\$	120,966	\$	77,867	\$	75,098	\$	77,817	
Other	\$	215,395	\$	216,799	\$	145,238	\$	39,884	\$	337,356	\$	232,302	89
Total non-operating	\$	1,495,426	\$	499,030	\$	393,190	\$	395,791	\$	807,218	\$	834,551	-449
let income (loss)	\$	(832,656)	\$	(1,332,365)	\$	(145,659)	\$	63,773	\$	1,353,055	\$	731,789	
The categories for Operating Ex	pens	es in 2013-1	4 ch	nanged to Dis	stric	t Operation	s (\$	1,026,077),	Reg	ional Progr	am	s (\$99,171),	
and Gen & Admin (\$187,198)								·					
ources: Statement of Activities		-2010): State	me	nt of Reveni	ies	Expenditure	es. a	and Change	s in I	Net Positio	n (2	(011-2014)	

Emergence from Financial Difficulty

The district has recently come out of a difficult financial time which began in 2006, accelerated in 2008, and continued through 2011. This situation mirrored the overall economic slow-down; however, the effect on the district was more severe because all sources of the revenues were impacted at the same time. Since this time the district has revised its financial structure, reduced costs and implemented various policies that will reduce the likelihood and severity of these occurrences in the future. The district implemented cost reductions documented in the annual budgets including the reduction from seven to five divisions for the board of directors as allowed by special legislation.

In 2011 the district established a Land Management Enterprise to better clarify the roles of the district and to provide better accountability of the sources and use of funding provided in the various areas of the district's efforts. In 2011 and 2012 the Groundwater Charge was increased by 25% and 15% respectively to allow the groundwater enterprise to raise adequate revenue to operate the Water Enterprise facilities within its financial ability without subsidy from the district reserves or other enterprises. The Land Management Enterprise holds the district's land holdings not directly related to current water recharge activities. Revenue related to this enterprise includes mining royalties, land leases, commercial property leases and easement payments for encroachments and encumbrances.

The district's operating revenues increased in 2012 by 36% or \$227,024 primarily due to a \$69,726 increase in groundwater assessments and a \$157,298 increase in water spreading revenues (mainly due to reimbursement from a spreading agreement with MUNI. In 2013, operating revenues increased 84% or \$721,048 primarily due to a \$224,958 increase in groundwater assessments and a one-time receipt of \$496,090 related to water spreading activities (which includes a one-time payment of \$303,251 for the East Branch Extension II Easement Condemnation). For 2014, operating revenues were marginally above operating expenses.

In 2012, non-operating revenues increased by 12% or \$54,720 due primarily to a \$153,958 increase in royalty revenues and a \$38,858 increase in rental income that was offset by a \$160,343 decrease in other non-operating revenues. Non-operating revenues increased by 83% or \$422,788 in 2013 due primarily to a \$52,876 increase in property tax revenues, a \$63,848 increase in royalty revenues, and a \$311,818 increase in other non-operating revenues related to a one-time receipt from the Department of Water Resources for the East Branch Extension II Easement Condemnation.

Reserves

Also, in 2012 and 2013, district policies were updated to revisit reserve levels and provide for implementation when revenue was available. The table below shows designated cash and cash equivalent balances after full implementation of these policies. The Land Resources Reserve and Groundwater Recharge Enterprise Reserve contain deferred capital projects anticipated for completion in 2015 and 2016.

Fund	2013 Balance	2014 Balance
Groundwater Recharge Enterprise	\$1,229,001	\$1,524,057
Groundwater ER Maintenance	50,000	100,000
Land Resource Reserve ³⁶	679,206	927,180
Post-employment/CalPERS Trust	3,118	32,423
Self-Insurance Reserve	10,000	15,000
General Operating Reserves	510,027	640,324
Groundwater Assessment Rate Stabiliza	ation -	38,340
Redlands Plaza Reserve	-	55,127
Habitat Management Trust	-	-
Capital Improvement/Equip Reserve	-	60,000
TOTAL	\$2,511,352	\$3,392,451
Prepaid Aggregate Royalty/Liability (1 y source: SB Valley WCD June 30, 2013		\$5,000,000

³⁶ The Land Management Enterprise holds the District's land holdings not directly related to current water recharge activities. Revenue related to this enterprise includes mining royalties, land leases, commercial property leases and easement payments for encroachments and encumbrances. These revenues enhance the District's financial position through one time and recurring revenue opportunities which can support the District's core functions and augment reserves to stabilize rates and allow funding of improvements.

General Fund Reserve

According to SB Valley WCD, reserves are funded in all critical areas of risk. The General Fund Reserve may contain up to two years of the General Fund costs of the district, which currently contains \$540,273 which is about one year of General Fund operations. The district's other reserves are allocated by policy. The Groundwater Reserves are funded at about \$1.6 million, about 90% of the maximum by policy, however a significant portion of that will likely be needed in Capital Improvements for Mill Creek Diversion Rehabilitation. The land resources reserve is currently over funded at \$968,387; however this reserve is used to make safety repairs and improvements planning for the next two fiscal years. The district has a Capital Improvement/Equipment reserve currently funded at about \$400,000, which provides capacity for pay-go project and equipment replacement.

Similar to Chino Basin WCD, the district has high liquidity, no long-term debt, and meets its service obligations (after capital projects). Therefore, an unassigned fund balance of this magnitude seems disproportionate to the services the district provides.

In response to the draft staff report, the District states that

"...it currently has a counter-cyclic revenue and expense cycle. In drought, pumping from the groundwater basin increases and costs for maintenance moderate, while operations are somewhat reduced. During wet periods, the cost of vegetation removal operations and the cleanup of silt and sediment can be extensive, to prepare for the next season. Without accumulating this reserve for the Groundwater Enterprise, rates would be highly variable based on annual cost. During rate hearings the District had repeatedly heard that fluctuations in rates paid by cities and districts were difficult as they set rates for 3-5 years in advance. Additionally, the District is presently designing capital improvements which will use much of the reserve attributable to Groundwater. Future land management costs will utilize land management funds."

Groundwater Assessments

Lastly, in April 2014 the district again increased its groundwater assessment rates from \$3.14 to \$3.23 for agriculture and from \$11.28 to \$11.62 per acre foot for non-agricultural uses. The FY 2014-15 budget identifies revenue increases of \$947 for agricultural uses and \$36,737 for non-agricultural uses.

Director Expenses

The figure below identifies Director Expenses as outlined in its budgets. The board of director per-diem of \$197 per meeting up to a maximum of 10 meetings per month and expenses for District and other meetings is set by Ordinance No. 2014-1 and Resolutions No. 509A & 509B. A review of the district's minutes identifies that the district board meets roughly 13 times a year with quarterly meetings of the finance committee, operations committee, and outreach committee. Therefore, a fair estimate for stipends and travel expenses for district board and committee meetings would be \$18,000. Board members do not receive health, life insurance, or retirement benefits. This leaves over \$64,000 annually (from 2010-11 through 2013-14) for what is believed to be fees for partner agency attending association meetings, seminars, and

conferences. To illustrate the point, dividing the 2013-14 Directors Fees (\$68,000) by the per diem (\$197) and five board members equates to 69 meetings a year per director. This additional amount related to Directors Fees appears to be high for any district, more so given the limited nature of the district.

Activity	2010-11	2011-12	2012-13	2013-14
Director Fees	\$64,155	\$66,487	\$69,541	\$68,000
Mileage	879	2,145	2,850	3,000
Air Fare	1,201	2,822	5,100	4,750
Other Travel	165	192	350	500
Meals	1,021	1,333	2,930	2,930
Lodging	6,414	3,029	3,758	3,500
Conference/Seminar	11,627	5,000	4,500	4,590
Total	\$85,462	\$81,008	\$88,029	\$87,270
No. of Directors	7	7	5	5

Habitat Management Reserve/Trust (future)

According to the FY 2014-15 budget, the Habitat Management Reserve/Trust is to provide multi-year funding to support future habitat projects in support of the Wash Plan related project requiring restricted reserve funds for payment of future costs. These funds may be contributed to a trust for safekeeping if required. The district does not currently have any habitat management requirements budgeted for reserve but will when the Wash Plan is implemented. The level for this reserve will be determined when a plan is approved by the board.

However, SB Valley WCD is not authorized by LAFCO or State Law the function or service of habitat management or similar activity. Further, Water Conservation District Law does not allow for a water conservation district to provide habitat management services. Since March 2006, SB Valley WCD is authorized by LAFCO to provide "water conservation" and "surveys of water supply and resources" pursuant to the *Rules and Regulations of the Local Agency Formation Commission for San Bernardino County Affecting Functions and Services of Special Districts.* Should the district desire to actively provide habitat management and enhancement, it would need to receive special legislation to expand the scope of its authorized activities as well as submit an application to LAFCO requesting authorization to provide said service.

As an alternative to SB Valley WCD providing habitat management and enhancement, the Inland Empire Resource Conservation District could perform this service as its parent act and LAFCO authorize it to do so.

IEUA and **MUNI**

Information on the governmental activities of the two municipal water districts are briefly discussed below. A full review of these districts' financial activities will take place in the service review for wholesale, retail, and recycled water.

IEUA

Recharge Water Fund

IEUA's Recharge Water Fund records the activities related to the operation and maintenance of the nineteen groundwater recharge basins and pertinent facilities. Through the joint efforts of the Watermaster, the Chino Basin WCD, and Flood Control District, IEUA performs all of the operation and financial functions related to its recharge activities. Costs include general basin maintenance and restoration, groundwater administration, compliance reporting, environmental documentation and contracted services that are fully funded by the Watermaster, with IEUA funding its pro-rata share of costs based on recharged deliveries of recycled water. The operations and maintenance budget is partially funded by the Watermaster and IEUA. Revenues include reimbursements from the Watermaster, inter-fund transfers from IEUA's Regional Wastewater Capital and Recycled Water funds, grant proceeds and interesting earnings on the programs reserve balance.

The Recharge Water Fund's total operating expenses recorded in FY 2013-14 were \$2,362,352 compared to \$2,339,554 in FY 2012-13, resulting in an increase of \$22,798. The increase was due to: 1) operation expenses related to repairs; and 2) higher depreciation expenses resulting from the completion and capitalization of various capital projects. At June 30, 2014, total net position was \$33,201,574, a decrease of \$66,951 over the prior fiscal year.

Water Resources Fund

The Water Resources Fund records the fiscal activities associated with providing water resources and water use efficiency programs within the agency's service area. These programs include management and distribution of imported water supplies, development and implementation of regional water use efficiency initiatives, water resource planning and support for regional water supply programs including recycled water, groundwater recharge, and storm water management. The Water Resources Fund's major revenue source can be attributed to the surcharge for imported water sold within the service area and a monthly meter service charge per meter. The regional water conservation programs receive dedicated funding, including a portion of the imported water acre foot surcharge and water meter service charge, and program grants and reimbursements from various sources including state, federal, and local agencies.

As for the IEUA in general, the increase in Net Position for 2012-13 included an operating loss of \$41.9 million. This is due in part to the agency being required by the California State Controller's office to report property taxes as non-operating revenue. However, the majority of the property tax revenues are used for State Water Project expenditures which are included in operating expenses from which it will draw upon the funds. As of June 30, 2014, the Water Resources Fund has total assets of \$12.3 million and liabilities of \$9.2 million, resulting in a total net position of \$3.1 million.

MUNI

MUNI had unrestricted Net Position of \$108.0 million at June 30, 2013, a substantially high figure. The Board of Directors has designated \$18 million of this reserve to be retained for the purpose of self-insuring the district against any claims made against the district. MUNI has an extensive future capital improvement plan which consists of many projects including: Enhanced Santa Ana River Spreading, Central Feeder Phase 2, Santa Ana River Tributary / Storm Water Capture and Recycled Water System.

D. Appropriations Limit

Article XIIIB of the State Constitution (the Gann Spending Limitation Initiative)³⁷, mandates local government agencies receiving the proceeds of taxes to establish an appropriations limit. Without an appropriations limit, agencies are not authorized to expend the proceeds of taxes. Section 9 of this Article provides exemptions to the appropriations limit, such as Section 9(c) exempts the appropriations limit for special districts which existed on January 1, 1978 and which did not levy an ad valorem tax on property in excess of \$0.125 (12 ½ cents) per \$100 of assessed value for the 1977-78 fiscal year. According to the *County of San Bernardino 1977-78 Valuations/Tax Rates* publication, the FY 1977-78 tax rate for the districts was as follows:

1977-78 Tax Rates per \$100 of Assessed Value

District	District Chino Basin WCD		MUNI	SB Valley WCD
Tax Rate .2145		.3300	.9500	.0300
Subject to Limit	Subject to Limit Yes		Yes	No

As identified above, Chino Basin WCD, IEUA, and MUNI are subject to the limit. IEUA and MUNI annually adopt the limit as part of its budget process. For FY 2014-15, the IEUA limit is \$150,204,136 and the MUNI limit is \$24,215,427. Further, Section 1.5 reads that the annual calculation of the appropriations limit for each entity of local government shall be reviewed as part of an annual financial audit. A review of the audits for IEUA and MUNI does not identify the annual calculation of the limit. LAFCO staff recommends that IEUA and MUNI include this requirement in future audits.

For this service review, in September 2014 LAFCO provided Chino Basin WCD with information regarding the appropriations limit, which included excerpts from the State Constitution and Government Code, examples of calculating the limit, and calculation models from the State Department of Finance. On January 12, 2015 the district established its appropriations limit by resolution. The appropriations amount subject to the Gann Limit for FY 2014-15 is \$6,359,773.

³⁷ In 1979 the voters amended the California Constitution by passing Proposition 4 (the Gann Initiative), requiring each local Government to set an annual appropriations limit (the Gann Limit).

F. Posting of Annual Compensation

Starting January 1, 2015 local public agencies are required to post information on the annual compensation of their elected officials, officers and employees. Under existing law, cities and special districts are required to file an annual report with the State Controller's Office identifying the annual compensation of their officers and employees. AB 2040³⁸ extends the law so that public agencies are required to also post the same information on their own websites. Public agencies can comply with this law in two ways: directly include the salary information on the agency's website or provide a link on the website to the State Controller's "Government Compensation in California" site. As of the date of this report, Chino Basin WCD, MUNI, and SB Valley WCD do not comply with this requirement.

F. Conclusion for Determination IV.

The Chino Basin WCD has a high unassigned fund balance that seems disproportionate to the services the district provides. MUNI had an unrestricted Net Position of \$108 million at June 30, 2013, a substantially high figure. The Board of Directors has designated \$18 million of this reserve to be retained for the purpose of self-insuring the district against any claims made against it.

SB Valley WCD has recently come out of a difficult financial time which began in 2008 and continued through 2011. This situation mirrored the overall economic slow-down; however, the effect on the district was more severe because all sources of its revenues were impacted at the same time. Since this time the district has revised its financial structure, reduced costs and implemented various policies that will reduce the likelihood and severity of these occurrences in the future. The district implemented cost reductions documented in the annual budgets including the reduction from seven to five divisions for the board of directors as allowed by special legislation (SB-235). In 2011 and 2012 the Groundwater Charge was increased by 25% and 15% respectively to allow the fund to raise adequate revenue to operate the facilities within its financial ability without subsidy from the district reserves or other enterprises. The district has high liquidity, no long-term debt, and meets its service obligations (after capital projects). Therefore, a high unassigned fund balance seems disproportionate to the services the district provides. In response to the draft staff report, SB Valley WCD states that it has a counter-cyclic revenue and expense cycle and that without accumulating this reserve rates would be highly variable and is presently designing capital improvements which will use much of the reserve attributed to groundwater. Should the district desire to actively provide habitat management and enhancement (related to the Wash Plan), it would need to receive special legislation to expand the scope of its authorized activities as well as submit an application to LAFCO to request authorization to provide said service.

Chino Basin WCD, IEUA, and MUNI are subject to an appropriations limit as outlined in the State Constitution. San Bernardino Valley WCD is not subject to the appropriations

³⁸ An act to amend Sections 12463 and 53892 of, and to add Article 10.5 (commencing with Section 53908) to Chapter 4 of Part 1 of Division 2 of Title 5 of, the Government Code, relating to local government.

May 13, 2015

limit as it was determined to be exempt due to its limited tax rate in 1977-78. IEUA and MUNI annually adopt the limit as part of its budget process. A review of the audits for IEUA and MUNI does not identify a review of the annual calculation of the limit as required by the Constitution. LAFCO staff recommends that IEUA and MUNI include this requirement in future audits. Chino Basin WCD established its appropriations limit on January 12, 2015 and has indicated it will be reviewed in future audits.

<u>Determination V.</u> **Status of, and opportunities for, shared facilities**

A. Status of shared facilities

Throughout the Valley Region there are numerous partnerships between the Flood Control District, municipal water districts, and water conservation districts for stormwater capture. Interestingly, this symbiotic relationship produces both economies of scale and duplication of service. The relationships produce economies of scale in that Flood Control District and the municipal water districts can utilize the already existing basins of the conservation districts. These relationships are memorialized in written agreements, detailed in Determination III and on file at the LAFCO office.

West Valley

One such relationship in the West Valley is the Groundwater Recharge Master Plan which identifies opportunities to use these supplies during wet years when surplus water is available.³⁹ The Agreement for Operation and Maintenance of Facilities to Implement the Groundwater Recharge Master Plan is commonly referred to as the Four Party Agreement, and was entered into by the Flood Control District, IEUA, Chino Basin WCD, and IEUA to cooperate in a program to implement certain portions of the Recharge Master Plan for the purpose of assuring that the Chino Basin has adequate recharge capabilities to meet its future needs. The effective date of the agreement was January 23, 2003 and continues through December 31, 2032.

To provide a comprehensive program to increase the recharge of storm-water, recycled water, and imported water into the Chino Basin groundwater aquifer, the Groundwater Recharge Master Plan was developed in 2001 (and updated in 2010) as part of the Watermaster OBMP. A 2013 Recharge Master Plan Update to the 2010 Recharge Master Plan was recently completed. The update evaluated 27 yield enhancing capital projects for the Chino Basin and recommends implementation of 11 projects over the next six years. IEUA has agreed to finance three of the projects (RP 3 basin improvements, Victoria Basin, and Lower Day). The remaining projects require additional investigation to evaluate the feasibility and cost-effectiveness of incorporating the basins into the recharge program.

The same member agencies of the Groundwater Recharge Master Plan (Four Party Agreement) are on the Groundwater Recharge Coordinating Committee ("GRCC"). The purpose of the GRCC is to coordinate and manage the use of the recharge basins for all recharge purposes contemplated under the Groundwater Recharge Master Plan. Each of the Parties is entitled to appoint one member and one alternate member to the GRCC. The GRCC meets quarterly or as often as necessary to facilitate full coordination of groundwater recharge operations.

³⁹ 2011 Urban Water Management Plan

Another example is Chino Basin WCD ownership of stormwater capture basins with IEUA contributing an operating and accounting role, as shown in the figure below.

Drainage System, Basin	IEUA Role	CBWCD Role	Storage Capacity (AFY)	Water Recharge Source	Notes
San Antonio Channel Dra	ainage System				
College Heights East	A,B,D,F,H,I,J,L,N	G,M	145	Storm, State Project	No need for E, no infrastructure for C
College Heights West	A,B,D,F,H,I,J,M,N	G,L	126	Storm, State Project	No need for E, no infrastructure for C
Montclair 1	A,B,D,F,H,I,K,M,N	E,G,J,L	134	Runoff, storm, State Project	No infrastructure for C
Montclair 2	A,B,D,F,H,I,K,M,N	E,G,J,L	243	Runoff, storm, State Project	No infrastructure for C
Montclair 3	A,B,D,F,H,I,K,M,N	E,G,J,L	49	Runoff, storm, State Project	No infrastructure for C
Montclair 4	A,B,D,F,H,I,K,M,N	E,G,J,L	97	Runoff, storm, State Project	No infrastructure for C
Brooks	A,B,C,D,F,H,I,K,M,N	E,G,J,L	503	Runoff, storm, recycled, State Project	
West Cucamonga Chani	nel Drainage System				
Ely 3 *	A,B,C,D,F,H,I,J,M,N	E,G,L,K	136	Runoff, storm, recycled	

^{*} Ely #1 and #2 are owned by San Bernardino County Flood Control District.

- A) Stormwater Passive Capture and Volume Accounting
- B) Stormwater Active Diversion and Volume Accounting
- C) Recycled Water Delivery and Volume Accounting
- D) Imported Water Delivery and Volume Accounting
- E) Vector Control Coordination
- F) Weeding Monthly in Areas of Impact
- G) Landscape and Property Maintenance
- H) Operate and Maintain GWR Communication Infrastructure
- I) Operate and Maintain Diversion Infrastructure
- J) Infiltration Restoration Lead Agency
- K) Infiltration Restoration support agency
- L) Basin grading maintenance lead agency
- M) Basin grading maintenance support agency
- N) Biologic Surveys and Biological Permitting

sources: Chino Basin WCD and IEUA

East Valley

In the East Valley, since 1972 Flood Control District has allowed MUNI to utilize Flood Control detention/debris basins for groundwater recharge when they are not needed for flood control. The legal agreement that defines this relationship is in the process of

being updated. In the meantime, Flood Control District continues to allow MUNI to utilize Flood Control detention/debris basins for groundwater recharge per the terms of the original agreement. Nearly all of the MUNI's facilities have been constructed through participation with other agencies. Projects that involve multiple agencies reduce costs by eliminating parallel facilities. Below is a list of past and current MUNI projects that involve other agencies, as provided by MUNI and reformatted by LAFCO staff.

Facility	Status	Participating Agency
Lytle Creek Pipeline	Complete	San Gabriel Valley Municipal Water District
Foothill Pipeline, SARC Pipeline, Greenspot Pipleline, Yucaipa Pipeline, East Branch Extension	Complete	San Gorgonio Pass Water Agency
(Phase 1)		
Baseline Feeder Wells and Pipeline	Complete	West Valley Water District, City of Rialto, Riverside Highland Mutual Water Company
Baseline Feeder Wells Extension South	Complete	Western Mutual Water District, City of San Bernardino (operate)
Yucaipa Connector Pipeline	Complete	San Gorgonio Pass Water Agency, CA Dept of Water Resources
Mentone South Pipeline, Mentone East Pipeline, (East Branch Extension Pipeline, Phase II)	Construction	San Gorgonio Pass Water Agency, CA Dept of Water Resources
Citrus Reservoir & Pump Station	Construction	San Gorgonio Pass Water Agency, CA Dept of Water Resources
Crafton Hills Pump Station Extension	Construction	San Gorgonio Pass Water Agency, CA Dept of Water Resources
Crafton Hills Reservoir Extension	Construction	San Gorgonio Pass Water Agency, CA Dept of Water Resources
Enhanced Recharge in Santa Ana River Basins Project (stormwater capture)	Design permitting, Land acquisition	Western Municipal Water District, SB Valley Water Conservation District, Riverside Public Utilities, Meeks & Daley Water Company, Riverside Highland Water Company, University of CA, Riverside
Foothill Pump Station Central Feeder Pipeline, Redlands Reservoir & Pump Station	Complete Complete	Metropolitan Water District of So. Cal. Currently developing partnerships, State grants
10 th Street Pipeline	Complete	Owned by San Bernardino Municipal Water Dept. MUNI owns 61.98% of capacity
Virginia Street Pipeline	Complete	Owned by San Bernardino Municipal Water Dept. MUNI owns 46.73% of capacity
Texas Street Reservoir	Complete	Owned by City of Redlands, MUNI owns 2.3 million gallons of capacity

In 2012 an agreement to Develop and Operate Enhanced Recharge Facilities was entered into by the SB Valley WCD, MUNI, and Western Municipal Water District

(Riverside County). The purpose for the agreement is to collaborate by increasing opportunities to recharge local surface water supplies, as well as State Project Water, in the San Bernardino Basin Area by reducing the time and cost required to permit and construct essential public infrastructure (such as spreading basins); and by working together to achieve an efficient division of labor in the operation and maintenance of water infrastructure. The goal of the agreement is to harmonize their water resource activities with other uses, for the optimization of coordinated use by all. Pursuant to the agreement, SB Valley WCD is to lease its facilities and land with financial compensation for the purpose of recharging to MUNI and Western MWD, and such use shall be only for the purpose of recharging, storing or conveying water from any source into or through the percolation basins and other facilities owned or controlled by the SB Valley WCD. The Agreement also requires SB Valley WCD to, hold in reserve, money from the lease payments to prepare for basin cleaning.

B. Opportunities for shared facilities

Multiple opportunities exist for additional shared facilities. Agencies that have a mandate or need to capture stormwater can contract with other agencies that own land in a particular location. As for water education, the Chino Basin WCD operates the sole demonstration garden within the Chino Basin. Consolidation of all water education efforts in the Chino Basin to be performed by Chino Basin WCD would maximize the use of its newly constructed facilities.

As long as there are multiple agencies authorized to provide stormwater capture the opportunity to share facilities will remain. In the West Valley, the Watermaster and IEUA are working together to develop two new retention facilities at the Turner Basin. The City of Ontario and San Bernardino Associated Governments (SANBAG) agreed to spend \$4.5 million to dig out 175,000 cubic yards of soil to form a new water retention basin. In exchange they are keeping the soil for a railroad crossing project.

The opportunity for a shared demonstration facility in the East Valley similar to that of Chino Basin WCD or Cucamonga Valley Water District would benefit the East Valley. Instead of one agency bearing the cost of such a facility, utilizing an existing joint powers mechanism would be preferred. Moreover, such facilities already exist under the Chino Basin WCD and Cucamonga Valley Water District. The East Valley agencies could contract with either of these districts for use of its facilities when needed.

C. Conclusion for Determination V.

Throughout the Valley Region there are numerous partnerships between the Flood Control District, the municipal water districts, and the water conservation districts for storm water capture. This symbiotic relationship produces both economies of scale and duplication of service. As long as there are multiple agencies authorized to provide stormwater capture the opportunity to share facilities will remain.

Determination VI.

Accountability for community service needs, including governmental structure and operational efficiencies

A. Governmental Structure

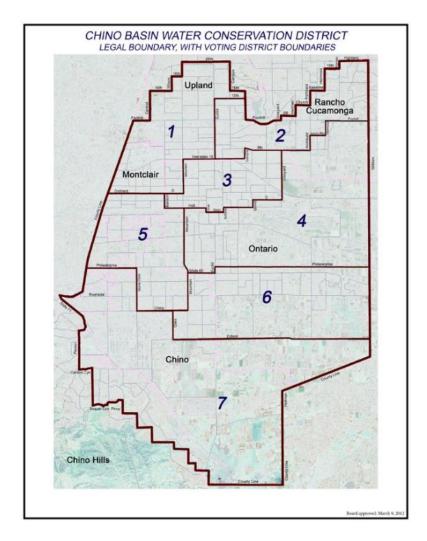
Board of Directors

The primary districts reviewed in this report are independent special districts each governed by a board of directors. Members have been either elected at-large by the voters or appointed in-lieu of election by the County Board of Supervisors to four-year staggered terms.

Chino Basin WCD

The Chino Basin WCD is governed by a seven-member board elected by division and operates with eight committees: Finance, Personnel, Education, Recycled Water, Facilities, Advertising (Ad-hoc), Basin Landscape, and Potential Storm Water Capture Facilities (Ad-hoc). A review of the election results from the County Registrar of Voters website and County Clerk of the Board database since 1996 identifies competitive elections in 1997 (2 of 4 seats), 1999 (2 of 3), 2001 (2 of 4), 2008 (1 of 4), and 2012 (1 of 4). The current composition of the board is shown below with a map of the voting divisions to follow:

Board Member	Title	Term	Division	Elected/Appointed last election
Terry King	Director	2018	1	Appointed In-Lieu of election
Kati Ooten Parker	President	2016	2	Appointed In-Lieu of election
Margaret Hamilton	Director	2018	3	Appointed In-Lieu of election
Paul Hofer	Vice-President	2016	4	Appointed In-Lieu of election
Al Yoakum	Director	2016	5	Elected
Hanif Gulmahamad	Director	2016	6	Appointed In-Lieu of election
Geoffrey Vanden Heuvel	Treasurer	2018	7	Appointed In-Lieu of election



A review of the election results from the County Registrar of Voters website and County Clerk of the Board database identifies that since 2003 there have been only two competitive elections, the remainder have not yielded enough interested and qualified candidates for a competitive election to be conducted, resulting in appointments in-lieu of election. There is a correlation with the pool of potential candidates to hold office (registered voters) and the number of candidates seeking office. In a recent edition of its report, *What's So Special about Special Districts*, the state Senate Local Government Committee states that the, "narrow and technical nature of a district's activities often results in low civic visibility until a crisis arises."

The public's lack of knowledge of the district as well as having seven divisions instead of five may be contributing to the lack of competitive elections. Therefore, a reduction in board members from seven to five, as did SB Valley WCD, may allow for competitive elections.

⁴⁰ California Senate Local Government Committee, *What's So Special about Special Districts?*, Fourth Edition, October 2010.

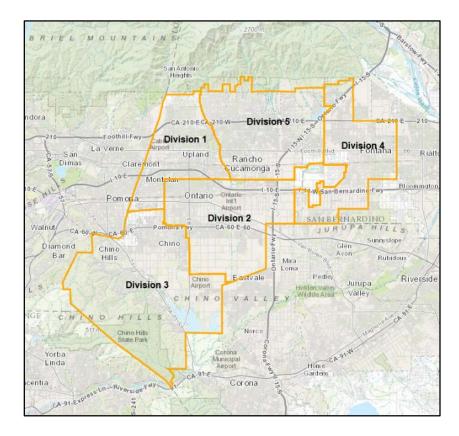
Currently, the District employs a total of 14 employees consisting of 12 full-time employees (one General Manager, one Conservation Specialist, one Community Outreach/Education Coordinator, one Administrative Assistant, one Office Assistant, two Conservation Technicians, three Landscape Maintenance Workers, one Facility/Landscape Maintenance Supervisor), one part time employee (Technical Writer), and two part time interns.

Specific to the education function of the district, two full time employees are assigned 100% of their efforts to education (Community Outreach and Education Coordinator and Community Outreach and Education Assistant). The Conservation Specialist current is assigned 75% of time to education, which is planned to transition to 100%. The Conservation Assistant is assigned 50% of the time to education. Five additional employees are QWEL certified and teach the classes to professional landscapers. Due to the drought and the Governor's direction on water conservation, it is the district's desire to have all employees involved in water conservation.

IEUA

A five-member Board of Directors governs the Inland Empire Utilities Agency. Each director is elected by division, Division 1 (Upland/Montclair); Division 2 (Ontario); Division 3 (Chino/Chino Hills); Division 4 (Fontana); Division 5 (Rancho Cucamonga), and serves a four-year term. A review of the election results from the County Registrar of Voters website and County Clerk of the Board database since 1996 identifies competitive elections in 1996 (2 of 2 seats), 1998 (1 of 3), 2000 (1 of 2), 2004 (2 of 2), 2006 (2 of 3), 2008 (2 of 2), 2010 (3 of 3), and 2014 (1 of 3). The current composition of the board is shown below with a map of the voting divisions to follow:

Board Member	Title	Term	Division	Elected/Appointed last election
Terry Catlin	President	2016	1	Appointed in lieu of election
Gene Koopman	Director	2018	2	Elected
Steven Elie	Secretary/Treasurer	2018	3	Appointed in lieu of election
Jasmin Hall	Director	2018	4	Appointed in lieu of election
Michael Camacho	Vice President	2016	5	Appointed in lieu of election



The Agency's staff consisted of 295 authorized positions, of which 258 were filled as of June 30, 2014. The Agency is organized with five executive staff (General Manager, Executive Manager of Policy Development, Executive Manager of Operations, Executive Manager of Engineering, and the Chief Financial Officer) and 12 management staff. Of the 258 employees, 2.6 Full Time Equivalent positions were dedicated to recharge water programs and 4.3 to water related activities and conservation programs.

SB Valley WCD

The SB Valley WCD is governed by a five member Board of Directors, elected within divisions. Up until December 2013, the District had seven seated Board Members. In October 2012 it acted to reduce its number of elected representatives in accordance with the requirements of SB-235, a bill sponsored by the district to allow it to reduce from seven board members to five board members. The Board adopted Resolution No. 481 Implementing Senate Bill 235, ordered the reorganization of the divisions, and reduced the number of board members from seven to five in September 2012.

Board elections are held by mail ballot in the August of each odd year. A review of the election results from the County Registrar of Voters website and County Clerk of the Board database since 1996 identifies competitive elections in 1997 (1 of 4 seats), 1999 (1 of 3), 2001 (1 of 4), 2009 (1 of 4) and 2011 (1 of 3). Since the reorganization of the divisions, all board members have been appointed. The current composition of the board is shown below with a map of the voting divisions to follow:

Board Member	Title	Term	Division	Elected/Appointed last election
Richard Corneille	President	2015	1	Appointed in lieu of election
David Raley	Director	2017	2	Appointed in lieu of election
Manuel Aranda Jr.	Director	2015	3	Appointed in lieu of election
John Longville	Director	2017	4	Appointed in lieu of election
Melody Henriquez-	Vice-	2017	5	Appointed in lieu of election
McDonald	President			

Legend

Legend

Louise 1

Division 2

Division 3

Division 3

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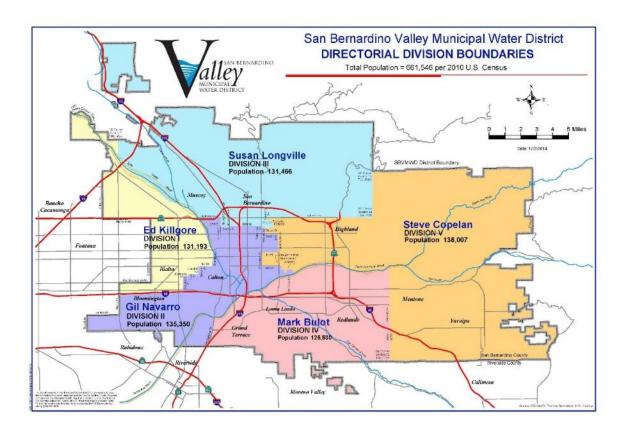
San Bernardino Valley Water Conservation District Division Boundaries

SB Valley WCD currently has six full time staff authorized by the Board: two field staff, two administrative staff, Land Resources Manager, and General Manager. Part time interns change as students are hired and graduate. Currently, there are no other part time staff. For large maintenance activities, temporary labor may assist the field staff.

MUNI

San Bernardino Valley Municipal Water District is governed by a five member board of directors that each represent one division within MUNI's service area. A review of the election results from the County Registrar of Voters website and County Clerk of the Board database since 1996 identifies competitive elections in 1996 (1 of 2 seats), 1998 (3 of 3), 2000 (2 of 2), 2008 (1 of 2), 2010 (3 of 3), 2012 (2 of 2), and 2014 (3 of 3). The current composition of the board is shown below with a map of the voting divisions to follow:

Board Member	Title	Term	Division	Elected/Appointed last election
Ed Killgore	Treasurer	2016	1	Elected
Gil Navaro	Secretary	2016	2	Elected
Susan Longville	Director	2018	3	Elected
Mark Bulot	President	2018	4	Elected
Steve Copelan	Vice-President	2018	5	Elected



B. Governmental Structure Opportunities

The State has published advisory guidelines for LAFCOs to address all of the substantive issues required by law for conducting a service review ⁴¹. The Guidelines address 49 factors in identifying an agency's government structure options. Themes among the factors include but are not limited to: more logical service boundaries, elimination of overlapping boundaries that cause service inefficiencies, economies of scale, opportunities to enhance capital improvement plans, and recommendations by a service provider.

In some cases, functional consolidation or integration can reduce costs so that services can be maintained and improved with fewer dollars. A service review should address possible options for the community to consider for the future. Movement towards these

⁴¹ State of California. Governor's Office of Planning and Research. "Local Agency Formation Commission Municipal Service Review Guidelines", August 2003.

scenarios would include, but not be limited to, the requirement to prepare a plan for service, fiscal impact analysis, and any other required studies.

1. Reorganization to include Consolidation of the Water Conservation Districts

In the West Valley and East Valley there is overlap of both storm water capture and water education activities by the water conservation districts and the municipal water districts, as well as the Flood Control District. In each circumstance, the water conservation district is 1) a single purpose district (in fact the two water conservation districts in San Bernardino County are the only water conservation districts in the state that do not provide wholesale or retail water), 2) is not the only agency within its basin that provides stormwater capture or water education, 3) is overlaid by a municipal water district and flood control district that are authorized and actively provide stormwater capture, and 4) is overlaid by a municipal water district that engages in water education activities regionally. Therefore, the discussion of streamlining these activities in the Valley Region is warranted.

To dissolve a water conservation district, Water Conservation District Law requires a petition signed by 60% of the registered voters within a water conservation district to support the dissolution. This requirement would have to occur for each of the water conservation districts. Therefore, dissolution of either water conservation district is not likely given these requirements. Instead, consolidation of a water conservation district provides a more likely mechanism.

Consolidation offers the greatest level of benefit for resource management, seamless operations, and standardized coverage. For stormwater capture, overhead would reduce as shared equipment and labor would result in savings. All areas would participate in capital costs for new equipment and facility upgrades. The redundancies for multiple elected and appointed officials as well as leadership staff would be eliminated. It would be expected that a single agency could use resources more effectively, and water education activities could consolidate thereby resulting in a single, streamlined message.

Under the consolidation option, by statute all assets and liabilities of consolidating organizations accrue to the new entity. Thus, the consolidated district would receive title to all assets of the existing districts and would become responsible for subsequent capital improvements required. Terms and conditions imposed by LAFCO on the reorganization would specify such transfer and restrictions. In the case of outstanding debt, a condition would be imposed by LAFCO whereby the area that incurred the debt pays off that debt. Therefore, the other consolidating agencies would not be subject to such debt payments. An application for consolidation would include a condition that all property tax revenue from each district would transfer to the consolidated district.

a. Regional - One Water Conservation District for the Valley Region

Since the formation of the two water conservation districts in the Valley, there are significant gaps in coverage of a water conservation district, particularly within the Rialto-Colton basin. This scenario would include consolidation of the two water conservation districts and annexation of the remainder of the Valley Region.

Historically, the two water conservation districts were formed by the needs of the respective areas. SB Valley WCD was preceded by a voluntary water conservation association formed in 1908 for water recharge and protection of water rights. Chino Basin WCD was formed in 1949 to protect the Chino Groundwater Basin.

The benefits of a single regional agency responsible for water conservation is that the consolidated agency could be the primary agency responsible for water conservation for the entire Valley Region to include storm water capture and public education. The area in between the two water conservation districts is covered by the Lytle Creek Water Conservation Association⁴². For public education, this would provide a single voice on the matter thus removing the fractured message, program, and educational opportunities. Also, the newly constructed facilities of the Chino Basin WCD (Water Conservation Center and Waterwise Demonstration Garden) would be available to the entire Valley Region. In response to the draft staff report, SB Valley WCD states that it believes that the local nature of water conservation is important. While public education does benefit from coordination and unification such as is done in the East Valley with iEfficient and cooperatively funding Inland Empire RCD programs, the district does not believe that public education would be specifically enhanced by consolidation.

However, this would not streamline the storm water capture activity because the Flood Control District and the municipal water districts would continue to contract with the water conservation district. While there would be one less water conservation district in sum, the level of contracting between the consolidated water conservation district and other agencies would remain. Thus, it appears that economies of scale for stormwater capture would not be maximized in this regard. Moreover, each basin is unique with its own geology and challenges. Total basin management (one agency to oversee all activities per sub-basin) would maximize efficiencies instead of a regional storm water capture agency. Further, the Chino Basin and San Bernardino Basin Area are adjudicated and basin management is paramount.

While LAFCO staff supports this effort and the consolidation if proposed by the two agencies could not be denied by the Commission, it appears that the two Municipal Water Districts would not support this jurisdictional change.

⁴² A 1924 judgment allocated all water rights in the Lytle Creek Region to the various user agencies.

b. Regional - San Bernardino County Flood Control District Assuming all Storm Water Capture

The special legislation forming the San Bernardino County Flood Control District prescribes water conservation activities as one of its functions for the waters of San Bernardino County. This scenario would include the consolidation of the two water conservation districts with the Flood Control District with the consolidated district being the Flood Control District. This would reduce the duplication of the agencies that are authorized to perform storm water capture (all the agencies reviewed in this report). The result would be the Flood Control District as the primary storm water capture agency in the Valley Region. Additionally, the Flood Control District could jointly manage the movement of flood water and capture of storm water.

Similar reasoning as with the consolidation of the water conservation districts option described above, the unique geography of each basin along with its own challenges would not a support total basin management approach. Further, the Chino Basin and San Bernardino Basin Area are adjudicated and basin health is paramount. For these reasons, the overlying municipal water districts would probably not support this scenario.

In addition, as a part of the processing of this service review, the Flood Control District has identified that its primary function is to move flood waters as quickly and safely through the area so as not to cause damage. Lacking support of the two municipal water districts and the Flood Control District, this option is not likely.

c. <u>Consolidation of the Water Conservation District and its Respective Municipal</u> Water District

In this scenario, the smaller water conservation district consolidates with the larger municipal water district. In the West Valley this would include Chino Basin WCD and IEUA, and in the East Valley this would include SB Valley WCD and MUNI. The discussion immediately below describes consolidation between the water conservation districts with the municipal water districts in general. A discussion of each specific consolidation scenario also follows.

Each municipal water district overlays the entirety of the respective water conservation district and both are authorized to and actively perform water conservation activities. Further, the municipal water district contracts with the water conservation district to provide conservation programs on its behalf. Therefore, economies of scale can be achieved through consolidation.

Should an agency submit an application to LAFCO to consolidate a water conservation district with a municipal water district, the plan for service would need to show that storm water capture and water education would not decrease. Further, the application would need to show the effects, if any, on the adjudications and contract with the Department of Water Resources for the State

Water Project. The municipal water districts in essence would institute a water conservation division to continue all water conservation activities.

Water Conservation Act of 2009

For efforts to reduce consumer consumption, the two water conservation districts in the Valley are neither 1) responsible for the demand reductions required by the Water Conservation Act of 2009 (10% demand reduction by 2015 and 20% by 2020), nor 2) responsible for helping the retail agencies within its boundary achieve their water use reductions as the water conservations districts are not "urban wholesale water providers". Therefore, the water conservation districts lack the ability to significantly contribute to important water conservation legislation regarding reducing consumer consumption.

Sustainable Groundwater Management Act of 2014

The Sustainable Groundwater Management Act of 2014 enacted comprehensive legislation aimed at strengthening local control and management of groundwater basins throughout the state. The Act provides provide tools and authorities for local agencies to achieve the sustainability goal over a 20-year implementation period. The first step to implement the Act is for local agencies to form local groundwater sustainability agencies (GSAs) by June 1, 2017. The second step is the adoption of groundwater sustainability plans (GSPs) by January 31, 2020 for basins determined by the Department of Water Resources to be in critical overdraft and by January 31, 2022 for those not in critical overdraft. Once the GSPs are in place, local agencies have 20 years to fully implement them and achieve the sustainability goal.

Current interpretation of the Act reads that adjudicated basins are exempt from creating a GSA and a GSP, but still requires reporting to the state. In this case, the court-appointed receivers (Chino Basin Watermaster and MUNI) can fulfill the reporting requirement to the state. Further, in the Chino Basin the IEUA and the Chino Basin Watermaster jointly report to the court on basin monitoring. Additionally, some basins extend beyond the adjudicated boundary, and in this case the larger agency may be the best suited to perform the task of the GSA, being the municipal water districts in the Chino Basin and San Bernardino Basin Area.

 i. West Valley - Consolidation of Chino Basin Water Conservation District and the Inland Empire Utilities Agency

Moving towards total basin management, the Chino Basin WCD's boundaries only cover approximately the westerly 50% of the Chino Groundwater Basin, with the other 50% composed of 30% in San Bernardino County and 20% in Riverside and Los Angeles Counties. The IEUA encompasses the entire Basin portion that is within San Bernardino County.

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⁴³ Water Code 10608.36

Previous Dissolution Proposals

In 1969, LAFCO considered a proposal submitted by the County to dissolve the Chino Basin WCD (LAFCO 823). The County's application to LAFCO reasoned that the district received property taxes yet provided few if any services and that other districts can and do provide similar services. However, the proposal was terminated because the Commission determined that the district was not considered a district under the terms of the former District Reorganization Act (therefore not under LAFCO purview at that time), and LAFCO statute directed the process to return to the district's principal act.

In 1983 the San Bernardino LAFCO Commission directed its staff to conduct a special study on water conservation in the Chino Basin to include the multifaceted areas of water conservation, water resource management, and water reclamation. The special study produced a paper titled, <u>A Position Paper Expressing Concern for the Water Conservation Program within the Chino Basin</u>. A copy of the paper is included as Attachment #4 to this report.

The paper reiterated how important is it, and will continue to be, that the region have a coordinated program to conserve natural waters. The paper found that there was no coordinated program at that time and that efforts in water conservation were fragmented, and enormous quantities of water which might be preserved were lost to the area. The paper indicated several options as to funding and as to an organizational structure which might provide a coordinated program. In examining the options for solution, considering expertise, staffing and resources, the paper indicated that the two agencies best suited to perform a coordinated conservation effort were the Chino Basin Municipal Water District (now Inland Empire Utilities Agency) and the County Flood Control District – but neither of these would want the assignment without the assurance of full support from all the other benefitting agencies. The summary of responses from water agencies in the basin generally supported the conclusions of the study and supported a coordinated effort for water conservation, but no specific plans were identified.

According to the initial service review in 2002 for Chino Basin WCD, around 1997 the County of San Bernardino, in participation with LAFCO staff, explored the possibility of dissolving the district, with the water conservation functions to be succeeded by either IEUA or the Flood Control District. The County drafted legislation, which later failed to pass, to clarify the process that would occur if dissolution were proposed. Legislation was necessary because the district is an unusual agency that was partly under LAFCO jurisdiction and partly under the jurisdiction of its own principal act. At that time, LAFCO could review and consider and approve or deny reorganizations, but the protest hearing followed the provisions of the principal act which made it impossible for dissolution or consideration or any change to occur without agreement of the district board of directors. In this case, the district board did not agree that the district should be dissolved or

consolidated with another agency but suggested that the district provides a unique service in the West Valley.

Present

In the materials presented to LAFCO for this service review, Chino Basin WCD states that it has the primary responsibility and emphasis upon the spreading and conservation of natural run-off water. If this function were consolidated into another water organization that is multi-function, the conservation aspect could lose its primary emphasis. However, IEUA currently has substantial financial resources and various legal and stewardship obligations to ensure continued successful groundwater resource management. Part of IEUA's Vision is to continue to develop and protect local water supplies in an effort to "drought-proof" the Chino Basin region and promote water reliability by:

- Expanding use of recycled water in irrigation, landscaping and industrial uses in lieu of more costly imported water;
- Maintain groundwater recharge basins in order to optimize the recharge of storm water, recycled water and replenishment imported water supplies;
- Protect the quality of local water supplies by reducing salt and other emerging contaminants; and
- Promote water conservation and water use efficiency through education and outreach programs that inform the public of the importance of protecting water

This option is feasible given the information and reasoning identified above. The Chino Basin WCD has expressed its opposition to such a change and the IEUA has not publicly provided its position on this scenario.

ii. <u>East Valley - Consolidation of San Bernardino Valley Water Conservation</u>
District and San Bernardino Valley Municipal Water District

In March 2006, San Bernardino LAFCO, per determinations and findings in Resolution 2893, approved a "zero" sphere of influence for SB Valley WCD. LAFCO's position at that time was that a single water conservation entity should address the water conservation services in the Bunker Hill Groundwater Basin, and SB Valley WCD should be consolidated with the San Bernardino Valley Municipal Water District (MUNI) in the future. The "zero" sphere was determined by LAFCO to be"...subject to review and change in the event a future significant change of circumstances so warrants." In July 2008, a proposed consolidation of SB Valley WCD and MUNI was denied by LAFCO.

The same arguments for the consolidation of Chino Basin WCD and IEUA apply to this scenario. During the processing of this service review, both the SB Valley WCD and MUNI have expressed the lack of desire to consolidate

given the contentious nature of the previous consolidation proposal and the deep and painful wounds that linger.

2. Formation of a Groundwater Sustainability Council for the East Valley

In response to the recent groundwater legislation to form groundwater sustainability agencies (GSAs) by June 1, 2017, and as an alternative to consolidating San Bernardino Valley Water Conservation District, San Bernardino Valley Municipal Water District, and the East Valley Water District ("East Valley WD") have submitted a joint letter signed by the respective general managers on the possible formation of a Regional Sustainable Groundwater Management Council. Copies of the letter dated December 12, 2014 and April 1, 2015 are included as Attachment #5. The concept has been vetted with each board with universal intent to move forward.

In sum, the letter expresses the following:

- We agree the questions LAFCO is asking are important.
- We support the intent of the questions and MSR [service review] process.
- We feel consolidation is damaging to the working relationships of the agencies.
- Basin water agencies are proposing a Regional Groundwater Sustainability Council, related to recent groundwater legislation requirements.
- With this proposal and the agencies' working relationships, consolidation is unneeded and produces an inferior result.

The letter identifies the goals of the Council at this time as:

- Develop collaborative management to ensure efficiency and fairness of costs to beneficiaries. The following agencies are expected to become members which eliminates equity issues in the current SB Valley WCD groundwater charge: Cities of Riverside, Redlands, San Bernardino, Loma Linda, Colton, and Yucaipa; East Valley WD; West Valley WD; agricultural and industry; mutual water companies; Fontana Union Water company, MUNI, and SB Valley WCD.
- Develop regional Groundwater Sustainability Council structure to help basin users meet sustainability need and share responsibility.
- Replace [SB Valley WCD] Groundwater Charge with part of basin sustainability funding.
- Use the opportunity to develop a cost model fair to all producers, small and large, public and private, in a collaborative manner.
- Protect recharge lands and long-term ability to recharge.
- While not all water related entities have had adequate time to discuss all elements of the Groundwater Sustainability Council, there is demonstrated support for moving to form such an organization.

The Groundwater Sustainability Council will be implemented through an agreement that will provide for the equitable funding of groundwater recharge for each basin covered by the Council. The Council's purpose will in no way change the existing

authority of the elected city councils and special district boards of directors that make up the Council. These governmental structures will fully retain their legislative authority to set rates, appropriate funds, etc. The Council, made up of general managers or equivalent staff representatives, will perform the scientific studies to determine the water supply and funding needs and then develop recommendations for their respective boards.

While this scenario does not achieve the full range of economies of scale in a consolidation, the formation of this Council would in essence be a functional consolidation, an effort that this Commission has historically supported.

Of note, this option does not require LAFCO approval except in the instance of service outsider an agency's boundaries. Pursuant to Government Code Section 56133, LAFCO is charged with the responsibility for reviewing and taking action on any city or district contract to extend service outside of its jurisdiction. If an agency is anticipated to actively provide a service outside of its boundary it would need to submit an application to LAFCO requesting either approval or exemption from Section 56133. In this scenario, if the San Bernardino WCD is intended to perform activities outside its boundaries, that contract would need to be reviewed and approved by LAFCO.

3. West Valley – Sphere of Influence Expansion for the Chino Basin Water Conservation District to encompass the Chino Groundwater Basin

The Chino Basin WCD has long provided water conservation sustainability through demonstration and education and it provides this service well. To further its demonstration and education service, it opened its Water Conservation Center campus in 2014. However, the Chino Basin WCD does not encompass the entire Chino Basin nor does it encompass all of the San Bernardino County portion of the Basin. A sphere of influence expansion would allow the district to have a greater role in recharge planning and education activities throughout the Basin. This would ultimately support the position that the Chino Basin WCD and IEUA should be one agency for the future.

4. <u>East Valley – Sphere of Influence Expansion for the San Bernardino Valley Water</u> Conservation District to encompass the Remainder of the Bunker Hill Basin

The San Bernardino Valley Water Conservation District has submitted an application to LAFCO requesting expansion of its sphere of influence from a zero sphere designation to one that extends beyond its boundary to include territory along the Santa Ana River (LAFCO 3173). Per Government Code Section 56076, a "Sphere of influence" means a plan for the probable physical boundaries and service area of a local agency, as determined by the commission.

However, LAFCO and its staff have continually expressed its sentiments that the district move towards expanding its sphere of influence to encompass the entirety of the Bunker Hill Basin. Therefore, the staff would recommend that LAFCO 3173 be modified to address the boundaries of MUNI as an alternative for further discussion.

In response to the draft staff report, the District requested in LAFCO 3173,

"a sphere that was supported by the agencies it currently serves. Our request has not changed. However, to address LAFCO suggestions, the 2014 Groundwater Management Act and build on the broad cooperative environment building in East Valley, the District with Muni, East Valley Water District and others is organizing the Groundwater Sustainability Council [GSC] to address the same issues LAFCO raises here. We feel that there is an opportunity to solve several issues in this cooperative coordinated effort that would not be solved in consolidation or changes to spheres themselves. However we do agree that the sphere, as ultimate service area, should be addressed with the GSC. We strongly believe that LAFCO should allow the GSC to form and implement its programs and assess the needs for changes to services based on its efforts and the developing changes being considered."

5. Maintenance of the Status Quo

The maintenance of the current government structure is always an option. It is likely that IEUA will be involved in some manner for the reporting related to the groundwater legislation as it already jointly reports to the court, along with the Watermaster, for the Chino Basin. Therefore, the role of the Chino Basin WCD would remain duplicative.

In the East Valley, the groundwater sustainability agency is proposed to the Groundwater Sustainability Council described above. Nonetheless, the role of the SB Valley WCD would remain duplicative as MUNI and Western Municipal Water District are the Watermaster for the San Bernardino Basin Area.

C. Conclusion for Determination VI.

Within at least the past ten years, the two water conservation districts have not consistently yielded enough candidates for the board of directors to field competitive elections. This has resulted in the majority of the seats being filled by appointments in lieu of election. The elections for the Municipal Water Districts are more competitive: IEUA has had an election for at least one board member in eight out of the last ten election cycles; and MUNI has had an election for at least one board member in seven out of the last ten election cycles.

Given the determinations of this service review, LAFCO staff's position is that one of two options should be supported by the Commission: (1) the consolidation of the two Water Conservation Districts into a single Water Conservation District serving the entirety of the Valley region and bringing the educational opportunities to a much broader constituency, or (2) two water conservation districts should consolidate with its respective overlaying municipal water district.

The first scenario of a single Water Conservation District encompassing the Valley has not been supported by any of the districts citing such concerns as separate basin activities and resources to the location of operations and governance. While this

scenario would provide direct control of the consolidation process by the Water Conservation Districts and provides for a means to extend the conservation educational elements to all of the urban valley region, it appears that it has been discounted by all involved in the study. Without support from some quarter of the affected agencies, success would not be anticipated.

Turning to option two, consolidation with the respective Municipal Water Districts, for SB Valley WCD, a proposed consolidation of the SB Valley WCD and the San Bernardino Valley Municipal Water District was denied by LAFCO on the basis that the financial and structural issues identified by staff were being addressed by the District and consolidation would not offer an assurance of the continued services. During the processing of this service review, both the SB Valley WCD and MUNI have outlined their reluctance to consolidate given the contentious nature of the previous process and the deep and painful wounds that linger. However, as a part of this service review these agencies, along with East Valley Water District, have submitted an outline to form a Groundwater Sustainability Council ("Council") for stormwater capture, water import funding, and groundwater recharge which they are circulating to the east valley retailers. This effort proposes a means or mechanism to coordinate key functions and shared services and facilities, absent formal consolidation. The Council would be the responsible entity for ensuring adequate stormwater capture, imported water funding, and groundwater recharge efforts. The Council would be composed of the general managers of the water producers from the basin. While this scenario does not achieve consolidation it moves toward shared services and facilities, and it provides a means to move towards more efficient provision of this service in the East Valley area. While not the preferred method for service provision, LAFCO staff would support this option absent a desire for consolidation by the agencies. The one caveat with the structure is that the general managers form the council rather than elected officials which does not allow for a true functional consolidation as a joint powers authority would. Given the proviso identified above, LAFCO staff supports this effort and in doing so recommends that the Commission modify LAFCO 3173 to evaluate the alternative of modifying the SB Valley WCD's sphere of influence to be more in line with the Council's proposed efforts.

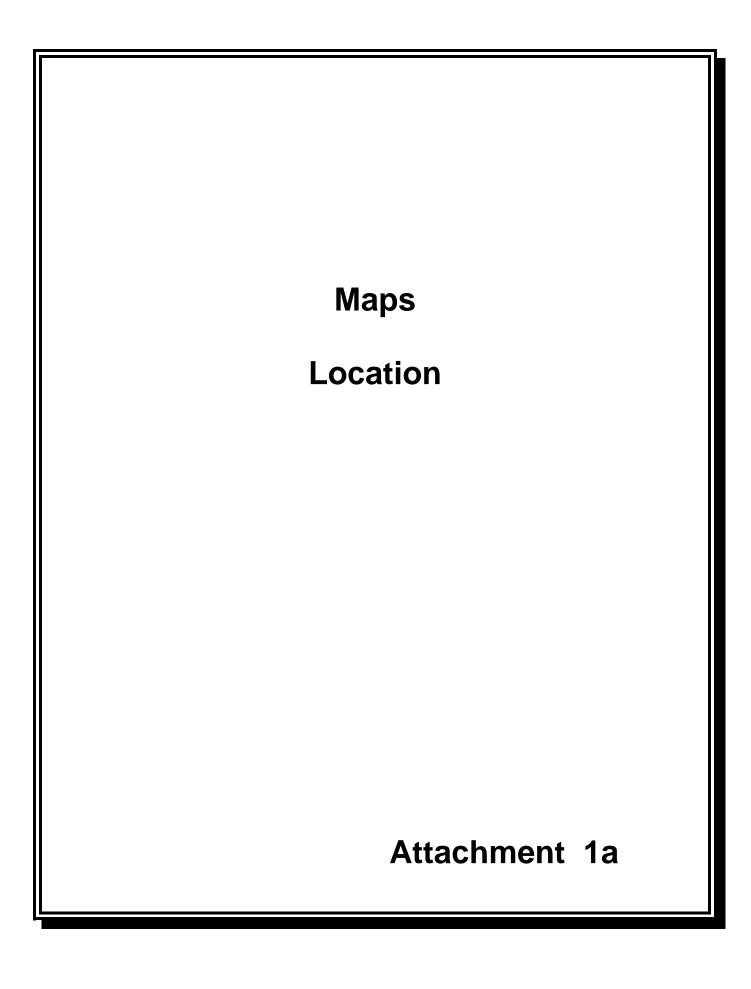
For the West Valley, efforts and sentiments to dissolve the Chino Basin WCD date back to at least 1969 based on the reasoning that the district's functions and services could be assumed by an overlying agency that has the same authorized functions and services (IEUA or Flood Control District). Given the information gathered and the determinations of this service review, LAFCO staff's position is that the best option for continuing the level of service currently offered for the entire West Valley would be for the Chino Basin WCD to consolidate with the IEUA. Should these districts not desire to put forth an application to LAFCO, the formation of an alliance, joint powers authority, or council similar to that as being proposed in the East Valley, as identified above, would move towards achieving greater economies of scale. Therefore, LAFCO staff recommends that the Commission initiate a sphere of influence proposal to evaluate an expansion of the Chino Basin WCD's existing coterminous sphere.

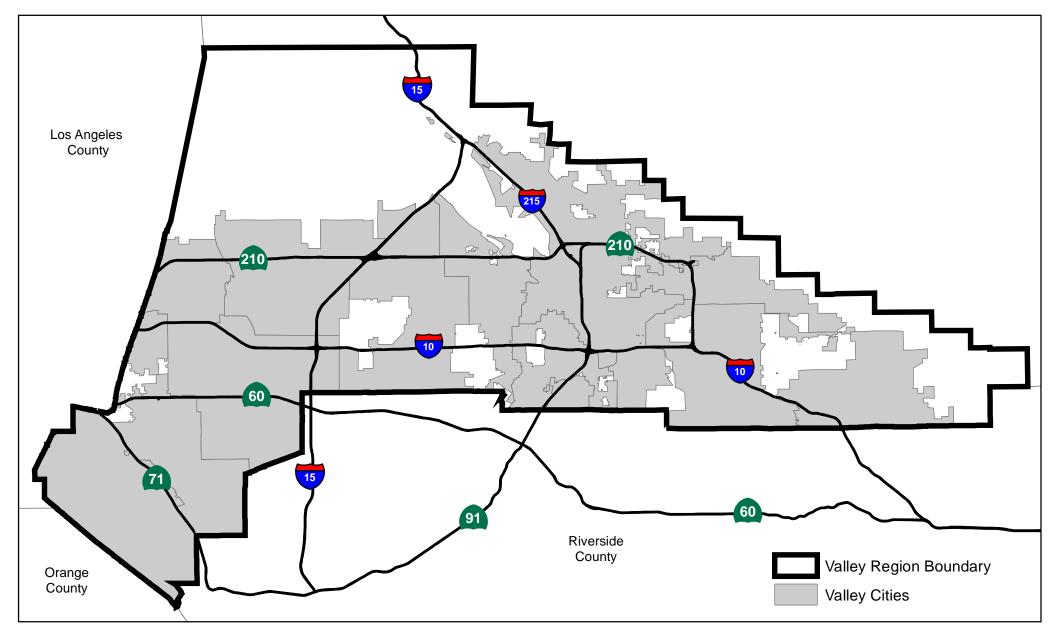
In order to address these recommendations, LAFCO staff is proposing that the Commission:

- Initiate a sphere of influence review for the Chino Basin Water Conservation District to include analysis of the following alternatives:
 - Expansion of the sphere of influence to be coterminous with the sphere of influence of IEUA;
 - Expansion to include the whole of the Chino Basin; or,
 - Designation of a zero sphere of influence.
- Modify LAFCO 3173 to include the analysis of the following alternatives for consideration:
 - Expansion of the sphere of influence to be coterminous with the sphere of influence of MUNI,
 - o Include the whole of the Bunker Hill Basin, or
 - The request initiated by the District to expand the sphere of influence from its current zero sphere designation to include the district's boundary plus an additional 1,973 acres.

ATTACHMENTS

- 1. Maps
 - a. Location
 - b. Water Conservation Districts and Basins
- 2. Maps of the Upper Santa Ana River Habitat Conservation Plan (Wash Plan)
- 3. Financial Statements for the Agencies
 - a. Chino Basin Water Conservation District: June 30, 2014
 - b. Inland Empire Utilities Agency: June 30, 2014
 - c. San Bernardino Valley Municipal Water District, June 30, 2014
 - d. San Bernardino Valley Water Conservation District, June 30, 2014
- 4. 1983 LAFCO Special Study on Water Conservation in the Chino Basin
- 5. Letters dated April 1, 2015 and December 12, 2014 regarding Regional Sustainable Groundwater Management Council for the East Valley
- 6. Information Provided by the Chino Basin Water Conservation District dated March 2, 2015
- 7. Responses to the Draft Staff Report
 - a. Chino Basin Water Conservation District
 - b. Inland Empire Utilities Agency
 - c. San Bernardino Valley Municipal Water District
 - d. San Bernardino Valley Water Conservation District
 - e. San Bernardino County Flood Control District





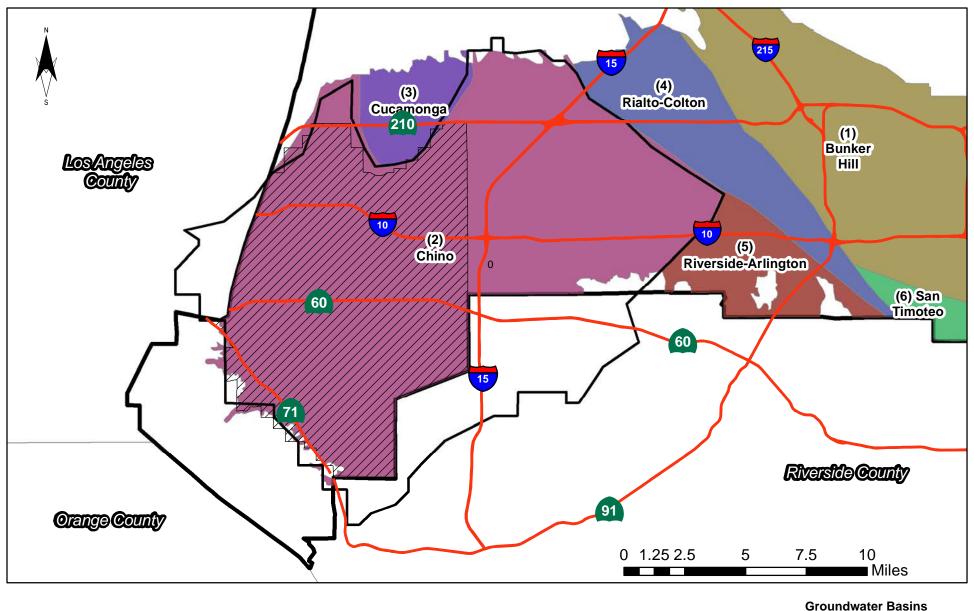


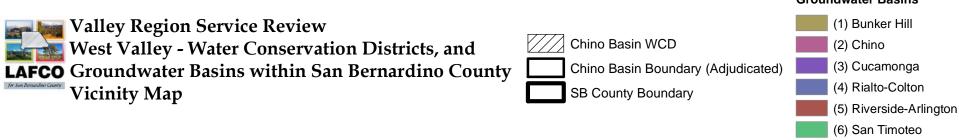
LAFCO 3174 - Service Review for Water Conservation within the Valley Region Vicinity Map

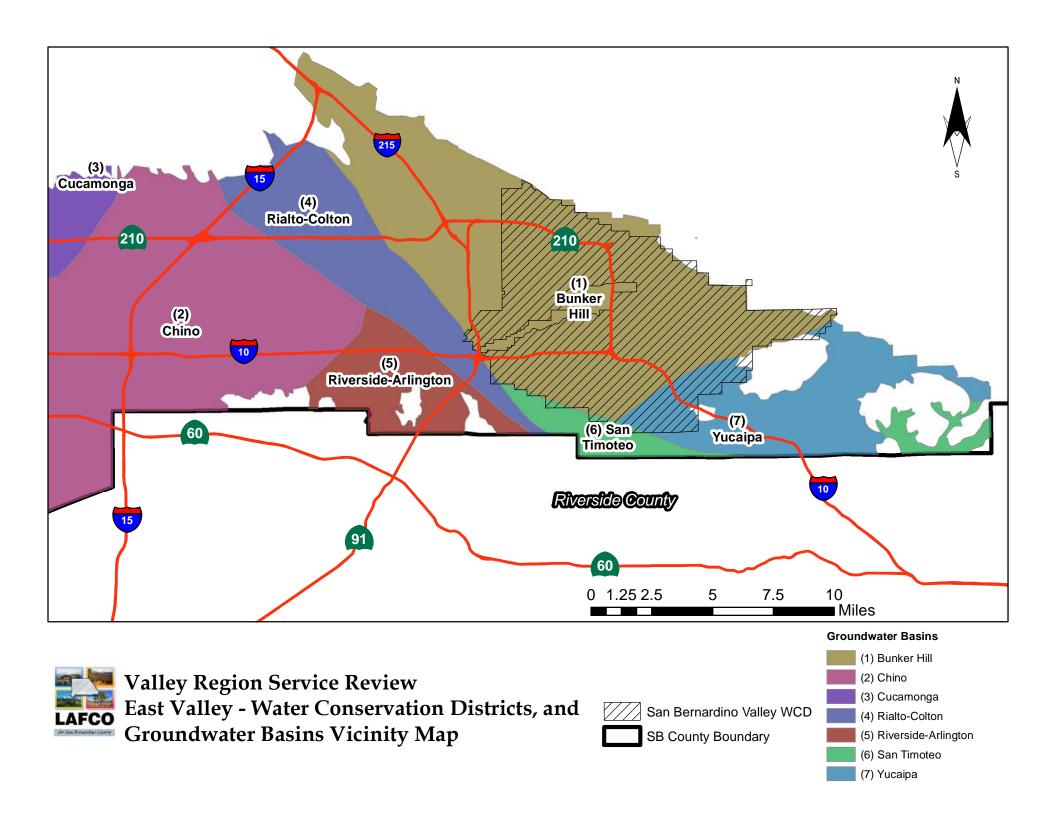


0 1.75 3.5 7 10.5 14 Miles

Maps Water Conservation Districts and Basins Attachment 1b







Maps of the Upper Santa Ana River Habitat Conservation Plan (Wash Plan)

Attachment 2

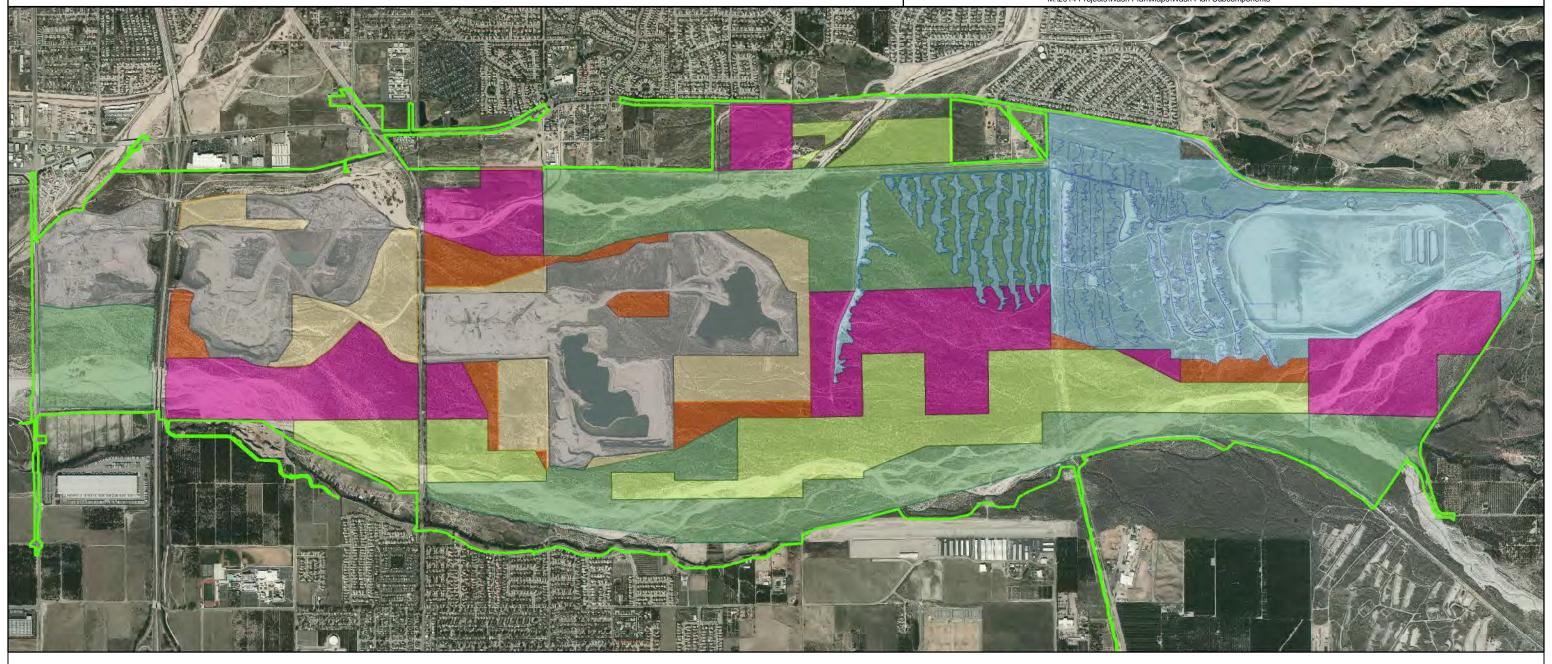
Wash Plan Subcomponents



Coordinate System: StatePlane California V FIPS 0405 Feet
Projection: Lambert Conformal Conic
Datum: North American 1983
Scale: 1:24,000
Source: SBVWCD GIS
GIS Contact: Erin Berger
M:\2014 Projects\Wash Plan\Maps\Wash Plan Subcomponents

October 10, 2014







WATER CONSERVATION (869 ACRES)

WOOLLY STAR PRESERVATION AREA (545 ACRES)

EXISTING MINING (804 ACRES)

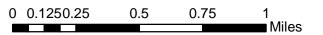
NEW MINING (283 ACRES)

NEWLY CONSERVED (977 ACRES)

ADDITIONAL CONSERVATION (163 ACRES)

ADDITIONALLY MANAGED (686 ACRES)

— WASH PLAN BOUNDARY



TOTAL WASH PLAN ACREAGE: 4,837

All acreages are approxomate

WASH PLAN COVERED ACTIVITIES

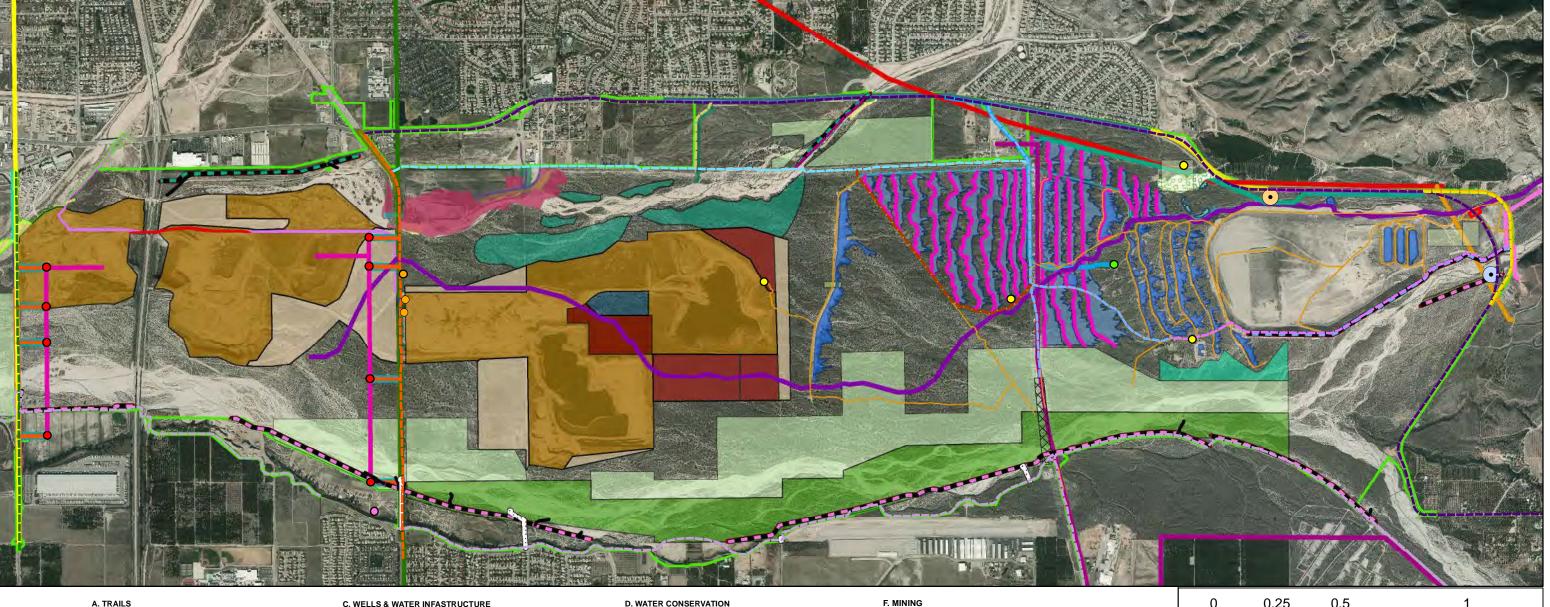


Coordinate System: StatePlane California V FIPS 0405 Feet Projection: Lambert Conformal Conic Datum: North American 1983 Scale: 1:24,000 Source: SBVWCD GIS GIS Contact: Erin Berger

October 10, 2014



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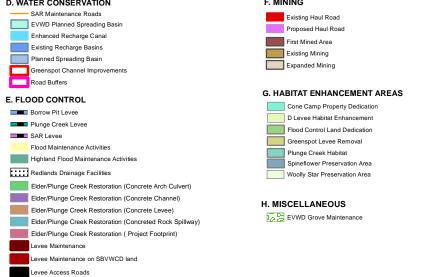


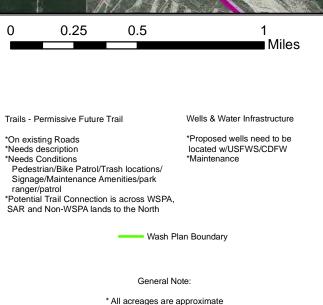


Orange (Highland)

Orange Signalization(Redlands)







SBVWCD SAR FACILITIES



Coordinate System: StatePlane California V FIPS 0405 Ft Projection: Lambert Conformal Conic Datum: North American 1983 Source: SBVWCD GIS Scale: 1:14,600 GIS Contact: Erin Berger

October 3, 2014





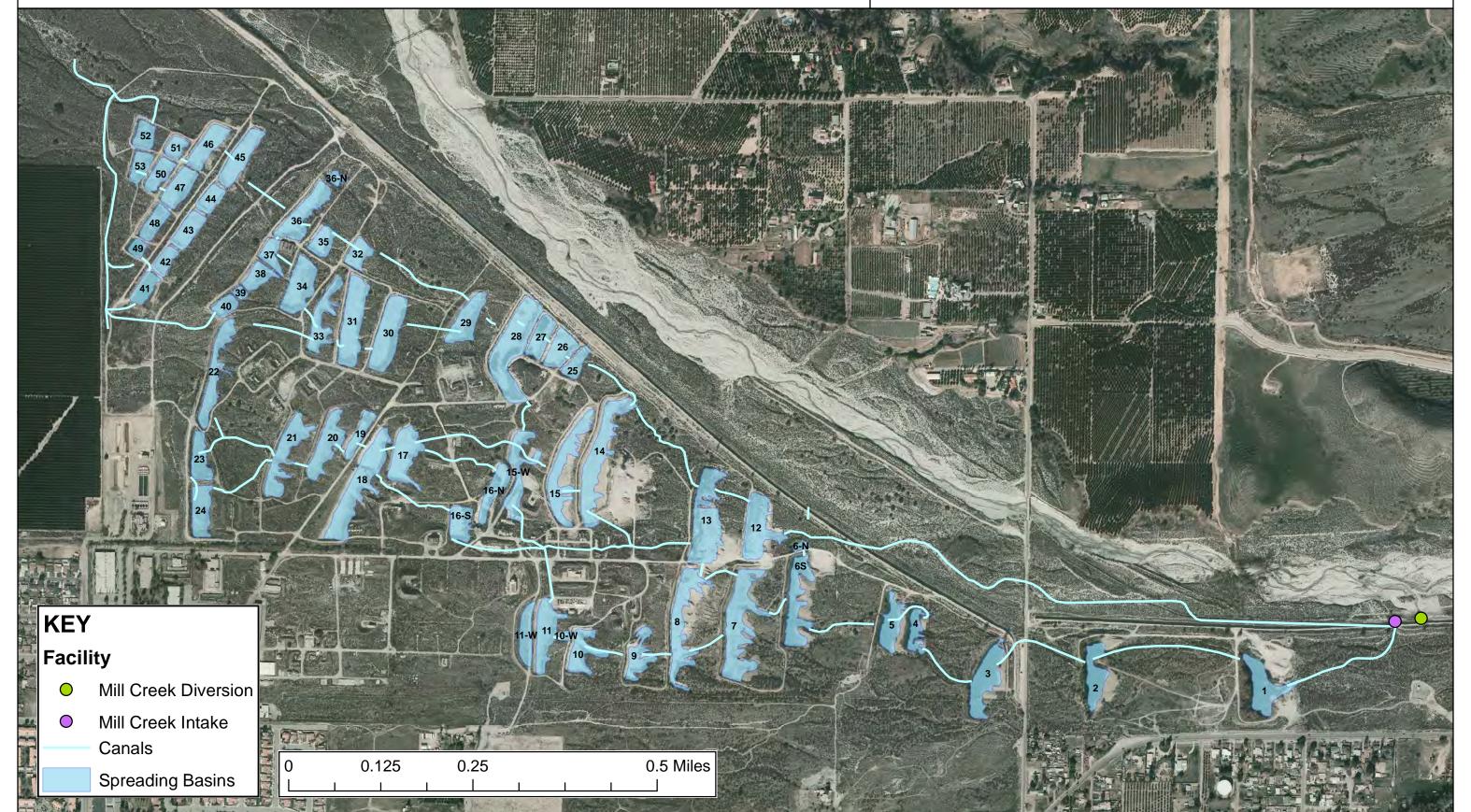
SBVWCD MILL CREEK FACILITIES



Coordinate System: StatePlane California V FIPS 0405 Ft Projection: Lambert Conformal Conic Datum: North American 1983 Source: SBVWCD GIS Scale: 1:7,900 GIS Contact: Erin Berger

October 3, 2014

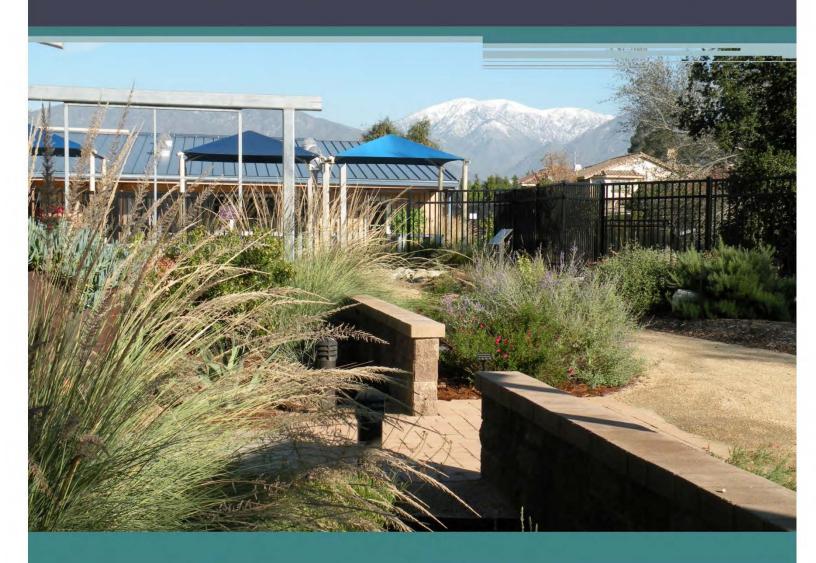




Financial Statements for the Agencies Chino Basin Water Conservation District: June 30, 2014 Attachment 3a



Chino Basin Water Conservation District



Financial Statements

for the Fiscal Year Ended June 30, 2014

Our Mission Statement

The Chino Basin Water Conservation District is a public agency whose goal is the protection of the Chino Groundwater Basin in order to guarantee that current and future water needs will be met. The Basin is protected by the capture and percolation of waters through the District's network of channels, basins and spreading grounds. Water conservation education is provided to the individuals and organizations within the service area to further promote the efficient use of our water resources.

Board of Directors as of June 30, 2014

			Elected/	
Name	Division	Title	Appointed	Term
Kati Ooten Parker	Division 2	President	Appointed In-Lieu	12/12 - 12/16
Paul Hofer	Division 4	Vice-President	Appointed In-Lieu	12/12 - 12/16
Geoffrey Vanden Heuvel	Division 7	Treasurer	Appointed In-Lieu	12/10 - 12/14
Dr. Hanif Gulmahamad	Division 6	Director	Appointed In-Lieu	06/14 - 12/14
Al Yoakum	Division 5	Director	Elected	12/12 - 12/16
Margaret Hamilton	Division 3	Director	Appointed In-Lieu	12/12 - 12/14
Terence M. King	Division 1	Director	Appointed In-Lieu	12/10 - 12/14

Chino Basin Water Conservation District Eunice Ulloa, General Manager 4594 San Bernardino Street Montclair, California 91763-0900 (909) 626-2711

Chino Basin Water Conservation District

Financial Statements

For the Fiscal Year Ended June 30, 2014

Chino Basin Water Conservation District Financial Statements For the Fiscal Year Ended June 30, 2014

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Introductory Section



April 3, 2015

The Honorable Board of Directors of the Chino Basin Water Conservation District

It is our pleasure to submit the Annual Financial Report for the Chino Basin Water Conservation District (District) for fiscal year ending June 30, 2014. District staff prepared this financial report following guidelines set forth by the Governmental Accounting Standards Board (GASB). The District is ultimately responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that we believe is necessary to enhance your understanding of the District's financial position and activities.

This report is organized into five sections: (1) Introduction, (2) District Facilities, (3) District Services, (4) Financial, and (5) Supplemental. The Introduction section offers general information about the District's organization, current District activities, and reports on a summary of significant financial results. The District Facilities section offers a review of the newly re-opened Water Conservation Center Campus as well as general information about the District's owned basins, and their operation and maintenance. The District Services section reports on District Events and Outreach Programs. The Financial section includes the Independent Auditors' Report, Management's Discussion and Analysis of the District's financial statements, as well as the District's audited financial statements with accompanying notes. The Supplemental section includes selected financial information generally presented in greater detail than presented in the District's financial statements.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A is located immediately following the Independent Auditors' Report.

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the District. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the Chino Basin Water Conservation District's fiscal policies.

Respectfully submitted,	
Eunice M. Ulloa	Sandi L. Woods
General Manager/Board Secretary	Administrative Assistant

District Structure and Leadership

The Chino Basin Water Conservation District, incorporated on December 6, 1949, is an independent special district that operates under the authority of Division 21 of the California Water Code. Located in the western region of San Bernardino County, in California, the District encompasses the entire cities of Montclair and Chino, and portions of the cities of Chino Hills, Upland, Ontario, Rancho Cucamonga and some of the unincorporated areas of western San Bernardino County.

The District is governed by an elected seven-member Board. Each Director must reside within the geographical area established for their respective Divisions. The District's Board meets on the second Monday of each month. Meetings are publicly noticed and citizens are encouraged to attend. The Board Directors are:

Title	Director Name	CBWCD Division	Dates of Office
Director	Dr. Hanif Gulmahamad	6	06/2014 - 12/2014
Director	Margaret Hamilton	3	12/2012 - 12/2014
Vice President	Paul Hofer	4	12/2012 - 12/2016
Director	Terry King	1	12/2010 - 12/2014
President	Kati Ooten Parker	2	12/2012 - 12/2016
Treasurer	Geoffrey Vanden Heuvel	7	12/2010 - 12/2014
Director	Al Yoakum	5	12/2012 - 12/2016

In order to conduct the business of the District, Board officer positions are selected every two years. In December 2012, the Board elected Director Parker to continue in her respective position of "President of the Board," Director Hofer to continue in his respective position of "Vice-President of the Board," and Director De Haan, Jr. to continue to hold the position of "District Treasurer."

The "terms of service" for Board officers and committee members end in December 2014.

Board committee appointments were made by President Parker at the December 2012, meeting was as follows:

Finance Committee	Personnel Committee	Education Committee	Recycled Water Committee
De Haan, Jr Chair	Parker - Chair	Hamilton - Chair	King - Chair
Hamilton	Hamilton	Parker	De Haan, Jr.
Parker	Vanden Heuvel	Yoakum	Parker
Facilities Committee	Advertising Committee	Basin Landscape	Potential SW Capture Facilities
Committee	(Ad-hoc)	Committee	Committee (Ad-hoc)
Hamilton	Hofer - Chair	Hofer	Vanden Heuvel - Chair
Parker	King	Parker	Hofer
Vanden Heuvel	Yoakum	Yoakum	Parker

Board member De Haan, Jr. resigned his position on April 14, 2014, due to moving outside District 6 boundaries. Following legal requirements, the open position was advertised and applications accepted. A special meeting was called on May 22, 2014, for the remaining Board of Directors to interview qualified applicants. Dr. Hanif Gulmahamad was appointed to fill the position of Division 6 Director at the June 9, 2014, Board of Director's meeting.

Following the acceptance of De Hann, Jr.'s resignation, President Parker appointed Director Vanden Heuvel as Treasurer, effective April 30, 2014. In that capacity, Director Vanden Heuvel also became the chair person of the Finance Committee, with Director Hamilton and President Parker remaining as committee members. The Recycled Water Committee member position vacated by Director De Hann, Jr. remained open until the Board meeting of June 9, 2014, when President Parker appointed Director Vanden Heuvel to fill that open position.

General Manager Ulloa continued in the position of General Manager/District Secretary. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The District employs a total of thirteen employees consisting of twelve full-time employees and one part-time employee.

Major Objectives

The activities of the Board and staff at the District are driven by its Mission Statement:

"The Chino Basin Water Conservation District is a public agency whose goal is the protection of the Chino Groundwater Basin in order to guarantee that current and future water needs will be met. The Basin is protected by the capture and percolation of water through the District's network of channels, basins, and spreading grounds. Water conservation education is provided to the individuals and organizations within the District's service area to further promote the efficient use of our water resources."

The goals of the Board of Directors remain:

- To continue to provide the most efficient physical recharge services and the highest quality educational information at the lowest possible cost;
- To cooperate with others in the economical and cost effective development and operation of new and enhanced existing groundwater recharge facilities;
- To actively promote and expand the District's water conservation educational programs while actively supporting the conservation programs and activities of other agencies;
- To assist others in the economical implementation and operation of recycled water recharge projects and other projects involving groundwater remediation; and
- Actively participate, as an independent voice, in the oversight and protection of the Chino Groundwater Basin by providing additional engineering expertise to assist in the review of current groundwater management practices and the formulation of future policies.

All programs and operations of the District are developed and performed to provide the highest and most economical level of service to those within the District's boundaries who are reliant upon the Chino Groundwater Basin for their water supply and storage needs.

Chino Groundwater Basin Recharge Master Plan

The District continued participation in the Chino Groundwater Basin Recharge Master Plan Update (RMPU) amendment by participating in various Watermaster meetings and collaborating with Inland Empire Utilities Agency on possible cost effective projects. In addition to continued participation on the RMPU amendment, the District also continued to explore the feasibility of developing a project near the San Antonio Creek Channel (Channel) which could increase the capture of unappropriated storm water flows from the Channel and possibly receive recycled water.

The Water Conservation Campus Educational Facility



Completed in fall of 2013, the 4.5 acre Water Conservation Campus was re-imagined and re-designed as a comprehensive center for water conservation education and demonstration.

During the course of the five-year renovation project, the District invested roughly \$6,000,000 for the construction and improvement of spaces used primarily for educational purposes.

Site Map Key

- 1. Water Conservation Center
- 2. Education Building
- 3. Southwest Garden
- 4. Front Yard Demonstration Garden
- 5. Backyard Demonstration Garden
- 6. Mediterranean Garden
- 7. Woodland Garden
- 8. Desert Tortoises Enclosure
- 9. California Native Garden
- 10. Native American Area— Ethnobotanical Garden
- 11. Turf Demonstration Area
- 12. Sam's Enclosure (Sulcata Tortoise)
- 13. Slope Planting
 Demonstration
- 14. Educational Garden
- 15. Events Area
- 16. Artistic map of the Chino Groundwater Basin
- 17. Demonstration Parking Lot



Water Conservation Center

Designed to promote connection with the outdoor environment and respect for our natural resources, the main campus building - christened the Water Conservation Center (WCC) - exceeds Title-24 standards by 40 percent. The sustainable design features expansive views to the Garden, excellent daylighting and effective natural ventilation to create a comfortable, striking and effective learning environment. The WCC contains the Campus's technical classroom and workshop space, accommodating professional training classes and clinics of up to fifty adults.

The Landscape Design Library within the WCC



contains reference materials, state-of-theart software, and drafting materials for creating water wise landscape designs –



Rain scupper, bioswale and cooling tower

with water conservation specialist staff available to advise and assist homeowners and landscape professionals.

The entrance to the Main Building opens into the **Educational Lobby** – showcasing exhibits on California and Regional water issues, water consumption for common food production, and the history and future of water use – all designed to build awareness and interest in taking an active personal role in water conservation.

Open to the public, the Water Conservation Campus and Educational Lobby welcomed over 1,200 drop-in visitors since the WCC opened in fall of 2013 through June 2014.



The "Water in California" section includes rain and snow gauges, information on the Delta, and more

Education Building



Designed to engage and teach children in a familiar setting, the Education Building is dedicated to school field trips where students gain a better understanding and appreciation for topics including water issues, the significance of groundwater, the water cycle, soil percolation, and their own role in conservation. The Education Building's classroom accommodates up to 35 students in a session.

Water Wise Demonstration Garden



The Water Conservation Campus outdoor spaces include the Water Wise Demonstration Garden – a showcase for water conservation principles, techniques, and plant and hardscape materials.

The garden is designed to show residents and professionals how water efficient landscaping looks, feels, and performs in real world applications in the Inland Empire region. Demonstrations and installations include lifecycle plant growth, irrigation with recycled water, bioswales, pocket gardens, native and drought-tolerant plants, and turf comparison areas.

Demonstration Parking Lot

To take advantage of all opportunities to educate and inform, the Campus parking lot showcases Low Impact Development best practices by using permeable asphalt, permeable concrete and paver surfaces. The entire campus site, including the parking lot, was designed for 100 percent onsite retention and percolation using channels, trench drains and bioswales to direct and collect storm water.



At the demonstration parking lot you can compare traditional asphalt to permeable pavements and see examples of drainage strategies

Multi-Use Building and Wilderness Park

The campus also includes a solar powered multi-use

building for fleet and equipment maintenance activities as well as a Wilderness Park with over 40 types of trees, a recreational trail and a drought and salt tolerant lawn area irrigated with recycled water. The park is a popular gathering place for the local community as well as a medical evacuation site for emergency responders. The lawn area is also used to accommodate large events like the popular Earth Day field trip for area schools and the annual Landscape and Water Conservation Fair.

District Owned Recharge Basins

The District owns, operates and maintains eight water conservation recharge basins which capture storm water, nuisance water, recycled water and imported water. Five of the basins are located in Montclair, two are in Upland and one is in Ontario.

Basin	Acres	Storage Capacity AFY	Water Recharge Source
Brooks	21	503	Local runoff, storm water, recycled water, State Project Water
College Heights-East	18	145	Storm water, State Project water
College Heights-West	12.7	126	Storm water, State Project water
Ely #3	19	136	Local runoff, storm water, recycled water
Montclair #1	15	134	Local runoff, storm water, State Project Water
Montclair #2	20.5	243	Local runoff, storm water, State Project Water
Montclair #3	10.5	49	Local runoff, storm water, State Project Water
Montclair #4	12	97	Local runoff, storm water, State Project Water

The District's basins, on an annual basis, capture and recharge an average of 8,325 acre-feet of water¹. The average is calculated by using an updated eight year average which was calculated at the end of each fiscal year (FY 2006-2007 through FY 2013-2014). Of the of 8,325 acre-feet of water captured, the annual average includes 2,225 acre-feet of storm and nuisance water; 1,351 acre-feet of recycled water; and 4,750 acre-feet of imported water. Utilizing the Metropolitan Water District's Tier 2 treated rate (\$1,032.00/ac. ft.), the nominal present value of the average captured and recharged water is \$8,591,400.

During FY 2013-2014, the District's basins captured and recharged approximately 1,200 acrefeet of storm and nuisance water and 2,400 acrefeet of recycled water. There was no availability of imported water during FY 2013-2014. The nominal present value of the combined 3,600 acre feet is approximately \$3,715,200. As evidenced by the averages, on-going drought conditions, temperature fluctuations, and declining snowpack averages have resulted in decreased rainfall and the availability of imported water. The District continues to investigate and implement newest and most economical methods available for maintaining and improving the percolation rates of its recharge facilities.

In addition to recharging the Chino Groundwater Basin, the District also provides other water conservation services to a population of approximately 458,000 within its 112 square mile service area. Water conservation education programs include school field trips and adult landscape workshop classes, landscape water use evaluations, demonstration garden facilities, educational lobby, distribution of weather based controllers with instructional classes, and participation in regional issues are also important services the District provides.

8

In order to increase ground water recharge through the capture and percolation of storm and local run-off water, the District participated financially in increasing the depth of the San Bernardino County Flood Control District's (SBCFCD) Grove Basin when constructed in the late 1990s and early 2000s and so includes the recharged water from that basin in the reflected figures.

<u>Shared Facilities to Enhance Chino Groundwater Basin Recharge</u> <u>Activities through the Four Party Agreement</u>

The need for a comprehensive recharge program for the Chino Groundwater Basin is described in the Optimum Basin Management Program (OBMP) Phase I report dated August 1999 and the Peace Agreement dated June 29, 2000. The Agreement for Operation and Maintenance of Facilities to Implement the Chino Basin Recharge Master Plan (commonly referred to as the *Four Party Agreement*) was entered into by San Bernardino County Flood Control District (SBCFCD), the Chino Basin Water Conservation District (CBWCD), the Chino Basin Watermaster (Watermaster), and the Inland Empire Utilities Agency (IEUA) to cooperate in a program to implement certain portions of the Recharge Master Plan for the purpose of assuring that the Chino Basin has adequate recharge capabilities to meet its future needs. The effective date of the agreement was January 23, 2003 and continues through December 31, 2032.

The Parties are also signatories to Attachment 1 of the *Four Party Agree*ment titled Recharge Master Plan Implementation Memorandum of Agreement (RMPIMOA) which sets forth some of the operational policies and actions necessary to implement Program Element 2 – Develop and Implement Comprehensive Recharge Program of the Optimum Basin Management Program(OBMP) for the Chino Basin. Attachment No. 2 to the *Four Party Agreement* is to generally describe (1) the budgeting, funding, billing and payment processes to be used by the Parties in the implementation of the Agreement, (2) the Facilities covered by the Agreement, (3) normal and additional maintenance activities referred to in the Agreement and (4) the guidelines for creation and operation of annual operating plans for each facility.

Also contained within the *Four Party Agreement* is the requirement to create a Groundwater Recharge Coordinating Committee (GRCC). The primary function of the GRCC is to provide coordination of the operation maintenance and use of the Facilities for groundwater recharge in the Chino Basin. Each of the Parties is entitled to appoint one member and one alternate member to the GRCC. The GRCC meets quarterly or as often as necessary to facilitate full coordination of groundwater recharge operations.

Basin Operation and Maintenance Programs

Basin and facility maintenance and improvements included:

Brooks Basin

- Brooks Basin receives storm water, local run off from storm drains, imported water and recycled water.
- Weed abatement on perimeter roads and tops of slopes by District staff.
- Weed abatement on steeper slopes and large tree trimming by outside contractor.
- Recycled water from Inland Empire Utilities Agency (IEUA).



College Heights East and West Basins

- The College Heights basins receive storm waters, local run off and imported water.
- Weed abatement on perimeter roads and tops of slopes by District staff.
- Weed abatement by outside contractor of the bottom and perimeter roads.
- The College Heights West Basin is currently undergoing a landscape beautification project along

 Monte Vista Ave. and Arrow Route. Landscape will be defined with sustainable drought tolerant design and plant selections. Completion is scheduled for early 2015.
- Several thousand yards of soils spoils from the Montclair Basin restoration project of 2013-2014 were staged at College Heights East Basin. Staging these soils at the Basin saved the District tens of thousands of dollars in dumping fees. It is planned to have these soils screened, cleaned and removed by an outside contractor at no cost to the District sometime 2015.

Ely Basin No. 3

- Ely Basin No. 3 receives storm water, local runoff water and recycled water.
- The City of Ontario awarded a 'passing' evaluation in its annual recycled water inspection. Recycled water use is subject to inspection and testing in accordance with State Department of Public Health requirements.
- Weed abatement on perimeter roads and tops of slopes by District staff as well as irrigation maintenance and small tree and shrub trimming.
- Landscape maintenance trimming of larger trees and ground cover trimming by outside contractor.
- Addition of mulch on perimeter slopes and landscapes was provided by an outside green waste recycling contractor at no cost to the District. This mulch application minimizes weed growth and assists in erosion control while improving the landscape soils.





Montclair Basins No. 1, 2, 3, and 4

- The Montclair Basins receive storm water, local runoff water and imported water.
- Weed abatement by outside contractor of the bottom, steep slopes, and nuisance water ponds.
- Weed abatement on perimeter roads and tops of slopes by District staff as well as irrigation maintenance and small tree and shrub trimming.
- Landscape maintenance by District staff.



Montclair #4

The District completed the Montclair Basins Improvement project that included all four basins. The project, performed by an outside contractor, improved the function of the Montclair system through the improvement of recharge rates. Additionally, water sensor infrastructure was installed for future improvements of monitoring recharge data.

Turner Basin/4th Street Property

The District owns approximately four acres of property associated with Turner Basin No. 1. The District owned property parallels Fourth Street on the north side of the basin between Cucamonga Channel and Golden Oak Road on the east and extends south down into the north slope of the basin. The District maintains the landscaping fronting Fourth Street to the south security fence between the Cucamonga Channel and the housing development on the east. The landscaping covers approximately one acre of land. The remaining District property encompasses a maintenance road and a portion of the north slope of Turner Basin No. 1.



Turner Basin Landscape

- District staff conducts weed abatement measures on the perimeter road and the top of the slope, as well as landscape maintenance, irrigation maintenance and small tree and shrub trimming.
- District staff will be completing a recycled water connection to irrigate the landscape in early 2015, thereby eliminating potable water use for irrigation purposes.

Grove Basin (San Bernardino County Flood Control District Owned)

The District and San Bernardino Flood Control District entered into an agreement in 2000 whereby the Flood Control District, in exchange for financial participation by the District in the construction of the Basin, allowed the bottom portion of the Basin to be used for water conservation. As part of the agreement, the District is obligated to perform weed abatement on the bottom of Grove basin and a portion of the slopes. Grove Basin receives storm water runoff.

Education and Outreach Strategy

In January 2014, Governor Jerry Brown officially declared that California is in a drought. This unprecedented drought, stretching from 2011 to the present, has highlighted the need to rapidly increase efforts toward more intensive regional water conservation. In order to meet the current and future challenges, the District has continued to expand its water conservation education programs to inform the public and District area students of the various water conservation methods, tools, and techniques to reduce waste.

The Chino Basin Water Conservation District has identified two key components in its water conservation educational strategy:

- 1. Engage the elementary school community to create an awareness of water issues in young children and help them establish good water conservation habits early in life, and
- 2. Train designers, architects, landscapers, contractors and property owners in water wise landscape design, installation and maintenance.

This **two-part strategy** addresses current needs for better, more efficient outdoor water practices and helps to ensure that water wise practices become the new normal for the next generation of residents, property owners and practitioners.

Children's Education Programs

The campus's elementary school education programs currently serve eight school districts and eighty-seven individual schools within the District's service area. Over 1,800 school children and their teachers visited the campus during the 2013-2014 school year after the Water Conservation Center's opening in the fall of 2013. During their visits, the students engaged in a fun, structured series of hands-on experiences and experiments to create awareness and the desire to improve their own participation in water conservation.



Children's education programs have been shown to be powerful contributors to the establishment of long-term water conservation attitudes and behaviors. An additional important benefit of early education programs is the extent to which children influence the adults around them. In this way, the District's early water conservation education investments are leveraged across a much broader audience in both homes and schools. School children attend programs at the campus free



of charge, and for schools within the District's service area, the District provides priority booking and pays the field trip's transportation/bus costs.

By offsetting these transportation fees, the District has eliminated a powerful barrier to participation for cash-strapped schools and significantly increased the outreach of the water conservation education programs to this important audience.



Annual Earth Day Field Trip

Supplementing the classroom experiences for students, 2014 marked the 22nd year of the District's popular Earth Day event for 5th grade classes. Since its inception in the early 90s, over 25,000 students have attended the half-day program of activities related to the conservation and stewardship of natural resources. Program topics include watersheds, groundwater, water conservation, plants, and composting.

The District provides the event free of charge and arranges and funds all bus transportation for schools within the District's boundaries. Instructors for the Earth Day children's workshops are drawn from the Region's community of local teachers and environmental education professionals.

Financial Support for Teachers and Students

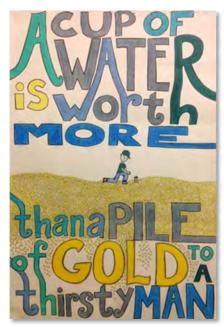
To help improve the availability of high quality water education back in the school classroom setting, the District has a long-standing commitment to provide financial resources and activities for teachers and students interested in water-related studies.

Education Grant Program

The District is a long-time sponsor of students interested in college level study of water resources and related fields. In 2013-14 the District awarded \$10,000 to two grant winners to help toward educational expenses.

Annual K-12 "Promoting Water Conservation" Poster Contest

Over 2,500 students from 125 classrooms in 23 schools participated in the District's 2013-2014 poster contest. Winners in each of the four grade-level categories received a \$250 prize. If the individual winner's class submitted over 10 student entries, the teacher is also eligible for an award of \$1,000 toward educational or art supplies.



2013-14 Winner of the 10th-12th Grade Category, Lisa Orona of Chino High School

Education Partnerships with Other Agencies

Water Education, Water Awareness Committee

The District has expanded its reach through a long-time partnership with local area agencies as a member of the Water Education Water Awareness Committee (WEWAC). Programs available through WEWAC in 2013-14 included:

- **Edu-Grant Program:** The District helps provide grants of up to \$750 to individual or teams of teachers. Kindergarten through 12th grade teachers submit projects incorporating creative methods for teaching their classes about water-related topics. This long-term program helps to further integrate water conservation into the students' every day learning environment.
- **Project WET Workshop:** This popular annual workshop provides curriculum and training for teachers to take water lessons back to their classrooms. The workshop is provided free of charge to the teachers and school district. WEWAC also covers the cost of substitute teachers while the classroom teacher attends the workshop. (Teachers who have attended this workshop have often then applied for the Edu-Grant to implement the new curriculum with their students.)
- **Digital Media Contest:** In this annual competition, middle and high school students create public service announcements to promote the water conservation message.

Garden in Every School Program

The District in partnership with Inland Empire Utilities Agency (IEUA) provides selected qualified schools within the District's and IEUA's boundaries opportunities to build drought tolerant and/or vegetable gardens on the school's campus through the Gardens in Every School program (GIES). District staff performed 22 site inspections of previously constructed gardens within the GIES program and makes recommendations on irrigation and weed maintenance, plant health evaluations and ways to improve the gardens in the future. Additionally, the District and the IEUA are anticipating a prosperous 2014-15 with new schools participating in this highly educational program.



Raised vegetable beds



GIES workshop for teachers



Some GIES participants

Professional, Trade, and Public Education

In addition to the Early Education Programs for schools, the campus provides a robust curriculum of courses designed for improving the water conservation capabilities of homeowners and landscape professionals. The District also provides resources online and at events for community members to learn more about conserving water.

California Friendly Landscape Training Courses

Classes were offered to both professionals and homeowners at the newly constructed CBWCD Water Conservation Center beginning in January 2014. The District provided 14 different Water Wise Landscaping Workshops for over 200 residents focusing on topics such as The Basics, Preparation and Design, Efficient Irrigation, Water Wise Plants, Composting, Maintenance and Pruning, and Vegetable Gardening. The District also provided three four-part Landscape Water Management series for professionals for a total of 150 government and private business



landscape professionals. Due to the on-going construction on-site in 2013, staff worked with the City of Upland, Monte Vista Water District, Cucamonga Valley Water District, Fontana Water Company, and other agencies to teach classes at other locations. A total of 7 workshops were held with an average attendance of 25.

No. of Workshops taught in FY 13-14	Workshop Subject
7	Water Wise Landscaping - The Basics
2	Preparation and Design of a water wise landscape
1	Efficient Irrigation Systems
4	Water Wise Plants
3	Maintenance & Pruning
1	Pest Management, Soils and Fertilizers
2	Composting
1	Fruits and Vegetables
12	Professional Water Management Series

Outreach Events



CBWCD booth at the Water Fair

The District partners with local agencies to provide outreach at local events such as conferences, festivals and more. The following events took place in FY 2013-2014:

• Water Fair (October 2013): With construction completed in fall 2013, the Water Conservation Fair was reinstated after a year hiatus. The fair featured various water conservation activities and plant vendors as well as a water fair exhibition sponsored by the

District, Chino Basin Watermaster, Cucamonga Valley Water District, Fontana Water Company, Inland Empire Utilities Agency, Monte Vista Water District, San Antonio Water District, Metropolitan Water District, and the cities of Chino, Chino Hills, Ontario, and Upland. This year's event saw approximately 900 local residents attending.

Water Conservation Center and **Dedication** Ribbon Cutting (February 2014): Over 150 guests attended the WCC dedication and ribbon Dignified cutting. guests included United States Congresswoman Gloria Negrete McLeod; California State Senator Norma Torres: California State Assemblypersons Curt Hagman, Freddie Rodriguez, and a representative for Chris Holden: San Bernardino County Supervisor Garv Ovitt, and various other



elected officials from the surrounding cities and agencies. The District recognized its partners in the building process such as Claremont Environmental Design Group (architects), Sea West Inc. (contractors), AMC Inc (construction managers), and various others who helped realize the District's vision. Randall Lewis from Lewis Operating Corporation and Celeste Cantu from the Santa Ana Watershed Project Authority gave keynote addresses highlighting how the Water Conservation Center will be a regional example for residents and professionals in many different fields. The morning concluded with a ceremonial ribbon cutting to dedicate the facility.

• National Public Gardens Day (May 2014):

This annual event is sponsored by the American Public Gardens Association (APGA) and Rainbird to raise awareness of public gardens. The District participated by hosting providing tours. planting demonstrations which community members could take home, and sponsoring extended hours for the public to visit the District. The Gardeners, sponsored by University of California's Agriculture and Natural Resources Extension Program, volunteered their time as well to help make



Planting demonstration

the event a success. The event included publicity on the APGA's national website and the District's name listed alongside such gardens as Rancho Santa Ana Botanic Garden, California Polytechnic State University Pomona demonstration gardens, and many more.

District staff also attended various conferences, farmers markets, and local events to promote water conservation and the District's activities.

Additional Outreach and Recognition for the District

Updated Website: cbwcd.org



In fall of 2013, staff took on a project to completely overhaul the District website to provide more useful and easily accessible information for the public. The new website, served by CivicPlus, launched in January 2014. Web analytics allow for greater oversight of web traffic and will guide decisions about future topics and web pages. The website is colorful and informative, with clearly arranged sections based on the District's main activities, including: "About Us", "Water Conservation Resources", "Education", and "Facilities".



National Recognition for the Water Conservation Center in Storm Water Solutions

In June 2014, the national publication **Storm Water Solutions** published an article featuring the Water Conservation Center as an example of best management practices for education and demonstration facilities. The 1,000 word article and photographs were provided by staff. The article was published in this monthly magazine as well as posted on the publication's website.



Landscape Audits, Installations, and Training

Landscape Evaluation / Audit Program

To assist the residents, businesses and governmental agencies in reducing water usage, the District continues to provide irrigation evaluation services with its "Landscape Evaluation / Audit Program" (LEAP).

Prior to Fiscal Year 2008-2009, the District jointly applied for a Department of Water Resources (DWR) grant to establish a large landscape evaluation program in



conjunction with the Inland Empire Utilities Agency (IEUA). In addition to the grant funding, the Board of Directors has committed to continue providing appropriate staffing levels and support to continue the Landscape Evaluation / Audit Program (LEAP) to serve organizations within the District in order to reduce landscape water usage.

During Fiscal Year 2013-2014, the District performed 85 landscape evaluations covering 16.81 acres for various customer classifications (Commercial, Industrial, Institutional, Multi-Family and Single Family). Final reports were presented to each program participant. Each report consists of water use history, a water budget, recommendations on improving irrigation system performance, information on rebates for equipment, and on-site problems found during the evaluation.

During Fiscal Year 2013-2014 the LEAP program identified a potential water savings of approximately 41.54 acre feet per year if all participants follow the recommendations given. The potential savings, valued at the Metropolitan Water District's Tier II treated rate, is \$42,869. The LEAP program continues to be a very important program and a tremendous resource for the entire community, including local water agencies, homeowners, property managers, business owners, and more.

Since the program's inception, the District has complete 370 evaluations, covering 153.19 acres and resulting in a total potential savings of 424.87 acre feet of water per year. Utilizing Metropolitan Water District's Tier II treated rate, the total potential water savings has a value of \$441,561 per year.



Weather Based Irrigation Controller Direct Installation Program

The District applied and was awarded a grant in September 2012 from the U.S. Bureau of Reclamation in the amount of \$91,888.79 to install 300 weather based irrigation controllers (WBIC) over a four-year period in single family residences within the district's boundaries. The original contract has since been extended through October 2017. CBWCD must turn in Progress Reports to USBR every 6 months detailing all activities during the reporting period. The grant is a 50/50 cost share and invoices are submitted at least quarterly.

The Program will identify specific customers for participation in this program to retrofit a non-weather based controller with a new WBIC. In order to maximize the effectiveness of the program, only customers meeting predetermined requirements will be considered for the program. These requirements will include following:

- Own a home within Chino Basin Water Conservation District's boundaries or have the authority to modify the sprinkler system at a rental home
- Landscape area of 1,500 square feet or more
- Have an existing in-ground sprinkler system with an existing automatic sprinkler timer
- Consent for CBWCD to obtain pre- and post-installation water use data
- Customer agrees to keep controller for a minimum of 2 years.

The potential savings per home is 0.25 AFY which becomes 74 AFY savings after all 300 controllers are installed.

To date (Sept. 2012-June 2014) the District has hosted twelve WBIC Classes to educate homeowners on water conservation methods and to instruct them on how to use irrigation controllers. To date, the District has performed 124 direct installations of controllers at residential homes.

Recycled Water Conversion Incentive Program

California's water supply continues to be a concern due to projected population increases, warming climate trends, and intermittent drought conditions. Heightened awareness has increased interest in water conservation and the use of reclaimed water for groundwater recharge, industrial uses, and irrigation. The District's recycled water conversion program continues to offer financial assistance to convert publicly owned parks and schools within the District boundaries from using potable (drinking) water to recycled water to irrigate their outdoor landscaping.

The District's involvement with the Recycled Water Conversion Incentive Program began in Fiscal Year 2008-2009 with the conversion of its own Demonstration Garden and Wilderness Park to recycled water. During Fiscal Year 2012-2013, the District assisted six schools (Corona Elementary, Del Norte Elementary, Vineyard Elementary, Vina Danks Middle School, Valley View High School and Alternative Education Center) and one park (Veterans Park) in converting to recycled water for landscape irrigation in the amount of \$90,259.

Since the program's inception, the District has expended a total of \$260,230 assisting 27 projects in converting to recycled water for landscape irrigation. The following 27 completed projects consist of thirteen parks and fourteen schools, all within the District's boundaries.

• *CBWCD* (\$6,025)

Wilderness Park/Demonstration Garden

• Ontario-Montclair School District (\$120,059)

- o Arroyo Elementary School
- Elderberry Elementary School
- Kingsley Elementary School
- Lehigh Elementary School
- Mariposa Elementary School
- o Monte Vista Elementary School

- o Vernon Middle School
- o Wiltsey Middle School
- o Corona Elementary
- o Del Norte Elementary
- o Vineyard Elementary
- o Vina Danks Middle School

• City of Montclair (\$26,022)

- o Alma Hofman Park
- o Golden Girls Park
- Kingsley Park

- o Saratoga Park
- o Sunrise Park
- Sunset Park

• City of Ontario (\$78,874)

- o Anthony Munoz Park
- o Ontario Motor Speedway Park
- o John Galvin Park

- o Grove Memorial Park
- o Vineyard Park
- o Veterans Park

• Chaffey Union High School District (\$29,250)

- Valley View High School
- o Alternative Education Center

Internal Control Structure

District management is responsible for the establishment and maintenance of an internal financial control structure to ensure that the assets of the District are protected from loss, theft, or misuse. The internal financial control structure also ensures that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal financial control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

Financial Planning

The District's financial plan includes the GASB issued statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The fund balance is displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

Non-spendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation

Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed amounts that cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint

Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority

Unassigned fund balance - amounts that are available for any purpose; these amounts are reported only in the general fund.

The following is a list of the balances held by the District in its *Fund Balance Report* on June 30, 2014:

Fund Type Definition	
Non-spendable Fund Balance	\$31,771
Restricted Fund Blance	\$0
Committed Fund Balance	\$3,739,770
Assigned Fund Balance	\$9,063,915
Unassigned Fund Balance	\$239,200
Total Fund Balance	\$13,074,656

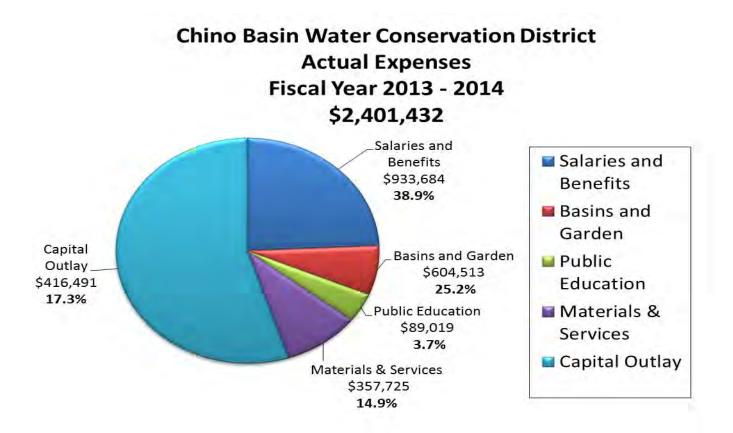
Investment Policy and Banking Procedures

The Board of Directors annually adopts an investment policy that conforms to state law. Additionally, the District's "Portfolio Management Policy" (Investment Policy) utilizes prudent money management practices in establishing its guiding principles. The objectives of the Investment Policy are safety, liquidity, and yield. The District's funds are primarily invested in the State Treasurer's Local Agency Investment Fund (LAIF) and the Investment Trust of California (CalTRUST), a Joint Powers authority pooled investment program. In order to finance its daily activities, the District banks with Wells Fargo where it maintains its "General Checking" and "Petty Cash" accounts.

Budgetary Control

The District Board of Directors annually adopts a balanced operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's operations and capital projects. The Board of Directors monitors the budget through monthly Finance and Expenditures reports, Quarterly Investment Reports and Midyear and Year end Budget reports.

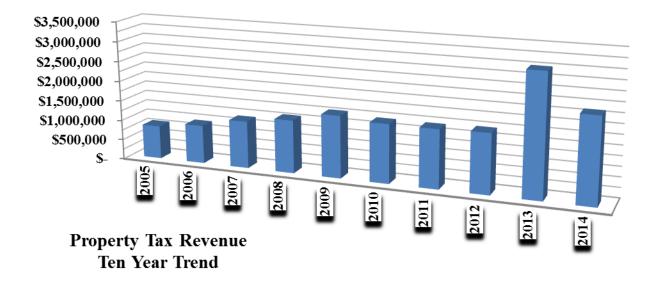
For Fiscal Year 2013-2014, the District expenditures totaled \$2,401,432 (rounded to the nearest dollar). The following pie-chart reflects the expenses of the District for Fiscal Year 2013-2014.



Economic Condition and Outlook

The District's primary revenue source is derived from Property Taxes with a secondary source of revenue from interest earned from investments. Any increase or decrease in the District's revenue is tied to an increase or decrease in these two resources.

During Fiscal Year 2013-2014, property tax revenue decreased by \$896,433 while interest income decreased by \$11,393. Due to current and projected economic conditions, unemployment, home foreclosures and the loss of Redevelopment Agency (RDA) revenue to cities, it is difficult to project future tax revenue. The following chart reflects the District's property tax revenue for the last ten fiscal years.



Property Tax Revenue by Fiscal Year							
Fiscal Year Ending	g Property Tax Revenue			Fiscal Year Ending	P	roperty Tax Revenue	
2005	\$	832,245		2010	\$	1,461,934	
2006	\$	957,249		2011	\$	1,455,474	
2007	\$	1,177,188		2012	\$	1,481,375	
2008	\$	1,318,797		2013	\$	3,009,142*	
2009	\$	1,549,465		2014	\$	2,112,709	

^{*}During the last quarter of fiscal year 2012-2013, an unanticipated large amount of Other Funds Asset Due Diligence Review (OFA DDR) Distribution was received. It is not anticipated that this large amount will be received in the future.

Throughout the fiscal year the District's two investment accounts included the following activity:

LAIF

- Interest rates declined from .27% to .25% CalTRUST
- Interest rates declined from .40% to .38%

Audit and Financial Reporting

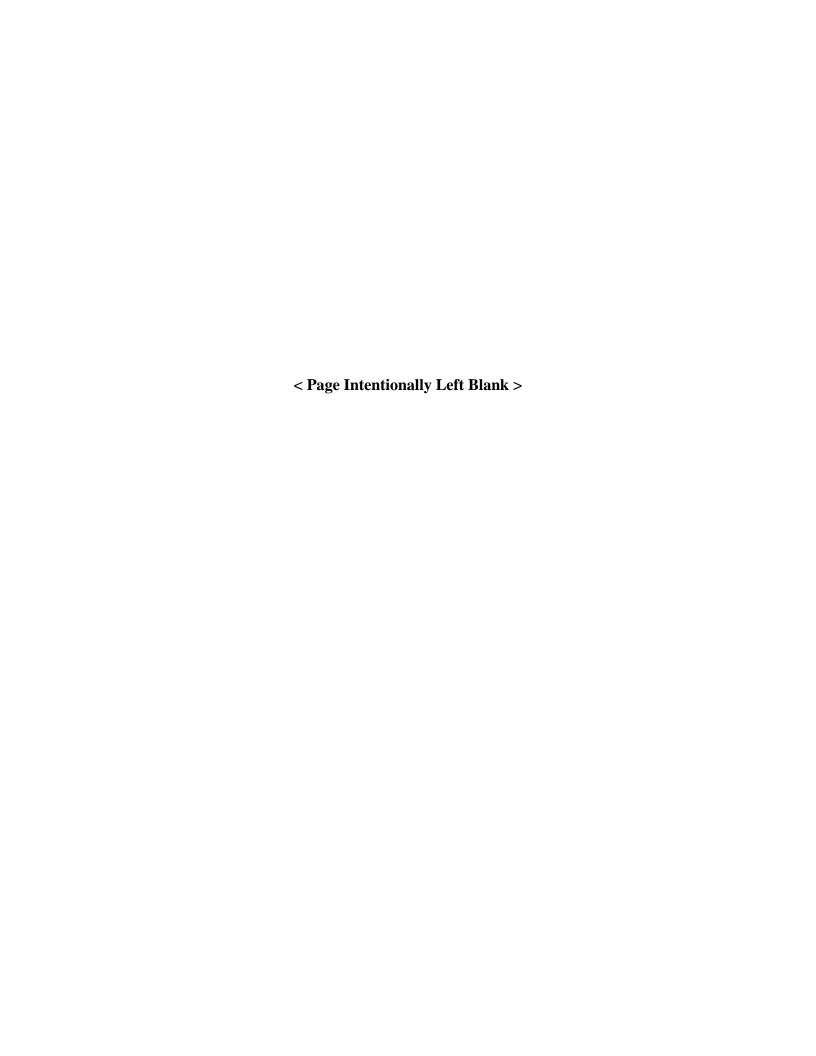
State Law requires the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Charles Z. Fedak & Company CPAs has conducted the audit of the District's financial statements. Their unqualified Independent Auditor's Report appears in the Financial Section.

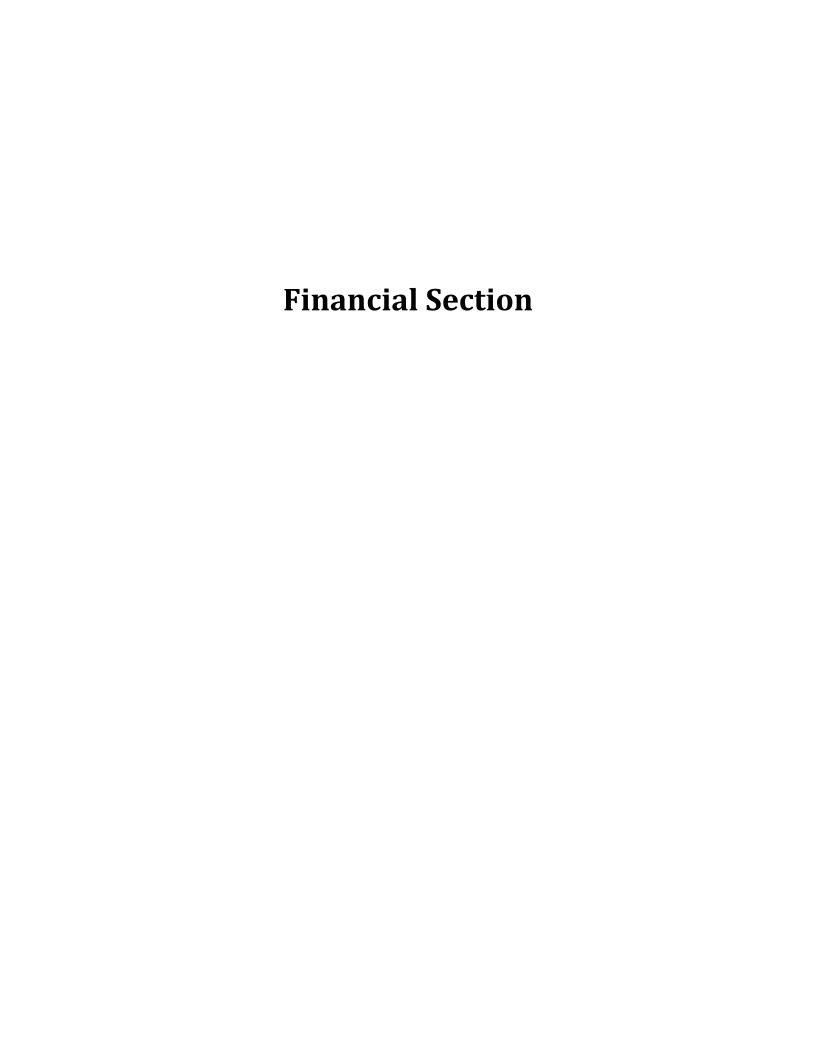
Risk Management

The District is a member of the Association of California Water Agencies Joint Power Insurance Authority (Authority). The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

Other References

More information is contained in the Management's Discussion and Analysis and in the Notes to the Basic Financial Statements found in the Financial Section of the Auditor's report.







Charles Z. Fedak & Company

Certified Public Accountants
An Accountancy Corporation

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Independent Auditor's Report

Board of Directors Chino Basin Water Conservation District Montclair, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Chino Basin Water Conservation District (District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of June 30, 2014, and the respective changes in financial position, and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Other Matters Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 19 through 22 and the required supplementary information on pages 38 and 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 3, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance. This report can be found on pages 40 and 41.

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Charles Z. Fedak & Company, CPAs – An Accountancy Corporation Cypress, California

April 3, 2015

Chino Basin Water Conservation District Management's Discussion and Analysis For the Year Ended June 30, 2014

As management of the Chino Basin Water Conservation District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities and performance of the District for the fiscal year ended June 30, 2014. Please read it in conjunction with additional information that we have furnished in our letter of transmittal and the accompanying basic financial statements, which follow this section.

Financial Highlights

- The District's net position decreased 0.1% or \$15,153 to \$23,581,473 in 2014 and as the result of the years' operations and increased 7.1% or \$1,422,509 to \$23,596,896 in 2013.
- The District's property tax revenues decreased by 30.0% or \$905,285 in 2014 due to a decrease in RDA pass-thru from cities and increased by 103.7% or \$1,536,619 in 2013.
- Total expenses for the District's programs were more than the 2014 revised budget by 9.3% or \$204,163, primarily due to increased capital outlay and decrease in materials and services expenditures.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Activities. This statement measures the success of the District's operations over the past year and can be used to determine the District's profitability and credit worthiness.

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. You can think of the District's net position, as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

Governmental Funds Financial Statements

Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Chino Basin Water Conservation District

Management's Discussion and Analysis For the Year Ended June 30, 2014

Governmental Funds Financial Statements (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Condensed Statement of Net Position

		2014	2013	Change
Assets:				
Current assets	\$	13,181,554	13,580,556	(399,002)
Capital assets, net		10,544,644	10,383,193	161,451
Total assets		23,726,198	23,963,749	(237,551)
Liabilities:				
Current liabilities	_	144,455	366,853	(222,398)
Total liabilities		144,455	366,853	(222,398)
Net position:				
Net investment in capital assets		10,544,644	10,383,193	161,451
Unrestricted		13,037,099	13,213,703	(176,604)
Total net position	\$	23,581,743	23,596,896	(15,153)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$23,581,743 as of June 30, 2014.

A major portion of the District's net position (44.7%) reflects its investment in capital assets (net of accumulated depreciation); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to apply and promote water conservation techniques within its service area; consequently, these assets are *not* available for future spending. At the end of fiscal year 2014, the District shows a positive balance in its unrestricted net position of \$13,037,099. See note 6 for the amount of spendable net position that may be utilized in future years.

Chino Basin Water Conservation District Management's Discussion and Analysis For the Year Ended June 30, 2014

Condensed Statement of Activities

	_	2014	2013	Change
Expenses:				
Water conservation:				
Salaries and benefits	\$	941,151	882,305	58,846
Basin and garden maintenance		604,513	112,070	492,443
Public education		89,019	153,963	(64,944)
Materials and services		357,725	452,159	(94,434)
Depreciation	_	255,040	84,668	170,372
Total expenses	_	2,247,448	1,685,165	562,283
Program revenues:				
Charges for services – landscape evaluation audits		27,728	20,888	6,840
Charges for services – educational workshops		1,000	8,340	(7,340)
Operating grants and contributions	_	19,188	16,042	3,146
Total program revenues	_	47,916	45,270	2,646
Net program expense	_	2,199,532	1,639,895	559,637
General revenues:				
Property taxes and assessments		2,112,709	3,017,994	(905,285)
Investment earnings		56,330	33,011	23,319
Other	_	15,340	11,399	3,941
Total general revenues	_	2,184,379	3,062,404	(878,025)
Change in net position		(15,153)	1,422,509	(1,437,662)
Net position – beginning of period	_	23,596,896	22,174,387	1,422,509
Net position – end of period	\$ _	23,581,743	23,596,896	(15,153)

The statement of activities shows how the government's net position changes during the fiscal year. In the case of the District, net position decreased by \$15,153 during the fiscal year ended June 30, 2014.

Contributing to the decrease in net position in 2014 from 2013 levels is an 30.0% or \$905,285 decrease in property taxes and assessments related to higher RDA pass-thru from cities in 2013.

Governmental Funds Financial Analysis

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unrestricted fund balance* may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

As of June 30, 2014, the District's General Fund reported a fund balance of \$13,074,656. An amount of \$9,905,970 constitutes the District's *unassigned fund balance*, which is available for spending or designation at the District's discretion. The remainder of the fund balance is considered non-spendable or assigned to indicate that it is not available for general spending because it has already been committed to prepaid expenses. See note 9 in the notes to the basic financial statements for further information.

Chino Basin Water Conservation District Management's Discussion and Analysis For the Year Ended June 30, 2014

General Fund Budgetary Highlights

The final budgeted expenditures for the General Fund at year-end were \$204,163 more than actual incurred. This variance is principally due to amounts budgeted for capital outlay that were incurred 2014. Actual revenues were in-line with final budget amounts.

Capital Asset Administration

Changes in capital assets for the year were as follows:

		Balance		Deletions /	Balance
	_	2013	Additions	Transfers	2014
Non-depreciable assets:					
Land	\$	1,486,121	-	-	1,486,121
Construction-in-process	_	6,472,761	578,457	(7,015,599)	35,619
Total non-depreciable assets	_	7,958,882	578,457	(7,015,599)	1,521,740
Depreciable assets:					
Buildings and improvements		3,144,980	5,267,579	-	8,412,559
Demonstration garden		-	1,538,694	-	1,538,694
Equipment and furniture		19,220	47,360	-	66,580
Vehicles	_	117,593	_		117,593
Total depreciable assets	_	3,281,793	6,853,633		10,135,426
Accumulated depreciation	_	(857,482)	(255,040)		(1,112,522)
Total depreciable assets, net	_	2,424,311	6,598,593		9,022,904
Total capital assets, net	\$ _	10,383,193			10,544,644

At the end of fiscal year 2014, the District's investment in capital assets amounted to \$10,544,644 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment and furniture, vehicles and construction-in-process. Major capital assets additions during the year include additions to: buildings and improvements \$5,267,579, demonstration garden \$1,538,694, equipment and furniture \$47,360, and construction-in-process in the amount of \$578,457. There were no capital disposals during the year.

Requests for Information

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the Districts' accountability. If you have any questions about the report or need additional information, please contact the Eunice Ulloa, General Manager, Chino Basin Water Conservation District, 4594 San Bernardino Street, Montclair, California, 91763-2228.

Basic Financial Statements

Chino Basin Water Conservation District Statement of Net Position June 30, 2014

(With Comparative Amounts for June 30, 2013)

	_	2014	2013
Current assets:			
Cash and cash equivalents (note 2)	\$	13,100,943	13,508,040
Accrued interest receivable		5,453	5,714
Accounts Receivable		156	15,288
Property taxes receivable		43,231	38,330
Prepaid expenses (note 3)	_	31,771	13,184
Total current assets	_	13,181,554	13,580,556
Non-current assets:			
Capital assets, net (note 4)	_	10,544,644	10,383,193
Total non-current assets	_	10,544,644	10,383,193
Total assets	_	23,726,198	23,963,749
Current liabilities:			
Accounts payable and accrued expenses		25,976	53,575
Retentions payable		45,645	249,474
Accrued wages		35,277	33,714
Compensated absences (note 5)	_	37,557	30,090
Total liabilities	_	144,455	366,853
Net position:			
Net investment in capital assets		10,544,644	10,383,193
Unrestricted (note 6)	_	13,037,099	13,213,703
Total net position	\$ _	23,581,743	23,596,896

Chino Basin Water Conservation District Statement of Activities

For the Year Ended June 30, 2014

(With Comparative Amounts For the Year Ended June 30, 2013)

	_	2014	2013
Expenses:			
Water conservation:			
Salaries and benefits	\$	941,151	882,305
Basin and garden maintenance		604,513	112,070
Public education		89,019	153,963
Materials and services		357,725	452,159
Depreciation	_	255,040	84,668
Total expenses	_	2,247,448	1,685,165
Program revenues:			
Charges for services – landscape evaluation audits		27,728	20,888
Charges for services – educational workshops		1,000	8,340
Operating grants and contributions	_	19,188	16,042
Total program revenues	_	47,916	45,270
Net program expense	_	2,199,532	1,639,895
General revenues:			
Property taxes		2,112,709	3,017,994
Investment earnings		56,330	33,011
Other	_	15,340	11,399
Total general revenues	_	2,184,379	3,062,404
Change in net position		(15,153)	1,422,509
Net position – beginning of period	_	23,596,896	22,174,387
Net position – end of period	\$ _	23,581,743	23,596,896

Chino Basin Water Conservation District Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Type Funds to the Statement of Activities For the Year Ended June 30, 2014

	_	General Fund	Reclassifications & Eliminations		Statement of Net Position
Current assets:					
Cash and cash equivalents	\$	13,100,943	-		13,100,943
Accrued interest receivable		5,453	-		5,453
Accounts receivable		156	-		156
Property taxes receivable		43,231	-		43,231
Prepaid expenditures		31,771			31,771
Total current assets	_	13,181,554			13,181,554
Non-current assets:					
Capital assets, net		-	10,544,644		10,544,644
Total non-current assets	_	-	10,544,644		10,544,644
Total assets	_	13,181,554	10,544,644		23,726,198
Current liabilities:					
Accounts payable and accrued expenses		25,976	-		25,976
Retention payable		45,645	-		45,645
Accrued wages		35,277	-		35,277
Compensated absences		-	37,557		37,557
Total liabilities	_	106,898	37,557		144,455
Fund balance (note 8):					
Non-spendable		31,771	(31,771)		-
Committed		3,739,770	(3,739,770)		-
Assigned		9,063,915	(9,063,915)		-
Unassigned	_	239,200	(239,200)		
Total fund balance		13,074,656	(13,074,656)		-
Total liabilities and fund balance	\$	13,181,554			
Net position:					
Net investment in capital assets			10,544,644		10,544,644
Unrestricted			13,037,099		13,037,099
Total net position			23,581,743		23,581,743
Reconciliation:					
Fund balance of governmental funds				\$	13,074,656
Amounts reported for governmental activities in the statem are different because:	nent o	of net position			
Capital assets used in governmental activities are not resources and, therefore, are not reported in the gove balance sheet. However, the statement of net assets i assets among the assets of the District as a whole.	rnme	ental funds			10,544,644
Long-term liabilities applicable to the District are not current period and accordingly are not reported as fu both current and long-term, are reported in the statem. Compensated absences	nd lia	abilities. All liab	ilities		(37,557)
•				Ф	
Net position of governmental activities				Ф	23,581,743

Chino Basin Water Conservation District Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Type Funds to the Statement of Activities For the Year Ended June 30, 2014

	_	General Fund	Reclassifications & Eliminations	_	Statement of Activities
Expenditures/Expenses:					
Water conservation:					
Salaries and benefits	\$	933,684	7,467		941,151
Basin and garden maintenance		604,513	-		604,513
Public education		89,019	-		89,019
Materials and services		357,725	(41.6.401)		357,725
Capital outlay Depreciation		416,491	(416,491) 255,040	_	255,040
Total expenditures/expenses	_	2,401,432	(153,984)	_	2,247,448
Program revenues:					
Charges for services – landscape evaluation audits		27,728	-		27,728
Charges for services – educational workshops		1,000	-		1,000
Operating grants and contributions		19,188			19,188
Total program revenues	_	47,916		_	47,916
Net program expense				_	2,199,532
General revenues:					
Property taxes		2,112,709	-		2,112,709
Investment earnings		56,330	-		56,330
Other		15,340		_	15,340
Total general revenues	_	2,184,379		_	2,184,379
Total revenues	_	2,232,295	_		
Deficiency of revenues under expenditures		(169,137)	169,137		-
Change in net position		-	(15,153)		(15,153)
Fund balance/Net position – beginning of period		13,243,793	7,332,395		23,596,896
Fund balance/Net position – end of period	\$	13,074,656	7,486,379		23,581,743
Reconciliation:	_			-	
				¢	(160 127)
Net changes in fund balance of governmental fund				\$	(169,137)
Amounts reported for governmental activities in the sta are different because:	itement	of activities			
Some expenses reported in the statement of activit current financial resources and therefore are not governmental funds as follows: Net change in compensated absences for the cur	reported	d as expenses in	of		(7,467)
Governmental funds report capital outlay as exper the statement of activities, the cost of those asset estimated useful lives as depreciation expense.					
Capital outlay					416,491
Depreciation expense					(255,040)
Change in net position of governmental activities				\$ -	(15,153)
				=	

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Chino Basin Water Conservation District (District) was established in 1949 to protect the Chino Groundwater Basin in order to guarantee that current and future water needs will be met. The District's service area includes the cities of Chino, Chino Hills, Montclair, Ontario, Rancho Cucamonga and Upland. The District leads these cities in water conservation education, concentrating on water-efficient landscaping and water conserving behavior at both the residential and institutional levels. The District also owns and manages several percolation basins to assist in recharging the Chino Groundwater Basin. Administration and operation of the District is guided by a duly elected and/or appointed seven member Board of Directors.

B. Basis of Accounting and Measurement Focus

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the District are to be reported in three categories, if applicable: 1) charges for services, 2) operating grants and contributions, and, 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grant and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Governmental Fund Financial Statements

These statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. Incorporated into these statements is a schedule to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-wide Financial Statements. The District has presented its General Fund, as its major fund, in this statement to meet the qualifications of GASB Statement No. 34.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the district are property tax, interest earnings, investment revenue and operating and capital grant revenues.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus, continued

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

The District reports the following major governmental fund:

General Fund – is a government's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund when necessary.

C. Assets, Liabilities and Net Position

1. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in District equity during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

3. Investments and Investment Policy

The District has adopted an investment policy directing the Treasurer to deposit funds in financial institutions. Investments are to be made in the following areas:

- Securities of the U.S. government or its agencies
- Certificates-of-deposit
- CalTRUST
- State of California Local Area Investment Fund (LAIF)

CalTRUST is a joint Powers Agency Authority created by local public agencies and is governed by a Board of Trustees made up of experienced local agency Treasures and investment officers. Investments in securities of the U.S. government or its agencies are carried at fair value based on quoted market prices.

LAIF is regulated by California Government Code (Code) Section 16429 and is under the management of the State of California Treasurer's Office with oversight provided by the Local Agency Investment Advisory Board.

LAIF is carried at fair value based on the value of each participating dollar as provided by LAIF. The fair value of the District's position in the LAIF is the same as the value of its pooled share. Investments in securities of the U.S. government or its agencies are carried at fair value based on quoted market prices. Bank balances are secured by the pledging of a pool of eligible securities to collateralize the District's deposits with the bank in accordance with the Code.

Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Assets, Liabilities and Net Position, continued

4. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

5. Capital Assets

Capital assets are recorded in the government-wide financial statements. Included in capital assets are land, buildings and improvements, equipment and furniture, vehicles and construction-in-process. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent the District's capitalization threshold is met. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings and building improvements 20 to 75 years
- Demonstration garden 12 years
- Equipment and furniture 3 to 20 years
- Vehicles 5 years

6. Compensated Absences

It is the District's policy to allow vacation pay of between ten (10) and twenty (20) working days per year of employment. Vacation time may be accumulated from year to year. Employees are allowed to accumulate and carry forward a maximum of two hundred (200) hours. Sick leave is granted at a rate of ten days per calendar year and may be used for sickness, injury or disability. Sick leave is accumulated beyond the year in which it is earned up to a maximum of twenty-two (22) days.

7. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net Investment in Capital Assets** This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.
- **Restricted Net Position** This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** This component of net position consists of net position that does not meet the definition of *restricted* or *net investment in capital assets*.

8. Property Taxes

The County of San Bernardino Assessor's Office assesses all real and personal property within the County each year. The County of San Bernardino Tax Collector's Offices bills and collects the District's share of property taxes and assessments. The County of San Bernardino Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property tax revenue at year-end is related to property taxes collected by the County of San Bernardino, which have not been transferred to the District as of June 30.

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Assets, Liabilities and Net Position, continued

9. Fund Equity

The financial statements, governmental funds report fund balance as non-spendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

- **Non-spendable fund balance** amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- **Restricted fund balance** amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.
- Committed fund balance amounts that can only be used for specific purposes determined by formal action of the District's highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- Assigned fund balance amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the District's special revenue funds.
- Unassigned fund balance the residual classification for the District's general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Directors established, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, followed by the unrestricted, committed, assigned and unassigned resources as they are needed.

Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances are considered unrestricted.

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

(2) Cash and Investments

Cash and cash equivalents as of June 30, consist of the following:	_	2014
Cash on hand	\$	1,000
Deposits held with financial institutions		89,781
Deposits held with Cal Trust		7,497,872
Deposits held with California Local Agency Investment Fund (LAIF)		5,512,290
	\$ _	13,100,943
As of June 30, the District's authorized deposits had the following maturities:		
	_	2014
Deposits held with California Local Agency Investment Fund (LAIF)	_	232 days
Deposits held with Cal Trust - Short Term Fund		518 days

Authorized Deposits and Investments

Under provisions of the District's investment policy, and in accordance with Section 53601 of the California Government Code, the District may invest in certain types of investments as listed in Note 1(C)(3) to the financial statements.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the District's bank balances, up to \$250,000 is federally insured per institution and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. The District's investment policy follows the California Government Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

(2) Cash and Investments, continued

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization; however, LAIF and Cal Trust are not rated.

Concentration of Credit Risk

The District's investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. The District's deposit portfolio with a government-sponsored agency, LAIF, is 56% of the District's total depository and investment portfolio. The District's deposit portfolio with Cal Trust, is 44% of the District's total depository and investment portfolio. There were no investments in any one non-governmental issuer that represent 5.0% or more of the District's total investments.

(3) Prepaid Expenses

The District entered into an advance dues deposit agreement with the Association of California Water Agencies to enable the Association to fund the purchase of its administrative facility. Interest of 6% per annum, together with 2% to 5% of the initial advance deposit of \$20,000, will be applied to the annual dues. The balance of the deposit at June 30, 2014 is \$11,652. Other prepaid items in the amount of \$20,119 comprise the total of \$31,771.

(4) Capital Assets

Major capital assets additions during the year include \$7,432,090 in construction costs of the District's new building and exhibition gardens.

Changes in capital assets for the year were as follows:

	_	Balance 2013	Additions	Deletions/ Transfers	Balance 2014
Non-depreciable assets:					
Land	\$	1,486,121	-	-	1,486,121
Construction-in-process	_	6,472,761	578,457	(7,015,599)	35,619
Total non-depreciable assets	_	7,958,882	578,457	(7,015,599)	1,521,740
Depreciable assets:					
Buildings and improvements		3,144,980	5,267,579	-	8,412,559
Demonstration garden		-	1,538,694	-	1,538,694
Equipment and furniture		19,220	47,360	-	66,580
Vehicles	_	117,593			117,593
Total depreciable assets	_	3,281,793	6,853,633		10,135,426
Accumulated depreciation:					
Buildings and improvements		(722,314)	(164,892)	-	(887,206)
Demonstration garden		-	(85,483)	-	(85,483)
Office equipment and furniture		(19,220)	(3,157)	-	(22,377)
Vehicles and implements	_	(115,948)	(1,508)		(117,456)
Total accumulated depreciation	_	(857,482)	(255,040)		(1,112,522)
Total depreciable assets, net	_	2,424,311	6,598,593		9,022,904
Total capital assets, net	\$_	10,383,193			10,544,644

(5) Compensated Absences

Compensated absences comprise unpaid vacation leave, sick leave and compensating time off which is accrued as earned. The District's liability for compensated absences is determined annually.

The changes to compensated absences balances at June 30, were as follows:

_	Balance 2013	Additions	Deletions	Balance 2014
\$_	30,090	30,762	(23,295)	37,557
	Balance 2012	Additions	Deletions	Balance 2013
\$	29,883	22,844	(22,637)	30,090

(6) Unrestricted Net Position

Unrestricted net assets are comprised of the following:

	2014
Non-spendable net assets:	
Prepaid expenses	\$ 31,771
Total non-spendable net assets	31,771
Spendable net assets designated for the following purposes:	
Major structural failures	1,500,000
Water conservation projects	6,665,558
Recycled water conservation contribution program	3,739,770
Operating reserve	1,100,000
Total spendable net position - designated	13,005,328
Total unrestricted net position	\$ 13,037,099

(7) Defined Benefit Pension Plan

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multi-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the District. Copies of CalPERS annual financial report may be obtained form their executive Office: 400 P Street, Sacramento, CA, 95814.

Funding Policy

The contribution rate for plan members in the CalPERS 2.0 % at 60 Risk Pool Retirement Plan is 7% of their annual covered salary. The District makes these contributions required of District employees on their behalf and for their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members.

(7) Defined Benefit Pension Plan, continued

California Public Employees Pension Reform Act of 2013

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013.

Key components of the legislation are as follows:

- Establishes PEPRA which will apply to all public employers and public pension plans on and after January 1, 2013 (Except specific exemptions);
- Establishes new retirement tiers/benefits for new public employees;
- Prohibits certain cash payments from being counted as compensation; and
- Increases retirement age for all new public employees.

Second-Tier - Beginning January 1, 2013

The contribution rate for plan members in the CalPERS 2.0% at 62 Retirement Plan under PEPRA is 6.25% of their annual covered wages. District employees contribute 6.25% of their annual covered wages to their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The employer and member contribution rate is 6.25% for a combined rate of 12.50%, which will be in effect until June 30, 2015.

The required employer contribution rate are equal to the annual pension costs (APC) percentage of payroll for fiscal years 2014, 2013 and 2012 as noted below. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS. For fiscal years 2014, 2013 and 2012, the District's annual contributions for the CalPERS plan were equal to the District's required and actual contributions for each fiscal year as follows:

Three years CalPERS funding information:

Fiscal Year	 Annual Pension Cost (APC)	Percentage of APC Contributed	APC Percentage of Payroll
2012	\$ 92,985	100%	8.197%
2013	78,305	100%	8.311%
2014	82,065	100%	8.486%

See page 38 for the Schedule of Funding Status.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

(7) Defined Benefit Pension Plan, continued

Actuarial Methods and Assumptions, continued

The following is a summary of the actuarial assumptions and methods:

Valuation date June 30, 2012

Actuarial cost method Entry age normal cost method
Amortization method Level percent of payroll
Average remaining amortization period 7 years as of the valuation date
Asset valuation method 15 year smoothed market

Actuarial assumptions:

Discount rate 7.50% (net of administrative expenses)

Projected salary increase 3.30% to 14.20% depending on age, service, and type of employment

Inflation2.75%Payroll growth3.00%

Individual salary growth A merit scale varying by duration of emplyment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

(8) Fund Balance

Fund balances are presented in the following categories: non-spendable, restricted, committed, assigned, and unassigned. A detailed schedule of fund balances and their funding composition at June 30, 2014 is as follows:

Description		Amount
Non-spendable: Prepaid expenses	\$_	31,771
Committed:		
Recycled water programs		3,739,770
Sub-total committed	_	3,739,770
Assigned:		
Compensated absences		37,557
Operating reserve - one year		1,100,000
LEAP - two year reserve		300,000
Structural failures		1,500,000
Recharge improvements		6,000,000
Carry forward	_	126,358
Sub-total assigned	_	9,063,915
Unassigned	_	239,200
Total fund balance	\$ _	13,074,656

(9) Risk Management

Joint Powers Insurance Authority

The District is a participating member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA). ACWA/JPIA is a self-insured association of independent water agencies. Association members have pooled funds to be self-insured for liabilities up to \$1,000,000 per occurrence. The ACWA/JPIA also purchases excess insurance to cover each member for liabilities to \$59 million per occurrence. The accounts and records of ACWA/JPIA are audited by an independent certified public accounting firm and can be obtained at ACWA/JPIA's main office located at 5620 Birdcage St., #200, Citrus Heights, CA 95610.

(10) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2014, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 68

In June 2012, the GASB issued Statement No. 68 – Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time

Governmental Accounting Standards Board Statement No. 69

In January 2013, the GASB issued Statement No. 69 – Government Combinations and Disposals of Government Operations. The objective of this Statement is to provide new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 71

In November 2013, the GASB issued Statement No. 71 – Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB No. 68. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

(10) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

Governmental Accounting Standards Board Statement No. 71, continued

The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual-basis financial statements of employers and non-employer contributing entities. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

(11) Contingencies

Grant Awards

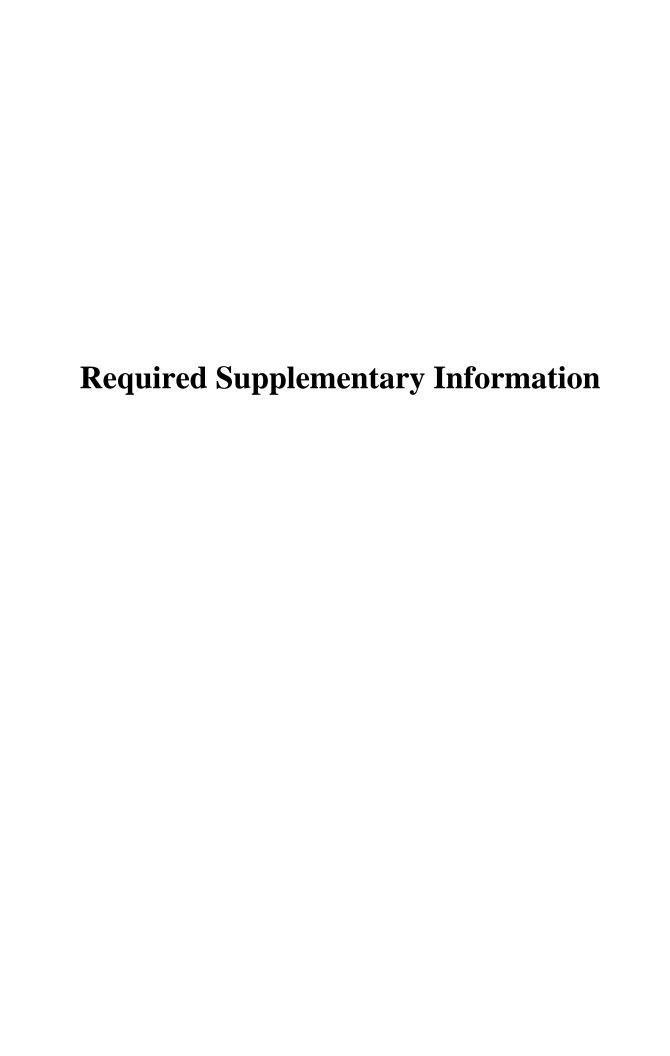
Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

(12) Subsequent Events

Events occurring after June 30, 2014 have been evaluated for possible adjustment to the financial statements or disclosure as of April 1, 2015, which is the date the financial statements were available to be issued. The District is not aware of any further subsequent events that would require recognition or disclosure in the financial statements.



Chino Basin Water Conservation District Budgetary Comparison Schedule – General Fund For the Year Ended June 30, 2014

		Adopted Original Budget	Board Approved Changes	Revised Budget	Actual Budgetary Basis	Variance Positive (Negative)
Expenditures/Expenses:						
Water conservation:						
Salaries and benefits	\$	1,032,648	(64,605)	968,043	933,684	34,359
Basin and garden maintenance		724,099	(141,970)	582,129	604,513	(22,384)
Public education		241,000	(125,933)	115,067	89,019	26,048
Materials and services		542,554	(46,444)	496,110	357,725	138,385
Capital outlay	_	1,479,194	(1,443,274)	35,920	416,491	(380,571)
Total expenditures/expenses	_	4,019,495	(1,822,226)	2,197,269	2,401,432	(204,163)
Program revenues:						
Charges for services – landscape evaluation audits		63,500	(35,772)	27,728	27,728	-
Charges for services – educational workshops		5,000	(4,000)	1,000	1,000	-
Operating grants and contributions	_	42,450	(23,262)	19,188	19,188	
Total program revenues	_	110,950	(63,034)	47,916	47,916	
General revenues:						
Property taxes		2,997,500	(884,791)	2,112,709	2,112,709	-
Investment earnings		40,000	16,330	56,330	56,330	-
Other	_	13,600	1,740	15,340	15,340	
Total general revenues	_	3,051,100	(866,721)	2,184,379	2,184,379	
Total revenues	_	3,162,050	(929,755)	2,232,295	2,232,295	
Deficiency of revenues		(0== 115)			(4.40.405	-0.4.5-
under expenditures		(857,445)	892,471	35,026	(169,137)	204,163
Fund balance – beginning of period	_	13,058,102		13,475,121	13,243,793	
Fund balance – end of period	\$ _	12,200,657		13,510,147	13,074,656	

Notes to Required Supplementary Information

(1) Budgets and Budgetary Data

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each April, the District's General Manager prepares and submits an operating budget to the Board of Directors for the General Fund no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board of Directors must approve all supplemental appropriations to the budget and transfers between major accounts. The District's annual budget is adopted for the General Fund at the detailed expenditure-type level.

The District presents a comparison of the annual budget to actual results for the General Fund at the functional expenditure-type major object level for financial reporting purposes. The budgeted expenditure amounts represent the adopted budget adjusted for Board approved supplemental appropriations. The budgeted revenue amounts represent the adopted budget as originally approved. The Board approved supplemental appropriations of revenues under expenditures in the amount of \$892,471 during the year ended June 30, 2014.

Chino Basin Water Conservation District Schedule of Funding Status For the Year Ended June 30, 2014

(2) Defined Benefit Pension Plan

Development of the Actuarial Value of Assets Calculation in a Risk Pool							
The District is part of the CalPERS Miscellaneous 2% at 60 yrs. Risk Pool		June 30, 2012	June 30, 2013	June 30, 2014			
1. Plan's accrued liability	\$	1,406,927	-	-			
2. Plan's side fund		-	-	-			
3. Pool's accrued liability		736,231,913	-	-			
4. Pool's side fund		2,948,645	-	-			
5. Pool's actuarial value of assets (AVA) including receivables		701,224,211	-	-			
6. Plan's actuarial value of assets (AVA) including receivables [(1+2) / (3+4) x 5]		1,334,682	-	-			
7. Pool's market value of assets (MVA) including receivables		589,970,009	-	-			
8. Plan's market value of assets (MVA) including receivables [(1+2) $/$ (3+4) x 7]		1,122,926	-	-			

Funding History

The Funding History below shows the actuarial accrued liability, the actuarial value of assets, the market value of assets, funded ratios and the annual covered payroll. The actuarial value of assets is used to establish funding requirements and the funded ratio on this basis represents the progress toward fully funding future benefits for current plan participants. The funded ratio based on the market value of assets is an indicator of the short-term solvency of the plan in the risk pool.

Actuarial Valuation Date		Actuarial Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Market Value of Assets (MVA) (c)	Funded Ratio AVA (b/a)	MVA (c/a)	_	Annual Covered Payroll
June 30, 2011	\$	1,406,927	1,334,682	1,122,926	94.9%	79.8%	\$	526,058
June 30, 2012	*	-	-	-	0.0%	0.00%		-
June 30, 2013	*	-	-	-	0.0%	0.00%		-

^{*} CalPERS information for these periods are not avialable as of the date of the financial statements.

Report on Internal Controls and Compliance

Charles Z. Fedak, CPA, MBA Christopher J. Brown, CPA

Charles Z. Fedak & Company

Certified Public Accountants
An Accountancy Corporation

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Board of Directors of the Chino Basin Water Conservation District Montclair, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Chino Basin Water Conservation District (District), as of and for the years June 30, 2014, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated April 3, 2015.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Independent Auditor's Report on Internal Controls Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, (continued)

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the district's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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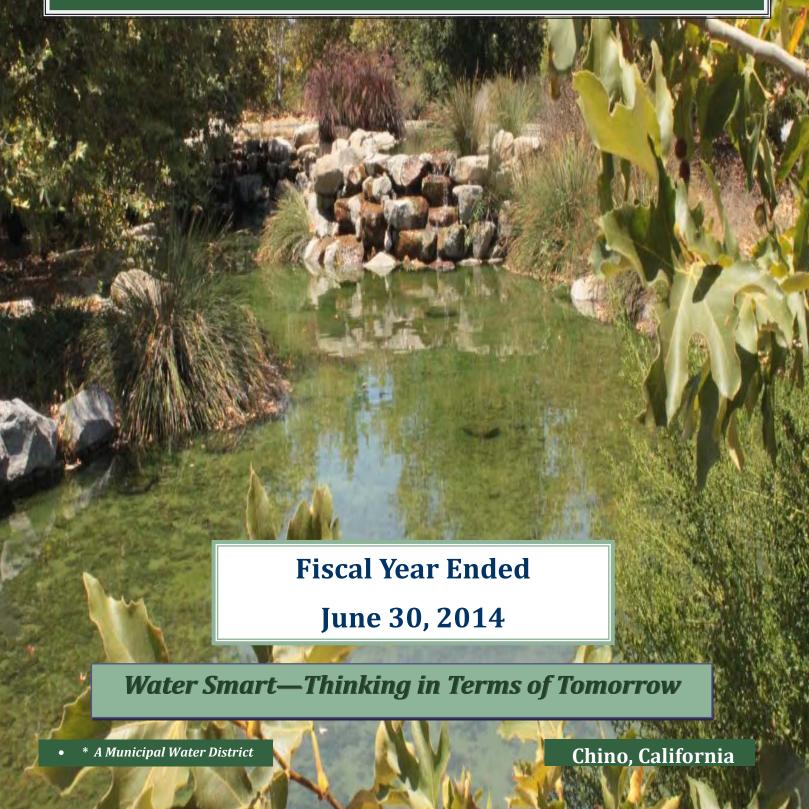
Charles Z. Fedak & Company, CPAs - An Accountancy Corporation

Cypress, California

April 3, 2015

Financial Statements for the Agencies Inland Empire Utilities Agency: June 30, 2014 Attachment 3b



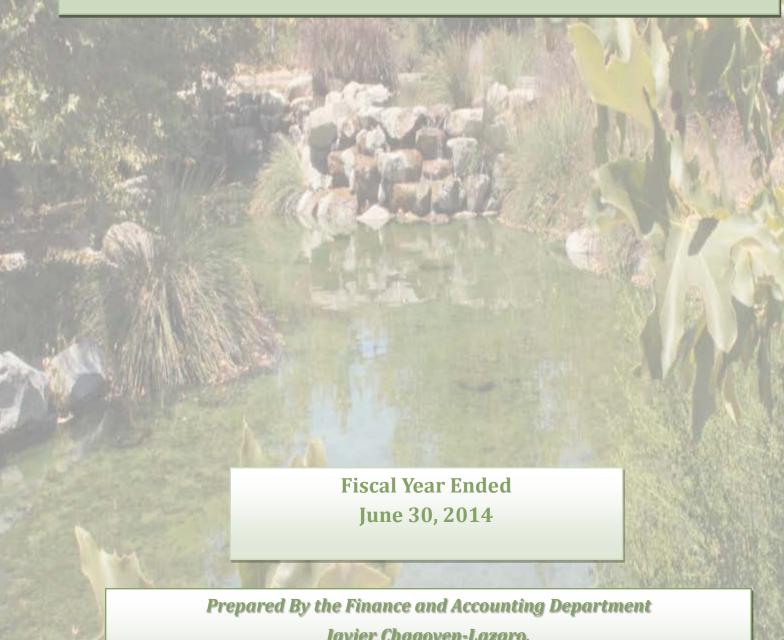




Chino Creek Wetlands

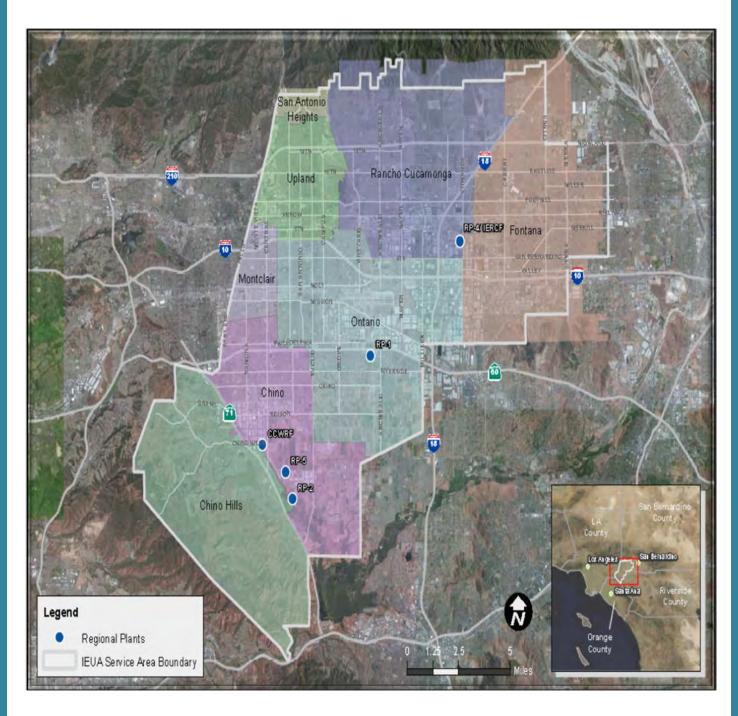


Comprehensive Annual Financial Report



Javier Chagoyen-Lazaro, **Manager of Finance and Accounting**

Inland Empire Utilities Agency Service Area



IEUA resides in the State of California, nestled in the southwest corner of San Bernardino County, approximately 35 miles East of Los Angeles.

Agency Vision

Inland Empire Utilities Agency will strive to become a world class leader in water management and environmental stewardship, including water quality, water-use efficiency, recycled water, and renewable energy, in order to enhance and preserve the quality of life throughout the region.

Agency Mission

Inland Empire Utilities Agency is committed to meeting the needs of the region by providing essential services in a regionally planned and cost effective manner while safeguarding public health, promoting economic development, and protecting the environment.

Key areas of service:

- Securing and supplying imported water.
- Collecting and treating wastewater.
- Producing high-quality renewable products such as recycled water, compost, and energy.
- Promoting sustainable use of groundwater and development of local water supplies.



Agency Values

Leading the way. Planning for the future. Protecting the resources of the communities we serve.

The Inland Empire Utilities Agency is:

- Committed to applying ethical, fiscally responsible, transparent and environmentally sustainable principles to all aspects of business and organizational conduct.
- Working with integrity as one team, while celebrating the region's diversity.
- Staying in the forefront of the industry through education, innovation, efficiency, and creativity.

INLAND EMPIRE UTILITIES AGENCY Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2014

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December 17, 2014

To the President of the Board of Directors, Members of the Board, Member Agencies and Citizens of the Inland Empire Utilities Agency:

State law and local ordinances require the Agency to annually publish a comprehensive report of its financial condition and activities, audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, it is with pleasure that we present The Comprehensive Annual Financial Report of the Inland Empire Utilities Agency (referred to as IEUA or the Agency) for the fiscal year ended June 30, 2014.

This report consists of management's representations concerning the finances of the Inland Empire Utilities Agency. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, management of the Agency has established a comprehensive internal control framework that is designed both to protect the Agency's assets from loss, theft or misuse, and to compile sufficient reliable information for the preparation of the Agency's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the Agency's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The Agency's financial statements have been audited by White Nelson Diehl Evans LLP., a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Agency for the fiscal year ended June 30, 2014, are free of any material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent audit concluded, based upon the audit, that there was reasonable basis for rendering an unmodified ("clean") opinion that the Inland Empire Utilities Agency's financial statements for the year ended June 30, 2014 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the Financial Section of this report.

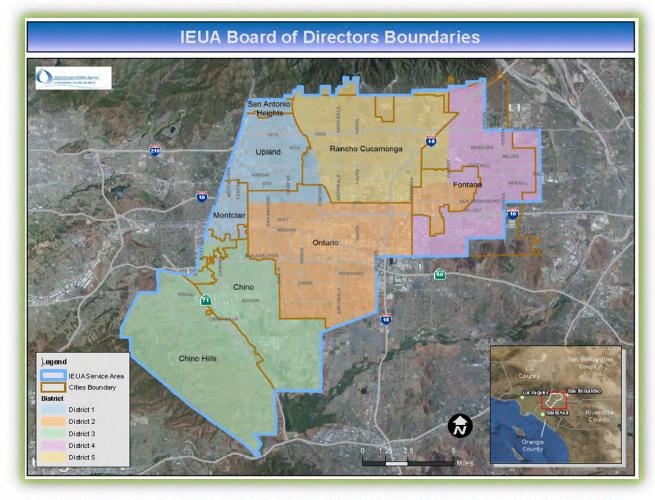
The independent audit of the financial statements of the Agency was part of a broader, federally mandated "Single Audit" designed to meet the special needs of the federal grantor agencies. The standards governing the Single Audit engagements require the independent auditor to report not only the fair presentation of the financial statements, but also the audited internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Inland Empire Utilities Agency's separately issued Single Audit Report.

GAAP requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Agency's MD&A can be found immediately following the report of the independent auditors.

INLAND EMPIRE UTILITIES AGENCY PROFILE

Up to the Present

The Agency was established by a majority vote in a special election on June 6, 1950 to bring supplemental imported water to a semi-arid region, and to meet domestic and agricultural needs for an original population of approximately 80,000 people. Until July 1, 1998, the Agency was known as Chino Basin Municipal Water District, named after the underlying Chino groundwater basin, and was organized as a California municipal corporation and a political subdivision of the State under the Municipal Water District Act of 1911. Once formed, in 1951 the Agency's electorate voted to annex to the Metropolitan Water District of Southern California. The original service area was 91.8 square miles. Land was added to the Agency through three subsequent annexations, bringing the Agency service area to its current total of 242 square miles. This service area includes the cities of Chino, Chino Hills, Fontana, Montclair, Ontario, Rancho Cucamonga and Upland. From the west, the Agency extends from the Los Angeles County line to a point near the eastern boundary of the City of Fontana; and, from the north it extends from the base of the San Gabriel Mountains and extends south to the Riverside County line and then southwest to the Orange County line.



The mission of the Agency was originally to distribute water imported from the Colorado River. Soon thereafter, that role expanded to include the distribution of water imported to Southern California through the State Water Project. In April 1984, due to high concentrations of total dissolved solids (TDS), otherwise known as high salt concentration, the Agency significantly reduced the importation of the Colorado River water. The final delivery from the Colorado River was received in April 1994.

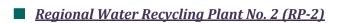
Up to the Present (continued):

The Agency began domestic wastewater collection during the mid-1960's, and built the Southwest Chino Trunk Sewer for domestic wastewater transport. In 1973, the Agency completed lengthy negotiations on the Chino Basin Regional Sewage Service Contract with the cities of Chino, Fontana, Montclair, Ontario and Upland, and with the Cucamonga Valley Water District and the County Service Area 70Q of the County of San Bernardino (later to become the City of Chino Hills). Pursuant to that contract, the Agency agreed to purchase and operate three local wastewater treatment plants, and to plan and construct all new pipelines, regional interceptor sewers and treatment plants.

The Agency currently operates five water recycling plants.

Regional Water Recycling Plant No. 1 (RP-1)

RP-1 is located south of the 60 freeway at Archibald in the City of Ontario. This facility was originally commissioned in 1948 and has undergone several expansions to increase the wastewater treatment, and biosolids treatment, capacity. RP-1 treats an average flow of approximately 27 million gallons per day (mgd) of wastewater.





Carbon Canyon Water Recycling Facility (CCWRF)

CCWRF is located near the intersection of Central Avenue and Chino Hills Parkway in the City of Chino, and has been in operation since May 1992. Liquids are treated at CCWRF, while the solids removed from the waste flow are treated at RP-2. CCWRF treats an average flow of approximately 7 mgd.



RP-2 is located in the southern service area in the City of Chino near El Prado and Pine Avenues and has been in operation since 1960. RP-2 wastewater flows have been diverted to Regional Water Recycling Plant No.5 (RP-5), and as a result RP-2 no longer processes wastewater. Instead, it treats the solids flow streams from the Carbon Canyon Water Recycling Facility, and Regional Water Recycling Plant No. 5 (RP-5) facilities.



Up to the Present (continued):

Regional Water Recycling Plant No. 4 (RP-4)

RP-4 is located in the northeastern section of the service area in the City of Rancho Cucamonga, and has been in operation and producing recycled water since 1997. RP-4 is operated in conjunction with RP-1 to provide recycled water to users. In late FY 2008/09 the plant's capacity was expanded to 14 mgd, and it currently treats an average flow of approximately 10 mgd.



Regional Water Recycling Plant No. 5 (RP-5)



RP-5 is located in the Southwestern area of the Agency's boundary in the City of Chino. This facility was originally commissioned in 2000. RP-5 treats an average flow of approximately 8 mgd. RP-5 includes several treatment processes that contribute to providing a quality recycle water pursuant to the State of California Title 22 regulations.

In addition to the treatment plants, the Agency owns and operates a number of trunk lines and interceptor sewers into which the Cities' sewers discharge their wastewater.

The Agency operates the Non-reclaimable Wastewater System (NRWS) that provides for the treatment and disposal of industrial waste, which is too high in salts for discharge into the Agency's water recycling plants. The NRWS transports non-reclaimable, salt-laden, industrial strength wastewater out of the Agency's service area, to treatment plants located in Los Angeles and Orange counties, and eventual discharge to the Pacific Ocean.

The NRWS was conceived early in the Agency's history. In 1966, voters approved a \$16 million general obligation bond issue to finance the purchase of treatment capacity and the construction of two major NRWS trunk lines. The NRWS is divided into a Northern and Southern System. The Northern System consists of three trunk lines: north, central and south trunk lines, which discharge the industrial wastewater into the County Sanitation Districts of Los Angeles County (CSDLAC) System. The wastewater generated from the Southern portion of the NRWS is diverted to Orange County Sanitation District (CSDOC).

Up to the Present (continued):

As of June 30, 2014, approximately 55 industries discharged the brine wastewater generated from their process. Some of the largest industries are California Steel Industries, New-Indy Ontario, Frito Lay Inc., GenOn, Ventura Foods, Mission Uniform and Linen Services, Crothall, GE Mobil Water, Clement Pappas North, Cintas Corporation (I) and Cintas Corporation (II), Nestle (Arrow head) Water, Unifirst, Sierra Aluminum (II), and Niagara Bottling I and II. These industries are directly connected to the Agency's NRWS. The NRWS also serves approximately 17 industrial customers that truck their wastewater to the Agency's dump discharge stations.

NON-RECLAIMABLE WASTEWATER SYSTEM AND DISCHARGES 1 Air Liquide America Corporation 2 American Technical Molding California Institution for Men 4 California Institution for Women 5 California Steel Industries 6 Carlisle Tire & Wheel 7 CC Graber Company 8 Chemicals Incorporated 10 Cintas Corporation (I) 11 Cintas Corporation (II) 12 City of Chino Di plant FOOTHILL BLVD 13 City of Chino Hils Di Plant Wei #S 28 2 48 63 14 City of Ontario IE Plant 15 City of Ubland (lon X) VALLEY BLVD HOLT BLVD To County Sanitation Districts 61 62 of Los Angeles County **1**12 **47** EDISON AVE **43** 17 Clement Pappas & Co., Inc. 18 Coca-Cola North America 19 Crothall Healthcare, Inc. 22 E&M Ranch, a Norco Ranch Facility 23 Prito-Lay, Inc. 24 GE Mobile Water To Santa Ana Watershed 25 Green River Golf Club Project Authority (SAWPA) and CSDOC 26 Hillerich and Bradsby Company, Inc. 'Closed Nov. 2009 54 Sunkist Growers, Inc. 55 TAMOO 45 Praxair, inc. 27 ICL Performance Products 36 Metal Coaters of California, Inc. 46 Rainforest Cafe 37 Mission Uniform and Linen Service 57 The Chino Basin Desalter Authority 47 RMS Services, Inc. 29 EUA Biosolds Fitrate 38 Mizkan Americas, Inc. 58 Uniffirst Corp. 30 EUA-RP-5 (RED)*Closed May 2009 48 RRI Energy Elwanda, Inc. 59 Union Pacific Railroad Company 49 San Antonio Community Hospital 31 Industrial Wire Products (dba Tree Island Wire) 40 Nestle Waters North America 60 Unitech Services Group, Inc. 50 Shaw cor Pipe Protection 32 James Hardle Building Products, Inc. 41 Nagara Botting LLC (I) 61 Ventura Foods, LLC (I) 51 Sierra Aluminum Company (I) 33 Kaiser Foundation Hospitals 42 Nagara Botting, LLC (II) 62 Ventura Foods, LLC (II) 52 Sierra Aluminum Company (II) 34 Ludfords, Inc. 43 OLS Energy 63 Vista Metals Corp 35 Matheson Gas Products, Inc. 53 Steelscape, Inc.

44 Pacific Forge, hc.

Up to the Present (continued):

During 1972, bond proceeds were used to purchase treatment capacity in the CSDOC Fountain Valley treatment facility for the Agency's Southern System. In 1981, the Santa Ana Watershed Project Authority (SAWPA) assigned the Agency a capacity right of 2.5 mgd in the Santa Ana Regional Interceptor (SARI) System. The Southern System is connected to facilities of the CSDOC. The salt-laden industrial strength wastewater is transported to CSDOC treatment plant via the SARI pipeline for treatment, and discharge into the Pacific Ocean. Currently, the NRWS owns a 1.08 mgd capacity right in the SARI system, and 1.08 mgd of treatment capacity in CSDOC treatment plants.

In addition to the pipeline and treatment capacity owned by the NRWS, the Regional Wastewater System also owns 1.98 mgd of SARI capacity, and 0.4 mgd of treatment capacity, used to divert wastewater flows in emergency situations and heavy rain related peak flows at our Regional water recycling plants.

The Agency and CSDLAC entered into agreements dating back to 1966 under which CSDLAC agreed to accept the Agency's industrial wastewater flows from the NRWS Northern System. This agreement was set to expire in May 2018. On December 18, 2013, the Agency's Board of Directors approved the new NRWS Wastewater Disposal Agreement between the Agency and CSDLAC effective July 1, 2014. The new agreement has a term of 30 years allowing for four additional 5 year extensions. Under the new agreement CSDLAC owns and operates the sewerage system, and the Agency has been assigned 15,000 capacity units per year.

The Agency's regional water and wastewater services are essentially wholesale services provided to the Agency's Contracting Agencies. In contrast, the Agency's NRWS provides retail services that are billed directly to the industrial customers of the Agency.

Additionally, in recent years the Agency completed construction and installation of solar fields at several IEUA facilities.

Agency wide - 3.5 MW Photovoltaic System

In 2008, IEUA entered into a Power Purchase Agreement with a third party to install, maintain and operate five photovoltaic systems across four Agency facilities for a total of 3.5 MW. This is approximately 35% of the combined Agency's peak load (10 MW), and approximately 9% of the Agency's combined energy usage (6,800 MWh solar generation, compared to 80,000 MWh electric energy usage).



Up to the Present (continued):

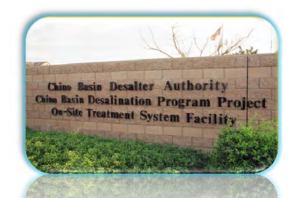


The installation at these sites includes different technologies: roof and ground mounted fixed-tilted panels, horizontal trackers, and tilted trackers. Tilted single-axis tilted tracker, installed at RP-5 just behind IEUA's headquarters, and pictured here, generate 30% more energy than fixed-tilt technology.

Joint Powers of Authority

Chino Basin Desalter Authority, (CDA), a joint powers authority (JPA), was formed in September 2001. The purpose of the JPA was to acquire all assets and liabilities of the Chino Basin Desalter and its operations from the Santa Ana Watershed Project Authority (SAWPA).





The JPA is comprised of the cities of Chino, Chino Hills, Ontario, Norco, the Jurupa Community Services District (JCSD) and the Santa Ana River Water Company, Western Municipal Water District and Inland Empire Utilities Agency as an ex-officio member.

In February 2002, the Agency entered into a Joint Powers Agreement with the County Sanitation District No.2 of Los Angeles County (CSDLA) and formed the *Inland Empire Regional Composting Authority* (IERCA), to divert organic solids from landfill disposal and to recycle organic products generated from within the community.

The Agency replaced the previous facility with the nation's largest indoor biosolids composting facility. Constructed by the IERCA, the facility consists of 445,275 square feet indoors.



The new facility started operation in March of 2007, and produces a wood based, nutrient rich, compost made from recycled green waste, biosolids and horse stable bedding; focusing on producing top quality compost under the guidelines outlined in the US Composting Council's Seal of Testing Assurance (STA) program.

Up to the Present (continued):

Recycled Water Distribution System

The Agency has been serving recycled water to its member agencies since formation of the Regional Sewage Service Contract in 1972. Initially, recycled water was delivered to Whispering Lakes Golf Course and Westwind Park in the city of Ontario, as well as to Prado Regional Park and El Prado Golf Course in San Bernardino County. In the early 1990's, the Agency planned and built the first phase of the Carbon Canyon Recycled Water Project, which now serves several customers in Chino and Chino Hills. The connected demand for the recycled water has more than tripled since FY 2006/07 from 13,000 AFY to over 43,800 AFY. Recycled water and groundwater recharge sales have nearly tripled as well. Major benefits of the recycled water program include:

- New Water Supply 30,000 AFY Increase in Connected Demand since FY 2006/07.
- Recycled Water Revenues an estimated \$10 million/year (wholesale rate revenue plus MWD rebate). The goal of the program was to eventually be self-funded through recycled water sales revenue.
- The recycled water supply is not impacted by drought and will mitigate the impacts of regional or statewide water supply limitations.

Since 2010, the rate of connections for direct use customers to the regional recycled water system has decreased. The main causes for the decreased rate of connection can be attributed to the recession and limited financial resources. As a result, the Agency has shifted its focus from direct connections to pursuing additional regional groundwater recharge projects. The next phase of projects and priorities will be developed in the Recycled Water Program Strategy, scheduled for completion in spring 2014.

Groundwater Recharge Basins

In conjunction with the CBWM, the Agency is implementing the groundwater recharge program to increase artificial groundwater recharge within Chino Basin using stormwater, recycled water, and imported water. By enhancing the recharge capacity in the Chino Basin, greater quantities of high quality water can be captured and stored during wet years. Subsequently, the stored water can be drawn from the Basin during droughts and shortages of imported water. Annual recharge varies due to weather patterns, and the availability of imported water and recycled water supplies. Potential monthly recharge capacities for the recharge sites are listed in Table 1.

The Agency, CBWM, the CBWCD, and their respective member agencies recently completed a 2013 Recharge Master Plan Update (Update) to the 2010 Recharge Master Plan. The Update evaluated 27 yield enhancing capital projects for the Chino Basin and the Agency has agreed to finance 3 of these projects, which are included in the TYCIP project lists. The remaining projects required additional investigation to evaluate the feasibility and cost-effectiveness of incorporating the basins into the recharge program. The Agency will continue to work with CBWM and CBWCD toward this end.

ECONOMIC CONDITION AND OUTLOOK

Local and regional prognosticators are proclaiming the San Bernardino/Riverside region as positioned well to shortly regain its historical position as the leader of California's new home production. Recent projections by IHS Global Insights suggest the San Bernardino/Riverside region will average 4.2% economic growth thru 2020 the highest in California. In addition the projection for Inland Empire Gross Metropolitan Product will increase from 114 billion in 2013 to 128.2 billion in 2015 for a whopping 12 % growth rate in just 2 years.

Housing Market - The Inland Empire's economy is beginning to gain speed alongside the recovering housing market. According to a recent report by Metrostudy, a national housing data and consulting firm that maintains the most extensive primary database on residential construction in the US housing market; the San Bernardino/Riverside region economy began to recover in 2013.

The San Bernardino/Riverside region has a 42 percent market share in Southern California's housing market. Growing numbers of housing starts and escrow closings indicate that the service area has turned a corner, with total escrow closings in the 3rd quarter of 2013 increasing by 8 percent over the 2nd quarter. More and more people in the Inland Empire can now afford to buy a median priced home. The only problem they face is that the inventory of available houses still remains relatively low, both in the San Bernardino/Riverside region and throughout California. Furthermore, the San Bernardino/Riverside region average home price is beginning to rise slightly, although it is doing so at a pace much lower than that of the rest of Southern California.

- Employment After adding just 16,140 jobs in 2012, the IE gained 46,833 jobs in 2013, which was surprisingly higher than anticipated. Economic recovery is beginning to pick up, with another 40,100 jobs expected to be added in 2014 as the Inland Empire's traditional competitive advantage in blue collar sectors, which was dampened by the downturn of the mortgage crisis, begins to recover. The Professional and Business Services, Leisure and Hospitality, Transportation, and Health Care sectors have seen significant improvement since summer 2012. Meanwhile, like the rest of California, the San Bernardino/Riverside region is being adversely affected by public sector job losses.
- San Bernardino/Riverside Region Economic Base Additional employment in home construction and civil engineering is gaining speed, but still low due to high California taxes and fast-changing state regulations that are expensive for manufacturers to bear. In 2014 it is expected that the San Bernardino/Riverside region's population service sectors such as retail should continue to recover, as money is re-spent locally by people working in sectors like manufacturing, real estate, logistics, and health care. Unfortunately, this economic growth will be moderate because of the lack of progress in construction and the slow revenue growth facing local governments and school systems. The greatest threat for the San Bernardino/Riverside region and California is that the State's budgetary problems may continue, which will adversely impact the inland area's local education, state and government sectors.
- Annual Income Median annual income is estimated to be \$68,617 in the Agency's service area, \$54,750 in San Bernardino County and \$61,400 in the State of California.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

Upcoming years will prove the Agency's role as a "steward of the region" by ensuring its commitment, in conjunction with its member agencies, for continual development and implementation of an integrated water resource management plan that promotes cost-effective, reliable, efficient and sustainable water supplies to support and promote economic growth throughout the region.

Some of significant contributions and accomplishments in 2014 include: early renegotiation of the NRW contract with County Sanitation District of Los Angeles County (CSDLAC) for the North system scheduled to sunset in May 2018. The new agreement provides the North system users a more simplified and stable rate structure. Management successfully negotiated 5 year contracts with all of the Agency's employee bargaining units in late 2014. In October 2014, the Board of Directors approved the IEUA Business Goals to integrating the Agency's Level of Service and member agencies priorities. Another key milestone was the completion of the Agency's first 2014 Asset Management Plan and FYs 2015 - 2019 Strategic Plan. Agency staff played a key role in the 2013 Update to the 2010 Regional Master Plan (RMP) by Chino Basin Watermaster, as part of the Agency's continued commitment to cost containment, emphasis on the integration of Lean management principles to minimize waste and increase efficiencies to streamline operating and administrative processes.

As we advance into 2015, completion of the Agency's long range financial model will allow integration of the Agency's various long term planning initiatives, some of which include:

- Facilities Master Plan Update,
- Recycled Water Program Strategy,
- Integrated Resources Plan,
- Energy Management Plan,
- · Groundwater Recharge Plan, and
- Urban Water Management Plan

Integrating these critical initiatives into the financial planning process will help ensure the Agency has the appropriate funding, fund reserves, and other essential resources necessary to fulfill its mission, vision and values which was updated in July 2014.

Major Initiatives for FY 2013/14

Some of the major projects in 2012/2013 were as follows:

■ Southern area projects to be completed in December 2014

The primary purpose of the Southern Area Recycled Water Projects is to provide storage in the Southern Service Area and increase pump stations capacities. These improvements will enable the Southern Service Area to be more efficient, supply the demands from the Southern Area instead of pumping from the Northern Service Area, and allow more ground water replenishment in the Northern Service Area.

Major Initiatives for FY 2013/14 (continued):

930 Zone Recycled Water Reservoir Project;



930 Zone Reservoir Flooring

A 5-MG storage reservoir will be constructed in the City of Chino Hills. Since the recycled water use has continued to increase throughout the Cities of Chino Hills, and Ontario, additional storage is needed to serve these growing demands more reliably.

Increasing storage capacity will enable IEUA to manage the recycled water demands more effectively during the hot summer peak demand periods.

930 Zone Reservoir Installation of Roof Panels



This project is funded in part by the State Water Resources Control Board Southern Area State Revolving Fund Loan and Water Recycling Grant Program

Major Initiatives for FY 2013/14 (continued):

Recycled Water Projects

Additionally, proposed state agency landscape irrigation legislation would require divisions of the State to use recycled water when it is available, and irrigation systems must meet Title 22 requirements.

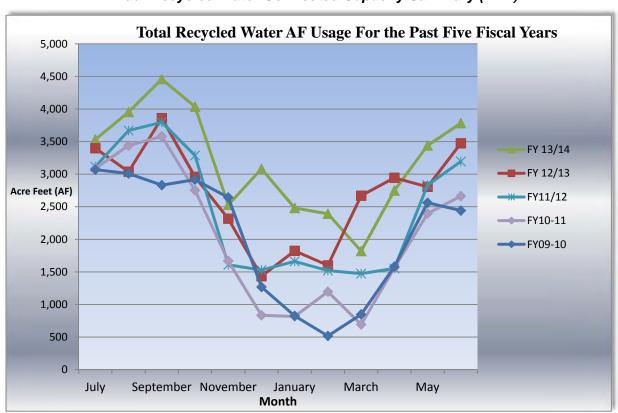
_		Exis	ting			Projected	
Туре	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Direct Use	16,656	20,605	21,840	24,659	20,000	23,700	24,200
GW Recharge	8,028	8,634	10,479	13,593	14,000	11,450	12,900
Total	24,684	29,239	32,319	38,251	34,000	35,150	37,100

IEUA and its member agencies are committed to the recycled water program, and have been working diligently to implement new customer connections as well as increase supplies of recharged storm water and recycled water.

During FY 2013/14, 50 new connections, with a new connected demand of 974 AFY were connected to the recycled water system.

- ➤ Total Member Agency Connected Meters to-date 807
- ➤ New connections made for FY 2013/14: 974 AFY.

Annual Recycled Water Connected Capacity Summary (AFY)



Major Initiatives for FY 2013/14 (continued):

Turner Basin No. 1 Turnout:



This project is the long term, permanent solution to the recharge limitations at the Turner Basins. The turnout will be approximately 200 linear feet of 16 inch steel pipe and supply 10 cubic feet per second of water to the basins.

An automated control valve and flow metering will also be provided. In order to equally supply all four of the recharge basins at the site a bypass will also be constructed underneath the Deer Creek Channel.

The project is part of the matching share for the Turner Basin Recharge Improvement which is partially funded by the Bureau of Reclamation.

Turner Basin Recharge Improvement Project



The project involves the installation of new pipe/gate within the two new recharge basins currently being excavated west of Basin 4. This project will also connect an existing flood control retention facility, Basin 5, as a new recharge basin. Construction will include running new storm water piping upstream of the Deer Creek Channel to Basin 8 which will convey flow into the new recharge basin, Basin 5. This project is partially funded by the Bureau of Reclamation with grant of \$406,712. The remaining cost of the project is shared between IEUA and CBWM.

Major Initiatives for FY 2013/14 (continued):

Wineville Extension Recycled Water Pipeline

The Wineville project includes 6.0 miles of pipeline, which will primarily build the Regional Recycled Water distribution system in the southern part of the City of Fontana and the eastern part of the City of Ontario and will allow for the connection of commercial, industrial customers, parks, and schools, and also provide RP-3 and Declez Basins recycled water for groundwater recharge. The project will connect approximately 3,000 - 4,000 AFY of recycled water.



Major Accomplishments for FY 2013/14

The highlights of major activities and accomplishments are as follows:

Funding Developments:

The significant impact of Agency Grants and Loans on the funding of projects:

■ Federal Grants:

United States Department of Interior, Bureau of Reclamation (USBR)

USBR grant awarded to IEUA for \$3,950,000 on behalf of the CDA for the 1010 Zone Pump Station and New Product Water Pipelines. In F/Y 13/14, \$1,129,326 was invoiced for costs incurred. IEUA has a grant administration agreement with CDA to manage the grant award.

USBR grant recommended for funding, \$3,000,000, to IEUA on behalf of the Chino Basin Desalter Authority (CDA). The funding is for the Chino Basin Groundwater Supply Wells and Raw Water Pipelines Project. The grant award will be executed by September 30, 2014. IEUA has a grant administration agreement with CDA to manage the grant award.

State and Local Grants:

SAWPA/Department of Water Resources (DWR), Integrated Regional Water Management Program (IRWM)

Four Proposition 84 grants were recommended for funding for the amount of \$3,000,000. The grant award will be executed by September 30, 2014. The grant will support the following projects:

- 1) Wineville Recycled Water Pipeline/GWR System Upgrade \$1,000,000
- 2) San Sevaine GWR Basin \$750,000
- 3) Regional Residential Landscape Retrofit \$500,000
- 4) Lower Day Basin Improvement Project.- \$750,000

MWD Foundational Actions Funding (FAF) program

Three grants were awarded for the amount of \$480,000 to support the following regional water management projects:

- 1) The Recycled Water Intertie Study Project \$25,000
- 2) The Pilot Scale Biological Treatment Process Project, BIOTTTA™ \$414,216
- 3) Three-D Fluorescence Excitation-Emission Matrix Project \$50,000

Major Accomplishments for FY 2013/14 (continued):

Funding Developments (continued):

■ State and Local Grants (continued):

State Water Resources Control Board (SWRCB)

One Proposition 50 grant for the amount of \$4,000,000 was awarded for the Central/Wineville Area Recycled Water Projects.

Water Quality Laboratory — An SRF replacement loan for the Water Quality Laboratory — Construction Project was received for \$16,100,000, 2.1% interest, 30-year SRF loan term, and includes a \$1,050,337 grant. This SRF loan is to replace the original 2.6% 20-year SRF loan which expired in 2013. In FY 13/14, \$633,698 was invoiced for planning and design costs incurred. The new SRF loan package has many advantages over the expired SRF loan agreement. The new SRF loan with a 30 year term will lower the annual debt service repayment. The grant will offset the costs associated with the 10 additional years' interest expense.

One Proposition 13 and 50 grant for the amount of \$4,000,000 was awarded for the Southern Area Recycled Water Facilities. In FY 13/14, \$3,090,606 was invoiced for costs incurred.

The SWRCB/Division of Drinking Water grant awarded for \$52,005,716 for the CDA Phase III expansion projects. In F/Y 13/14 \$19,612,621 has been invoiced for costs incurred. IEUA has a grant administration agreement with CDA to manage the grant award.

State Revolving Fund (SRF) Loans:

State Water Resources Control Board (SWRCB)

Central/Wineville Recycled Water – A SRF Clean Water loan awarded for \$26,500,000 is one of the largest SRF loan packages IEUA has received. This loan will cover the Wineville Extension Recycled Water Pipeline project and the Supervisory Control and Data Acquisition (SCADA) System Improvement projects. The remarkable features of the Wineville Extension Recycled Water SRF loan package are the:

- 1) The 1% drought preparedness incentive interest rate compared to the traditional 2.1% interest rate for a 30 year term.
- 2) The 30-Year SRF loan term results in reduced debt service costs and an overall lower cost of service rate for the Recycled Water program

Southern Area Recycled Water - IEUA was awarded the Southern Area Recycled Water Facilities Clean Water SRF Loan for \$20,608,638. In FY 13/14, \$12,204,395 was invoiced for costs incurred.

Major Accomplishments for FY 2013/2014 (continued):

Funding Developments (continued):

SWRCB Southern SRF Loan & Grant



930 Zone W. Reservoir: Easterly View of Reservoir During Roof Installation

Eucalyptus Pipeline (930 Zone Pipeline):

Easterly view of Installation of the Main Pipeline Along the English Channel



Major Accomplishments for FY 2013/2014 (continued):

Funding Developments (continued):

SWRCB Southern SRF Loan & Grant



Carbon Canyon Water Recycling Facility Pump Station Expansion: Commissioned Recycled Water Pump Station



Major Accomplishments for FY 2013/2014 (continued):

Funding Developments (continued):

SWRCB New Water Quality Laboratory SRF Loan and Grant





New Water Quality Lab:

The new laboratory will have offices for laboratory staff, wet chemistry, metals, extraction, volatile organics, semi-volatile, microbiology, bioassay, storage rooms, electrical room, sample receiving area, visitor center and more.

Major Accomplishments for FY 2013/2014 (continued):

Funding Developments (continued):

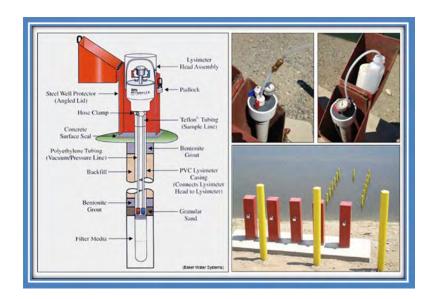
Metropolitan Water District (MWD) Foundational Actions Funding Program Grant



Biottta™ Project:

BIOTTTA™ Pilot Testing Skid consists of three pressure vessels, a break tank, two backwash tanks, and a chlorine contact tank. Effluent from the biofilter will be pumped into the backwash tank and then the chlorine tank.

3D Fluorescence Excitation-Emission Matrix to enhance Recycled Water Recharge: IEUA samples each Lysimeter and measures the electrical conductivity to determine presence of recharge source water at depth.



Major Accomplishments for FY 2013/2014 (continued):

Funding Developments (continued):

CDA Phase III Expansion Projects

State Water Resources Control Board, Drinking Water Division Grant Proposition 50, Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002



Concentrate Reduction Facility
Construction of \$46 Million Treatment Facility

FUTURE YEARS

With the economy progressively showing signs of recovery following the worst economic recession in history, today's headlines have shifted to water shortages caused by persistent dry weather conditions. Following two years of dry weather, 2014 is anticipated to be the driest year on record for the State of California. In May 2014, for the first time this century, the U.S. Drought Monitor declared the entire State to be in a state of "extreme drought or worse". The severity and uncertainty of the duration of the drought prompted Governor Edmund G. Brown Jr. to convene an Interagency Drought Task Force and declare a state of emergency in February 2014, followed by a second proclamation in April, to protect the state's health and safety from severe water shortages.

In October 2013 the Board of Directors adopted IEUA Business Goals, based on the Agency Strategic Plan. The major initiatives to be accomplished over the next five years are: Water Reliability, Environmental Stewardship, Fiscal Responsibility, Wastewater Managements and Business Practices. The IEUA Business Goals represent the Board's key policy objectives and ensure the Agency continues to fulfill its mission, vision and values.

The IEUA Business Goals are categorized into six main groups:

- Fiscal Responsibility
- Workplace Environment
- Water Reliability

- Wastewater Management
- Environmental Stewardship
- Business Practices

The IEUA Business Goals align with the Agency's Mission, Vision and Values which are defined by the needs of our stakeholders and the public value provided to the community. Within each Business Goal category, several Objectives were established to support the Business Goal. For each Objective, a Commitment was developed to define the level of service that IEUA will provide. These Objectives and Commitments will be evaluated and derived into work plans to ensure that current and future needs of the Agency and region are appropriately met. Based on these Board-approved Business Goals, IEUA staff developed a comprehensive Strategic Plan that defines the Work Plan that will guide the Agency over the next five fiscal years (2015-2019) in fulfilling its Mission, Vision and Values. The Strategic Work Plan serves as the basis for the department goals and objectives included in the Departments section.

Water Reliability

The drought emergency proclamations by Governor Brown led to the Department of Water Resources' (DWR) historic decision to drop the 2014 State Water Project (SWP) initial allocation to zero for all 29 public agencies that supply SWP water to 25 million Californians. In May, the allocation was finally increased to 5 percent, but still remains the lowest in history. This unprecedented action further heightened uneasiness about the severity of the drought and the concern over the already low, and quickly dropping, reservoir levels. Recognizing the limitation on imported water supplies caused by drought conditions and environmental restrictions, a key IEUA Business Goal is Water Reliability.

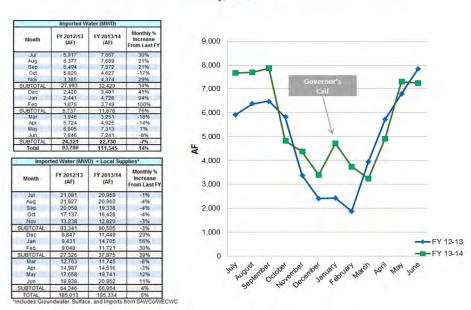
As a member of the Metropolitan Water District of Southern California (MWD), all of the potable water distributed by the IEUA is imported via the SWP and represents one fourth of all water delivered by IEUA in the region. Hence, development of local water supplies to reduce reliance on imported water supplies is essential for the region. Ensuring optimum beneficial reuse of the high quality recycled water generated from treated wastewater, maximizing groundwater

FUTURE YEARS (continued):

Water Reliability (continued):

recharge, and promoting water use efficiency and conservation programs will reduce reliance on imported water supplies and, over time, "drought proof" the region.

Governor's Declaration of Drought Emergency January, 2014



IEUA and its member agencies started ramping up their water use efficiency programs in January in response to the Governor's emergency drought declaration, which has resulted in a downward trend in per capita water use, commencing April 2014. Water use reductions are expected to continue along this favorable trend and exceed IEUA's drought resolution adopted on April 16, 2014 which calls for extraordinary conservation actions to achieve a 20 percent reduction in water use.

The Agency also set a new record in recycled water deliveries with total deliveries of 38,000 AF in FY 2013/14. The extremely dry weather conditions and optimal availability of recharge basins permitted deliveries well over the budgeted 32,000 AF.

The ongoing construction of the Agency's Regional Recycled Water Distribution System is a major component of the Agency's upcoming TYCIP, further advancing beneficial reuse of recycled water. Already under construction is the Southern Area project which will provide essential storage and enhance reliability for the overall system. The Central/Wineville Area project will complete the backbone distribution system quadrant making recycled water accessible throughout the primary sectors of the Agency's service area. These two major capital construction projects are projected to increase recycled water storage by an estimated 5 million gallons, and increase deliveries (direct and groundwater recharge) by approximately 4,500 acre feet per year (AFY), bringing the Agency closer to its goal of 50,000 AFY by the year 2025.

FUTURE YEARS (continued):

Water Reliability (continued):

The Agency also continues to work jointly with the Chino Basin Watermaster, Chino Basin Water Conservation District and respective member agencies in the implementation of the 2013 Recharge Master Plan Update to the 2010 Recharge Master Plan (RMP). The RMP recommends implementation of 11 yield enhancement regional projects over the next six years.

Environmental Stewardship

A key goal for the Agency and its member agencies is to promote environmental sustainability. Enhancement of water quality and reliability is essential in meeting this goal. The Agency continues to work collaboratively with member agencies and partners at the regional, state and federal levels to further enhance the Chino Basin's water supplies and water quality, as well as meet the Governor's mandate to reduce water consumption by 20 percent by 2020 (20/2020).

The Agency worked with the Governor's office and state water agencies to address the current drought water crisis and revise legislation and regulatory requirements to promote water use efficiency and maximize groundwater recharge. Additionally, the Agency, in partnership with the Orange County Water District, San Bernardino Valley Municipal Water District, Western Municipal Water District, and Eastern Municipal Water District, formed the Santa Ana River Watershed Action Team (TEAM) to actively identify large-scale water supply and reliability projects that will provide benefits to the entire Santa Ana watershed.

Some of the drought mitigation projects identified by TEAM include turf removal from commercial and residential landscaping, water use efficiency education, and technology based water conservation tools such as aerial imagery of the region to support future conversion to sustainable water budget rates by retail water suppliers in the Chino Basin.

A key goal for the TEAM is to secure grants and necessary funding, including Department of Water Resources Proposition 84 funding through the Santa Ana Watershed Project Authority's "One Water One Watershed" (OWOW) program, to defray the cost to implement necessary projects. Such collaboration has enabled the Agency and partners to secure federal and state grant funding that has significantly advanced the capital investment in the region.

Wastewater Management

With new development gaining momentum throughout the Agency's service area, expansion of existing facilities to support anticipated population growth and higher demands for wastewater and water services is anticipated towards the end of the next ten year period. The scope and timeline of future expansion projects will be identified in the Wastewater Facilities Master Plan Update scheduled to be completed in early 2015.

In June 2014, the Agency completed its first Asset Management Plan (AMP). An asset management strategy was initiated in 2004 with the development of the Agency's Level of Service. The 2014 AMP provides a comprehensive condition assessment of the major systems for each of the Agency's facilities. The AMP will be updated each year for the next couple of years to ensure critical projects are identified appropriately. Thereafter, the AMP will be updated periodically, every 2 to 3 years, as needed.

Fiscal Responsibility

Another key driver for upcoming fiscal years is leveraging the California's resurgent economy to improve the Agency's fiscal health as it continues on its path of achieving full cost of service rates for all programs; another IEUA Business Goal in the area of Fiscal Responsibility. Fiscal Year 2014/15 is the final year of a 3-year rate increase for two of its primary programs: Regional Wastewater and Recycled Water Program. While the multi-year rates have helped to narrow the gap between program revenues and costs, the FY 2014/15 rates still do not recover the full cost of service. The Agency and its member agencies recognize that future incremental rate increases will be needed to achieve full cost of service for all Agency programs.

To mitigate future rate increases, the Agency remains committed to cost containment and optimizing grant funding to support capital investments in the region. Since 2009, in response to the worst economic recession in history, the Agency has achieved cost savings of over \$245 million. The cost savings have been Agency-wide including: reducing staffing levels, transitioning all facilities from multiple to single shifts, restructuring of high interest rate debt, and deferring non-critical capital projects. Additionally, the Agency continues to leverage in-house resources in lieu of outside consultants to reduce costs.

However, management recognizes that some cost containment strategies are not sustainable. Although deferral of R&R projects has helped to reduce operating and capital projects over the last several years, aging facilities and infrastructure cannot withstand continual deferral of R&R without compromising the quality and reliability of services.

Another significant cost for the Agency is employment. In addition to reducing staffing levels, the Agency has maintained an average vacancy factor of over six percent, only filling positions critical to daily operations. Additionally, the Agency has not awarded cost of living adjustments (COLAs) to its employees since 2009. In October 2013, management was successful in negotiating 5 year agreements with the various employee bargaining units. Under the new agreements, annual COLAs will be given beginning in FY 2014/15. Partially offsetting the cost of these COLAs are additional incremental increases of the employer paid member contribution (EPMC) rate funded by employees. Employees began funding a portion of the EPMC rate in 2011. By the end of the 5 year term, employees will be funding 100 percent of the employee contribution portion.

Optimization of state and federal grants and low interest financing is another component in the cost containment strategy. Over the years, the Agency has been very successful in securing both grant funding and low interest rate loans to support capital investment and water conservation programs in the region. In May 2014, the U.S. Bureau of Reclamation awarded the Agency \$3 million, out of \$20 million awarded nationally, under the FY 2014 Authorized Title XVI Project Funding. The grant funding will support expansion of the Chino Basin Desalter Authority facilities for increased recovery of brine that is currently discharged to the Pacific Ocean. The Agency was also successful in securing low interest, 30 year term, State Revolving Fund (SRF) loans from the State Water Resource Control Board to finance major recycled water construction projects and replacement of the Water Laboratory facility for its regional wastewater and water programs. Both loans were awarded a grant or principal forgiveness which will significantly reduce future debt service costs and the impact on program rates.

FINANCIAL INFORMATION

Internal Controls

The management of the Agency is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Agency are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Controls

The Agency maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annually appropriated budget approved by the Agency's Board of Directors. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the category level (i.e., Capital and Operating) within the Agency. The Agency maintains an encumbrance accounting system as an additional method of maintaining budgetary control. Encumbered amounts lapse at the end of the fiscal year. However, outstanding encumbrances are generally re-appropriated as part of the following fiscal year's budget following Board approval.

OTHER INFORMATION

Independent Audit

State statutes require an annual audit by independent certified public accountants. The Agency's Board of Directors appointed the firm of White Nelson Diehl Evans and Company, LLP to perform the annual audit. As part of the audit, reviews were made to determine the adequacy of the internal control, and to ensure compliance with applicable laws and regulations related to all financial activities conducted by the Agency. Generally accepted auditing standards were used by the auditors in conducting the engagement. The auditor's report on the basic financial statements, supplementary and statistical schedules is included in the financial section of this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Inland Empire Utilities Agency for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the fifteenth consecutive year the Agency has received this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

OTHER INFORMATION (continued):

Awards (continued):

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Agency's Finance and Accounting Department. We also would like to express our appreciation to the other Agency departments for their cooperation, assistance and support.

We further acknowledge the thorough and professional manner in which our auditors, White Nelson Diehl Evans and Company, LLP conducted the audit.

Additionally, we would like to acknowledge the Board of Directors for their continued support of the Agency's goal of sound accountable financial management, and for maintaining the highest standards of professionalism in the management of the Agency's finances. We truly appreciate their unfailing interest and support.

Respectfully submitted,

. Joseph Grindstaff General Manager

Christina Valencia
Chief Financial Officer



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

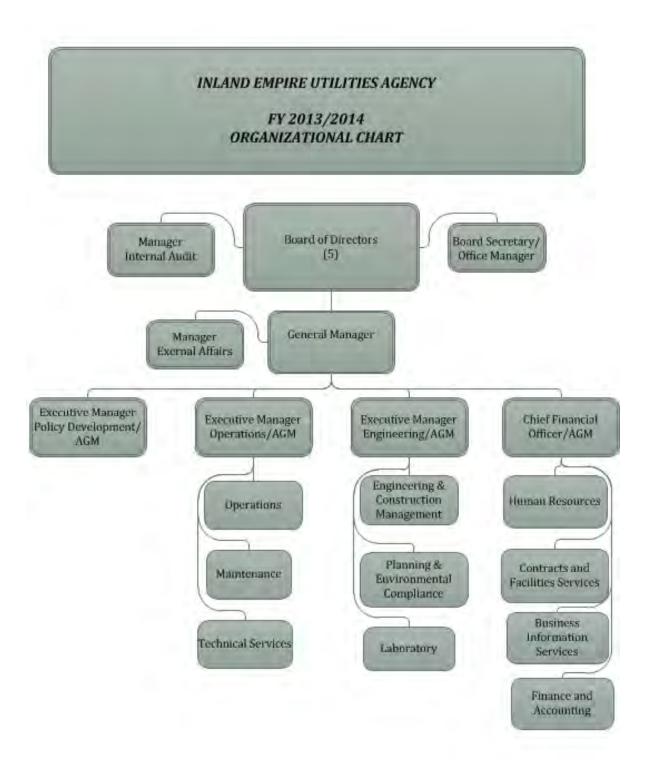
Presented to

Inland Empire Utilities Agency A Municipal Water District California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO



INLAND EMPIRE UTILITIES AGENCY Principal Officials June 30, 2014

BOARD OF DIRECTORS

Terry Catlin President

Michael E. Camacho Vice President

Steven J. Elie Secretary/Treasurer

Gene Koopman Director

Jasmin A. Hall Director

EXECUTIVE STAFF

P. Joseph Grindstaff General Manager

Christina Valencia Chief Financial Officer/Assistant General Manager

Martha Davis Executive Manager - Policy Development/Assistant General

Manager

Chris Berch Executive Manager - Engineering/Assistant General Manager

Ernest Yeboah Executive Manager - Operations/Assistant General Manager

MANAGEMENT STAFF

Kathryn Besser Manager - External Affairs

Warren Green Manager - Contracts & Facilities Services

Javier Chagoyen-Lazaro Manager - Finance and Accounting

Tina Y. Cheng Budget Officer

Jason Gu Grants Officer

Sylvie Lee Manager - Planning and Environmental Compliance

Kanes Pantayatiwong Manager - Business Information Services

Sharmeen Bhojani Manager - Human Resources

Nelletje Groenveld Manager - Laboratories

Craig J. Parker Manager - Engineering

Teresa Velarde Manager - Internal Audit

April Woodruff Board Secretary/Office Manager



Regional Water Recycling Facility No. 1 – Aeration Basin Compressor

Carbon Canyon
Water
Reclamation
Facility – Recycled
Water Pump
Station



STRIVE TO ACHIEVE RECOGNITION (STAR) PROGRAM



The Agency Mission statement was specifically written to provide guidelines for the success of the Agency, its officials, and employees. The Board of Directors and employees of the Agency are responsible for fulfilling the mission and values by expecting and demonstrating:

Loyalty, professionalism and ethical behavior.

Open and courteous communication with each other and with the communities served.

Prudent and cost-effective resource planning, management, and utilization.

Safety and integrity of the Agency's employees, services, facilities, and the environment.

Innovation in meeting the present and future needs of the Agency.

The STAR Program was conceived based upon the concept of giving public recognition to employees who consistently perform their job duties diligently and superbly. Since its inception, the STAR Program has been considered an "employee" program. Candidates must be non-management employees. Based on leadership, creativity, performance, teamwork, and other individual outstanding characteristics, candidates are nominated by their peers. Additionally, candidates are voted on by a Selection Committee of their peers, with management exempt from the voting. The STAR program has continued to gain acceptance, and the annual award for the Employee for the Year has become a much-anticipated event.

For the purposes of the STAR Program, the Agency is divided into three areas: 1) Finance/Administration Division, 2) Engineering/Planning Division, and 3) Operations Division. Each of these three areas has three representatives who serve on the Selection Committee (a total of nine committee members). The STAR program was started as a quarterly program. In Fiscal Year 1999/2000 the program was modified to a semi-annual award, to enjoy greater program participation. Accordingly, the prize award was also increased to afford more employee appeal. Following are the semi-annual STAR Award recipients for the FY 2013/2014:

First Half FY 2013/2014

Finance/Administration

Bill Tomlinson – Compliance Accountant

Engineering/Planning

Yvonne Taylor – Administrative Secretary

Operations

Javier Medrano – Mechanic II

Second Half FY 2013/2014

Finance/Administration

Robert Wallin - Contracts/Programs Admin.

Engineering/Planning

Julio Im – Senior Associate Engineer

Operations

Victor Rodriguez - Operator II



Employee of the Year

For the FY 2013/14, Victor Rodriguez, was chosen by the Selection Committee as the Employee of the Year.

IEUA STAR AWARD RECIPIENT Employee of the Year 2013/2014







Victor Rodriguez, Operator II, has always been humble about his efforts, but his actions of diligent work, incredible reliability, outstanding resourcefulness, as well as his leadership within IEUA's recycled water distribution system makes him a valuable asset to IEUA.

Currently, Victor's main role is to ensure that IEUA's recycled water distribution system is maintained, monitored, and operating to provide safe, high quality, reliable recycled water to direct and indirect customers. Victor's extensive experience at RP-1 and his work ethic make him the perfect candidate to operate the ever-changing and complicated recycled water distribution system. Victor was the key staff person in developing the Recycled Water Map Book, Asset Management Program, and the design of the recycled water service truck, which had a very beneficial impact on the distribution system.

The nature of Victor's work results in mandatory interaction with stakeholders in various departments, agencies, and recycled water customers. Many people may shy away from tasks like this, but Victor's knowledge of the system, communication, and people skills make him highly effective at those activities. In other words, Victor is a true asset to the recycled water system, the Agency, and to the community.



Regional Recycling
Facility No. 1
Dewatering
Building



INDEPENDENT AUDITORS' REPORT

Board of Directors Inland Empire Utilities Agency Chino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Inland Empire Utilities Agency (the Agency) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Inland Empire Utilities Agency as of June 30, 2014 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State regulations governing Special Districts.

Other Matters

Partial Summarized Comparative Information

The financial statements include partial year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Agency's financial statement for the year ended June 30, 2013 from which such partial information was derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of funding progress for the CalPERS pension plan and other post-employment benefit plan, as identified in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The introductory section, supplementary information and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Matters (Continued)

Other Information (Continued)

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

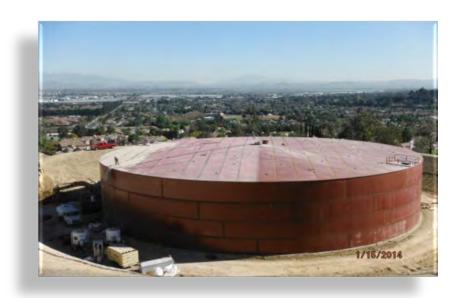
Other Reporting Required by Government Auditing Standards

White Nelson Diede Cuans UP

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2014 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Irvine, California

December 3, 2014



930 Zone Recycled Water Reservoir





MANAGEMENT'S DISCUSSION AND ANALYSIS

The intent of the management's discussion and analysis is to provide highlights of the financial activities of the Inland Empire Utilities Agency for the fiscal year ended June 30, 2014. Readers are encouraged to read this section in conjunction with the transmittal letter and the accompanying basic financial statements.

Agency's Fund Financial Statement

Within the financial reports, funds are classified as part of either a Major fund group, if the fund meets both of the following conditions: 1) Exceeds 10% of fund category and 2) Exceeds 5% of the total of Assets, Liabilities, Revenues, and Expense; or Non-major fund group. Because of the nature of the Agency's business, all funds are classified as "Proprietary" funds, using full accrual method of accounting, which recognizes transactions when they occur, regardless of when cash is exchanged.

The Agency's Operations – an Overview

As a municipal water district, Inland Empire Utilities Agency engages in primarily enterprise operations in various separate and distinct activities. These activities are comprised of: 1) wholesaling of potable water, and regional management of water resources; 2) production and sale of recycled water and construction of the recycled water distribution system; 3) collection and treatment of domestic wastewater and the acquisition and construction of conveyance and plant facilities; 4) organics management, digestion and marketing; 5) operation of a brine line non-reclaimable wastewater system, and 6) generation of renewable energy through biogas, solar, wind and fuel cell.

Total revenues, including grants and subsidies, of \$124,841,232 for Fiscal Year (FY) 2013/14 reported a decrease of \$9,445,962 compared to \$134,287,194 recorded for FY 2012/13. The net decrease was primarily due to: 1) \$9,600,216 decrease in property tax revenue due to one-time distribution of unobligated funds from successor agencies received in FY 2012/13; 2) \$4,825,753 decrease in wastewater capital connection fees due to reduction in number of connections reported by member agencies; 3) \$1,173,693 decrease in other non-operating revenues; 4) \$488,625 decrease in capital grants; and 5) \$254,454 decrease in interest income. These decreases were partially offset by an increase of \$6,896,779 in service charges, mainly due to an increase in rates and charges.

Total expenses of \$143,979,956 for FY 2013/14 were \$33,634,948 higher than the \$110,345,008 reported in FY 2012/13. The overall increase includes additional operating expenses of \$13,122,898 and an increase of \$20,512,050 in non-operating expenses. The increase in operating expenses was primarily due to: 1) a cumulative net increase of \$1,657,423 in wastewater collection, treatment and disposal costs; 2) an increase in administration and general expenses of \$10,718,080, which was a result of the cost associated with the renegotiation of the contract with CSDLAC related to the repair, replacement, reallocation, and reconstruction (4Rs); 3) an increase of \$386,366 in operation and maintenance expenses; and 4) \$361,029 in depreciation and amortization.

Other non-operating expenses increased \$21,752,682, which includes \$24,885,997 for the retirement of intangible assets related to the early negotiation of the new contract with CSDLAC offset by a decrease of \$3,133,315.

FINANCIAL HIGHLIGHTS

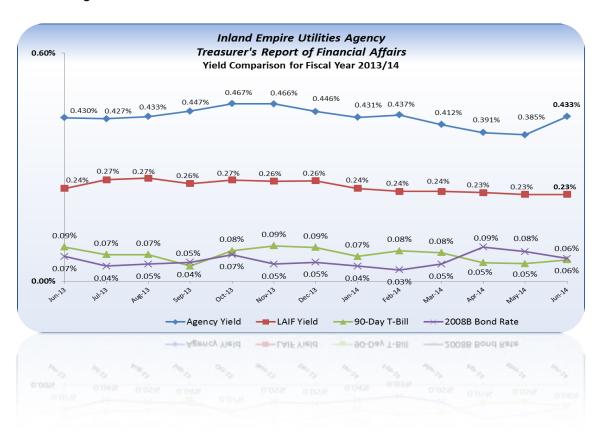
Cash and Investment Management

The Agency has a comprehensive cash and investment program subject to California State Code and bond covenants. These regulations are incorporated into the Agency's Investment Policy and Master Resolution which identify the authorized investment types and any restrictions. Consistent with the State of California Government Code, the Agency annually adopts an investment policy that is intended to remain sufficiently liquid to meet all operating requirements reasonably anticipated, safeguard the principal investment and minimize credit and market risks, while maintaining a competitive yield on the overall portfolio. The Agency's cash management system is also designed to forecast revenues and expenditures in order to identify and invest idle funds to the fullest extent possible. During the fiscal year ended June 30, 2014, idle funds were invested in accordance with this policy. These investments primarily consisted of United States Government Securities/Instrumentalities, state issued municipal bonds, medium term notes and deposits in a pooled investment fund administered by the State of California.

Investment Portfolio Performance

Despite signs that the U.S. economic recovery is on track, the Agency's interest yield continues to be level with the prior fiscal year performance. The Agency's overall portfolio slightly increased from 0.430% in July 2013 to 0.433% by June 30, 2014.

Total interest income for FY 2013/14 of \$564,330 dropped 31% as compared to \$818,784 in FY 2012/13. The decrease in interest income is primarily due to full payment from Chino Holding Company for the sale of real property of which the Agency was receiving a 5% interest rate on the outstanding balance.



<u>Investment Portfolio Performance</u> (continued):

The Agency has followed a conservative approach in conducting its investment activities and in accordance with the established Investment Policy and Master Resolution. Agency staff successfully managed the investment portfolio to attain the Agency's investment objectives, which are in the order of priority: liquidity, safety, and yield.



The Agency's portfolio fund balance for the fiscal years ended June 30, 2014 and June 30, 2013 were \$98,189,138 and \$75,456,799 respectively.

Chino Basin Desalter Operations

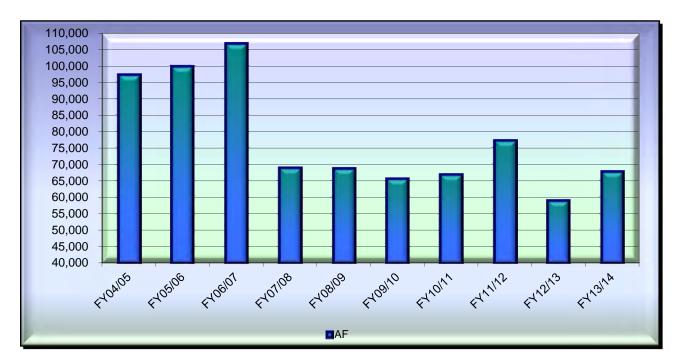
Under the provisions of the Operation and Maintenance Agreement between the Agency and the Chino Basin Desalter Authority (CDA); the Agency deployed the appropriate personnel to manage the production, treatment and distribution of the water produced by the Chino I desalination facility (Chino I Desalter).

All operations and maintenance expenses related to the Chino I Desalter operations, including labor incurred by the Agency, are recorded in the Agency's Administrative Service Fund. These expenses are billed to the CDA monthly. In FY 2013/14, the total amount billed and reimbursed was \$1,186,921 and reported as non-operating revenue.

Imported Water Deliveries

Imported water deliveries for FY 2013/14 were 67,833 acre feet (AF) compared to 59,051 AF reported in FY 2012/13, an increase of 8,782 AF. The increase in FY 2013/14 includes the purchase of 795.50 AF of imported water for recharge to meet a replenishment obligation of 1,097 AF requested by Chino Basin Watermaster. A surcharge of \$13 per AF was levied by the Agency for all imported water deliveries. Below is a comparative of imported water deliveries for the past ten fiscal years; the decline of imported water deliveries beginning in FY 2007/08 is a result of water conservation measures and state legislative and regulatory requirements designed to sustain and meet future water supply needs.

Comparative Acre Feet (AF) Deliveries
(Includes Conjunctive Program Use AF)
For the Past Ten Fiscal Years

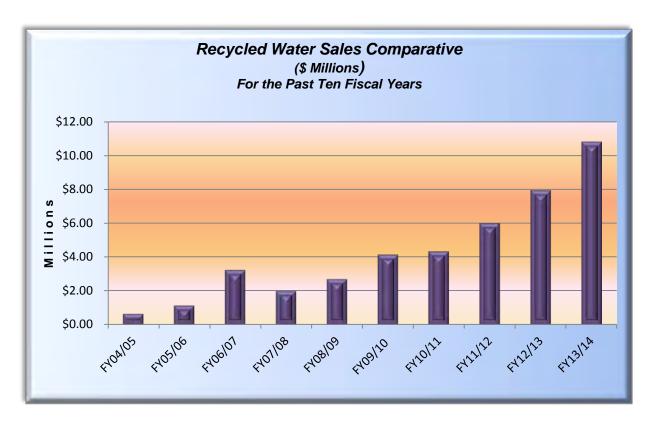


The total operating revenue in FY 2013/14 was \$4,923,653 compared to \$4,262,366 the prior fiscal year. The increase was primarily due to an increase in the monthly meter rate (effective July 2013) of 13%, from \$1.555 cents to \$1.755 cents per unit, or from \$3,536,835 to \$4,024,903. This revenue is used to meet the Readiness to Serve (RTS) obligation from MWD, water use efficiency programs, and to help support the Agency's pro-rata share of groundwater recharge program operational costs for recharged recycled water deliveries. Additionally, revenue from the \$13 per AF administrative surcharge increased 29% as a result of higher imported water deliveries.

The total operating expenses increased from \$4,437,473 in FY 2012/13 to \$5,028,069 in FY2013/14. The increase was due to 1) Higher readiness to serve fees to MWD and 2) FY2013/14 project with RMC Water and Environment to develop an Integrated Resources Plan. Total net position balance at June 30, 2014, decreased \$40,394 to \$3,065,128.

Recycled Water Sales

Total recycled water sales increased by \$2,878,895 to \$10,830,500 in FY 2013/14, compared to \$7,951,605 in FY 2012/13.

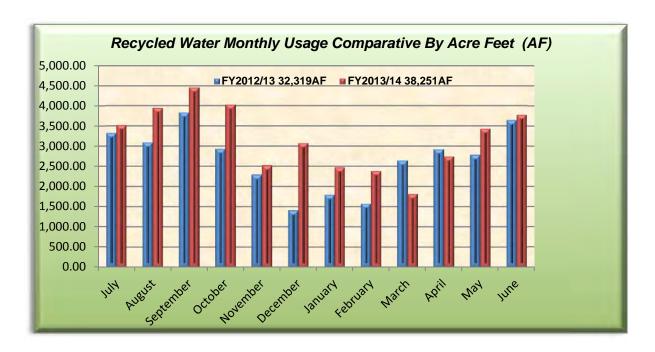


The 36% increase in revenues was primarily driven by an 18% increase in sales and a 39% increase in recycled water rates for direct deliveries from \$155 to \$215 per AF (acre foot). Additionally, there was a 31% increase in the groundwater recharge rate from \$195 to \$255 per AF. Included in total operating revenues was \$2,079,000 for the MWD rebate of \$154 per AF for recycled water sales above 3,500 AF and up to 17,000 AF. The MWD rebate was the same as in FY 2012/13. Grants receipts totaled \$2,279,679 in support of the Regional Recycled Water Expansion capital constructions programs. Total operating expenses increased by \$1,141,212, or 10%, to \$12,472,348 including \$5,922,464 of depreciation expense.

Total net position at June 30, 2014 was \$71,717,820, an increase of \$985,339. The increase was primarily due to the increase in sales, reduction in interest on long term debt, and other non-operating expenses.

Recycled Water Sales (continued):

A total of 38,251 AF were registered for direct and recharged recycled water deliveries, compared to 32,319 AF for last fiscal year. The increase in sales is attributed to the new customer connections, additional use by existing customers as a result of dry weather, and the increased basin capacity for infiltration.



Regional Wastewater Program Activities

The Regional Wastewater program, comprised of the Regional Wastewater Capital Improvement (RC) and Regional Wastewater Operations and Maintenance (RO) funds, reported combined total revenue of \$90,309,317 in FY 2013/14, a decrease of \$11,171,982 or 11% under the last fiscal year.

Revenues by Category – Regional Wastewater Program For the Fiscal Year Ended June 30, 2014 (With Comparative Totals for the Fiscal Year Ended June 30, 2013)

Revenue Category	2013/14		2012/13			Increase/ <decrease> from 2012/13</decrease>		
	AMOUNT	%OF TOTAL		AMOUNT	%OF TOTAL		AMOUNT	% OF CHANGE
Service Charges	\$ 43,047,559	48.0%	\$	39,711,858	39.0%	\$	3,335,701	8.0%
Property Tax Receipts	33,393,487	37.0%		41,934,887	41.0%		(8,541,400)	(20.0)%
Wastewater Connection Fees	9,788,634	11.0%		14,614,387	14.0%		(4,825,753)	(33.0)%
Other Non-operating Revenues	3,781,194	4.0%		4,692,094	5.0%		(910,900)	(19.0)%
Interest Income	298,443	0.0%		528,073	1.0%		(229,630)	(43.0)%
Total Revenues	\$ 90,309,317	100.0%	\$	101,481,299	100.0%	\$	(11,171,982)	(11.0)%

Regional Wastewater Program Activities (continued):

The Agency's FY 2013/14 service charges were \$43,047,559, 8% higher, compared to FY 2012/13 total of \$39,711,858. The increase is primarily due to Equivalent Dwelling Unit (EDU) rate increase from \$12.39 to \$13.39 per EDU and a slight improvement in the local economy which resulted in an increase in the number of EDU volumetric units of 1%.

Property tax receipts allocated to the Regional Wastewater Program decreased from \$41,934,887 in FY 2012/13 to \$33,393,487 in FY 2013/14, reporting a 20% decrease. The decrease is due to a one-time payment for the Agency's share of the unobligated funds returned by the Successor Agencies for re-distribution to eligible taxing agencies in FY 2012/13.

New EDU Connection fees reported by the contracting agencies in FY 2013/14 were 1,969 units compared to 2,997 units reported in FY 2012/13, a decrease of approximately 1,028 units at \$5,007 per unit. The decrease registered a drop in revenue of \$4,825,753.

Other Non-Operating Revenues were \$3,781,194 in FY 2013/14 compared to \$4,692,094 in FY 2012/13. The decrease is primarily due to a decrease in net audited costs revenue from San Bernardino County Regional Parks, contract under review for amendment and a one-time receipt from Black & Veatch for litigation settlement.

Interest income decreased from \$528,073 in FY 2012/13 to \$298,443 in FY 2013/14 due to historically low interest rates.

Expenses by Category – Regional Wastewater Program For the Fiscal Year Ended June 30, 2014 (With Comparative Totals for the Fiscal Year Ended June 30, 2013)

Expense Category	2013/14		2012/13			Increase/ <decrease> from 2012/13</decrease>		
	AMOUNT	%OF TOTAL		AMOUNT	%OF TOTAL		AMOUNT	% OF CHANGE
Wastewater Collection	\$ 1,248,892	2.0%	\$	781,264	2.0%	\$	467,628	60.0%
Wastewater Treatment	20,505,666	26.0%		18,907,779	24.0%		1,597,887	8.0%
Wastewater Disposal	7,705,551	10.0%		8,612,642	11.0%		(907,091)	(11.0)%
Administration & General	16,399,276	21.0%		14,290,612	18.0%		2,108,664	15.0%
Depreciation & Amortization	22,644,933	29.0%		22,130,511	28.0%		514,422	2.0%
Interest on long-term debt	6,723,540	9.0%		7,220,372	9.0%		(496,832)	(7.0)%
Other nonoperating Exp	3,232,292	3.0%		5,998,780	8.0%		(2,766,488)	(46.0)%
Total Expenses	\$ 78,460,150	100.0%	\$	77,941,960	100.0%	\$	518,190	1.0%

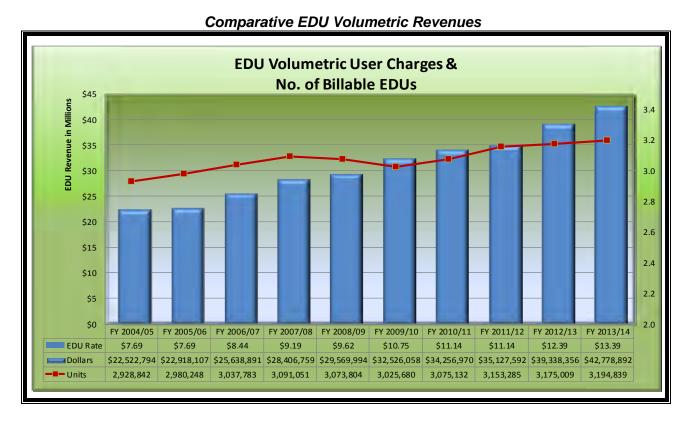
Total expenses for FY 2013/14 were \$78,460,150 or a 1% increase compared to FY 2012/13 actual of \$77,941,960. Total wastewater collection, treatment and disposal costs increased by \$1,158,424 from \$28,301,685 in FY 2012/13 to \$29,460,109 in FY 2013/14. The increase was primarily the result of higher utilities, chemicals and operating expenses.

Total non-operating expenses of \$3,232,292 represent a 46% decrease compared to FY 2012/13 actual of \$5,998,780. The decrease in this category is primarily due to: 1) a decrease from RCA Investment loss; 2) decrease from CDA/RCA labor, burden, and overhead; and 3) the reclassification of FY 2013/14 project costs from capital to operation and maintenance (O&M) expenses in the amount of approximately \$1.6 million in Regional Wastewater Program.

Regional Wastewater Program Activities (continued):

The reclassification was identified as part of the fiscal year-end process of closing completed projects.

A final evaluation was performed by Finance and Accounting to determine whether the actual project costs were capital or O&M in nature. This is particularly important for replacement and refurbishment related projects in excess of the \$5,000 established capitalization threshold, and determined to either enhance the functionality or extend the original useful life of the assets, which are capitalized. Costs not meeting these criteria are classified as O&M expenses.



Non-reclaimable Wastewater Treatment

The NRW System provides pipelines and pump stations to export the high-salinity industrial wastewater generated within the Agency's service area for treatment and eventual discharge to the Pacific Ocean. The NRW collection system is physically separated from the Regional Wastewater System to ensure further compliance with the Regional Board and State regulation related to environmental criteria. By diverting high nitrogen brine to the NRW system and away from Regional Wastewater, the quality of the recycled water is improved for local use and also helps ensure that the Agency complies with final effluent permit requirements. The NRW system is operated by the Agency and is comprised of two sectors: the North and South systems. The North system conveys wastewater to sewer lines owned and operated by the County Sanitation Districts of Los Angeles County (CSDLAC). Flows in the South system are conveyed through pipelines owned by the Santa Ana Watershed Project Authority (SAWPA) to the County Sanitation Districts of Orange County (CSDOC) facility. Both systems discharge to the Pacific Ocean.

Non-reclaimable Wastewater Treatment (continued):

Pass through rates are adopted annually for volumetric, capacity, and excessive strength charges to allow the Agency to recover rates billed by CSDLAC (North) and SAWPA (South). As a result, North and South Systems have different rate structures. Additionally, the Agency imposes a 50% operating surcharge to recover administrative costs. A monthly capital improvement program (CIP) charge is also levied to recover debt service and capital costs associated with the NRWS program.

Total service charges in FY 2013/14, for the North and South systems, increased \$20,896 to \$8,199,986 compared to \$8,179,090 reported in FY 2012/13. The increase in revenues is primarily driven by an increase in monthly capacity fees for the South system customers from \$277 to \$318 per capacity unit. Total operating expenses in FY 2013/14 increased \$4,587,246 to \$11,964,493 compared to \$7,377,247 in FY 2012/13. The increase of 62% in operating expenses was due to: 1) higher pass-through fees and the expiration of CSDLAC contract; 2) one-time expense for NRW System Solids Formation Study; and 3) other non-operating expenses increased \$25,243,578, which was primarily due to the retirement of the intangible capacity rights and capital replacement costs for the North System. This resulted in a decrease of \$28,797,534 in total net position.

NRW Pass through Rates
For the Fiscal Year Ended June 30, 2014

Rate Description	2012/13	2013/14
Monthly Capital Improvement Fee	\$90.00	\$90.00
Monthly Capacity Unit Fee - North	\$319.00	\$319.00
Monthly Capacity Unit Fee - South	\$318.49	\$318.49
Monthly Volumetric Fee - North	\$1,437.49	\$1,437.49
Monthly Volumetric Fee - South	\$736.00	\$736.00
Strength Charges	- North	
Total Suspended Solids (TSS)	\$294.21	\$294.21
Chemical Oxygen Demand (COD)	\$110.81	\$110.81
Strength Charges	- South	
Total Suspended Solids (TSS)	\$376.00	\$395.00
Biochemical Oxygen Demand (BOD)	\$253.00	\$266.00

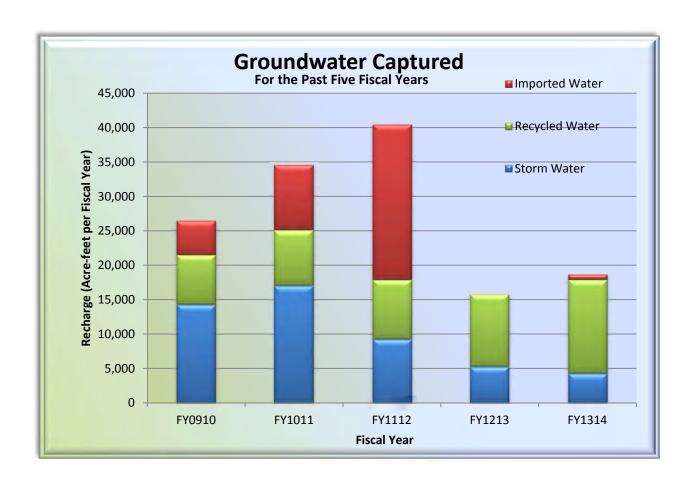
A total of 57 users were connected to the NRW System (North and South) during FY 2013/14, with a total flow of 1,734 million gallons.

Recharge Water Fund

The Recharge Water Fund records the activities related to the operation and maintenance of the nineteen groundwater recharge basins and pertinent facilities. Through the joint efforts of the Chino Basin Watermaster (CBWM), the Chino Basin Water Conservation District (CBWCD), and the San Bernardino County Flood Control District (SBCFCD), the Agency performs all of the operation and financial functions related to the program. Costs include general basin maintenance and restoration, groundwater administration, compliance reporting, environmental documentation and contracted services that are fully funded by CBWM, with the Agency funding its pro-rata share of costs based on recharged deliveries of recycled water.

Recharge Water Fund (continued):

Total operating expenses recorded in FY 2013/14 were \$2,362,352 compared to \$2,339,554 in FY 2012/13, resulting in an increase of \$22,798. The increase was due to: 1) operation expenses related to repairs; and 2) higher depreciation expenses resulting from the completion and capitalization of various capital projects. At June 30, 2014, total net position was \$33,201,574, a decrease of \$66,951 over the prior fiscal year.



Revenues

Combined revenues and other funding sources for the fiscal year totaled \$124,841,233, a decrease of \$9,445,961, compared to the prior fiscal year. The following table presents a comparison of revenues and other funding sources by category for fiscal years 2013/14 and 2012/13.

Combined Revenues and Other Funding Sources by Category - All Funds For the Fiscal Year Ended June 30, 2014

(With Comparative Totals for the Fiscal Year Ended June 30, 2013)

Revenue &	2013/14			2012/13		Increase/ <decrease> from 2012/13</decrease>		
Other Funding Sources	AMOUNT	% OF TOTAL		AMOUNT	% OF TOTAL	AMOUNT	% OF CHANGE	
Service Charges	\$ 56,171,198	45.0%	\$	52,153,314	39.0%	\$ 4,017,884	8.0%	
Recycled Water Sales	10,830,500	9.0%		7,951,605	6.0%	2,878,895	36.0%	
Interest Income	564,330	1.0%		818,784	1.0%	(254,454)	(31.0)%	
Property Tax Receipts	38,486,730	30.0%		48,086,946	36.0%	(9,600,216)	(20.0)%	
Wastewater Connection Fees	9,788,634	8.0%		14,614,387	11.0%	(4,825,753)	(33.0)%	
Other Non-operating Revenues	6,336,549	5.0%		7,510,242	6.0%	(1,173,693)	(16.0)%	
Capital Grants	2,663,291	2.0%		3,151,916	1.0%	(488,625)	(16.0)%	
Total Revenues & Contributions	\$ 124,841,232	100.0%	\$	134,287,194	100.0%	\$ (9,445,962)	(7.0)%	

Service Charges

Increase is primarily due to 1% increase in the number of EDU's sold and higher rate of \$13.39 per EDU from \$12.39 along with increase in NRW capacity fees from \$277 to \$318 per unit.

Recycled Water Sales

Increase is primarily due to a \$60/AF increase in direct rates, from \$155 to \$215. Also, volume increased to 38,000 AF in FY13/14 vs 33,000 AF in FY 2012/13.

Property Tax Receipts

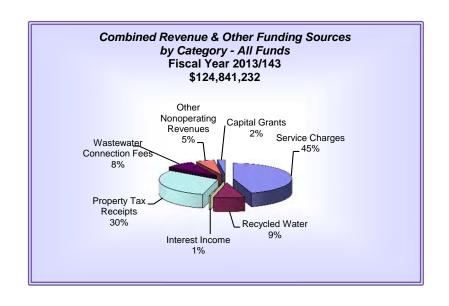
Decrease is primarily due to one-time distribution of unobligated funds from successor agencies received in FY 2012/13.

Wastewater Connection Fees

Decrease is primarily due to reduction in number of connections reported by Member Agencies in FY 2013/14.

Capital Grants

Decrease is due to lower construction costs, resulting from project delays.



Expenses

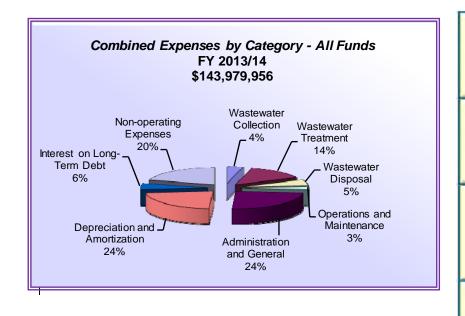
Combined expenses for the fiscal year totaled \$143,979,956 an increase of \$33,634,948 over the prior fiscal year. The following table presents a comparison of expenses by category for FY 2013/14 and FY 2012/13.

Combined Expenses by Category - All Funds

For the Fiscal Year Ended June 30, 2014

(With Comparative Totals for the Fiscal Year Ended June 30, 2013)

Expense Category	2013/14		2012/13		Increase/ <decrease> from 2012/13</decrease>		
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL		AMOUNT	% OF CHANGE
Wastewater Collection	\$ 5,622,638	4.0%	\$ 4,656,011	4.0%	\$	966,627	21.0%
Wastewater Treatment	20,505,666	14.0%	18,907,779	17.0%		1,597,887	8.0%
Wastewater Disposal	7,705,551	5.0%	8,612,642	8.0%		(907,091)	(11.0)%
Operations and Maintenance	4,254,814	3.0%	3,868,448	4.0%		386,366	10.0%
Administration and General	35,191,272	24.0%	24,473,192	22.0%		10,718,080	44.0%
Depreciation and Amortization	32,294,581	23.0%	31,933,552	29.0%		361,029	1.0%
Interest on Long-Term Debt	8,564,660	6.0%	9,805,292	9.0%		(1,240,632)	(13.0)%
Non-operating Expenses	29,840,774	21.0%	8,088,092	7.0%		21,752,682	269.0%
Total Expenses	\$ 143,979,956	100.0%	\$ 110,345,008	100.0%	\$	33,634,948	30.0%



Wastewater Collection

Increase is primarily due to increased volumetric and strength charges along with RP4 digester mobilization and cleaning.

Wastewater Disposal

Decrease is primarily due to capitalization of Biosolids transportation and treatment cost, related to the delayed startup of RP-1 Dewatering Project.

Non-operating Expenses

The primary increase in non-operating expenses was the retirement of intangible assets related to ending of the original 50 year agreement with the County Sanitation District of Los Angeles County.

Interest on Long-Term Debt

The capitalized interest applied to projects financed by debt resulted in a decrease in interest expense.

Changes in Financial Conditions of the Agency

Combined Net Position-All Funds For the Fiscal Year Ended June 30, 2014 (With Comparative Totals for the Fiscal Year Ended June 30, 2013)

	2042/44	2042/42	Increase/ <decrea< th=""><th>ase></th></decrea<>	ase>
	2013/14	2012/13	from 2012/13	3
Assets				
Current assets	\$ 144,690,966	\$ 150,868,913	\$ (6,177,947)	(4.1)%
Restricted assets	43,554,049	33,568,624	9,985,425	29.7%
Capital assets	642,131,331	664,043,963	(21,912,632)	(3.3)%
Other assets	71,589,244	72,068,120	(478,876)	(0.7)%
Total Assets	901,965,590	920,549,620	(18,584,030)	(2.0)%
Deferred Outflows of Resources				
Deferred loss on refunding	2,094,485	2,350,350	(255,865)	(10.9)%
,	2,094,485	2,350,350	(255,865)	(10.9)%
Liabilities				
Current liabilities	45,579,890	47,491,185	(1,911,295)	(4.0)%
Non-current liabilities	341,058,275	338,848,151	2,210,124	0.7%
Total liabilities	386,638,165	386,339,336	298,829	0.1%
Net Position				
Net investment in				
capital assets	327,511,886	353,479,414	(25,967,528)	(7.3)%
Restricted	63,073,206	50,036,296	13,036,910	26.1%
Unrestricted	126,836,818	 133,044,924	 (6,208,106)	(4.7)%
TOTAL NET POSITION	\$ 517,421,910	\$ 536,560,634	\$ (19,138,724)	(3.6)%

The following denotes explanations on some of the changes between fiscal years, as compared in the above table.

- The increase in Restricted Assets of \$9.9 million is primarily due to increase in wastewater connection fees deposited by the Contracting Agencies into the Capital Call Reimbursement Account (CCRA).
- The decrease in Capital Assets of \$21.9 million is primarily due to the negotiation of a new contract with the CSDLAC and the retirement of intangible assets related to the old contract which was due to expire in 2018.

FINANCIAL HIGHLIGHTS (continued):

<u>Changes in Financial Conditions of the Agency</u> (continued):

Combined Schedule of Revenues, Expenses and Changes in Net Position - All Funds For the Fiscal Year Ended June 30, 2014

(With Comparative Totals for the Fiscal Year Ended June 30, 2013)

Item Category	2013/14		2012/13			Increase/ <decrease> from 2012/13</decrease>			
nem category	Amount	% of Total	Amount	% of Total		Amount	% of Change		
Total Revenue	\$ 122,177,941	23.6%	\$ 131,135,278	24.5%	\$	(8,957,337)	(6.8)%		
Total Expenses	143,979,956	27.8%	110,345,008	20.6%		33,634,948	30.5%		
Excess (deficiency) before contrib.	(21,802,015)	(4.2)%	20,790,270	3.9%		(42,592,285)	204.9%		
Capital Grants	2,663,291	0.4%	3,151,916	0.5%		(488,625)	(15.5)%		
Change in Net Position	(19,138,724)	(3.7)%	23,942,186	4.5%		(43,080,910)	179.9%		
Prior Period Adjustment			790,003	0.1%		(790,003)	100.0%		
Beginning Net Position	536,560,634	103.7%	511,828,445	95.4%		24,732,189	4.8%		
Ending Net Position	\$ 517,421,910	100.0%	\$ 536,560,634	100.0%	\$	(19,138,724)	(3.6)%		

Capital Assets

The Agency had total net capital assets of \$642,131,331 in FY 2013/14, compared to \$664,043,963 in FY 2012/13. The \$21,912,632 decrease is primarily due to an increase in the accumulated depreciation of \$17,041,161, and the retirement of intangible capacity rights and capital replacement costs in the NRW North System of \$39,264,218 which was partially offset by an increase in capitalization of completed capital projects of \$34,392,747.

Capital Asset Summary - All Funds

For the Fiscal Year Ended June 30, 2014 (With Comparative Totals for the Fiscal Year Ended June 30, 2013)

Asset Category	2013/14	14 2012/13		Increase/ <decrease> from 2012/13</decrease>	% of Change	
Land	\$ 14,067,874	\$	14,067,874	\$ -	0.0%	
Land Improvements	25,977,548		20,397,734	5,579,814	27.4%	
Structures and Improvements	663, 203, 509		651,132,318	12,071,191	1.9%	
Equipment	160,774,493		154,927,923	5,846,570	3.8%	
Capacity Rights	14,826,589		54,090,807	(39,264,218)	(72.6)%	
Computer Software	10,735,955		10,021,801	714,154	7.1%	
Jobs in Progress	84,947,342		74,766,324	10,181,018	13.6%	
Sub-total LESS: Accumulated	974,533,310		979,404,781	(4,871,471)	(0.5)%	
Depreciation & Amortization	(332,401,979)	(315,360,818)	(17,041,161)	5.4%	
Net Capital Assets	\$ 642,131,331	\$	664,043,963	\$ (21,912,632)	(3.3)%	

(Refer to Note 7 of the Notes to the Basic Financial Statements for additional information)

FINANCIAL HIGHLIGHTS (continued):

Debt Management

At June 30, 2014, the Agency had outstanding principal bond debt of \$221,810,000.

Bond Issue	Pri	Principal		Premium (Discount)		standing on 6/30/2014
2005A Revenue Bonds	\$	16,200,000	\$	368,013	\$	16,568,013
2008A Revenue Bonds	12	25,000,000		4,046,914		129,046,914
2008B Variable Rate	4	15,850,000		0		45,850,000
2010A		34,760,000		2,379,391		37,139,391
TOTAL	\$ 22	21,810,000	\$	6,794,318	\$	228,604,318

(Refer to Note 12 of the Notes to the Basic Financial Statements for detailed information)

Included in Notes and Loans Payable at June 30, 2014, are:

- 1) A note from the Santa Ana Watershed Project Authority (SAWPA) pertaining to the purchases of pipeline capacity, with an outstanding balance of \$925,834.
- 2) Various State Revolving Financing loans from the State Water Resources Control Board (SWRCB), with an outstanding balance of \$88,017,521.
- 3) A loan from the City of Fontana for the Agency's cost share of the San Bernardino Regional Lift Station and Force Main capital project with an outstanding balance of \$6,969,268.
- 4) A reimbursement agreement with CSDLAC for the Agency's proportionate share of 4R's (Repair, Replace, Refurbish, and Rehabilitation) capital charges, funded by SRF loans with an outstanding balance of \$4,089,976.

In June 2014, the Agency's credit rating for long-term debt was reaffirmed by two major credit rating agencies:

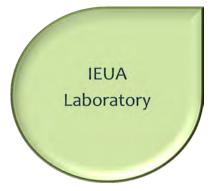
Moody's: Aa2

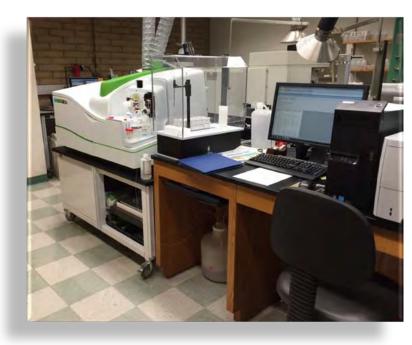
Standard and Poor's: AA-

Contacting the Agency's Financial Management

This financial report is designed to provide Inland Empire Utilities Agency's elected officials, citizens, customers, investors, creditors and regulatory agencies with a general overview of the Agency's finances and to demonstrate the Agency's accountability of the revenues it receives. If you have any question about this report or need additional financial information, please contact the Agency's Finance and Accounting Department at jchagoyen@ieua.org.







INLAND EMPIRE UTILITIES AGENCY BASIC FINANCIAL STATEMENTS OVERVIEW

Financial Statements

The following Basic Financial Statements, along with the supplementary Notes to the Basic Financial Statements, convey a summary of the Agency's financial position as of June 30, 2014, and the results of operations and the cash flows of its proprietary fund types for the fiscal year then ended.

All individual Enterprise Funds are classified as either Major fund groups or Non-major fund groups. An Administrative Service Fund is used to monitor the General and Administrative expenses of the Agency. Comparative prior year data is provided for a broader picture of the Agency's financial condition.

The Basic Financial Statements consist of:

- 1) Statement of Net Position the statement denotes the increase/(decrease) of net assets of the Agency.
- 2) Statement of Revenues, Expenses and Changes in Net Position the statement shows all revenue and expense sources recorded for the period, and their effects on the net assets of the Agency.
- 3) Statement of Cash Flows the statement reflects the Agency's financial activities and their effect on cash. It also denotes the cash position of the Agency at the end of the fiscal period.
- Notes to the Basic Financial Statements.



Magnolia Channel Project

INLAND EMPIRE UTILITIES AGENCY Statement of Net Position

June 30, 2014

(With Comparative Totals for June 30, 2013)

	Enterprise Funds			
	Regional	Recycled		
ASSETS	Wastewater	Water		
Current assets				
Cash and investments (note 3)	\$ 57,756,088	\$ 9,889,398		
Accounts receivable	9,615,126	7,271,717		
Interest receivable	204,434	13,265		
Taxes receivable	414,543	24,046		
Other receivables	19,152	185,372		
Inventory	0	0		
Prepaid items	1,200	3,500		
Total current assets	68,010,543	17,387,298		
Noncurrent assets				
Restricted assets (note 3)				
Deposits held by governmental agencies	38,035,613	0		
Assets held with trustee/fiscal agent	4,007,044	590,736		
Total restricted assets	42,042,657	590,736		
Capital assets (note 7)				
Land	14,047,045	0		
Jobs in progress	49,448,472	31,585,123		
Capital assets, net of				
accumulated depreciation	326,841,349	133,329,962		
Intangible assets, net of				
accumulated amortization	5,620,419	760,556		
Total capital assets	395,957,285	165,675,641		
Other assets				
Long-term investments (note 11)	46,441,872	0		
Long-term receivables (note 10)	2,775,563	1,290,265		
Advances to other funds (note 14)	3,000,000	0		
Prepaid bond insurance	441,524	145,991		
Prepaid Interest -SRF loans	1,123,256	1,335,194		
Total other assets	53,782,215	2,771,450		
Total noncurrent assets	491,782,157	169,037,827		
Total assets	559,792,700	186,425,125		
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	2,094,485	0		
Total deferred outflows of resources	2,094,485	0		

Nor	n-reclaimable			To	otals
W	/astewater	Non-Major	_	2014	2013
\$	4,329,251	\$ 32,681,036		\$ 104,655,773	\$ 111,647,534
	1,578,182	18,337,051		36,802,076	35,917,173
	476,521	34,665		728,885	699,821
	0	38,778		477,367	351,356
	28,505	60,703		293,732	513,843
	0	1,616,288		1,616,288	1,533,035
	0	112,145	_	116,845	206,15
	6,412,459	52,880,666	_	144,690,966	150,868,913
	0	0		38,035,613	28,246,979
	23,176	897,480	_	5,518,436	5,321,645
	23,176	897,480	_	43,554,049	33,568,624
	0	20,829		14,067,874	14,067,874
	1,084,323	2,829,424		84,947,342	74,766,324
	12,799,281	56,755,054		529,725,646	536,421,33
	2,352,832	4,656,662	_	13,390,469	38,788,434
	16,236,436	64,261,969		642,131,331	664,043,963
		· · · · ·	_	<u> </u>	<u> </u>
	0	0		46,441,872	46,492,458
	0	0		4,065,828	4,298,855
	15,000,000	0		18,000,000	18,000,000
	35,579	0		623,094	648,017
	0	0	_	2,458,450	2,628,790
	15,035,579	0	_	71,589,244	72,068,120
	31,295,191	65,159,449		757,274,624	769,680,707
	<u> </u>		_		
	37,707,650	118,040,115	_	901,965,590	920,549,620
	0	0	_	2,094,485 2,094,485	2,350,350 2,350,350

(continued)

INLAND EMPIRE UTILITIES AGENCY Statement of Net Position (Continued from previous page) June 30, 2014

(With Comparative Totals for June 30, 2013)

	Enterprise Fund Types					
	Regional			Recycled		
LIABILITIES	V	Vastewater		Water		
Current liabilities						
Accounts payable	\$	3,259,339	\$	1,922,265		
Accrued liabilities		98,600		105,918		
Compensated absences (note 1)		0		0		
Retentions payable		32,652		253,242		
Notes payable, due within one year (note 12)		1,885,831		2,772,546		
Long-term debt, due within one year (note 12)		6,498,220		0		
Interest payable		1,540,979		977,897		
Retention deposits and escrows		112,123		590,736		
Total current liabilities		13,427,744		6,622,604		
Noncurrent liabilities						
Compensated absences (note 1)		0		0		
Long-term debt, due in more than one year (note 12)		168,958,534		30,235,693		
Notes payable, due in more than one year (note 12)		30,956,981		59,661,147		
Advances from other funds (note 14)		0		18,000,000		
Other noncurrent liabilities		0		187,861		
Net OPEB liability (note 1d.)		0		0		
Total noncurrent liabilities		199,915,515		108,084,701		
Total liabilities		213,343,259		114,707,305		
NET POSITION						
Net Investment in capital assets		191,566,331		73,006,256		
Restricted for:						
Capital construction		38,035,613		0		
SRF Loan debt service		1,447,479		3,552,769		
Bond operating contingency requirement		15,286,462		0		
Total restricted		54,769,554		3,552,769		
Unrestricted		102,208,041		(4,841,205)		
Total net position	\$	348,543,926	\$	71,717,820		

Non-rec	laimable			Totals			
Waste	ewater		Non-Major		2014		2013
Ф	CO2 400	Φ	47 700 000	c	22.002.002	Φ	40.004.400
\$	693,480	\$	17,786,998	\$	23,662,082	\$	19,294,403
	1,016,128		2,826,609		4,047,255		11,466,725
	0		1,587,969		1,587,969		1,697,226
	11,363		0		297,257		221,312
	784,623		0		5,443,000		4,747,362
	0 452.540		606,780		7,105,000		6,870,000
	153,548		690		2,673,114		2,639,86
	23,176		38,178		764,213		554,29
	2,682,318		22,847,224		45,579,890		47,491,18
	0		0.450.475		0.450.475		0.000.00
	7 269 590		2,456,175		2,456,175		2,220,22
	7,368,580		14,936,511		221,499,318		229,147,29
	3,941,471		0		94,559,599		82,594,09
	0		0		18,000,000		18,000,00
			_		187,861		52,81
	0		4,355,322		4,355,322		6,833,72
1	1,310,051		21,748,008		341,058,275		338,848,15
1	3,992,369		44,595,232		386,638,165		386,339,33
	4,141,763		49,577,981		318,292,331		354,123,52
	0		0		38,035,613		28,246,97
	0		0		5,000,248		4,877,85
	3,738,200		1,012,683		20,037,345		16,911,46
	3,738,200		1,012,683		63,073,206		50,036,29
1	5,835,318		22,854,219		136,056,373		132,400,81
\$ 2	23,715,281	\$	73,444,883	\$	517,421,910	\$	536,560,63

	Enterprise	Fund Types		
	Regional	Recycled		
	Wastewater	Water		
OPERATING REVENUES				
Service charges	\$ 43,047,559	\$ 0		
Recycled water sales	0	10,830,500		
Total operating revenues	43,047,559	10,830,500		
OPERATING EXPENSES				
Wastewater collection	1,248,892	0		
Wastewater treatment	20,505,666	0		
Wastewater disposal	7,705,551	0		
Operations and maintenance	0	3,764,958		
Administration and general	16,399,276	2,784,926		
Depreciation and amortization	22,644,933	5,922,464		
Total operating expenses	68,504,318	12,472,348		
Operating income (loss)	(25,456,759)	(1,641,848)		
NONOPERATING REVENUES (EXPENSES)				
Interest income	298,443	74,922		
Property tax revenue	33,393,487	1,949,548		
Wastewater capital connection fees	9,788,634	0		
Other nonoperating revenues	3,781,194	11		
Interest on long-term debt	(6,723,540)	(1,644,219)		
Other nonoperating expenses	(3,232,292)	(199,167)		
Total nonoperating revenues (expenses)	37,305,926	181,095		
Income (loss) before capital contributions and transfers	11,849,167	(1,460,753)		
TRANSFERS AND CAPITAL CONTRIBUTIONS				
Transfers in (note 15)	0	1,564,622		
Transfers out (note 15)	(5,671,639)	(1,398,209)		
Capital grants	34,851	2,279,679		
Change in net position	6,212,379	985,339		
Total net position - beginning, as restated	342,331,547	70,732,481		
Total net position - ending	\$ 348,543,926	\$ 71,717,820		

No	n-reclaimable		Totals			
١	Vastewater	 Non-Major		2014		2013
\$	8,199,986	\$ 4,923,653	\$	56,171,198	\$	52,153,314
	0	 0		10,830,500		7,951,605
	8,199,986	 4,923,653		67,001,698		60,104,919
	4,373,746	0		5,622,638		4,656,011
	0	0		20,505,666		18,907,779
	0	0		7,705,551		8,612,642
	0	489,856		4,254,814		3,868,448
	6,840,855	9,166,215		35,191,272		24,473,192
	749,892	 2,977,292		32,294,581		31,933,552
	11,964,493	 12,633,363		105,574,522		92,451,624
	(3,764,507)	 (7,709,710)		(38,572,824)		(32,346,705)
	57,092	133,873		564,330		818,784
	6	3,143,689		38,486,730		48,086,946
	0	0		9,788,634		14,614,387
	32,325	2,523,019		6,336,549		7,510,242
	(188,336)	(8,565)		(8,564,660)		(9,805,292)
	(24,878,257)	 (1,531,058)		(29,840,774)		(8,088,092
	(24,977,170)	 4,260,958		16,770,809		53,136,975
	(28,741,677)	(3,448,752)		(21,802,015)		20,790,270
	0	5,661,083		7,225,705		6,454,273
	(55,857)	(100,000)		(7,225,705)		(6,454,273)
	0	 348,761		2,663,291		3,151,916
	(28,797,534)	 2,461,092		(19,138,724)		23,942,186
	52,512,815	 70,983,791		536,560,634		512,618,448
\$	23,715,281	\$ 73,444,883	\$	517,421,910	\$	536,560,634

INLAND EMPIRE UTILITIES AGENCY

Statement of Cash Flows

For the Fiscal Year ended June 30, 2014

(With Comparative Totals for June 30, 2013)

	Enterprise Funds		
	Regional	Recycled	
	Wastewater	Water	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 40,221,444	\$ 12,075,371	
Cash received from interfund services provided	0	0	
Cash payments to suppliers for goods and services	(21,843,247)	(4,284,019)	
Cash payments to employees for services	(6,344,716)	(909,239)	
Cash payments for interfund services used	(19,188,844)	(2,198,698)	
Net cash provided by (used for) operating activities	(7,155,363)	4,683,415	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	0	1,564,622	
Transfers out	(5,671,639)	(1,398,209)	
Contract reimbursement from others	3,781,195	11	
Tax revenues	33,284,017	1,943,220	
Issuance of long-term receivable	0	0	
Collection of long-term receivable	19,152	185,371	
Cash paid to others	(2,695,704)	(230,573)	
Net cash provided by (used for) noncapital financing	•		
activities	28,717,021	2,064,442	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(12,638,803)	(19,696,177)	
Proceeds from capital debt	0	0	
Proceeds from State Revolving Funds	0	9,946,701	
Connection fees on deposit held by members	9,788,634	0	
Capital grants received	34,851	2,279,679	
Principal paid on capital debt	(7,329,875)	(38,182)	
Interest paid on capital debt	(6,427,755)	(1,519,649)	
Payments on State Revolving Funds	(693,294)	0	
Bond administration fees	(536,590)	0	
Contractor deposits collected	0	0	
Net cash provided by (used for) capital and related			
financing activities	(17,802,832)	(9,027,628)	

Nor	n-reclaimable		Totals					
٧	Vastewater	Non-Major		2014	2013			
\$	8,267,884	\$ 5,754,334	\$	66,319,033	\$ 49,220,704			
	0	23,918,921		23,918,921	22,634,150			
	(8,984,359)	(10,349,620)		(45,461,245)	(21,367,414			
	(796,490)	(25,387,703)		(33,438,148)	(28,620,866			
	(1,242,455)	(187,289)		(22,817,286)	(21,651,266			
	(2,755,420)	(6,251,357)		(11,478,725)	215,308			
	0	5,661,083		7,225,705	6,454,273			
	(55,857)	(100,000)		(7,225,705)	(6,454,273			
	32,325	2,419,488		6,233,019	7,528,99			
	6	3,133,477		38,360,720	50,456,270			
	28,503	0		28,503	(194,85			
	0	0		204,523	2,403,41			
	75	(1,446,422)		(4,372,624)	(7,442,700			
	5,052	9,667,626		40,454,141	52,751,12			
	,							
	(1,386,460)	(2,016,718)		(35,738,158)	(23,401,71			
	4,089,976	0		4,089,976				
	0	0	9,946,701		789,87			
	0	0		9,788,634	14,614,38			
	0	348,761		2,663,291	3,151,91			
	(142,411)	(584,746)		(8,095,214)	(7,755,05			
	(92,843)	(93,262)		(8,133,509)	(9,448,27			
	0	0		(693,294)	(
	7,666	0		(528,924)	(537,112			
	32,038	38,178		70,216				
	2,507,966	(2,307,787)		(26,630,281)	(22,585,98			

INLAND EMPIRE UTILITIES AGENCY Statement of Cash Flows (Continued from previous page) For the Fiscal Year ended June 30, 2014

(With Comparative Totals for June 30, 2013)

	Enterprise Funds				
	Regional Wastewater			Recycled Water	
CASH FLOWS FROM INVESTING ACTIVITIES Interest on investments Purchase of investments	\$	305,070 0_	\$	75,993 0	
Net cash provided by (used for) investing activities		305,070		75,993	
Net increase (decrease) in cash and cash equivalents		4,063,896	_	(2,203,778)	
Cash and cash equivalents - beginning		95,734,849	12,683,912		
Cash and cash equivalents - ending	\$	99,798,745	\$	10,480,134	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES Operating income (loss)	\$	(25,456,759)	\$	(1,641,848)	
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities Depreciation and amortization		22,644,933		5,922,464	
Changes in assets and liabilities (Increase) decrease in Accounts receivable Other receivables Short-term receivable Inventory Prepaid items Increase (decrease) in		(2,843,466) 0 17,351 0 0		1,037,537 207,334 0 0 10,000	
Accounts payable Accrued liabilities Other liabilities Change in contractor deposits Compensated absences		(950,299) (60,969) 0 (506,154)		(1,809,090) 93,179 135,043 728,796 0	
Net cash provided by (used for) operating activities	\$	(7,155,363)	\$	4,683,415	

Non-reclaimable					То	tals	
V	Vastewater		Non-Major		2014		2013
\$	19,260	\$	134,944	\$	535,267	\$	820,279
Ψ	0	Ψ	113,262	Ψ	113,262	Ψ	(45,949)
							(10,010)
	19,260		248,206	_	648,529		774,330
	(223,142)	-	1,356,688		2,993,664		31,154,784
	4,575,569		32,221,828		145,216,158		114,061,374
\$	4,352,427	\$	33,578,516	\$	148,209,822	\$	145,216,158
\$	(3,764,507)	\$	(7,709,710)	\$	(38,572,824)	\$	(32,346,705)
	749,892		2,977,292		32,294,581		31,933,555
	68,740 (841) 0 0 119,580		834,412 (25,368) 21,636 (83,253) (40,275)		(902,777) 181,125 38,987 (83,253) 89,305		(13,456,713) 20,138 2,552,360 (34,391) (92,720)
	283,629 (211,913) 0 0 0		7,365,385 (7,239,767) (2,478,402) 0 126,693		4,889,625 (7,419,470) (2,343,359) 222,642 126,693		7,433,430 5,094,279 442,154 (1,171,219) (158,860)
\$	(2,755,420)	\$	(6,251,357)	\$	(11,478,725)	\$	215,308 (Continued)

INLAND EMPIRE UTILITIES AGENCY Statement of Cash Flows - (Continued from previous page) For the Fiscal Year Ended June 30, 2014

(With Comparative Totals for June 30, 2013)

	Enterprise Funds			nds
	Regional		Recycled	
	\	Vastewater		Water
RECONCILIATION OF CASH & CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:				
Cash and short-term investments	\$	57,756,088	\$	9,889,398
Restricted assets		42,042,657		590,736
Cash & cash equivalents at end of year	\$	99,798,745	\$	10,480,134

Non-reclaimable			Totals			
Wastewater			Non-Major		2014	2013
\$	4,329,251	\$	32,681,036	\$	104,655,773	\$ 111,647,534
	23,176		897,480		43,554,049	33,568,624
\$	4,352,427	\$	33,578,516	\$	148,209,822	\$ 145,216,158



Regional Water Recycling Facility No. 1 – Fuel Cell

INLAND EMPIRE UTILITIES AGENCY

Index of Notes to the Basic Financial Statements

June 30, 2014

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NOTES TO THE BASIC FINANCIAL STATEMENTS JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Organization and Summary of Significant Accounting Policies:

a. <u>Description of the Reporting Entity</u>

The Inland Empire Utilities Agency (hereafter referred to as the Agency), was authorized and established by the voters in an election held on June 6, 1950. As defined by accounting principles generally accepted (GAAP) in the United States of America and the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the Agency as the primary government. The Agency has no legally separate component units that require blended or discrete presentation.

Subject to the limitation imposed by the Constitution of California, and pursuant to its charter, all powers of the Agency are vested in a five-member Board of Directors. Each Director serves a four-year term and is elected by and represents the voters of a specific geographic area within the Agency's boundaries, identified as a Division. As of June 30, 2014, the Agency's staff is led by the Board-appointed General Manager, Executive Manager of Policy Development/Assistant General Manager (AGM,) Executive Manager of Operations/AGM, Executive Manager of Engineering/AGM, and the Chief Financial Officer/AGM. The Agency's staff consisted of 295 authorized positions, of which 258 were filled as of June 30, 2014. The Board also appointed legal counsel and independent auditors to serve as consultants to Agency staff.

The accounting policies of the Agency conform to accounting principles generally accepted in the United States of America as they relate to governmental units (Special Districts). The Agency applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

b. Fund Financial Statements

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflow of resources, liabilities, deferred inflow of resources, net position, revenues and expenses, as appropriate. The Agency's resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Agency accounts for its activities in Enterprise Funds. These funds are included in the financial statements and have been grouped into fund types described as "Proprietary Fund Types."

For financial reporting purposes, the Agency has the following major funds: Regional Wastewater, and Recycled Water. These major funds are comprised of certain sub-funds within the Agency's accounting system. The composition of the major funds by sub-fund is indicated in the accompanying supplementary information schedules. (Refer to "Supplementary Schedules" section, and the "Individual Funds" section.) The composition of the non-major funds by sub-fund is indicated in the accompanying supplementary information schedules. (Refer to the "Individual Funds" section.)

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing goods and services related to the fund's ongoing operations. The principal operating revenue of the Agency's enterprise funds include: Service charges for the treatment of domestic wastewater flows based on Equivalent Dwelling Units (EDU's) connected to the Contracting Agencies local collection systems, user charges for the export of high-salinity and industrial wastewater generated within the Agency's service area and eventual discharge to the Pacific Ocean recorded in the Non-Reclaimable Wastewater (NRW) Fund, imported water acre foot surcharge for the agency's administrative and operational cost associated with the delivery of imported water supplies and water resource development and planning activities, water meter service charge to meet the agency's readiness-to-serve (RTS) obligation pass through from MWD and to help support a portion of the agency's ground water recharge program, and the sale of recycled water. The principal operating expenses include the costs associated with the primary and secondary treatment of domestic wastewater delivered to the regional sewage system, treatment and export costs of industrial waste delivered to the NRW North and South systems, biosolids recycling and direct and recharged deliveries of recycled water. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

All Proprietary Funds are accounted for on a cost of services or "economic resources maintenance" measurement focus. This means that all assets, deferred outflows of resources and all liabilities (whether current or non-current) associated with their activity are included on their statement of net position. Their reported fund equity (net total position) is segregated into net investment in capital assets, restricted net position, and unrestricted net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the costs (expenses, including depreciation and amortization) of providing goods or services to the general public on a continuing basis, be financed or recovered primarily through user charges.

The Regional Wastewater Capital Improvement Fund

The Regional Wastewater Capital Improvement (RC) Fund records the transactions for the acquisition, construction, and expansion of the Agency's municipal wastewater treatment plants, large sewer interceptors, and appurtenant facilities.

c. <u>Measurement Focus, Basis of Accounting and Financial Statement Presentation</u> (continued):

Enterprise Funds (continued):

Regional Wastewater Operations and Maintenance Fund

The Regional Wastewater Operations and Maintenance (RO) Fund accounts for the revenues and operating expenses associated with the primary, secondary, and tertiary treatment of domestic wastewater delivered by the contracting agencies to the Agency's interceptors and water recycling facilities. These costs are associated with the domestic wastewater delivered to the regional sewage system, which serves the residential, commercial, and industrial entities within the Agency's 242 square-mile service area. The tertiary process includes chlorination, and dechlorination, to remove excess chlorine residuals thus protecting the habitats in the receiving waters, as required by the Agency's National Pollution Discharge Elimination System (NPDES) permits.

Recycled Water Fund

The Recycled Water (WC) Fund records the revenues and expenses associated with the operations and maintenance of the facilities used to distribute recycled water supplied from the Agency's water recycling plants. Additionally, the Recycled Water Fund records all of the costs associated with the construction and financing of recycled water capital projects. In response to the potential shortage and reduction of imported water supplies, the Agency adopted the Recycled Water Business Plan (RWBP) in December 2007. A key goal of the RWBP is to increase the demand for recycled water to 50,000 acre foot per year (AFY) with the expansion of the Regional Recycled Water Distribution System. This goal is anticipated to be reached by fiscal year 2024/25. Recycled water provides a cost effective and more reliable local water supply and is a key source to the Agency's goal of drought proofing its service area by 2030.

Non-Reclaimable Wastewater Fund

The Non-Reclaimable Wastewater (NC) Fund records the transactions for the acquisition, construction, expansion, and replacement of the Agency's non-reclaimable wastewater sewer lines, interceptors and appurtenant facilities as well as the revenues and operating costs directly related to providing collection services, pipeline transport, and treatment. Revenue includes volumetric and capacity fees as well as excess use fees, capacity unit sales, and other service charge revenue.

Basis of Accounting

Basis of accounting refers to the timing when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. The Agency prepares its financial statements on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

c. <u>Measurement Focus, Basis of Accounting and Financial Statement Presentation</u> (continued):

Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as needed.

Recognition of Revenues and Expenses

Effective June 30, 2004, the Agency began recognizing certain imported water sales and purchases as pass-through transactions. Instead of recording the water deliveries to contracting agencies as gross revenue and corresponding imported water purchases from Metropolitan Water District of Southern California (MWD) as expenses, the Agency records only the transaction surcharge as operating revenue in the Water Resources (WW) Fund. For these transactions, the Agency is merely a conduit or accommodator for the transactions between the MWD, and the contracting agencies. The Agency, other than its role as a member of the MWD, has no control over the pricing of the imported water delivered to the contracting agencies by MWD.

Also effective June 30, 2004, the Agency began recording the Regional Wastewater Capital Connection Fees collected and held by contracting agencies, on behalf of the Agency, as revenue when the funds are received by each contracting agency. Previously, the Agency recorded the revenue when the fees were called or requested from the contracting agencies. Fees held by the contracting agencies on behalf of the Agency are recorded as non-operating revenue and restricted assets.

Operating and Non-operating Revenues and Expenses

Operating revenues relate to the direct revenues generated as a result of services performed or sale of commodities. Examples include sewage treatment and disposal service charges, sales of recycled water, and surcharges on the deliveries of imported domestic water. Non-operating revenues do not directly relate to the Agency's core operations, such as: 1) property tax receipts; 2) interest income; 3) regional capital connection fees; and 4) reimbursement for contract services provided to Chino Basin Desalter Authority (CDA) and Inland Empire Regional Composting Authority (IERCA).

The Agency classifies the expense types based upon the goods and/or services directly related to the operations of the Agency in providing the core services and/or goods. Typical operating expenses include sewage treatment, biosolids disposal costs, and the cost of delivering recycled water. In contrast, non-operating expenses are not directly related to the Agency's core operations, such as costs related to administrative and operational support provided to CDA and IERCA, interest expense and the cost of financial services.

c. <u>Measurement Focus, Basis of Accounting and Financial Statement Presentation</u> (continued):

Budgetary Policy and Control

The Agency's Board approves each year's budget submitted by the Chief Financial Officer prior to the beginning of the new fiscal year. All amendments to the budget, or transfers of operating budget appropriations to or from reserve accounts, require Board approval. The Agency is not required to present budget comparisons; therefore budgetary data is not presented in the accompanying basic financial statements.

The Agency maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the Board. All appropriations lapse at year-end.

New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 66, *Technical Corrections, an amendment of GASB Statement No. 10 and Statement No. 62*, the objective of this Statement is to resolve conflicting guidance that resulted from the issuance of two pronouncements, statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained* in Pre-November 30, 1989 FASB and AICPA Pronouncements. This is required to be implemented in the current fiscal year and did not impact the Agency.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This is required to be implemented in the current fiscal year and did not impact the Agency.

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Report for Pensions, an amendment of GASB Statement No. 27. The objective of this Statement is to improve accounting and financial reporting by state and local government for pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses (expenditures). This will be effective for the fiscal years beginning after June 15, 2014.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This will be effective for the fiscal years beginning after December 15, 2013.

c. <u>Measurement Focus, Basis of Accounting and Financial Statement Presentation</u> (continued):

New Accounting Pronouncements (continued):

In November 2013, the GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This will be effective for the fiscal years beginning after June 15, 2014.

d. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position</u>

Cash and Investments

Investments in short-term highly liquid debt instruments that have a remaining maturity at the time of purchase of one year or less, and nonparticipating interest earning investment contracts, are reported at amortized cost. All other investments are reported at fair value.

For the purpose of the Statement of Cash Flows at June 30, 2014, and in accordance with the Governmental Accounting Standards Board Statement Number 9, the Agency's cash and cash equivalents are considered to be petty cash, demand deposits and savings accounts that are readily available on demand. All short-term cash surpluses are maintained in a cash and investment pool, and allocated to each fund based on month-end cash and investment balances. For financial presentation purposes, cash is shown within cash, short-term investments, and restricted assets. Additionally, guidelines provided by GASB Statement No. 40 regarding risk disclosures on deposits and investments have been followed.

Interest Income Allocation Method

Interest income earned on pooled cash and investments is allocated quarterly to the funds, based on month-end cash and investment balances. Interest income from cash and investments in the deferred compensation plan and restricted accounts is credited directly to the related fund.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (current portion of Interfund loans) or "advances to/from other funds" (the non-current portion of Interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

d. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position</u> (continued):

Receivables and Payables (continued):

Property taxes payable to the San Bernardino County Tax Assessor (The County) are annually attached as an enforceable lien on property as of January 1. Taxes are levied annually on July 1; and, are payable to the County in two installments on December 10 and April 10. The County bills and collects the property taxes and subsequently remits the amount due to the Agency in installments during the year. Annually in July, the County prepares a property tax year-end reconciliation and remits any unpaid taxes to the Agency generally within sixty days of the fiscal year end. Those taxes are accrued by the Agency and reflected as taxes receivable in the applicable Funds at fiscal year-end. The Agency does not collect property taxes in advance; therefore no deferred revenue is shown on the financial statements.

The County is permitted by State Law, (Article XIII A of the California Constitution, Proposition 13,) to levy taxes at 1% of full market value (at the time of purchase) and can increase the property's value no more than 2% per year. In accordance with an agreement with the County, the Agency receives \$0.0625 per hundred dollars levied.

All receivables are shown net of an allowance for uncollectibles. The Agency extends credit to customers in the normal course of operations. Management has evaluated the accounts and did not identify any to be uncollectible as of June 30, 2014. When an account is determined to be uncollectible, it is written off as a bad debt expense following Board approval.

Inventories and Prepaids

The Agency uses the consumption method of accounting for inventories and is valued at the weighted average cost of items on hand. Inventories of operating supplies are maintained and accounted for in the Administrative Services (GG) Fund.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in the fund financial statements.

Restricted Assets

Restricted assets represent deposits held in short-term investments with Trustee/Fiscal Agents.

Assets held with Trustee/Fiscal Agents include: (a) unspent bond proceeds available for capital construction payments; (b) proceeds from bonds which are restricted to making payments for debt service; (c) deposits held by contracting agencies for Regional Wastewater Capital Connection Fees collected on behalf of the Agency to fund regional capital construction expenditures, and (d) construction contract retentions which involve escrow agreements, and deposits held in lieu of retentions, both of which require funds to be separately set aside for retention.

d. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position</u> (continued):

Capital Assets

Property, plant and equipment are capitalized at cost. The cost of a capital investment includes purchase, rehabilitation or construction costs, Agency labor for engineering, construction management and administrative activities, capitalized interest, as well as ancillary expenses necessary to make productive use of the assets. Current capitalization thresholds are reflected in the following table:

Type of Expenditure	Total Cost	Estimated Life	Increases Estimated Life	Enhances Performance
Office Equipment	≥ \$ 5,000	> 1 Year	N/A	N/A
Computer Equipment	<u>≥</u> \$ 1,000	> 1 Year	N/A	N/A
Other Equipment	≥ \$ 5,000	> 1 Year	N/A	N/A
Maintenance & Repair Expenditures	≥\$ 5,000	≥ 3 Years		Yes
Single Year Capital Projects	≥ \$ 5,000	≥ 3 Years	N/A	N/A
Multi-Year Capital Projects	≥ \$15,000	≥ 1 Year	N/A	N/A

The Agency capitalizes interest on tax exempt debt issued to finance construction projects. The amount of interest capitalized is calculated after offsetting interest expense incurred from the date of borrowing until completion of the project with interest earned on invested proceeds over the same period.

During the year ended June 30, 2014, total interest of \$1,012,295 was capitalized on jobs in process related to the 2008A Revenue Bonds proceeds and is comprised of \$345,606 recorded in the Regional Wastewater Capital Improvement Fund, \$397,735 in the Recycled Water Fund, \$213,558 in the Non-Reclaimable Wastewater Fund and \$55,396 in the Regional Wastewater and Operations and Maintenance Fund.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset useful lives are not capitalized. Improvements are capitalized and depreciated, as applicable, over the remaining useful life of the related capital assets. Donated capital assets are recorded at estimated fair market value at the date of donation.

d. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position</u> (continued):

Capital Assets (continued):

Depreciation of capital assets has been provided on a straight-line basis. One-half year depreciation is recorded in the year of acquisition and disposal.

Estimated useful lives are:	Furniture, machinery and equipment	3 - 15 years
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Improvements15 yearsInterceptors, buildings and plants5 - 50 yearsIntangible Capacity Rights50 yearsComputer Software3 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Agency has one item that qualifies for reporting in this category. It is the deferred loss on refunding which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Agency has no deferred inflows of resources.

Compensated Absences

The Agency records a liability for vacation, sick and compensatory leave earned but not used. Each employee earns vacation pay based on the length of employment. Upon termination, employees receive payment for accrued vacation pay.

Employees continuously employed by the Agency for at least five years receive partial payment, upon termination, of accrued sick leave hours. The payment percentage is based upon the number of years of service.

The Agency allows hourly employees of all bargaining units to accrue up to a maximum of forty (40) hours of compensatory time each calendar year. At the end of each calendar year, hourly un-represented employees, and members of the general, operators and laboratory bargaining units have the option to receive payment for, or roll over to the next calendar year, all accrued compensatory time that has not yet been taken as paid time off.

d. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position</u> (continued):

<u>Compensated Absences</u> (continued):

At July 1, 2013 the accumulated vacation leave payable was \$1,480,880 with additions and deletions during the year of \$1,740,717, and \$1,421,872 respectively, resulting in an ending balance at June 30, 2014 of \$1,799,725. There was a net increase of \$318,845 over the previous fiscal year. The sick and compensatory leave balance at July 1, 2013 was \$2,436,570 with additions and deletions during the year of \$2,289,476 and \$2,481,627 respectively, resulting in an ending balance at June 30, 2014 of \$2,244,419. There was a net increase of \$192,151 over the previous fiscal year. Total compensated absences have been recorded in the Administrative Service Fund as a combined total of \$4,044,144. The current year liability is estimated to be \$1,587,969.

Other Post - Employment Benefits

In accordance with the Agency's Memorandum of Understanding (MOU), the Agency provides post-employment benefits to all retired employees through the California Public Employees' Retirement System (CalPERS) Public Employees Medical and Hospital Care Act (PEMHCA) health program.

The Agency contributes an additional monthly longevity benefit to each retiree minus the minimum PEMHCA contribution or \$112.00, whichever is greater, according to the chart below who simultaneously retires from the Agency through CalPERS and who is a minimum age of fifty-five (55).

Hire Date	Retirement Date	Benefit Level	Minimum Years of Agency Service	Benefit
Before July 2, 1980	N/A	Employee and/or eligible dependent(s)	15	100% of applicable Kaiser Rate
Before Jan. 1, 1992	N/A	Employee and/or eligible dependent(s)	20	50% of applicable Kaiser Rate
N/A	After July 3, 2004	Employee only or surviving spouse	12	50% of applicable Kaiser Rate

The longevity benefit is available to qualifying retirees whether they enroll in a CalPERS medical plan or not. The retiree will be reimbursed on a monthly basis for his/her retiree longevity benefit via direct deposit to the retiree's (or surviving spouse's) bank account, up to the maximum benefit provided. Retirees are responsible for any taxes that may be due on reimbursement of retiree longevity benefits.

d. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position</u> (continued):

Other Post - Employment Benefits (continued):

In accordance with GASB Statement No. 45 – Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pension (OPEB), public entities are required to accrue OPEB costs throughout the employee's working lifetime and record the actuarially calculated cost as a liability. The Agency contracted an independent pension consultant and actuaries to perform an actuarial valuation of the OPEB as of July 1, 2013, with results rolled back to July 1, 2012. The report used the "Entry Age Normal" actuarial cost method and an attribution period that runs from the date of hire until the expected retirement date. Normal costs can be defined to be the present value of future benefits that are "earned" by employees for service rendered during the current year. The report used the normal cost approach with which the Agency's unfunded actuarial accrued liability is being amortized as a level dollar amortization over a closed 26-year period.

On June 04, 2014, the Agency entered into an agreement to prefund OPEB through CalPERS CERBT trust fund. As of June 30, 2014, the Agency has funded \$3,500,000 into the CERBT trust fund towards OPEB obligation.

The following table presents the summary of the Actuarial Accrued Liability (AAL), Plan Assets and Annual Required Contribution for the FY 2013/14.

Valuation as on July 1, 2013	2013/14
Annual Required Contribution (ARC)	\$1,561,912
Interest on net OPEB Obligation	\$307,518
Adjustment to ARC	(353,307)
Annual OPEB Costs	\$1,516,123
IEUA Contributions	(3,994,525)
Percentage Contributed	262%
Increase or Decrease in Net OPEB	(\$2,478,402)
Net OPEB Obligation – Beginning of Year	\$6,833,724
Net OPEB Obligation – End of Year	\$ 4,355,322
Annual Covered Payroll	\$23,082,758

d. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position</u> (continued):

<u>Other Post - Employment Benefits</u> (continued):

Three-year trend information for OPEB

Fiscal	Annual	Percentage	Net
Year	OPEB	of OPEB	OPEB
Ending	Cost	Contributed	<u>Obligation</u>
6/30/2012	\$1,463,921	24%	\$5,855,131
6/30/2013	\$1,424,675	31%	\$6,833,724
6/30/2014	\$1,516,123	262%	\$4,355,322

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$17,476,486 and the actuarial value of assets was Nil, resulting in unfunded actuarial accrued liabilities (UAAL) of \$17,476,486. The covered payroll (annual payroll of active employees covered by the plan) was \$23,184,095, and the ratio of the UAAL to the covered payrolls was 76.5%.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan between the employer and the plan members and include the types of benefits provided at the time of each valuation, and the historical pattern of sharing of benefits costs between the employer and the plan members at that point. Since retiree health benefits will be paid over the next 50 years or more, a projection of future benefits payments and liabilities requires the use of actuarial assumptions to reflect the estimate of what is likely to occur over the long-term.

The valuation process uses a mathematical model to project the number of retirees and dependents in each future year based on the retirees at the beginning of the year who are expected to survive until the end of the year, and the active employees expected to retire during the year. The expected benefits payable in future years are calculated based on the number of projected retirees and dependents and the anticipated future per capita costs Actuarial assumptions used for the July 1, 2013 valuation were:

Discount Rate – a 4.5% discount was used to calculate the present value of future benefit payments. Normal costs increase by 5.0% per year.

d. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position</u> (continued):

Other Post - Employment Benefits (continued):

Health Care Trend – based on recent rate increases, the projected trend was developed for the actuarial valuation, assuming an annual increase in CalPERS Kaiser rates, as follows:

<u>Year</u>	<u>Rate</u>
2015	6.7%
2016	6.4%
2017	6.1%
2018	5.8%
2019	5.5%
2020 and after	5.2%

A separate audited post-employment benefit plan report is not available at this time.

Long-Term Obligations

In the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable fund statement of net position. Certain Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount.

Prior Fiscal Year Data

The information included in the accompanying financial statements for the prior fiscal year has been presented for comparison purposes only, and does not represent a complete presentation in accordance with generally accepted accounting principles. Certain minor reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

II. STEWARDSHIP

(2) Stewardship, Compliance & Accountability:

Encumbrances

Encumbrance accounting is employed as an extension of formal budgetary integration in the Agency's enterprise funds.

Encumbrances (e.g., purchase orders, contracts, other commitments) outstanding at year end are reported as unrestricted net position and do not constitute expenses or liabilities. Upon Board approval, these commitments are re-appropriated and honored during the subsequent fiscal year.

III. DETAILED NOTES ON ALL FUNDS

(3) Cash and Investments

The Agency follows the practice of pooling cash and investments of all funds except for restricted funds generally held by outside custodians and funds in its employees' deferred compensation plans. Each fund's position in the pool is reported on the combined statement of net position as cash and investments. Amounts in the Agency's deferred compensation plan are no longer reported on the Agency's balance sheet as they are held in trust.

Interest income earned on pooled cash and investments is allocated to those funds which are required by law, local ordinance, administrative action or agreements to receive interest. Such allocation is made quarterly, at a minimum, based on the weighted average cash balances in each fund receiving interest. Interest income from cash and investments which are restricted is credited directly to the related fund.

Cash and investments as of June 30, 2014 are classified in the accompanying financial statement as follows:

Statement of net position: Cash and investments Cash and investments held by fiscal agent	\$104,655,773 43,554,049
Total cash and investments	\$148,209,822
Cash and investments as of June 30, 2014 consist of the following: Cash on hand (Petty Cash) Deposits with financial institutions Deposits held by other governmental agencies Investments	\$1,177 11,983,894 38,035,613 98,189,138
Total cash and investments	\$148,209,822

GASB Statement No. 31

The Agency adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as of July 1, 1997. GASB Statement No. 31 established fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the agency reports its investments at fair value in the balance sheet. All investment income, including changes in fair value of investments, is recognized as revenue in the operating statement.

Investments and Interest Receivable - Restricted

Restricted assets represent deposits held in short-term investments with Trustee/Fiscal Agents. Assets held with Trustee/Fiscal Agents include: (a) unspent bond proceeds available for capital construction payments; (b) proceeds from bonds which are restricted to making payments for debt service; (c) deposits held by contracting agencies for Regional Wastewater Capital Capacity Reimbursement Account (CCRA) fees collected on behalf of the Agency to fund regional wastewater capital construction expenditures, and (d) construction contract retentions which involve escrow agreements, and deposits held in lieu of retentions, both of which require funds to be separately set aside for retention. Construction contract retentions are included in Non-current assets within the Restricted Assets category on the Statement of Net Position.

(3) Cash and Investments (continued):

<u>Investments Authorized by the California Government Code and the Agency's Investment Policy</u>

The table below identifies the investment types that are authorized by the California Government Code Section 53601 and the Agency's investment policy (where more restrictive). The table also identifies certain provisions of the California Government Code (or the Agency's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

The table does not address investment of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the California Government Code or the Agency's investment policy.

Authorized Investment Type	Maximum <u>Maturity</u>	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
State Treasury Obligations	5 years	10%	None
Local Agency Obligations	5 years	None	None
Commercial Paper	270 days	20%	10%
Negotiable/Placement Certificates of Deposits	5 years	30%	None
Repurchase Agreements	90 days	40%	None
Medium-Term Notes	5 years	10%	None
Money Market Funds	N/A	20%	10%
Local Agency Investment Fund	N/A	None	None
Local Agency Investment Pools	N/A	\$20M/Acct	None
Bank Deposits	N/A	None	None

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by the provisions of the Agency's debt agreements, rather than the general provision of the California Government Code or the Agency's Investment Policy.

The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address quality of risk, interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Minimum Rating	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None	None
U.S. Agency Securities	None	None	None	None
Money Market Funds	AA-m / Aa2	N/A	None	None
Certificates of Deposits	None	None	None	None
Investment Agreements	None	None	None	None
Commercial Paper	A-1 / Prime-1	270 days	None	None
Bankers Acceptances	A-1 / Prime-1	1 Year	None	None
Repurchase Agreements	Α	30 days	None	None
LAIF	None	N/A	None	None

(3) Cash and Investments (continued):

<u>Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations</u>

The Agency does not have any investments with fair values highly sensitive to interest rate fluctuations.

Investment Pool Oversight

Local Agency Investment Fund (LAIF)

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized basis.

<u>Investment in Investment Trust of California (CalTRUST)</u>

The Agency is a voluntary participant in the CalTRUST, a Joint Powers Authority established by public agencies in California for the purpose of pooling and investing local agency funds. A Board of Trustees supervises and administers the investment program of the Trust. CalTRUST invests in fixed income securities eligible for investment pursuant to California Government Code Sections 53601, et. Seg. and 53635, et. seg. Investment guidelines adopted by the Board of Trustees may further restrict the types of investments held by the Trust. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by CalTRUST for the entire CalTRUST portfolio. The balance available for withdrawal is based on the accounting records maintained by CalTRUST. For purposes of determining fair market value, securities are normally priced on a daily basis on specified days if banks are open for business and the New York Stock Exchange is open for trading. The value of securities is determined on the basis of the market value of such securities or, if market quotations are not readily available, at fair value, under guidelines established by the Trustees. Investments with short remaining maturities may be valued at amortized cost, which the Board has determined to equal fair value.

Deposits

At June 30, 2014, the carrying amount of the Agency's deposits was \$11,983,894 and the bank balance was \$12,670,529. The \$686,635 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure public agencies deposits by pledging government securities with a value of 110% of a public agency's deposits. California law also allows financial institutions to secure entity's deposits by pledging first mortgage notes having a value of 150% of the Agency's total deposits. California law also allows financial institutions to secure Entity deposits by pledging first mortgage notes having a value of 150% of the District's total deposits. The collateral for deposits in federal and

(3) Cash and Investments (continued):

Deposits (continued);

state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking.

The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank of San Francisco, California, as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agency of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local government agency.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Agency has no formal policy for managing risks.

Presented below is the minimum rating required by the Agency's investment policy, and the actual Moody's rating as of fiscal year ended June 30, 2014 for each investment type:

			Moody's Rating as of June 30, 2014			
Investment Type		Minimum Legal Rating	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Unrated
Repurchase Agreement	\$25,388,586	N/A	\$0	\$0	\$0	\$25,388,586
U.S. Agency Securities	11,095,161	N/A	11,095,161	0	0	0
Medium Term Notes	6,360,871	Α	1,005,900	5,354,971	0	0
State Municipal Bonds	4,152,254	Α	3,632,295	0	0	519,959
LAIF	38,759,672	N/A	0	0	0	38,759,672
Cal Trust	3,528,370	N/A	0	0	0	3,528,370
CBB Certificate of Deposit	4,150,000	N/A	0	0	0	4,150,000
Held by Bond Trustee:						
U.S. Agency Securities	4,754,185	N/A	0	0	0	4,754,185
Money Market Mutual Funds	39	AA-m / Aa2	0	0	0	39
Total	\$98,189,138		\$15,733,356	\$5,354,971	\$0	\$77,100,811

(3) Cash and Investments (continued):

Concentration of Credit Risk

The Agency's investment policy contains several limitations on the amount that can be invested with any one issuer and type of investment as well as that stipulated by the California Government Code. Investments in any one issuer (excluding investment pools) that represents 5% or more of the total Agency's investments are as follows:

<u>Issuer</u>	Investment Type	Reported Amount	Percentage
Citizens Business Bank	Repurchase Agreement	\$25,388,586	25.9%
FHLB	U.S. Agency Securities	\$5,591,996	5.7%

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the Agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Agency will not be able to recover the value of investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal 110% of the total amount deposited by public agencies.

California law also allows financial institutions to secure Agency deposits by pledging first deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2014, the Agency's deposits (bank balance) were insured by the Federal Depository Insurance Corporation up to \$250,000 and the remaining balances were collateralized under California law.

The investment in the repurchase agreement is uninsured with the collateral for the repurchase agreement held in the name of the bank and not in the name of the Agency.

For investments identified as held by bond trustee, the trustee selects the investments under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the Agency.

Interest Rate Risk

Interest rate risk is the risk borne by an interest-bearing asset, due to variability of the interest rate of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Agency's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Agency's investment policy states that purchases of investments will be restricted to

(3) Cash and Investments (continued):

Interest Rate Risk

securities with a final state maturity not to exceed five years. The Agency manages its exposure to interest rate risk is by purchasing a combination of short term and long term investments. Investment maturities are spread out evenly to provide the cash flow and liquidity needed for operations. The Agency has elected to use the segmented time distribution method of disclosure for its interest rate risk.

Remaining Maturity (in Months)

0

0

\$3,590,596

\$8,501,325

39

4,754,185

\$98,189,138

As of June 30, 2014, the Agency had the following investments and original maturities:

39

4,754,185

\$77,882,707

Investment Type	12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months	Fair Value
Repurchase Agreement	\$25,388,586	\$0	\$0	\$0	\$25,388,586
U.S. Agency Securities	0	0	7,504,565	3,590,596	11,095,161
Medium Term Notes	2,346,341	3,017,770	996,760	0	6,360,871
State Municipal Bonds	3,105,514	1,046,740	0	0	4,152,254
State Investment Pool	38,759,672	0	0	0	38,759,672
Cal Trust	3,528,370	0	0	0	3,528,370
CBB Certificate of Deposit		4,150,000			4,150,000
Held by Bond Trustee:					

(4) Deferred Compensation Plan

Money Market Mutual Fund

U.S. Treasuries

Total

The Agency established a Deferred Compensation Plan for employees in December 1977. Under this plan, employees may choose to defer income until retirement or termination. All deferred wages are credited to the participating employee accounts. Internal Revenue Code Section 457 currently requires that plan assets be held in trust for the exclusive benefit of the participants and their beneficiaries. Investments in the Deferred Compensation Plan are held by a fiscal agent in investment options chosen by the participants. The Agency makes no contributions under this plan.

\$8,214,510

In fiscal year 1997/98, the Board of Directors adopted a resolution to establish another Deferred Compensation Plan that is a qualified plan under the IRC Section 401(a). Each participant is expected to contribute up to 10% of their employee's earnings up to a maximum of \$52,000 for 2014. All contributions are made with pre-tax income and are solely obtained from the employee's funds. An employee's election to participate in the plan is irrevocable and shall remain in force until the employee terminates employment. Under current IRS regulations once an employee elects to participate in the plan, he/she cannot change his/her contribution amount or withdraw from the plan until he/she leaves Agency employment.

(4) Deferred Compensation Plan (continued):

The Agency adopted GASB Statement No. 32 "Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans." The implementation of GASB Statement No. 32 requires the Agency to change its accounting for its Deferred Compensation Plan to exclude it from the financial statements, since the Agency neither has custody of the plan assets, nor directs or accounts for the plan investments. The Deferred Compensation Plan had been included as an asset and liability prior to July 1, 1998.

(5) Defined Benefit Pension Plan

Plan Description

The Agency contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. The Agency's defined benefit pension plan is identified as the Miscellaneous Plan of the Inland Empire Utilities Agency (Agency's Plan). PERS provides retirement, disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the state of California.

Benefit provisions, and all other requirements, are established by State statutes within the Public Employees' Retirement Law. The Agency's Plan selects optional provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 "Q" Street - Sacramento, CA 95811.

Funding Policy

Effective October 2, 2011, Agency employees hired before January 1, 2012 shall contribute 2% of their annual PERS reportable covered salary to CalPERS. The Agency will contribute the remaining 6% for a total contribution of 8%. For all employees hired on or after January 1, 2012, the employee shall contribute 3% of their annual compensation to CalPERS. The Agency will contribute the remaining 4% for a total contribution of 7%. The Agency is required to contribute the actuarially determined remaining amounts necessary to fund the retirement benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration.

All full-time Agency employees participate in CalPERS with benefits vesting after five years of CALPERS related service. For each year of service credit, Agency employees hired prior to January 1, 2012 and who retire at or after age 55 are eligible for annual retirement benefits, payable monthly for life, in an amount equal to 2.5% of their average salary during the period of 12 consecutive months in which they earned their highest salary. For employees hired on or after January 1, 2012, the Agency contracts with CalPERS for a second tier pension plan which provides for the 2.0% @ 55 Benefit Formula with highest average monthly pay rate for a 3 year period. Employees hired after January 1, 2013, and defined as "new members" under the Public Employees' Pension Reform Act of 2013 ("PEPRA"), Government Code section 7522, et seq., will receive the 2% @ 62 Benefit Formula and will pay one half (1/2) of their total normal cost rate as determined by CalPERS.

(5) Defined Benefit Pension Plan (continued):

Annual Pension Costs

Under GASB Statement No. 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2013 to June 30, 2014 has been determined by an actuarial valuation of the plan as of June 30, 2011.

In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2014, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2013 to June 30, 2014. The Agency's annual pension cost for the fiscal year ended June 30, 2014 was \$4,769,984.

A summary of the principle assumptions and methods used to determine the annual required contribution are shown below.

Valuation Date June 30, 2011

Actuarial Cost Method Entry Age Normal Cost Method Amortization Method Level Percentage of Payroll

Average Remaining

Period 24 Years as of the Valuation Date

Asset Valuation Method 15 Year Smoothed Market

Actuarial Assumptions Investment Rate of

Return 7.50% (net of administration expenses)
Projected Salary Increases 3.30% to 14.20% depending on Age,

Service, and type of employment.

Inflation 2.75% Payroll Growth 3.00%

Individual Salary Growth A merit scale varying by duration of

employment coupled with an assumed annual inflation component of 2.75% and an annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

Three-year Trend information for the IEUA CalPERS

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$4,976,080	100%	0
6/30/2013	4,875,602	100%	0
6/30/2014	4,769,984	100%	0

(5) Defined Benefit Pension Plan (continued):

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 71.7% funded. The actuarial accrued liability for benefits was \$138,490,379 and the actuarial value of assets was \$99,338,537, resulting in unfunded actuarial accrued liabilities (UAAL) of \$39,151,842. The covered payroll (annual payroll of active employees covered by the plan) was \$22,377,620, and the ratio of the UAAL to the covered payrolls was 175.0%.

(6) Risk Management

The Agency is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and, natural disasters. During fiscal year 1985/86, the Agency chose to establish a risk management program for risks associated with all liability losses except workers' compensation losses. These risks are covered by commercial insurance purchased from independent third parties.

- General and auto liability, public officials and employees' error and omissions: The Agency retains the risk of loss for general liability, automobile liability, and, errors and omissions claims of up to \$500,000 per person per occurrence.
- The Agency also retains the risk of loss for property damage, and boiler machinery claims of up to \$25,000.

In fiscal year 1993/94, the Agency adopted a self-insurance program for risks associated with workers' compensation to account for and finance uninsured workers' compensation losses. The Agency uses excess insurance agreements to reduce its exposure to large workers' compensation losses.

Excess insurance permits the recovery of a portion of losses from the excess insurers, although it does not discharge the primary liability of the fund as direct insurer of the risks.

■ The Agency purchases commercial insurance coverage for that portion of workers' compensation claims exceeding the California statutory limits of \$1,000,000 per person per occurrence. The current commercial insurance provides coverage for workers' compensation claims up to \$25,000,000. The Agency does not report excess insurance risks as liabilities unless it is probable that those risks will not be covered by the excess insurance.

In addition to the above, the Agency has the following insurance coverage:

- Employee dishonesty coverage up to \$50,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage's, and computer fraud; with a deductible of \$1,000 per occurrence.
- Property damage has a \$1,000,000,000 per occurrence coverage limit, subject to a \$25,000 deductible per occurrence. All other claims categories provide coverage up to \$800,000,000 on an annual aggregate basis.

(6) Risk Management (continued):

■ Boiler and machinery coverage for the replacement cost up to a shared limit of \$500,000,000, subject to various deductibles depending on the type of equipment.

Insurance premiums are paid into the Administrative Services Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the programs. The total is calculated using trends in actual claims experience. The allocation is based upon the percentage of each fund's current payroll as it relates to the total payroll of the Agency. These allocated interfund premiums are used to reduce the amount of claims expenditure reported in the Administrative Services Fund.

Settled claims from the risks discussed herein have not exceeded commercial insurance coverage in any of the last three fiscal years ending June 30, 2014, 2013, and 2012. Additionally, there have been no reductions in insurance coverage since the establishment of the risk management program.

Claim Liabilities

Claim liabilities of the Agency are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claim liabilities include an amount for claims that have been incurred but not reported (IBNRs). A negative amount reflects a current year change in the estimated unpaid claims balance at the beginning of the year. Claim liabilities are calculated considering effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. The liability for claims and judgments is reported in the accrued liabilities.

Changes in the balances of workers' compensation and general liability claims during the past two fiscal years were as follows:

	Worker's Cor	mpensation	General	Liability		
	2013/14	2012/13	2013/14	2012/13		
Unpaid Claims, beginning of fiscal year	\$263,382	\$399,739	\$500,000	\$500,000		
Incurred claims (including IBNRs)	76,768	(93,227)	14,998	13,328		
Claim payments	(110,792)	(43,130)	(14,998)	(13,328)		
Unpaid claims, end of fiscal year	\$229,358	\$263,382	\$500,000	\$500,000		

(7) Changes in Capital Assets

Jobs in Progress

At the Fiscal Year ended June 30, 2014, the Agency had several jobs in progress designed to expand the Regional Recycled Water Distribution System as part of the amendments to the Recycled Water Business Plan adopted in December 2007. Other significant projects are also underway to expand, improve and refurbish existing treatment facilities in the Agency's Regional Wastewater Program, including the disposition of wastewater by-products and provide for ancillary facilities that support operating activities.

Other Projects (less than \$1,000,000 each)	\$17,287,128
RP1 Dewatering Facility Expansion	29,512,229
CCWRF RW Pump Station Expansion	10,230,862
930 Zone RW Pipeline Construction	8,017,189
930 Zone RW Reservoir Construction	6,349,167
RP-1 Asset Replacement	3,561,641
Wineville Extension Recycled Water Pipeline	2,303,034
RP1 Flare Boiler Replacement	1,952,402
Central Plant for the New Operations Lab	1,876,784
RP-2 Digester No. 4 Dome Improvements	1,405,743
HVAC & Server Room Fire Suppression Improvement	1,321,797
FY07/08 -FY09/10 Multi-Family Direct	1,129,366
Total jobs in progress	\$84,947,342

(7) Changes in Capital Assets (continued):

The following is a summary of jobs in progress, property, plant and equipment, and intangible assets at June 30, 2014:

Capital Assets

Capital Assets	,	Balance at 6/30/13 As Restated		Additions		ransfers & letirements	Bal	ance at 6/30/14	ccumulated preciation at 6/30/14	Net Book Value at 6/30/14
Capital assets-not being depreciated:										
Land	\$	14,067,874	\$	-	\$	-	\$	14,067,874	\$ -	\$ 14,067,874
Jobs in progress		74,766,321		35,522,006		(25,340,985)		84,947,342	-	84,947,342
Total capital assets, not being depreciated	\$	88,834,195	\$	35,522,006	\$	(25,340,985)	\$	99,015,216	\$ -	\$ 99,015,216
Capital assets- being depreciated:										
Interceptors, trunk lines and inter-ties	\$	36,078,588	\$	-	\$	-	\$	36,078,588	\$ (9,123,088)	\$ 26,955,500
Office facilities		12,076,617		-		-		12,076,617	(2,469,806)	9,606,811
Collection, outfall, and transmission lines		121,430,653		744,855		-		122,175,508	(65,226,463)	56,949,045
Reservoirs, settling basins, ponds, and		109,292,980		5,801,126		(105,285)		114,988,821	(24,187,697)	90,801,124
chlorination stations Recycled water distribution systems		117,516,089		1,663,913		_		119,180,002	(14,943,016)	104,236,986
Treatment plants, pump		254,737,392		3,977,113		(10,532)		258,703,973	(110,707,427)	147,996,546
stations and office buildings		201,707,002		0,011,110		(10,002)		200,700,070	(110,707,127)	111,000,010
Equipment		154,927,923		6,730,689		(884,119)		160,774,493	(84,590,904)	76,183,589
Land improvement		20,397,734		5,579,814		-		25,977,548	(8,981,503)	16,996,045
Total capital assets, being depreciated	\$	826,457,976	\$	24,497,510	\$	(999,936)	\$	849,955,550	\$ (320,229,904)	\$ 529,725,646
Less accumulated depreciation for:										
Interceptors, trunk lines and inter-ties	\$	(8,285,334)	\$	(837,754)	\$	-	\$	(9,123,088)		
Office facilities		(2,230,771)		(239,035)		-		(2,469,806)		
Collection, outfall, and transmission lines		(61,359,809)		(3,866,654)		-		(65,226,463)		
Reservoirs, settling basins, ponds, and chlorination stations		(21,515,199)		(2,699,261)		26,763		(24,187,697)		
Recycled water distribution systems		(12,243,884)		(2,699,132)				(14,943,016)		
Treatment plants, pump		(104,191,823)		(6,515,604)		-		(110,707,427)		
stations and office buildings										
Equipment		(72,200,613)		(13,109,407)		719,116		(84,590,904)		
Land improvement		(8,009,212)		(972,291)		-		(8,981,503)		
Total accumulated depreciation	\$	(290,036,645)	\$	(30,939,138)	\$	745,879	\$	(320,229,904)		
Total capital assets, being depreciated, net	\$	536,421,331	\$	(6,441,628)	\$	(254,057)	\$	529,725,646		
Total capital assets-Enterprise Funds, net	\$	625,255,526	\$	29,080,378	\$	(25,595,042)	\$	628,740,862		
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(7) Changes in Capital Assets (continued):

Intangible Assets

Intangible Assets		Balance at 6/30/13				Additions		Transfers & Retirements		Balance at 6/30/14		Accumulated Amortization at		Value at
Intangible assets-being amortized:														
Computer Software	\$	10,021,801	\$	714,154	\$	-	\$	10,735,955	\$	(5,241,694)	\$	5,494,261		
Contribted Capital-Lease		-		129,324.00		-		129,324.00		(3,233.00)		126,091.00		
Metropolitan Water District connections		198,891.00		-		-		198,891.00		(173,035.00)		25,856.00		
Corps of Engineers-Cucamonga Creek		43,489.00		-		-		43,489.00		(25,579.00)		17,910.00		
San Bernardino County Flood Control- Chino Road Barrier		48,078.00		-		-		48,078.00		(16,829.00)		31,249.00		
County Sanitation Districts of Los Angeles		39,393,542.00		-		(39,393,542.00)		-		-		-		
County's facilities and capacity rights Santa Ana Watershed Project Authority capacity rights		12,467,002.00		-		-		12,467,002.00		(6,097,163.00)	(5,369,839.00		
Organization and master planning		1,939,805.00		-		-		1,939,805.00		(614,542.00)		,325,263.00		
Total intangible assets being amortized	\$	64,112,608	\$	843,478	\$	(39,393,542)	\$	25,562,544	\$	(12,172,075)	\$	13,390,469		
Less accumulated amortization for:														
Computer Software	\$	(4,230,991)	\$	(1,010,703)	\$	-	\$	(5,241,694)						
Contribted Capital-Lease		-		(3,233.00)				(3,233.00)						
Metropolitan Water District connections		(169,057.00)		(3,978.00)		-		(173,035.00)						
Corps of Engineers-Cucamonga Creek berm		(24,709.00)		(870.00)		-		(25,579.00)						
San Bernardino County Flood Control- Chino Road Barrier		(15,226.00)		(1,603.00)		-		(16,829.00)						
County Sanitation Districts of Los Angeles County's facilities and capacity rights	(14,507,546.00)		-		14,507,546.00		-						
Santa Ana Watershed Project Authority capacity rights		(5,799,578.00)		(297,585.00)		-		(6,097,163.00)						
Organization and master planning		(577,067.00)		(37,475.00)		-		(614,542.00)						
Total accumulated amortization	\$	(25,324,174)	\$	(1,355,447)	\$	14,507,546	\$	(12,172,075)						
Total intangible assets-Enterprise Funds, net	\$	38,788,434	\$	(511,969)	\$	(24,885,996)	\$	13,390,469						
Total capital assets- Enterprise Funds, net	_	\$663,253,960		\$29,358,409		(\$50,481,038)		\$642,131,331						

The ending balance of accumulated depreciation and amortization for all capital assets has been adjusted to the Statement of Net Position for 2014 (rounding difference.) For the Fiscal year ended June 30, 2014, depreciation was \$30,939,138 and amortization expense was \$1,355,447.

Ending balance of accumulated depreciation for intangible assets has been adjusted to the Statement of Net Assets for 2014 (rounding difference).

Due to the expiration of the contract with County Sanitation District of Los Angeles, related to the facilities and capacity rights, the entire value of the intangible asset of net book value of 24.9 million has been amortized in FY 2013/14.

(8) Construction Commitments

The Agency is committed to several material construction contracts. Total outstanding obligations were \$6,152,954 at June 30, 2014. Some of the more significant contracts are as follows.

There are several projects on-going throughout the Agency's regional plants, with three Agency wide projects on-going with contract balances totaling \$2,836,525; two major recycled water projects on-going totaling \$2,428,648; one major project on-going at RP-1 with a contract balance totaling \$608,351; two major projects on-going at the Carbon Canyon facility totaling \$215,840; two Recharge Facilities Improvement projects totaling \$47,000; one upgrade at RP-2 with a contract balance totaling \$12,656; and one upgrade at the Agency's headquarters with a contract balance of \$3,934 at June 30, 2014.

The major projects include:

- 930 Zone Recycled Water Pipeline Construction EN13023. This project is located northeast of the intersection of Galloping Hills Road and Buckhaven Road, in Chino Hills, California. The installation of 13,000 linear feet of 30-inch 930-zone recycled water pipeline will connect the proposed 5.0 reservoir and the Carbon Canyon Water Reclamation Facility (CCWRF) Recycled Water Pump Station. The transmission line will also have numerous direct connections to serve approximately another 300 acre-foot per year (AFY) to recycled water customers. This project has an outstanding obligation of \$2,346,128.
- Montclair Lift Station Upgrades EN13054. Operations diverted additional flow to RP-1 to accommodate demand for the recycled water at the southern service areas of IEUA. This additional flow also generated a ragging problem at the Montclair Pump Station, requiring frequent de-ragging of the pumps. The goal is to modify the operations of the pumps, and ramp the pump speeds several times during each day, in an attempt to eliminate the ragging problem. This project has an outstanding obligation of \$1,649,136.
- Philadelphia Pump Station Upgrades EN11035. This project will address, fix and mitigate several problems at the Philadelphia Pump Station. The walls and floor surfaces will be recoated with a strong resin. The existing T-Lock will be removed, all cracks filled and cured, and a new T-Lock installed. A shade structure will be installed above the existing 30 inch PVC pipe which by-passes the outside of the pump station. And, an isolation gate will be installed. This project has an outstanding obligation of \$1,173,770.
- RP-1 Aeration Ducting EN12022. Many of the standard compression couplings are leaking on the RP1 distribution header pipeline. The agency will repair aeration header air leaks as identified throughout the RP-1 Aeration Basin Treatment Systems (Systems A, B, C and common header pipelines). The identified compression couplings will be replaced with flanged expansion joints. In addition, full construction documents will be prepared to replace 39 compression couplings of assorted sizes within the Aeration System. This project has an outstanding obligation of \$608,351.
- Carbon Canyon Recycled Water Pump Station Expansion EN07010. This project will include construction of the Chino Hills reservoir and pipeline to have approximately 9.5 Million Gallon (MG) capacity, and 21,500 linear feet of 36-inch pipeline, respectively. The project will allow for recycled water to be stored and distributed to the City of Chino Hills. It is the backbone of the Chino Hills Recycled Water system, and consists of a 5 MG reservoir located within the corporate limits of Chino Hills, and the feeder line approximately 12,500 feet in total length from the proposed reservoir to an existing connection point located at the northeast quadrant of the San Antonio Channel Crossing and Chino Hills Parkway.

(8) Construction Commitments (continued):

The project has an outstanding obligation of \$202,582.

- 930 Zone Recycled Water Reservoir Construction EN13022. A 5 MG storage reservoir will be constructed in the City of Chino Hills. Since the recycled water use has continued to increase in the Cities of Chino Hills, and Ontario, additional storage is needed to serve these growing demands more reliably. This project has an outstanding obligation of \$82,520.
- Turner 1 Turnout EN13029. This project is to construct the new turnout within Basin 1. It will be approximately 200 linear feet of 16-inch steel pipe which will supply 10 cubic feet per second of water to the basins. An automated control valve and flow metering will also be provided for remote operation of the facility. The construction will also include modification of the existing drop-inlet structure within Deer Creek Channel which is north of Basin 4. This construction will provide a bypass which will be constructed within Deer Creek Channel. This project is part of the Turner Basin Recharge Improvement project which is funded partially by the United States Bureau of Reclamation (USBR.) The project has a contract with an outstanding obligation of \$23,500.
- Turner Basin Recharge Improvements WR11017. IEUA, San Bernardino County, and several local and regional stakeholders developed the West End Conservation and Groundwater Task Force, for the development of a comprehensive plan that will guide future improvement efforts of the Turner / Guasti site. To-date, the Task Force has developed the Turner Basin / Guasti Park Multi-Use Project Implementation. This project is to excavate and enlarge one of the basins which have been identified as a high priority by Chino Basin Watermaster (CBWM). CBWM will reimburse half of the design and environmental work for this phase. The City of Ontario has identified an opportunity to complete the rough grading for free by allowing a contractor to remove fill dirt for a transportation project that the City is conducting a few miles away. The next phase of the project will be a feasibility / planning study for the entire site, including construction or enlargement of several other recharge basins, appurtenances to allow more recycled water and storm water to be captured and recharged, wetlands, and educational opportunities. The project has an outstanding obligation of \$23,500.
- Casing Extension for Regional and NRW Pipeline-Union Pacific Railroad EN11044. This project consists of consulting engineering design, staff review, permit application, and construction to extend the casing on the existing IEUA pipeline which crosses the Union Pacific Railroads right-of-way project. This project has an outstanding obligation of \$13,619.
- Carbon Canyon 12KV Switchgear Repair EN11032. This project entails assessment, repair and construction of rain protection for the Carbon Canyon Facility 12KV switchgear. The project has an outstanding obligation of \$13,258.
- RP-2 Digester No. 4 Dome Improvements EN13049. This project is located in Chino at the intersection of El Prado and Pine Avenues. The scope of this project is to deliver and install the system components required to convert the RP-2 Digester No. 4 floating dome to a fixed dome permanently attached to the digester wall. The structural system includes gravity load bearing columns and seismic lateral load supports; anchors and restraints; sealing annular space between the digester dome skirt and the digester wall; raising the steel dome to a high enough level to perform the construction work, and lowering it back onto the

(8) Construction Commitments (continued):

- supporting steel columns to the permanent fixed position; removal of the digester roof top platforms and stairs, and installation of guard railing; removal of existing dome guide rails and rollers; coating of surfaces damaged during welding; and coating all new structural steel components and hardware in accordance with the Contract documents. This is a "confined space" project that must comply with Cal-OSHA rules and regulations, and all other applicable codes and standards. The project has an outstanding obligation of \$12,656.
- Headquarters Building Central Plant Improvements EN11051. The scope of this project includes the central plant air conditioning system upgrades and modifications; the installation of the backup equipment for the existing chiller system; and, upsizing the system to accommodate the new central lab building which will be located south of the Agency's headquarters. The project has an outstanding obligation of \$3,934.

(9) Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses that may be disallowed by the grantor cannot be determined at this time, although the Agency expects such amounts, if any, to be immaterial.

At June 30, 2014, the Agency was a defendant in a number of lawsuits arising in the ordinary course of operations, which allege liability on the part of the Agency in connection with worker's compensation and general liability matters. Based on legal counsel's opinion, the potential losses and/or resolutions of these cases will not materially affect the financial condition of the Agency.

(10) Long-Term Receivables

Niagara Bottling, L.L.C.

In March 2004, the Agency entered into an agreement with Niagara Bottling, L.L.C. for the construction of a Non-reclaimable Wastewater (NRW) lateral pipeline with a not-to-exceed cost of \$250,000. Niagara is responsible for reimbursing the Agency in equal monthly installments over a ten (10) year period with interest added at 3% per annum. As of June 30, 2014, there is no long term receivable from Niagara Bottling, L.L.C.

City of Ontario

On June 4, 2004, the Agency entered into an amendment to its original contract with the City of Ontario for the reimbursement of the RP-1 to RP-5 By-Pass Project. The project was completed on March 31, 2008, and as of June 30, 2014, the receivable amount is \$2,775,563 and is recorded in the Regional Wastewater Capital Improvement (RC) Fund.

Monte Vista Water District

On February 2, 2008, the Agency entered into an agreement with Monte Vista Water District (MVWD) for the construction of the regional recycled water distribution system that resides within the MVWD service area. Monte Vista Water District agrees to reimburse the Agency \$1,068,418 for the construction costs, payable yearly beginning June, 2009, plus interest at an annum rate of

(10) Long-Term Receivables (continued):

Monte Vista Water District (continued):

2.2% for 20 years. As of June 30, 2014, the long term receivable amount is \$746,031, and is recorded in the Recycled Water (WC) Fund.

Cucamonga Valley Water District

On November 24, 2009, the Agency entered into an agreement with Cucamonga Valley Water District (CVWD) for the design and construction of the Church Street Recycled Water Lateral that resides within the CVWD service area. Cucamonga Valley Water District agrees to reimburse the Agency \$690,648 for the construction costs, payable yearly beginning June, 2011, plus interest at an annum rate of 0.74% for 20 years. As of June 30, 2014, the long term receivable amount is \$518,817, and is recorded in the Recycled Water (WC) Fund.

Bellevue Memorial Park

On June 2008, the Agency entered into an agreement with Bellevue Memorial Park for the construction of retrofit improvements for the use of recycled water. Bellevue agreed to reimburse the Agency \$850,000 for construction costs to be paid over a 5 year period. The monthly installments began on September 2009, and include interest charged on the outstanding principal of an annum rate of 4.85% interest annually for 5 years. As of June 30, 2014, there is no long term receivable.

Chaffey Joint Union High School District

On September 2008, the Agency entered into an agreement with Chaffey Joint Union High School District for the construction of retrofit improvements for the use of recycled water. The Chaffey Joint Union High School District agreed to reimburse the Agency \$235,718 for construction costs to be paid over a 5 year period. The annual installments began on May 2010 and to continue through May 2014. As of June 30, 2014, there is no long term receivable.

On February 2012, the Agency entered into an amendment with Chaffey Joint Union High School District for two additional retrofit construction sites, the Valley View High School for \$78,953 and the Alternate Education Center for \$48,134. The Chaffey Joint Union High School District agreed to reimburse the Agency for construction costs for both sites over a 5 year period, with annual installments starting on February 2012 and continuing through February 2016. As of June 30, 2014, the receivable amount of \$15,790 for the Valley View High School retrofit and \$9,627 for the Alternate Education Center are recorded in the Recycled Water (WC) Fund.

(11) Joint Ventures - Long-Term Agreements

The Agency participates in the following joint ventures with other districts and agencies for various water projects and operating facilities in Southern California.

Santa Ana Watershed Project Authority

The Santa Ana Watershed Project Authority (SAWPA) was formed under a joint exercise of power agreement for the purpose of undertaking projects for water quality control and protection in the

<u>Santa Ana Watershed Project Authority</u> (continued):

Santa Ana River Watershed. SAWPA is composed of the five water agencies within the watershed area: Eastern Municipal Water District, Orange County Water District, San Bernardino Valley Municipal Water District, Western Municipal Water District, and the Inland Empire Utilities Agency. Each participating agency appoints two commissioners to SAWPA to form an oversight committee of ten. Equal contributions are made by each member agency for administration and contributions based on capacity use rights for project agreements under which capital construction is accomplished. Special projects or studies are funded by equal contributions from each Agency based on the general or specific nature of the project or study. Financial data is available at the Agency's main office.

Audited financial information for the operation of SAWPA as of and for the fiscal years ended June 30, 2014 is summarized as follows:

		2013			
Total assets	\$	177,502,546		\$	185,611,542
Total liabilities		110,906,578	,		117,951,098
Total net position		66,595,968	,		67,660,444
Total revenues		14,329,188			15,507,129
Total expenses		(15,393,664)			(14,905,849)
Net change in net position	\$	(1,064,476)		\$	601,280

Significant agreements that the Agency entered into with SAWPA (and the related costs), which are classified as intangible assets, are as follows:

Non-reclaimable Wastewater Brine Line Interceptor - In April 1972, the Agency entered into a contract with the County Sanitation Districts of Orange County (CSDOC) for the construction of a 30 million gallon per day (mgd) increment of capacity in a brine removal interceptor, to be constructed by CSDOC from Fountain Valley to the Orange/San Bernardino County line. SAWPA completed construction of the 30 mgd interceptor from that point through Prado Dam. Under Project Agreement #1, this 30 mgd capacity was assigned to SAWPA, with the Agency retaining rights to use up to 11.25 mgd of this capacity. The Agency's share of the construction costs not funded by grants was \$1,179,204.

Over the course of time, the Agency has purchased capacity from SAWPA in the Santa Ana Regional Interceptor (SARI) System, now called Inland Empire Brine Line (IEBL).

As of June 30, 2005, the Agency has 4.0 mgd IEBL pipeline and 2.25 treatment capacity. This consisted of the following:

Santa Ana Watershed Project Authority (continued):

- A) On June 10, 1981, the Agency entered into Project Agreement #7. The Agency purchased through its Non-reclaimable Capital Improvement (NC) Fund capacity use rights of 2.5 mgd in the IEBL pipeline capacity, for a cost of \$2,621,204 per mgd. Subsequent annual capital replacement and supplemental costs were \$3,318,846, which brought the total expenditures to \$9,871,856 as of June 30, 2001.
- B) The Agency assumed the future liability of payments for supplemental treatment facilities billed by CSDOC after July 1, 1981, to provide treatment and capacity for up to 2.5 mgd of wastewater.
- C) On June 30, 1989, the Agency purchased through its Regional Wastewater Capital Improvement (RC) Fund 1.5 mgd of IEBL I pipeline and treatment capacity. In September 1993, the Agency's Board approved the sale of .4 mgd IEBL discharge right to the State of California Department of Corrections. The net cost of the 1.1 mgd of IEBL pipeline and 1.5 mgd capacity is \$4,650,970. Subsequent annual capital replacement and supplemental costs were \$1,442,010, which brought the total expenditures to \$6,092,980 as of June 30, 2001.
- D) On June 19, 1998, the Agency entered into an agreement with SAWPA for the purchase of an additional 1.5 mgd of IEBL pipeline capacity. One third of this capacity is earmarked for the Regional Wastewater Program. The Agency, through Regional Wastewater Capital Improvement (RC) Fund, purchased .5 mgd. The remaining 1.0 mgd was purchased with monies from the Non-reclaimable Capital Improvement (NC) Fund. The total cost of the purchase was \$5,625,000, with a 5% down payment. The balance is payable over 20 years with a zero interest rate, and has been discounted by \$2,095,253 at an imputed interest rate of 6%.
- E) In July 7, 1999, the Agency Board of Directors approved the purchase of 1.0 mgd of IEBL pipeline capacity from SAWPA. The purchase price was \$3,750,000, and is recorded in the Non-reclaimable Wastewater (NC) Fund. The agreement called for a 5% down payment of \$187,500, and the balance of \$3,562,500 to be financed by SAWPA for a 20 year-period at a 6% interest rate. This note was paid in full as approved by the Board on May 21, 2003 for a principal balance of \$2,961,171 plus accrued interest of \$167,935.
- F) On April 21, 2004, the Agency Board of Directors approved the sale of 2.10 mgd of pipeline capacity and 2.05 mgd of treatment and disposal capacity to the Chino Basin Desalter Authority (CDA). The sale price totaled \$14.25 million payable in three equal installments within one year. This sale was recorded in two separate funds with \$4.73 million going to the Regional Wastewater Capital Improvement (RC) Fund and \$9.52 million going to the Non-reclaimable Wastewater (NC) Fund.

Chino Basin Desalter

The Chino Basin Desalter Authority (CDA) was formed in September, 2001 as a Joint Powers Authority (JPA) to acquire all assets and liabilities from Santa Ana Watershed Project Authority (SAWPA) Project #14. The purchase was consummated in February, 2002. The JPA is comprised of the cities of Chino, Chino Hills, Ontario, Norco, the Jurupa Community Services District, the Santa Ana River Water Company, and Inland Empire Utilities Agency (IEUA). IEUA serves as a non-voting member and provides finance and administration support for the JPA, as well as operational support for the Desalter 1 facility. In August of 2008, Western Municipal Water District was added as an additional member of CDA.

As of June 30, 2014, Desalter 1 and Desalter 2 delivered a total of 25,559 acre feet of water. Financial data is available at the CDA's main office located at 2151 S. Haven Avenue, Suite 202, Ontario, CA 91761.

Inland Empire Regional Composting Authority

In February 2002, the Agency entered into a Joint Power Authority Agreement (JPA) with the County Sanitation District No. 2 of Los Angeles County (CSDLAC) to form the Inland Empire Regional Composting Authority (IERCA). The purpose of the JPA is to build and operate a fully enclosed biosolids composting facility. The JPA Agreement calls for a 50/50 share of all costs related to the activities of the JPA.

Prior to the JPA Agreement, the two partners entered into a separate agreement in December, 2001 to acquire real property for proposed joint use. As a result of this agreement, a piece of property and building in the City of Rancho Cucamonga, adjacent to IEUA's Regional Plant No. 4 (RP-4) was acquired in December, 2001 at a cost of \$15,116,229. Subsequent to the property acquisition, preliminary and final designs were launched to modify the building. The facility started operation in FY 2006/2007 and is staffed by twenty-four full time IEUA employees who provide all operational activities including production, maintenance, safety and industrial hygiene training, and sales and administration. The IERCA reimburses IEUA 100% of employment costs. A tipping fee is paid by JPA partners for biosolids deliveries to IERCA, to recover O&M and R&R costs. The agency records biosolids tipping fees in RO fund.

As of June 30, 2014, the Agency's equity share is \$46,441,872 recorded in the Regional Wastewater Capital Improvement (RC) Fund. There was an additional write-down of \$50,586 (50% of the Agency's equity share) of the JPA's net position at June 30, 2014; this reduction is recorded in the non-operating expenses on the statement of revenues in RC Fund. The Agency records the JPA labor costs for operating the facility in the RO Fund. IERCA financial data is available at the Agency's main office.

Santa Ana River Watermaster

The Santa Ana River Watermaster (hereafter referred to as Watermaster), was formally established on April 23, 1969 as part of a judgment resulting from a lawsuit by the Orange County Water District, filed with the Superior Court of California in the County of Orange, California. The Watermaster primarily administers the provisions of the judgment as well as, develops and implements its own basin management plan. Each year, the Watermaster is required to issue a report to satisfy its obligation to monitor and test water flows from the Upper Area to the Lower

Santa Ana River Watermaster (continued):

Area of the Santa Ana River.

The Watermaster represents the four water districts identified below and is composed of a committee of five representatives from the four water districts. Two representatives serve from Orange County Water District (OCWD) and one representative from the Inland Empire Utilities Agency (the Agency), Western Municipal Water District (WMWD) and the San Bernardino Valley Municipal Water District (SBMWD). Representation is based on percentages as defined by adjudication of the Santa Ana River Watermaster.

Costs and expenses incurred by the individual representatives are reimbursed directly from their respective water districts. Collective Watermaster costs and expenses are budgeted and funded by contributions from the four water districts. Financial data is available at the Agency's main office. The Agency's share of assets, liabilities, fund equity and changes therein during the year is 20 percent.

Participants in the Watermaster make contributions, based upon their percentages as defined by adjudication of the Santa Ana River Watermaster, as follows:

Total	<u>100%</u>
San Bernardino Valley Municipal Water District	20%
Western Municipal Water District	20%
Inland Empire Utilities Agency	20%
Orange County Water District	40%

Financial information for the operation of Watermaster as of and for the fiscal years ended June 30, are summarized as follows:

	2013	2012
Total assets - cash	\$ 12,701	\$ 21,299
Fund balance	12,701	21,299
Total revenues	14,000	14,000
Total expenses	(22,598)	(5,740)
Net increase/(decrease) in equity	\$ (8,598)	\$ 8,260

Santa Ana River Watermaster issues a separate Comprehensive Annual Financial Report. Copies of the report may be obtained upon request to: 380 East Vanderbilt Way, San Bernardino, California 92408-3593.

(12) Long-term Debt and Notes Payable

Long-term Debt

Summary of changes in Long-Term debt for the fiscal year ended June 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due After One Year
Bonds Payable: 2005A Revenue Bonds (1999 Refinancing)	\$17,645,000	\$0	\$1,445,000	\$16,200,000	\$1,505,000	\$14,695,000
2008A Revenue Bonds 2008B Variable Rate	125,000,000	0	0	125,000,000	0	125,000,000
(2002 A Refinancing)	47,575,000	0	1,725,000	45,850,000	1,790,000	44,060,000
2010A (1994 Refunding)	38,460,000	0	3,700,000	34,760,000	3,810,000	30,950,000
Sub-total	228,680,000	0	6,870,000	221,810,000	7,105,000	214,705,000
Bond Premium	7,337,294	0	542,976	6,794,318		6,794,318
	\$236,017,294	\$0	\$7,412,976	\$228,604,318	\$7,105,000	\$221,499,318

2005A Revenue Bonds

On May 1, 2005, the Chino Basin Regional Financing Authority issued the Chino Basin Regional Authority Revenue Bonds, Series 2005A in the amount of \$24,735,000.

- The bonds were issued to refund a portion of the outstanding Chino Basin Regional Financing Authority Revenue Bonds, Series 1999.
- The bonds maturing through 2023 are Insured Serial Bonds payable in annual installments ranging from \$1,390,000 to \$2,120,000 with interest rates from 3.00% to 5.00%. The balance outstanding at June 30, 2014 is comprised of the principal of \$16,200,000, plus a bond premium of \$368,013 for a net balance of \$16,568,013.

2008A Revenue Bonds

On February 5, 2008, the Chino Basin Regional Financing Authority issued the Chino Basin Regional Financing Authority Revenue Bonds, Series 2008A in the amount of \$125,000,000.

• The Bonds were issued to (i) finance the cost of certain replacements of the Inland Empire Utilities Agency wastewater facilities and certain improvements to the wastewater recycled water and non-reclaimable wastewater facilities, (ii) to refund the outstanding Chino Basin Regional Financing Authority Commercial Paper, (iii) to purchase a debt service surety bond for deposit in the Reserve Fund, (iv) to capitalize interest on a portion of the Bonds, and (v) to pay the cost of issuing the Bonds.

<u>Long-term Debt</u> (continued):

2008A Revenue Bonds (continued):

- The bonds maturing through 2028 are Serial Bonds payable in annual installments ranging from \$2,620,000 to \$4,305,000 with an interest rate of 5.00%. The bonds maturing through 2034 are Term Bonds payable in annual installments ranging from \$5,495,000 to \$10,735,000 with an interest rate of 5.00%.
- The bonds maturing through 2039 are Term Bonds payable in annual installments ranging from \$11,285.000 to \$13,785,000 with an interest rate of 5.00%. The balance outstanding at June 30, 2014 is comprised of the principal of \$125,000,000, plus a bond premium of \$4,046,914, for a net balance of \$129,046,914.

2008B Revenue Bonds

On March 1, 2008, the Chino Basin Regional Financing Authority issued the Chino Basin Regional Financing Authority Variable Rate Demand Revenue Refunding Bonds, Series 2008B in the total amount of \$55,675,000.

- The Bonds were issued to refund all of the outstanding Chino Basin Regional Financing Authority (Inland Empire Utilities Agency) Variable Rate Revenue Bond Series 2002A. The refunding resulted in a \$700,406 amortization in the deferred cost balance of the Series 2002A Bonds, expensed in 2008, and the recording of \$249,242 of deferred charge on refunding for the Series 2008B Bonds to be amortized through the year 2032.
- The bonds maturing through 2032 are Serial Bonds payable in annual installments ranging from \$1,660,000 to \$3,480,000 with a variable interest rate no higher than 12.00% per annum. The balance outstanding at June 30, 2014 comprised of the principal amount of \$45,850,000.

2010A Revenue Bonds

On July 15, 2010, the Chino Basin Regional Financing Authority issued the Chino Basin Regional Financing Authority Refunding Revenue Bonds, Series 2010A in the amount of \$45,570,000.

- The Bonds were issued to (i) refund the outstanding Chino Basin Regional Financing Authority (Inland Empire Utilities Agency) Revenue Bond Series 1994 (Chino Basin Municipal Water District Sewer System Project), and (ii) pay the costs of issuing the Bonds. The agency reduced its aggregate debt service payment by almost \$9,434,527 over the next 13 years. Net present value of this economic gain was \$8,022,916.
- The bonds maturing through 2022 are payable in annual installments ranging from \$3,600,000 to \$5,075,000 with an interest rate from 1.35% to 5.00% per annum, payable semi-annually. The balance outstanding on June 30, 2014 is comprised of the principal amount of \$34,760,000, plus unamortized deferred bond premium of \$2,379,391, for a net amount of \$37,139,391.

Long-term Debt (continued):

Aggregate Long Term Debt

As of June 30, 2014, the aggregate debt service requirements on bonded indebtedness to maturity are summarized as follows:

Year Ending June 30	Principal Payments		Interest Payments			Total		
2015	•		•		•			
2015	\$	7,105,000	\$	8,867,744	\$	15,972,744		
2016		7,395,000		9,063,588		16,458,588		
2017		7,670,000		9,198,475		16,868,475		
2018		7,900,000		9,362,906		17,262,906		
2019		8,170,000		9,022,088		17,192,088		
2020-2024		36,800,000		39,424,450		76,224,450		
2025-2029		34,980,000		32,069,126		67,049,126		
2030-2034		49,270,000		22,042,152		71,312,152		
2035-2039		62,520,000		8,127,250		70,647,250		
Subtotal	\$	221,810,000	\$	147,177,779	\$	368,987,779		
Plus: Net Premium		6,794,318.00				6,794,318.00		
Total Debt Service Payable	\$	228,604,318	\$	147,177,779	\$	375,782,097		

All bond debt with variable interest rates use 0.2%, the rate in effect as of June 30, 2014.

Debt Covenants

In accordance with bond covenants, system generated revenues comprised of user charges and connection fees and property tax revenues are pledged to fund bond debt service costs. San Bernardino County property tax revenues are distributed November through June annually. Each fiscal year end the Agency is required to reserve six months of tax receipts to fund debt service requirements due July through November of the following fiscal year. The Agency has complied with all covenants related to the outstanding debt issues as of June 30, 2014. (Refer to the Agency System Total Debt Coverage Ratio schedule in the statistical section).

Notes Pavable

Summary of notes payable activity for the Fiscal Year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due After One Year
Notes Payable:						
SARI Pipeline Cap. 1.5mgd	\$ 1,125,493	\$ -	\$ 199,659	\$ 925,834	\$ 211,638	\$ 714,196
State Revolving Fund Loan	78,764,115	13,318,529	4,065,123	88,017,521	4,105,253	83,912,268
City of Fontana	7,451,845	-	482,577	6,969,268	482,578	6,486,690
CSDLAC Past 4R's	-	4,089,976	-	4,089,976	643,531	3,446,445
Total Notes Payable	\$87,341,453	\$17,408,505	\$ 4,747,359	\$100,002,599	\$5,443,000	\$94,559,599

Santa Ana Watershed Project Authority

As a result of the purchase of 1.5 mgd SARI pipeline capacity from the Santa Ana Watershed Project Authority (SAWPA) in Fiscal Year 1997/98, the Agency signed a 20 year term note in the amount of \$5,625,000 with an initial deposit of \$281,250, and zero interest.

The balance of \$5,343,750 is payable in 20 annual installments of \$267,188 through July 15, 2017. The June 30, 1998 note balance was discounted at 6%, to derive a principal balance of \$2,981,310. The seventeenth installment is due on July 15, 2014. This is a combined note payable recorded in the Non-reclaimable Wastewater Capital Improvement (NC) and Regional Wastewater Capital Improvement (RC) Funds.

As of June 30, 2014, the future payments for the remaining note payable obligation by year is as follows:

	Principal	li	mputed		
Year Ending June 30	Payments	ı	nterest		Total
2015	\$ 211,638	\$	55,549	\$	267,187
2016	224,336		42,852		267,188
2017	237,796		29,391		267,187
2018	252,064		15,124		267,188
Total SAWPA Note	\$ 925,834	\$	142,916	\$1	1,068,751

Notes Payable (continued):

State Water Resources Control Board

- The Regional Recycled Water Distribution System Phase I-V projects are in part funded by the State Revolving Fund (SRF) loans financed by the State Water Resources Control Board. As of June 30, 2007, the five projects in Phase I had been completed and received \$15,141,192 of SRF funding. Payments on SRF loans commence one year after the completion of construction, with principal and interest paid annually for 20 years at an annual rate of 2.5%. As of June 30, 2014, the balance is \$9,200,580.
- The RP-1 Pump Station and West Edison SAC Recycled Water Pipeline A & B projects (Phase II) are also in part funded by the State Revolving Fund (SRF). The three projects were complete as of June 30, 2010 and have received \$14,752,201 of SRF funding. The current balance as of June 30, 2014 is \$11,163,556.
- The RP-4 Pump Station, Pipeline and Reservoir projects (Phase III) are also in part funded by the State Revolving Fund (SRF). The three projects were complete as of June 30, 2010 and have received \$10,862,198 of SRF funding, with a current balance as of June 30, 2014 of \$8,181,221.
- The Recycled Water projects included in Phase IV are also in part funded by the State Revolving Fund (SRF). As of June 30, 2012, the four projects were complete and received \$15,061,175 of SRF funding. The current balance as of June 30, 2014 is \$12,833,394.
- The Recycled Water Project (Construction of 2 Monitoring Wells) in Phase V is also in part funded by the State Revolving Fund (SRF). The project was completed by June 30, 2011 and received \$999,024 of SRF funding. The current balance at June 30, 2014 is \$814,448.
- The Recycled Water Project (Southern Area) in Phase VI is also in part funded by the State Revolving Fund (SRF). As of June 30, 2014, we reflect a current balance of \$17,398,930.
- The Recycled Water Project (Central Area) in Phase X is also partially funded by the State Revolving Fund (SRF). As of June 30, 2014, we reflect a current balance of \$2,841,563.
- The RP-1 Dewatering Facility Expansion project is also in part funded by the State Revolving Fund (SRF). As of June 30, 2014, this project is complete and has received \$27,546,972 of SRF funding, and reflects a current balance of \$24,950,131.
- The Regional Water Quality Laboratory project is also funded in part by the State Revolving Fund (SRF). As of June 30, 2014, 50% of the design phase has been completed and reflects a current balance of \$633,698.

Notes Payable (continued):

<u>State Water Resources Control Board</u>(continued):

As of June 30, 2014, the future payments for the remaining loan obligations by year are as follows:

	Principal		Interest		
Year Ending June 30	Payments		Payment		Total
2015	\$	4,105,253	\$ 615,610	\$	4,720,863
2016		4,599,769	1,015,595		5,615,364
2017		4,734,665	990,869		5,725,534
2018		4,789,804	935,665		5,725,469
2019		4,846,095	879,374		5,725,469
2020/2024		25,117,042	3,510,341		28,627,383
2025/2029		21,650,955	2,069,493		23,720,448
2030/2034		9,697,065	1,255,086		10,952,151
2035/2039		4,265,794	757,237		5,023,031
2040/2044		3,969,816	245,776		4,215,592
2045/2049		241,263	3,503		244,766
Total SRF Loans	\$	88,017,521	\$ 12,278,549	\$	100,296,070

City of Fontana

On October 18, 2005, the Agency entered into a reimbursement agreement with the City of Fontana for the design and construction of the San Bernardino Avenue lift station and force main, to convey wastewater to the Agency's regional water recycling facility, located at south of San Bernardino Avenue. The City of Fontana received \$9,577,747 from the State Water Resources Control Board, less \$1,596,323 in deferred interest charges for a net loan amount of \$7,981,424, for the cost of construction. The project was completed by June 30, 2010 and title and ownership of the regional lift station and force main were transferred to the Agency from the City of Fontana.

As of June 30, 2014, the future payments for the remaining note payable obligation by year are as follows:

	Principal	Interest	
Year Ending June 30	Payments	Amortization	Total
2015	\$ 482,578	\$ 79,824	\$ 562,402
2016	482,578	79,824	562,402
2017	482,578	79,824	562,402
2018	482,578	79,824	562,402
2019	482,578	79,824	562,402
2020/2024	2,412,890	399,120	2,812,010
2025/2029	2,143,489	325,016	2,468,504
Total SRF Loans	\$ 6,969,268	\$ 1,123,256	\$ 8,092,524

Notes Payable (continued):

County Sanitation District of Los Angeles County

On June 30, 2014, the Agency recorded the reimbursement agreement with the County Sanitation District No. 21 of Los Angeles County (CSDLAC) for the 4R Capital Charges that were allowed to be funded to CSDLAC by State Revolving Fund loans under Prior Contracts. The Agency has agreed to pay CSDLAC the balance in annual installments over a six year term at 2.3% per year interest with the first payment being due July 15, 2014. As of June 30, 2014, the remaining note payable obligation is \$4,089,976.

Year Ending June 30	Principal Payments		
2014	\$	643,531	
2015		658,332	
2016		673,473	
2017		688,963	
2018		704,809	
2019		720,868	
Total CSDLAC Note	\$	4,089,976	

(13) Arbitrage Rebate Obligation

Arbitrage rebate refers to the required payment to the U.S. Treasury of excess earnings received on tax exempt bond proceeds that are invested at a higher yield than the yield of the tax exempt bond issue. Federal law requires that arbitrage liability, and cumulative excess arbitrage earnings, be calculated and remitted to the U.S. Treasury at the end of the fifth bond year, and every fifth year thereafter. The Agency has elected to have the arbitrage liability calculated annually.

- The 2005A Revenue, 2008A Revenue, 2008B Variable Rate, and 2010A Revenue Bonds are all subject to arbitrage limitations.
- The initial arbitrage rebate on the 2005A Revenue Bonds was calculated in May, 2010.
- On the 2008A and 2008B Bonds, the initial arbitrage rebate will be due in June, 2018.
- The initial arbitrage rebate on the 2010A Bonds will be due in July, 2015.

No arbitrage liability is currently due at June 30, 2014.

(14) Advance to/from Other Funds

The composition of advances to/from other funds balances as of June 30, 2014, is as follows:

	= -	dvances To ther Funds:	
Funds	Re	cycled Water Fund	Total
Advances From Other Funds:			
Major Funds:			
Regional Wastewater Capital Improvement Fund	\$	3,000,000	\$ 3,000,000
Non-reclaimable Wastewater Fund		15,000,000	15,000,000
Total advances	\$	18,000,000	\$ 18,000,000

Regional Wastewater Capital Improvement Fund & Recycled Water Fund

At June 30, 2014, the Regional Wastewater Capital Improvement (RC) Fund reported an advance to the Recycled Water (WC) Fund in the amount of \$3,000,000. This advance will support capital construction expenditures related to the Regional Recycled Water Distribution System as part of the Agency's Recycled Water Business Plan adopted in December 2007. Repayment is scheduled over several fiscal years from increased recycled water sales.

Non-reclaimable Wastewater Capital Improvement Fund & Recycled Water Fund

At June 30, 2014, the Non-reclaimable Wastewater Capital Improvement (NC) Fund reported an advance to the Recycled Water (WC) Fund, in the amount of \$15,000,000. This advance will support capital construction expenditures related to the Regional Recycled Water Distribution System as part of the Agency's Recycled Water Business Plan adopted in December 2007. Repayment is scheduled over several fiscal years from increased recycled water deliveries.

(15) Interfund Transfers

The Recycled Water (WC) Fund received debt service support from the Regional Wastewater Capital Improvement (RC) Fund in the amount of \$1,464,622 and \$100,000 in operating support from the Water Resources (WW) Fund.

Non-Major Enterprise Funds received transfers in the amount of \$5,661,083 including \$4,207,017 from the Regional Wastewater Funds. These transfers included \$1,642,858 in capital support from various funds to the Administrative Services (GG) Fund and \$2,700,000 in property tax transfers from the Regional Wastewater Operations & Maintenance (RO) Fund and the Recycled Water (WC) Fund to the GG Fund to partially fund the Agency's pension unfunded accrued liability (UAL). The remaining amount consisted of \$475,873 in debt service support, \$700,000 in operating support, and \$142,352 in capital support to the Recharge Water (RW) Fund.

(15) Interfund Transfers (continued):

The following table reflects the interfund transfer balances in and out by fund as of June 30, 2014.

	Transf			
	Regional		Non-Major Enterprise	
	Wastewater	Recycled Water	Funds	Total
Transfers out:	_			
Regional Wastewater Funds	\$0	\$1,464,622	\$4,207,017	\$5,671,639
Recycled Water Fund	0	0	1,398,209	1,398,209
Non-Major Enterprise Funds	0	100,000	55,857	155,857
Total Transfers	\$0	\$1,564,622	\$5,661,083	\$7,225,705

(16) Operating Leases

The Agency has two operating leases at June 30, 2014:

- One postage meter lease extending to June 30, 2016.
- One lease for ten copiers at \$23,141 for the year ended June 30, 2014.

Total operating lease costs were \$23,141 for the year ended June 30, 2014. The future minimum lease payments for equipment leases are as follows:

Year Ended June 30	<u>Amount</u>
2015	\$23,835
2016	24,550
Total	\$48,385

(17) Restatement of Net Position and Related Accounts

The Agency did not capitalize the interest related to 2008A bonds to open projects for FY 2012/13; also certain projects were capitalized to construction-in-progress that were not capital assets. The beginning net position has been restated to include these adjustments.

Regional Wastewater Capital Improvement Fund

Net Position for the Fiscal Year ended June 30, 2013 has been restated to reflect prior years' recording of financial impact.

(17) Restatement of Net Position and Related Accounts (continued):

Regional Wastewater Capital Improvement Fund (continued):

The effects of the restatement of net position are as follows:

Net position as previously reported June 30, 2013 \$342,837,5	Net position as previou	sly reported June 30, 2013	\$342,837,591
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Capitalized interest for FY 2012/13 1,082,159
Costs for prior year recorded as capital assets (1,588,203)

Net position as restated, June 30, 2013 \$342,331,547

Recycled Water Fund

Net Position for the Fiscal Year ended June 30, 2013 has been restated to reflect prior years' recording of financial impact.

The effects of the restatement of net position are as follows:

Not	nocition ac	nroviouely	reported June 30, 2013	\$69,646,020
ivei	DOSIDON AS	breviousiv	reponed June 30. ZUT3	309.040.UZU

Capitalized interest for FY 2012/13 1,208,643
Cost for prior year recorded as capital assets (122,182)

Net position as restated, June 30, 2013 \$70,732,481

Non -reclaimable Wastewater Fund

Net Position for the Fiscal Year ended June 30, 2013 has been restated to reflect prior years' recording of financial impact.

The effects of the restatement of net position are as follows:

1161 POSITION AS PIEVIOUSIVIEDONEU JUNE 30, 2013 9123,201,020	Net p	osition as previously	reported June 30, 2013	\$123,287,020
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Capitalized interest for FY 2012/13 213,518
Cost for prior year recorded as capital assets (3,932)

Net position as restated, June 30, 2013 <u>\$123,496,606</u>

(18) Subsequent Event

In preparing these financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through December 3, 2014, the date the financial statements were available to be issued, and found no other subsequent events.

Required Supplementary Information

Other Post-Employment Benefits
Schedule of Funding Progress

INLAND EMPIRE UTILITIES AGENCY REQUIRED SUPPLEMENTARY INFORMATION

CalPERS Miscellaneous Pension Plan As of June 30, 2014

The Schedule of Funding Progress below shows the recent history of the Entry Age Actual Accrued Liability, Actuarial Value of Assets, the Unfunded Liability (their relationship), Funded Ratio Status (i.e. the ratio of the Actuarial Value of Assets to Entry Age Normal Accrued Liability), the estimated Annual Covered Payroll and the Unfunded Actuarial Accrued Liability (UAAL) as a percentage of the Annual Covered Payroll. This schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([a - b]/c)
6/30/2011	\$ 122,731,341	\$ 94,418,030	\$ 28,313,311	76.9%	\$ 23,924,612	118.3%
6/30/2012	129,557,136	101,701,391	27,855,745	78.5%	23,644,373	117.8%
6/30/2013	138,490,379	99,338,537	39,151,842	71.7%	22,377,620	175.0%

Other Post-Employment Benefit Plan

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	(Overfunded) Actuarial Accrued Liability (UAAL) (a- b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([a - b]/c)
04/01/09	\$ 13,977,691	-	\$ 13,977,691	0.00%	\$ 24,293,839	57.5%
10/01/11	14,520,001	-	14,520,001	0.00%	23,924,612	60.7%
07/01/13	17,476,486	-	17,476,486	0.00%	23,184,095	76.5%

INLAND EMPIRE UTILITIES AGENCY SUPPLEMENTARY INFORMATION – ALL FUNDS

SUPPLEMENTARY SCHEDULES -

Non-Major Enterprise Fund Statements.

INDIVIDUAL FUNDS -

Individual Schedules of all funds are provided as supplementary information.



INLAND EMPIRE UTILITIES AGENCY Combining Statement of Net Position June 30, 2014

(With Comparative Totals for June 30, 2013)

	Non-Major Enterprise Funds		
	Water	Recharge	
ASSETS	Resources	Water	
Current assets			
Cash and investments	\$ 879,078	\$ 2,581,630	
Accounts receivable	9,892,889	44,568	
Interest receivable	1,123	3,594	
Taxes receivable	0	0	
Other receivables	25,368	0	
Inventory	0	0	
Prepaid items	0	0	
Total current assets	10,798,458	2,629,792	
Noncurrent assets			
Restricted assets			
Assets held with trustee/fiscal agent	0	859,302	
Total restricted assets	0	859,302	
Capital assets			
Land	0	0	
Jobs in progress	1,463,616	158,119	
Capital assets, net of			
accumulated depreciation	20,474	45,206,246	
Intangible assets, net of			
accumulated amortization	29,650	30,475	
Total capital assets	1,513,740	45,394,840	
Total noncurrent assets	1,513,740	46,254,142	
Total assets	12,312,198	48,883,934	

Administrative	Totals		
Services	2014	2013	
\$ 29,220,328	\$ 32,681,036	\$ 31,356,095	
8,399,594	18,337,051	19,189,337	
29,948	34,665	35,735	
38,778	38,778	28,566	
35,335	60,703	56,971	
1,616,288	1,616,288	1,533,035	
112,145	112,145	71,870	
39,452,416	52,880,666	52,271,609	
38,178	897,480	865,734	
38,178	897,480	865,734	
20,829	20,829	20,829	
1,207,689	2,829,424	1,858,892	
1,207,003	2,020,424	1,000,002	
11,528,334	56,755,054	57,865,136	
11,020,001	30,7 30,00 1	01,000,100	
4,596,537	4,656,662	5,476,537	
.,,	.,,		
17,353,389	64,261,969	65,221,394	
		· ,	
17,391,567	65,159,449	66,087,128	
56,843,983	118,040,115	118,358,737	
		(continued)	

INLAND EMPIRE UTILITIES AGENCY Combining Statement of Net Position (Continued from previous page) June 30, 2014 (With Comparative Totals for June 30, 2013)

	Non-Major Enterprise Funds		
	Water	Recharge Water	
LIABILITIES	Resources		
Current liabilities			
Accounts payable	\$ 8,701,659	\$ 138,277	
Accrued liabilities	545,411	102	
Compensated absences	0	0	
Long-term debt, due within one year	0	606,780	
Interest payable	0	690	
Retentions deposits and escrows	0	0	
Total current liabilities	9,247,070	745,849	
Noncurrent liabilities			
Compensated absences	0	0	
Long-term debt, due in more than one year	0	14,936,511	
Net OPEB liability	0	0	
Total noncurrent liabilities	0	14,936,511	
Total liabilities	9,247,070	15,682,360	
NET POSITION			
Net investment in capital assets	1,513,740	30,710,852	
Restricted for:			
Bond operating contingency requirement	0	0	
Total restricted	0	0	
Unrestricted	1,551,388	2,490,722	
Total net position	\$ 3,065,128	\$ 33,201,574	

Administrative		Totals				
Services		2014			2013	
\$	8,947,062	\$	17,786,998	\$	10,421,614	
	2,281,096		2,826,609		10,066,376	
	1,587,969		1,587,969		1,697,226	
	0		606,780		584,746	
	0		690		751	
	38,178		38,178		6,994	
	12,854,305		22,847,224		22,777,707	
	2 456 175		2 456 175		2 220 224	
	2,456,175 0		2,456,175 14,936,511		2,220,224 15,543,291	
			4,355,322		6,833,724	
	4,355,322		4,333,322		0,033,724	
	6,811,497		21,748,008		24,597,239	
19,665,802			44,595,232		47,374,946	
	17,353,389		49,577,981		49,952,095	
	1,012,683		1,012,683		202,075	
	1 012 693		1,012,683		202 075	
	1,012,683		1,012,003		202,075	
	18,812,109		22,854,219		20,829,621	
\$	37,178,181	\$	73,444,883	\$	70,983,791	
	, -,		, ,		, -,	

INLAND EMPIRE UTILITIES AGENCY

Combining Statement of Revenues, Expenses, and

Changes in Net Position

For the Fiscal Year Ended June 30, 2014

(With Comparative Totals for June 30, 2013)

(with Comparative rotals for June 30, 2013)		Non-Major E	nternri	se Funds
	Water		Recharge	
	Resources		Water	
OPERATING REVENUES				
Service charges	\$	4,923,653	\$	0
53 3 55	<u> </u>	.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	<u>*</u>	<u></u> _
Total operating revenues		4,923,653		0
OPERATING EXPENSES				
Operations and maintenance		489,856		0
Administration and general		4,532,846		1,141,178
Depreciation and amortization		5,367		1,221,174
Total operating expenses		5,028,069		2,362,352
Operating income (loss)		(104,416)		(2,362,352)
NONOPERATING REVENUES (EXPENSES)				
Interest income		9,215		14,166
Property tax revenue		0		0
Other nonoperating revenues		25,548		1,055,124
Interest on long-term debt		0		(8,565)
Other nonoperating expenses		(219,502)		(83,549)
Total nonoperating revenues (expenses)		(184,739)		977,176
Income (loss) before capital contributions and transfers		(289,155)		(1,385,176)
TRANSFERS AND CAPITAL CONTRIBUTIONS				
Transfers in		0		1,318,225
Transfers out		(100,000)		0
Capital grants		348,761		0
Change in net position		(40,394)		(66,951)
Total net position - beginning, as restated		3,105,522		33,268,525
Total net position - ending	\$	3,065,128	\$	33,201,574

Administrative	Totals		
Services	2014	2013	
\$ 0	\$ 4,923,653	\$ 4,262,366	
0	4,923,653	4,262,366	
0	489,856	672,907	
3,492,191	9,166,215	5,493,400	
1,750,751	2,977,292	2,854,126	
5,242,942	12,633,363	9,020,433	
(F. 242, 042)	(7.700.740)	(4.750.067)	
(5,242,942)	(7,709,710)	(4,758,067)	
110,492	133,873	126,216	
3,143,689	3,143,689	3,796,966	
1,442,347	2,523,019	2,738,701	
0	(8,565)	(24,727)	
(1,228,007)	(1,531,058)	(1,787,962)	
3,468,521	4,260,958	4,849,194	
(4.774.404)	(2,440,752)	04.407	
(1,774,421)	(3,448,752)	91,127	
4,342,858	5,661,083	3,209,651	
0	(100,000)	(330,000)	
0	348,761	591,455	
2,568,437	2,461,092	3,562,233	
24 600 744	70 000 704	67 404 550	
34,609,744	70,983,791	67,421,558	
\$ 37,178,181	\$ 73,444,883	\$ 70,983,791	

INLAND EMPIRE UTILITIES AGENCY Combining Statement of Cash Flows For the Fiscal Year Ended June 30, 2014

	Non-Major Enterprise Funds				
	Water	Recharge			
	Resources	Water			
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 4,856,844	\$ 0			
Cash received from interfund services provided	0	0			
Cash payments to suppliers for goods and services	(3,726,328)	(970,231)			
Cash payments to employees for services	(465,298)	(349,111)			
Cash payments for interfund services used	(387,246)	199,957			
Net cash provided by (used for) operating activities	277,972	(1,119,385)			
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	0	1,318,225			
Transfers out	(100,000)	0			
Contract reimbursment from others	25,548	1,072,998			
Tax revenues	0	0			
Cash paid to others	(219,502)	(1,445)			
Net cash provided by (used for) noncapital financing activities	(293,954)	2,389,778			
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(179,364)	(253,930)			
Capital grants	348,761	0			
Principal paid on capital debt	0	(584,746)			
Interest paid on capital debt	0	(90,730)			
Contractor deposits collected	0	0			
Net cash provided by (used for) capital and related financing activities	169,397	(929,406)			

Administrative	Totals		
Services		2014	2013
\$ 897,490	\$	5,754,334	\$ (5,047,786
23,918,921		23,918,921	22,634,150
(5,653,061)		(10,349,620)	520,777
(24,573,294)		(25,387,703)	(18,431,762
0		(187,289)	(545,079
(5,409,944)		(6,251,357)	(869,700
4,342,858		5,661,083	3,209,651
0		(100,000)	(330,000
1,320,942		2,419,488	2,757,455
3,133,477		3,133,477	3,987,274
(1,225,475)		(1,446,422)	(1,642,074
7,571,802		9,667,626	7,982,306
(1,583,424)		(2,016,718)	(3,182,159
(1,303,424)		348,761	591,456
0		(584,746)	(562,711
(2,532)		(93,262)	(172,144
38,178		38,178	
(1,547,778)		(2,307,787)	(3,325,558
			(Continued

INLAND EMPIRE UTILITIES AGENCY

Combining Statement of Cash Flows - (Continued from previous page)

For the Fiscal Year Ended June 30, 2014

		Non-Major Er	nterprise Funds				
		Water	Recharge Water				
	R	esources					
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest on investments	\$	8,905	\$	16,420			
Sale of investments							
Net cash provided by (used for) investing activities		8,905		16,420			
Net increase (decrease) in cash and cash equivalents		162,320		357,407			
Cash and cash equivalents - beginning		716,758		3,083,525			
Cash and cash equivalents - ending	\$	879,078	\$	3,440,932			
RECONCILIATION OF OPERATING INCOME (LOSS)TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES							
Operating income (loss)	\$	(104,416)	\$	(2,362,352)			
Adjustments to reconcile operating income (loss) to							
net cash provided by (used for) operating activities							
Depreciation and amortization		5,367		1,221,174			
Changes in assets and liabilities							
(Increase) decrease in							
Accounts receivable		(41,442)		0			
Other receivables		(25,368)		0			
Short term receivables		0		0			
Inventory		0		0			
Prepaid items		0		0			
Increase (decrease) in							
Accounts payable		582,453		21,691			
Accrued liabilities		(138,622)		102			
Other noncurrent liabilities		0		0			
Compensated absences		0		0			
Net cash provided by (used for) operating activities	\$	277,972	\$	(1,119,385)			

A	Administrative		T	otals		
	Services		2014			2013
\$	109,619	\$	134,944		\$	145,085
_	113,262		113,262			(45,949)
	222,881	_	248,206			99,136
	836,961		1,356,688			3,886,184
	000,001		1,000,000			0,000,101
	28,421,545		32,221,828			28,335,644
\$	29,258,506	\$	33,578,516		\$	32,221,828
\$	(5,242,942)	\$	(7,709,710)		\$	(4,758,067)
	1,750,751		\$2,977,292			2,854,128
	875,854		834,412			(9,426,891)
	075,054		(25,368)			(9,420,691)
	21,636		21,636			116,739
	(83,253)		(83,253)			(34,391)
	(40,275)		(40,275)			(4,344)
	(10,210)		(10,210)			(1,017)
	6,761,241		7,365,385			2,629,144
	(7,101,247)		(7,239,767)			6,934,250
	(2,478,402)		(2,478,402)			978,592
	126,693		126,693			(158,860)
\$	(5,409,944)	\$	(6,251,357)		\$	(869,700)
					(Continued)

INLAND EMPIRE UTILITIES AGENCY Combining Statement of Cash Flows - (Continued from previous page) For the Fiscal Year Ended June 30, 2014

		Non-Major Ente	rprise	rprise Funds				
		Water		Recharge				
	R	esources		Water				
RECONCILIATION OF CASH & CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS:								
Cash and short-term investments	\$	879,078	\$	2,581,630				
Restricted assets		0		859,302				
Cash & cash equivalents at end of year	\$	879,078	\$	3,440,932				

-	dministrative	Total Non-Major Funds				
	Services		2014		2013	
\$	29,220,328	\$	32,681,036	\$	31,356,094	
Ψ	20,220,020	Ψ	02,001,000	Ψ	01,000,004	
	38,178		897,480		865,734	
\$	29,258,506	\$	33,578,516	\$	32,221,828	



Garden in Every School Program





INLAND EMPIRE UTILITIES AGENCY REGIONAL WASTEWATER FUND COMBINING SCHEDULES

The Regional Wastewater Fund consists of the following subfunds:

Regional Wastewater Capital Improvement (RC) Fund

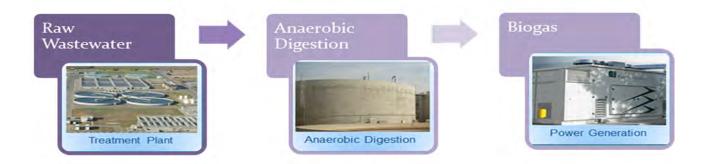
The RC fund records the activities associated with the acquisition, construction, replacement, and expansion of the Agency's wastewater treatment plants, energy cogeneration, solids handling facilities, large sewer interceptors, and appurtenant facilities. In addition, principal payments, interest expenses, and related administrative costs associated with the administration of the Regional Capital program and debt service costs are also recorded in this fund

The RC Fund revenues include property tax receipts, connections fees, and interest income earned. Additionally, the fund may record state loans and grants received for various capital projects within the fund.

Regional Wastewater Operations and Maintenance (RO) Fund

The RO Fund accounts for the revenue and operating cost directly related to the domestic sewage treatment service for the contracting agencies (wastewater collection and treatment) and organics management activities, including labor costs to operate and support the Inland Empire Regional Composting Facility.

The fund's major source of revenue is the service charge applied to the regional wastewater flows based on Equivalent Dwelling Units (EDU's). Other revenue sources include property tax receipts and reimbursement from the Inland Empire Regional Composting Authority for providing operation and maintenance services at the facility.



INLAND EMPIRE UTILITIES AGENCY Regional Wastewater Fund Combining Schedule of Net Position by Subfund June 30, 2014

(With Comparative Totals for June 30, 2013)

Accounts receivable 365,435 9,249,691 9,615,126 6,771,6 Interest receivable 156,191 48,243 204,434 211,0 Taxes receivable 308,032 106,511 414,543 305,0 Other receivables 19,152 19,152 36,5 Prepaid items 1,200 1,200 1,200 1,2 Total current assets 23,027,859 44,982,684 68,010,543 70,402,2 Noncurrent assets Restricted assets Deposits held by governmental agencies 38,035,613 38,035,613 28,246,9 Assets held with trustee/fiscal agents 3,953,383 53,661 4,007,044 4,411,1 Total restricted assets 41,988,996 53,661 42,042,657 32,658,1		Regional Capital	Regional Operations &	Ti	otals
Current assets Cash and investments \$ 22,177,849 \$ 35,578,239 \$ 57,756,088 \$ 63,076,77,60,087 Accounts receivable 365,435 9,249,691 9,615,126 6,771,60,087 Interest receivable 156,191 48,243 204,434 211,00 Taxes receivable 308,032 106,511 414,543 305,00 Other receivables 19,152 19,152 36,5 Prepaid items 1,200 1,200 1,200 Total current assets 23,027,859 44,982,684 68,010,543 70,402,2 Noncurrent assets 28,035,613 38,035,613 28,246,9 Assets held with trustee/fiscal agents 3,953,383 53,661 4,007,044 4,411,1 Total restricted assets 41,988,996 53,661 42,042,657 32,658,1	_	Improvement	Maintenance	2014	2013
Cash and investments \$ 22,177,849 \$ 35,578,239 \$ 57,756,088 \$ 63,076,7 Accounts receivable 365,435 9,249,691 9,615,126 6,771,6 Interest receivable 156,191 48,243 204,434 211,0 Taxes receivable 308,032 106,511 414,543 305,0 Other receivables 19,152 19,152 36,5 Prepaid items 1,200 1,200 1,200 1,2 Total current assets 23,027,859 44,982,684 68,010,543 70,402,2 Noncurrent assets 8 3,953,383 53,661 4,007,044 4,411,1 Total restricted assets 41,988,996 53,661 42,042,657 32,658,1 Capital assets 41,988,996 53,661 42,042,657 32,658,1					
Accounts receivable 365,435 9,249,691 9,615,126 6,771,6 Interest receivable 156,191 48,243 204,434 211,0 Taxes receivable 308,032 106,511 414,543 305,0 Other receivables 19,152 19,152 36,5 Prepaid items 1,200 1,200 1,200 1,2 Total current assets 23,027,859 44,982,684 68,010,543 70,402,2 Noncurrent assets Peposits held by governmental agencies 38,035,613 38,035,613 28,246,9 Assets held with trustee/fiscal agents 3,953,383 53,661 4,007,044 4,411,1 Total restricted assets 41,988,996 53,661 42,042,657 32,658,1	ts				
Interest receivable 156,191 48,243 204,434 211,0 Taxes receivable 308,032 106,511 414,543 305,0 Other receivables 19,152 19,152 36,5 Prepaid items 1,200 1,200 1,200 1,2 Total current assets 23,027,859 44,982,684 68,010,543 70,402,2 Noncurrent assets Restricted assets Deposits held by governmental agencies 38,035,613 38,035,613 28,246,9 Assets held with trustee/fiscal agents 3,953,383 53,661 4,007,044 4,411,1 Total restricted assets 41,988,996 53,661 42,042,657 32,658,1 Capital assets	vestments \$	22,177,849	\$ 35,578,239	\$ 57,756,088	\$ 63,076,711
Taxes receivable 308,032 106,511 414,543 305,0 Other receivables 19,152 19,152 36,5 Prepaid items 1,200 1,200 1,200 1,2 Total current assets 23,027,859 44,982,684 68,010,543 70,402,2 Noncurrent assets Restricted assets Deposits held by governmental agencies 38,035,613 38,035,613 28,246,9 Assets held with trustee/fiscal agents 3,953,383 53,661 4,007,044 4,411,1 Total restricted assets 41,988,996 53,661 42,042,657 32,658,1 Capital assets	ceivable	365,435	9,249,691	9,615,126	6,771,660
Other receivables 19,152 19,152 36,5 Prepaid items 1,200 1,200 1,2 Total current assets 23,027,859 44,982,684 68,010,543 70,402,2 Noncurrent assets Restricted assets Deposits held by governmental agencies 38,035,613 38,035,613 28,246,9 Assets held with trustee/fiscal agents 3,953,383 53,661 4,007,044 4,411,1 Total restricted assets 41,988,996 53,661 42,042,657 32,658,1 Capital assets	eivable	156,191	48,243	204,434	211,060
Prepaid items 1,200 1,200 1,200 1,2 Total current assets 23,027,859 44,982,684 68,010,543 70,402,2 Noncurrent assets Restricted assets Deposits held by governmental agencies 38,035,613 38,035,613 28,246,9 Assets held with trustee/fiscal agents 3,953,383 53,661 4,007,044 4,411,1 Total restricted assets 41,988,996 53,661 42,042,657 32,658,1 Capital assets	vable	308,032	106,511	414,543	305,073
Total current assets 23,027,859 44,982,684 68,010,543 70,402,2 Noncurrent assets Restricted assets Deposits held by governmental agencies 38,035,613 38,035,613 28,246,9 Assets held with trustee/fiscal agents 3,953,383 53,661 4,007,044 4,411,1 Total restricted assets 41,988,996 53,661 42,042,657 32,658,1 Capital assets	/ables	19,152		19,152	36,503
Noncurrent assets Restricted assets Deposits held by governmental agencies 38,035,613 38,035,613 28,246,9 Assets held with trustee/fiscal agents 3,953,383 53,661 4,007,044 4,411,1 Total restricted assets 41,988,996 53,661 42,042,657 32,658,1		1,200		1,200	1,200
Restricted assets Deposits held by governmental agencies 38,035,613 38,035,613 28,246,9 Assets held with trustee/fiscal agents 3,953,383 53,661 4,007,044 4,411,1 Total restricted assets 41,988,996 53,661 42,042,657 32,658,1	rent assets	23,027,859	44,982,684	68,010,543	70,402,207
Deposits held by governmental agencies 38,035,613 38,035,613 28,246,9 Assets held with trustee/fiscal agents 3,953,383 53,661 4,007,044 4,411,1 Total restricted assets 41,988,996 53,661 42,042,657 32,658,1	ssets				
Assets held with trustee/fiscal agents 3,953,383 53,661 4,007,044 4,411,1 Total restricted assets 41,988,996 53,661 42,042,657 32,658,1 Capital assets	assets				
Total restricted assets 41,988,996 53,661 42,042,657 32,658,1 Capital assets	neld by governmental agencies	38,035,613		38,035,613	28,246,979
Capital assets	ld with trustee/fiscal agents	3,953,383	53,661	4,007,044	4,411,159
	estricted assets	41,988,996	53,661	42,042,657	32,658,138
44047045	ets				
Land 14,047,045 14,047,045 14,047,0		14,047,045		14,047,045	14,047,045
Jobs in progress 39,881,146 9,567,326 49,448,472 48,936,4	rogress	39,881,146	9,567,326	49,448,472	48,936,401
Capital assets, net of accumulated depreciation 316,703,898 10,137,451 326,841,349 337,273,7	ssets, net of accumulated depreciation	316,703,898	10,137,451	326,841,349	337,273,748
Intangible assets, net of accumulated amortization 5,493,196 127,223 5,620,419 5,655,6	assets, net of accumulated amortization	5,493,196	127,223	5,620,419	5,655,635
Total capital assets 376,125,285 19,832,000 395,957,285 405,912,8	apital assets	376,125,285	19,832,000	395,957,285	405,912,829
Other assets	ts				
Long-term investments 46,441,872 0 46,441,872 46,492,4	investments	46,441,872	0	46,441,872	46,492,458
Advances to other funds 3,000,000 0 3,000,000 3,000,0	to other funds	3,000,000	0	3,000,000	3,000,000
Long-term receivables 2,775,563 0 2,775,563 2,794,7	receivables	2,775,563	0	2,775,563	2,794,715
Prepaid bond insurance 420,152 21,372 441,524 459,1	ond insurance	420,152	21,372	441,524	459,185
Prepaid Interest -SRF loans 1,123,256 0 1,123,256 1,203,0	iterest -SRF loans	1,123,256	0	1,123,256	1,203,080
Total other assets <u>53,760,843</u> <u>21,372</u> <u>53,782,215</u> <u>53,949,4</u>	her assets	53,760,843	21,372	53,782,215	53,949,438
Total noncurrent assets 471,875,124 19,907,033 491,782,157 492,520,4	current assets	471,875,124	19,907,033	491,782,157	492,520,405
Total assets 494,902,983 64,889,717 559,792,700 562,922,6	ets	494,902,983	64,889,717	559,792,700	562,922,612
DEFERRED OUTFLOWS OF RESOURCES	OUTFLOWS OF RESOURCES				
Deferred loss on refunding 2,094,485 2,094,485 2,350,3	oss on refunding	2,094,485		2,094,485	2,350,350
Total deferred outflows of resources 2,094,485 0 2,094,485 2,350,3	eferred outflows of resources	2,094,485	0	2,094,485	2,350,350

(Continued)

	Regional Capital	0	Regional		Tot	als	
	mprovement		Maintenance	-	2014	uio	2013
LIABILITIES	 mprovement		dantenance		2014		2013
Current liabilities							
Out of the labilities							
Accounts payable	\$ 554,689	\$	2,704,650	\$	3,259,339	\$	4,209,638
Accrued liabilities	30,350		68,250		98,600		159,569
Retentions payable	27,913		4,739		32,652		148,382
Notes payable, due within one year	1,885,831				1,885,831		1,876,127
Long-term debt, due within one year	6,498,220				6,498,220		6,285,254
Interest payable	1,505,250		35,729		1,540,979		1,598,544
Retention deposits and escrows	 58,462		53,661		112,123		502,547
Total current liabilities	 10,560,715		2,867,029		13,427,744		14,780,061
Noncurrent liabilities							
Long-term debt, due in more than one year	164,532,227		4,426,307		168,958,534		175,952,243
Notes payable, due in more than one year	 30,323,284		633,697		30,956,981		32,209,111
Total noncurrent liabilities	 194,855,511		5,060,004		199,915,515		208,161,354
Total liabilities	 205,416,226	-	7,927,033		213,343,259		222,941,415
NET POSITION							
Net Investment in capital assets	 176,794,336		14,771,995		191,566,331		203,465,708
Restricted for:							
Capital construction	38,035,613		0		38,035,613		28,246,979
SRF Loan debt service	1,447,479				1,447,479		1,387,280
Bond operating contingency requirement	 1,963,708		13,322,754		15,286,462		14,900,362
Total restricted	 41,446,800		13,322,754		54,769,554		44,534,621
Unrestricted	 73,340,106		28,867,935		102,208,041		94,331,218
Total net position	\$ 291,581,242	\$	56,962,684	\$	348,543,926	\$	342,331,547

INLAND EMPIRE UTILITIES AGENCY
Regional Wastewater Fund
Combining Schedule of Revenues, Expenses and
Changes in Net Position by Subfund
For the Fiscal Year Ended June 30, 2014
(With Comparative Totals for June 30, 2013)

		Regional		Regional				
		Capital		Operations &	-		tals	
OPERATING REVENUES		mprovement	N	Maintenance		2014		2013
Service charges	\$	-	\$	43,047,559	\$	43,047,559	\$	39,711,858
						-,- ,		
Total operating revenues		0		43,047,559		43,047,559		39,711,858
OPERATING EXPENSES								
Wastewater collection		0		1,248,892		1,248,892		781,264
Wastewater treatment		0		20,505,666		20,505,666		18,907,779
Wastewater disposal		0		7,705,551		7,705,551		8,612,642
Administration and general		5,891,124		10,508,152		16,399,276		14,290,612
Depreciation and amortization	_	21,857,828		787,105		22,644,933		22,130,511
Total operating expenses		27,748,952		40,755,366		68,504,318		64,722,808
Operating income (loss)		(27,748,952)		2,292,193		(25,456,759)		(25,010,950)
NONOPERATING REVENUES (EXPENSES)								
Interest income		148,574		149,869		298,443		528,073
Property tax revenue		24,759,344		8,634,143		33,393,487		41,934,887
Wastewater capital connection fees		9,788,634		0		9,788,634		14,614,387
Other nonoperating revenues		13,274		3,767,920		3,781,194		4,692,094
Interest on long-term debt		(6,564,561)		(158,979)		(6,723,540)		(7,220,372)
Other nonoperating expenses		(93,262)		(3,139,030)		(3,232,292)		(5,998,780)
Total nonoperating revenues (expenses)	_	28,052,003		9,253,923	_	37,305,926		48,550,289
Income (loss) before capital contributions								
and transfers		303,051		11,546,116		11,849,167		23,539,339
TRANSFERS AND CAPITAL CONTRIBUTIONS								
Transfers out		(3,471,639)		(2,200,000)		(5,671,639)		(5,429,136)
Capital grants		0		34,851		34,851		66,809
Change in net position	_	(3,168,588)		9,380,967		6,212,379		18,177,012
Total net position - beginning, as restated	_	294,749,830		47,581,717		342,331,547		324,154,535
Total net position - ending	\$	291,581,242	\$	56,962,684	\$	348,543,926	\$	342,331,547

INLAND EMPIRE UTILITIES AGENCY RECYCLED WATER FUND COMPARATIVE SCHEDULES

Recycled Water Fund:

The Recycled Water (WC) Fund records the revenues of recycled water sales and expenses associated with the operations and maintenance of the facilities that support the distribution of recycled water supplied from the Agency's recycling plants. The fund generates revenue through groundwater recharge rates and from the sale of recycled water to member agencies and industries, such as multiple golf courses throughout the service area.

Additionally, the Recycled Water fund records revenues and costs related to the construction of recycled water capital projects. Non-operational revenues recorded in the fund include property tax receipts, SRF loan receipts, grants, and inter-fund transfers in support of program activities. Project costs include site studies, environmental reviews, design, construction, and construction management, trunk and distribution lines and pumping stations needed in the distribution of recycled water within the Agency's service area.





Regional Plant No. 5 Pump Station









Recycled Water Truck

Inland Empire Utilities Agency Recycled Water Funds Comparative Schedules

INLAND EMPIRE UTILITIES AGENCY Recycled Water Fund Schedule of Net Position June 30, 2014

	Totals			
ASSETS		2014		2013
Current assets				
Cash and investments	\$	9,889,398	\$	12,639,160
Accounts receivable		7,271,717		8,309,254
Interest receivable		13,265		14,336
Taxes receivable		24,046		17,717
Other receivable		185,372		392,706
Prepaid items		3,500		13,500
Total current assets		17,387,298		21,386,673
Noncurrent assets				
Restricted assets				
Assets held with trustee/fiscal agents		590,736		44,752
Total restricted assets		590,736		44,752
Capital assets				
Jobs in progress		31,585,123		22,403,741
Capital assets, net of accumulated depreciation		133,329,962		129,767,771
Intangible assets, net of accumulated amortization		760,556		252,362
Total capital assets		165,675,641		152,423,874
Other assets				
Long term receivables		1,290,265		1,475,637
Prepaid bond insurance		145,991		151,830
Prepaid interest - SRF loans		1,335,194		1,425,710
Total other assets		2,771,450		3,053,177
Total noncurrent assets		169,037,827		155,521,803
Total assets	-	186,425,125		176,908,476 Continued)

	Totals			
LIABILITIES		2014		2013
Current liabilities				
Accounts payable	\$	1,922,265	\$	4,253,300
Accrued liabilities		105,918		12,739
Retentions payable		253,242		70,430
Notes payable, due within one year		2,772,546		2,738,129
Interest payable		977,897		981,090
Retention deposits and escrows		590,736		44,752
Total current liabilities		6,622,604		8,100,440
Noncurrent liabilities				
Advances from other funds		18,000,000		18,000,000
Long-term debt, due in more than one year		30,235,693		30,273,875
Notes payable, due in more than one year		59,661,147		49,748,862
Other noncurrent liabilities		187,861		52,818
Total noncurrent liabilities		108,084,701		98,075,555
Total liabilities		114,707,305		106,175,995
NET POSITION				
Net Investment in capital assets		73,006,256		68,576,546
Restricted for:				
Capital construction		0		0
SRF Loan debt service		3,552,769		3,490,575
Total restricted		3,552,769		3,490,575
Unrestricted		(4,841,205)		(1,334,640)
Total net position	\$	71,717,820	\$	70,732,481

INLAND EMPIRE UTILITIES AGENCY Recycled Water Fund Schedule of Revenues, Expenses, and Changes in Net Position For the Fiscal Year Ended June 30, 2014

	Tota	ls
	2014	2013
OPERATING REVENUES		
Recycled water sales	\$ 10,830,500	\$ 7,951,605
Total operating revenue	10,830,500	7,951,605
OPERATING EXPENSES		
Operations and Maintenance Administration and general Depreciation and amortization	3,764,958 2,784,926 5,922,464	3,195,541 3,136,853 4,998,742
Total operating expenses	12,472,348	11,331,136
Operating income (loss)	(1,641,848)	(3,379,531)
NONOPERATING REVENUES (EXPENSES)		
Interest income Property tax revenue Other nonoperating revenues Other nonoperating expenses Interest on long-term debt Total nonoperating revenues (expenses)	74,922 1,949,548 11 (199,167) (1,644,219) 181,095	98,102 2,355,088 64,177 (666,671) (2,150,763) (300,067)
Income (loss) before capital contributions and transfers	(1,460,753)	(3,679,598)
TRANSFERS AND CAPITAL CONTRIBUTIONS		
Transfers in Transfers out Capital grants	1,564,622 (1,398,209) 2,279,679	3,244,622 (616,769) 2,493,652
Change in net position	985,339	1,441,907
Total net position - beginning, as restated	70,732,481	69,290,574
Total net position - ending	\$ 71,717,820	\$ 70,732,481

INLAND EMPIRE UTILITIES AGENCY NON-RECLAIMABLE WASTEWATER FUND COMPARATIVE SCHEDULES

The Non-reclaimable Wastewater Fund consists of the following:

The Non-reclaimable Wastewater System (NC) Fund records the transactions for the acquisition, construction, expansion, replacement, and operations of the Agency's non-reclaimable wastewater sewer lines, interceptors and appurtenant facilities. It also accounts for the revenues and operating costs directly related to providing collection services, wastewater conveyance/transport, and wastewater treatment.

A pass-through rate structure was implemented to allow the Agency to recover operating and capital fees billed by SDLAC and SAWPA for the north and south systems, respectively. These charges are comprised of capacity, volumetric, and strength fees. Different rates apply to the north and south systems.

In addition to the pass through rates, the user charges support the Agency's operating and capital costs associated with the operations, maintenance, replacement, and improvement of the NRWS system. These Agency program costs are recovered through surcharge imposed to the industries.



Inland Empire Utilities Agency
Non-reclaimable Wastewater Fund Comparative Schedules

INLAND EMPIRE UTILITIES AGENCY Non-reclaimable Wastewater Fund Schedule of Net Position June 30, 2014

		To	tals	
ASSETS		2014		2013
Current assets				
Cash and investments	\$	4,329,251	\$	4,575,568
Accounts receivable	·	1,578,182	·	1,646,922
Interest receivable		476,521		438,690
Other receivables		28,505		27,663
Prepaid items		0		119,581
Total current assets		6,412,459		6,808,424
Noncurrent assets		0,412,400		0,000,424
Restricted assets		00.470		
Assets held with trustee/fiscal agent		23,176		0
Total restricted assets		23,176		0
Capital assets				
Jobs in progress		1,084,323		1,567,290
Capital assets, net of accumulated depreciation		12,799,281		11,514,676
Intangible assets, net of accumulated amortization		2,352,832		27,403,900
Total capital assets		16,236,436		40,485,866
Other assets				
Advances to other funds		15,000,000		15,000,000
Long-term receivables		0		28,503
Prepaid bond insurance		35,579		37,002
Total other assets		15,035,579		15,065,505
Total noncurrent assets		31,295,191		55,551,371
Total assets		37,707,650		62,359,795
			((Continued)

	Totals		
	2014		2013
LIABILITIES			
Current liabilities			
Accounts payable	\$ 693,480	\$	409,851
Accrued liabilities	1,016,128		1,228,041
Retentions payable	11,363		2,500
Notes payable, due within one year	784,623		133,106
Interest payable	153,548		59,479
Retention deposits and escrows	 23,176		0
Total current liabilities	 2,682,318		1,832,977
Noncurrent liabilities			
Long-term debt, due in more than one year	7,368,580		7,377,885
Notes payable, due in more than one year	 3,941,471		636,118
Total noncurrent liabilities	 11,310,051		8,014,003
Total liabilities	 13,992,369		9,846,980
NET POSITION			
Net Investment in capital assets	 4,141,763		32,129,172
Restricted for:			
Capital construction	0		0
Bond operating contingency requirement	 3,738,200		1,809,025
Total restricted	 3,738,200		1,809,025
Unrestricted	 15,835,318		18,574,618
Total net position	\$ 23,715,281	\$	52,512,815

INLAND EMPIRE UTILITIES AGENCY Non-reclaimable Wastewater Fund Schedule of Revenues, Expenses and Changes in Net Position For the Fiscal Year Ended June 30, 2014 (With Comparative Totals for June 30, 2013)

	Totals			
		2014		2013
OPERATING REVENUES				
Service charges	\$	8,199,986	\$	8,179,090
Total operating revenues		8,199,986		8,179,090
OPERATING EXPENSES				
Wastewater collection Administration and general Depreciation and amortization		4,373,746 6,840,855 749,892		3,874,747 1,552,327 1,950,173
Total operating expenses		11,964,493		7,377,247
Operating income (loss)		(3,764,507)		801,843
NONOPERATING REVENUES (EXPENSES)				
Interest income Property tax revenue Other nonoperating revenues Interest on long-term debt Other nonoperating expenses		57,092 6 32,325 (188,336) (24,878,257)		66,393 5 15,270 (409,430) 365,321
Total nonoperating revenues (expenses)		(24,977,170)		37,559
Income (loss) before transfers		(28,741,677)		839,402
TRANSFERS				
Transfers out		(55,857)		(78,368)
Change in net position		(28,797,534)		761,034
Total net position - beginning, as restated		52,512,815		51,751,781
Total net position - ending	\$	23,715,281	\$	52,512,815

INLAND EMPIRE UTILITIES AGENCY WATER RESOURCES FUND COMPARATIVE SCHEDULES

Water Resources Fund

The Water Resources (WW) Fund records the fiscal activities associated with providing water resources and water use efficiency programs within the Agency's service area. These programs include management and distribution of imported water supplies, development and implementation of regional water use efficiency initiatives, water resource planning and support for regional water supply programs including recycled water, groundwater recharge, and storm water management.

The WW Fund's major revenue source can be attributed to the surcharge for imported water sold within the service area and a monthly meter service charge per meter. The regional water conservation programs receive dedicated funding, including a portion of the imported water acre foot surcharge and water meter service charge, and program grants and reimbursements from various sources including State, Federal, and local agencies.



INLAND EMPIRE UTILITIES AGENCY Water Resources Fund Schedule of Net Position June 30, 2014

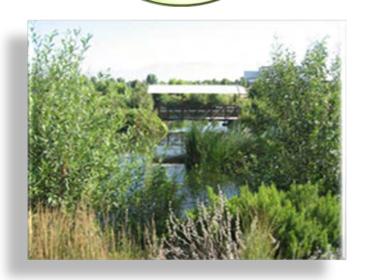
	Totals			
	2	2014		2013
ASSETS				
Current assets				
Cash and investments	\$	879,078	\$	716,758
Accounts receivable		9,892,889		9,851,447
Interest receivable		1,123		813
Other receivable		25,368		0
Total current assets	1	0,798,458		10,569,018
Noncurrent assets				
Capital assets				
Jobs in progress		1,463,616		1,284,253
Capital assets, net of accumulated depreciation		20,474		21,020
Intangible assets, net of accumulated amortization		29,650	-	34,471
Total capital assets		1,513,740		1,339,744
Total noncurrent assets		1,513,740		1,339,744
Total assets	1	2,312,198		11,908,762
LIABILITIES				
Accounts payable		8,701,659		8,119,207
Accrued liabilities		545,411		684,033
Total liabilities		9,247,070		8,803,240
NET POSITION				
Net Investment in capital assets		1,513,740		1,339,743
Unrestricted		1,551,388		1,765,779
Total net position	\$	3,065,128	\$	3,105,522

INLAND EMPIRE UTILTIES AGENCY Water Resources Fund Schedule of Revenues, Expenses, and Changes in Net Position For the Fiscal Year Ended June 30, 2014 (With Comparative Totals for June 30, 2013)

	Totals			
		2014 201		2013
OPERATING REVENUES				
Service charges	\$	4,923,653	\$	4,262,366
Total operating revenues		4,923,653		4,262,366
OPERATING EXPENSES				
Operations and maintenance Administration and general Depreciation and amortization		489,856 4,532,846 5,367		672,907 3,759,199 5,367
Total operating expenses		5,028,069		4,437,473
Operating income (loss)		(104,416)		(175,107)
NONOPERATING REVENUES (EXPENSES)				
Interest income Other nonoperating revenues Other nonoperating expenses		9,215 25,548 (219,502)		9,440 23,697 (165,360)
Total nonoperating revenues (expenses)		(184,739)		(132,223)
Income (loss) before capital contributions and transfers		(289,155)		(307,330)
TRANSFERS AND CAPITAL CONTRIBUTIONS				
Transfers out Capital grants		(100,000) 348,761		(200,000) 590,408
Change in net position		(40,394)		83,078
Total net position - beginning, as restated		3,105,522		3,022,444
Total net position - ending	\$	3,065,128	\$	3,105,522



Chino Creek Conservation Park





INLAND EMPIRE UTILITIES AGENCY RECHARGE WATER FUND COMPARATIVE SCHEDULES

Recharge Water Fund

The Recharge Water (RW) Fund accounts for the revenues and expenses associated with the groundwater recharge operations and maintenance through the joint effort of the Chino Basin Watermaster (CBWM), the Chino Basin Water Conservation District (CBWCD), the San Bernardino County Flood Control District (SBCFCD), and the Inland Empire Utilities Agency. Expenses include general basin maintenance or restoration costs, groundwater administration (e.g. labor, utilities, equipment, and tools), contracted services (e.g. weeding and vector control), as well as compliance reporting and environmental documentation for the program's Fish & Game Permit. The operations and maintenance budget is partially funded by the Chino Basin Watermaster (CBWM) and the Agency. Revenues include reimbursements from CBWM, inter-fund transfers from Regional Wastewater Capital and Recycled Water funds, grant proceeds and interesting earnings on the programs reserve balance.

Debt service costs are for the Ground Water Basin Enhancement Project funded by the 2008B Variable Rate Bonds (refinancing the 2002A Bonds in May 2008). Debt principal and interest payments are equally reimbursed by Chino Basin Watermaster and the Agency. The Agency's portion is supported by a fund transfer from the Regional Wastewater Capital (RC) Improvement Fund.





Groundwater Recharge Basins

INLAND EMPIRE UTILITIES AGENCY Recharge Water Fund Schedule of Net Position June 30, 2014

	То	tals
	2014	2013
ASSETS		
Current assets		
Cash and investments	\$ 2,581,630	\$ 2,217,792
Accounts receivable	44,568	62,442
Interest receivable	3,594	5,847
Total current assets	2,629,792	2,286,081
Noncurrent assets		
Restricted assets		
Assets held with trustee/fiscal agents	859,302	865,734
Total restricted assets	859,302	865,734
Capital assets		
Jobs in progress	158,119	210,829
Capital assets net of accumulated depreciation	45,206,246	46,119,067
Intangible assets, net of accumulated amortization	30,475	39,182
Total capital assets	45,394,840	46,369,078
Total noncurrent assets	46,254,142	47,234,812
Total assets	48,883,934	49,520,893
		(Continued)

	Т	Totals			
	2014	2013			
LIABILITIES					
Current liabilities					
Accounts payable	\$ 138,277	·			
Accrued liabilities	102				
Long-term debt, due within one year	606,780				
Interest payable	690				
Retentions deposits and escrows	0	6,994			
Total current liabilities	745,849	709,077			
Noncurrent liabilities					
Advances from other funds					
Long-term debt, due in more than one year	14,936,511	15,543,291			
Total noncurrent liabilities	14,936,511	15,543,291			
Total liabilities	15,682,360	16,252,368			
NET POSITION					
Net Investment in capital assets	30,710,852	31,099,781			
Unrestricted	2,490,722	2,168,744			
Total net position	\$33,201,574	\$33,268,525			

INLAND EMPIRE UTILITIES AGENCY Recharge Water Fund Schedule of Revenues, Expenses and Changes in Net Position For the Fiscal Year Ended June 30, 2014

	Totals		
	2014	2013	
OPERATING REVENUES			
Recycled water sales	\$ -	\$ -	
Total operating revenues	0	0	
OPERATING EXPENSES			
Administration and general Depreciation and amortization	1,141,178 1,221,174	1,127,975 1,211,579	
Total operating expenses	2,362,352	2,339,554	
Operating income (loss)	(2,362,352)	(2,339,554)	
NONOPERATING REVENUES (EXPENSES)			
Interest income Other nonoperating revenues Interest on long-term debt Other nonoperating expenses	14,166 1,055,124 (8,565) (83,549)		
Total nonoperating revenues (expenses)	977,176	1,002,580	
Income (loss) before capital contributions and transfers	(1,385,176)	(1,336,974)	
TRANSFERS AND CAPITAL CONTRIBUTIONS			
Transfers in Capital grants	1,318,225 0	904,707	
Change in net position	(66,951)	(432,267)	
Total net position - beginning, as restated	33,268,525	33,700,792	
Total net position - ending	\$ 33,201,574	\$ 33,268,525	

INLAND EMPIRE UTILITIES AGENCY ADMINISTRATIVE SERVICES FUND COMPARATIVE SCHEDULES

Administrative Services Fund

The Agency's costs of general and administrative expenses for various cost centers and staff labor pool are initially budgeted in the Administrative Services (GG) Fund. These costs include capital acquisitions for general administrative purposes, purchases of non-capital and non-project related materials, supplies, tools, and contract services. Throughout the year, pertinent expenses such as staff labor, equipment, and facilities maintenances and other indirect costs are allocated to the Agency's various programs, departments, and external clients on a cost reimbursement basis, based on either estimated staff work time, frequency of equipment usage, or full time equivalent (FTE) participation for specific program or activities.

Revenues for the GG fund include 8% of the Agency's total property tax revenue, contract cost reimbursements, and interest. Other funding sources include inter-fund transfers for capital replacement support from the Regional Wastewater, Non-Reclaimable Wastewater, and Recycled Water Programs.



Reception Area of Headquarters, Building A

INLAND EMPIRE UTILITIES AGENCY Administrative Services Fund Schedule of Net Position June 30, 2014

	Totals			
		2014		2013
ASSETS				
Current assets				
Cash and investments Accounts receivable Interest receivable Taxes receivable Other receivables Inventory Prepaid items	\$	29,220,328 8,399,594 29,948 38,778 35,335 1,616,288 112,145	\$	28,421,545 9,275,448 29,075 28,566 56,971 1,533,035 71,870
Total current assets		39,452,416		39,416,510
Noncurrent assets				
Restricted assets				
Assets held with trustee/fiscal agent		38,178		0
Total restricted assets		38,178	_	0
Capital assets				
Land Jobs in progress Capital assets, net of accumulated depreciation Intangible assets, net of accumulated amortization		20,829 1,207,689 11,528,334 4,596,537		20,829 363,810 11,725,049 5,402,884
Total capital assets		17,353,389		17,512,572
Total noncurrent assets		17,391,567		17,512,572
Total assets		56,843,983		56,929,082 (Continued)

	Totals		
	 2014		2013
LIABILITIES			
Current liabilities			
Accounts payable Accrued liabilities Compensated absences Retention deposits and escrows	\$ 8,947,062 2,281,096 1,587,969 38,178	\$	2,185,821 9,382,343 1,697,226 0
Current liabilities	 12,854,305		13,265,390
Noncurrent liabilities			
Compensated absences Net OPEB liability	 2,456,175 4,355,322		2,220,224 6,833,724
Total noncurrent liabilities	 6,811,497		9,053,948
Total liabilities	 19,665,802		22,319,338
NET POSITION			
Net Investment in capital assets	 17,353,389		17,512,571
Restricted for:			
Bond operating contingency requirement	 1,012,683		202,075
Total restricted	 1,012,683		202,075
Unrestricted	 18,812,109		16,895,098
Total net position	\$ 37,178,181	\$	34,609,744

INLAND EMPIRE UTILITIES AGENCY Administrative Services Fund Schedule of Revenues, Expenses and Changes in Net Position For the Fiscal Year Ended June 30, 2014 (With Comparative Totals for June 30, 2013)

	Total	s
	2014	2013
OPERATING REVENUES		
Service charges	\$ -	\$ -
Total operating revenues	0	0
OPERATING EXPENSES		
Administration and general Depreciation and amortization	3,492,191 1,750,751	606,226 1,637,180
Total operating expenses	5,242,942	2,243,406
Operating income (loss)	(5,242,942)	(2,243,406)
NONOPERATING REVENUES (EXPENSES)		
Interest income Property tax revenue Other nonoperating revenues Other nonoperating expenses	110,492 3,143,689 1,442,347 (1,228,007)	99,189 3,796,966 1,572,939 (1,490,257)
Total nonoperating revenues (expenses)	3,468,521	3,978,837
Income (loss) before capital contributions and transfers	(1,774,421)	1,735,431
TRANSFERS AND CAPITAL CONTRIBUTIONS		
Transfers in Transfers out Capital grants	4,342,858 0 0	2,304,944 (130,000) 1,047
Change in net position	2,568,437	3,911,422
Total net position - beginning, as restated	34,609,744	30,698,322
Total net position - ending	\$ 37,178,181	\$ 34,609,744

INLAND EMPIRE UTILITIES AGENCY

Index of Statistical Section Schedules

June 30, 2014

This part of Inland Empire Utilities Agency's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Agency's overall financial health.

(1)	These schedules contain trend information to help the reader understand how IEUA's financial performance and well-being has changed over time.
(2)	Revenue Capacity
(3)	Debt Capacity
(4)	Operating Indicators
(5)	Demographic and Economic Information

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

INLAND EMPIRE UTILITLIES AGENCY

Historical Operating Results Wastewater Revenue Funds' Combined Statement of Revenues, Expenses and Changes in Fund Net Position Fiscal Years Ended June 30, 2005 through 2014 (Dollars in Thousands)

	2013/14		 2012/13	2011/12		2010/11		2009/10	
Operating revenues									
Service charges	\$	51,248	\$ 47,891	\$	42,209	\$	41,544	\$	42,108
Other charges	·	10,830	7,952	•	6,009		4,353		4,162
Total operating revenues		62,078	55,843		48,218		45,897		46,270
Operating expenses									
Wastewater collection		5,623	4,656		5,629		6,517		7,338
Wastewater treatment		20,506	18,908		17,377		17,208		19,016
Wastewater disposal		7,705	8,613		11,316		10,664		10,030
Operations and maintenance		3,765	3,195		2,987		2,600		-
Administration and general		30,658	20,714		21,398		20,465		22,018
Depreciation and amortization		32,289	31,928		30,168		29,993		26,168
Total operating expenses		100,546	88,014		88,875		87,447		84,570
Operating income (loss)		(38,468)	(32,171)		(40,657)		(41,550)		(38,300)
Non-operating revenues (expenses)									
Interest income		555	809		951		1,159		1,684
Property tax revenue		38,487	48,087		32,695		33,419		34,355
Wastewater capital connection fees		9,789	14,614		7,686		5,398		7,753
Other nonoperating revenues		6,311	7,486		8,160		6,008		7,566
Interest on long-term debt		(7,120)	(8,321)		(7,447)		(7,803)		(9,891)
Other nonoperating expenses		(31,066)	(9,407)		(8,907)		(7,626)		(7,283)
Total nonoperating revenues (expenses)		16,956	53,268		33,138		30,555		34,184
Income (loss) before contributions and transfers		(21,512)	21,097		(7,519)		(10,995)		(4,116)
Capital grants		2,314	2,561		4,263		6,852		10,163
Contribution in aid		· -	· -		-		· -		· -
Transfers (to non-sewer funds)		100	200		300		300		300
Change in net position	\$	(19,098)	\$ 23,858	\$	(2,956)	\$	(3,843)	\$	6,347
Total net position - beginning		532,113	512,616		515,572		518,244		511,897
Prior period adjustment		790	(4,361)		310,012		1,171		311,001
Total net position - ending	\$	513,805	\$ 532,113	\$	512,616	\$	515,572	\$	518,244

INLAND EMPIRE UTILITLIES AGENCY

Historical Operating Results Wastewater Revenue Funds' Combined Statement of Revenues, Expenses and Changes in Fund Net Position Fiscal Years Ended June 30, 2005 through 2014 (Dollars in Thousands)

2008/09		:	2007/08		2006/07		2005/06	2004/05		
			_		<u> </u>					
\$	41,575	\$	38,021	\$	36,132	\$	31,716	\$	27,090	
Ψ	2,715	Ψ	-	Ψ	-	Ψ	-	Ψ	1,755	
	44,290		38,021		36,132		31,716		28,845	
	,									
	5,939		5,361		1,086		1,143		1,052	
	20,049		22,430		25,082		22,694		19,194	
	12,885		12,722		7,434		6,235		5,851	
	-		2,135		4,442		42		1,067	
	25,685		12,728		17,650		16,607		15,483	
	22,179		17,289		17,603		18,261		16,160	
	86,737		72,665		73,297	-	64,982		58,807	
	•		·		·		·			
	(42,447)		(34,644)		(37,165)		(33,266)		(29,962)	
	2,742		4,659		5,226		3,670		2,642	
	36,325		34,451		31,018		20,070		16,674	
	5,753		16,626		24,672		20,896		27,958	
	3,098		15,280		5,711		6,302		2,005	
	(13,498)		(10,101)		(8,419)		(7,029)		(6,613)	
	(3,268)		(1,224)		(15,275)		(1,415)		(804)	
	31,152		59,691		42,933	-	42,494		41,862	
	(11,295)		25,047		5,768		9,228		11,900	
	12,275		1,095		3,380		2,493		975	
	-		-		-		2,430 75		-	
	300		(4,546)		(14,358)		(3,107)		(6,124)	
\$	1,280	\$	21,596	\$	(5,210)	\$	8,689	\$	6,751	
	434,393		412,797		422,441		413,752		407,001	
	76,224		•		(4,434)		·		,	
\$	511,897	\$	434,393	\$	412,797	\$	422,441	\$	413,752	

INLAND EMPIRE UTILITIES AGENCY

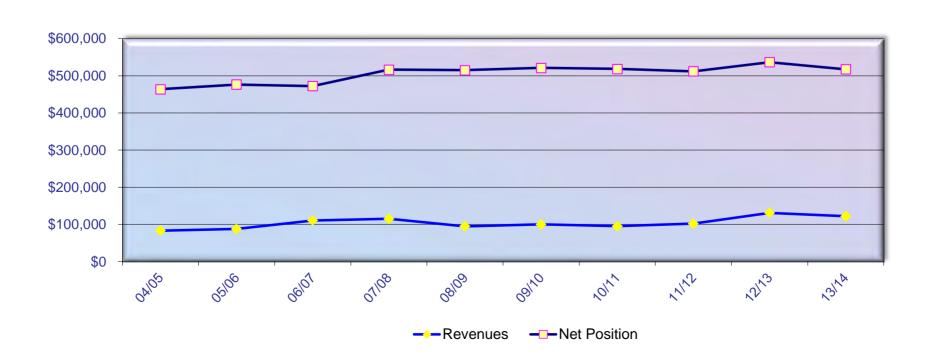
Combined Schedule of Revenues, Expenses and Changes in Net Position

- All Funds -

For The Past Ten Fiscal Years (Dollars in Thousands)

	2013/14		2012/13		2011/12	2010/11	
Operating revenues							
Service charges	\$	56,171	\$ 52,153	\$	46,468	\$	44,776
Other Charges					-		-
Recycled water sales		10,831	7,952		6,009		4,352
Total operating revenues		67,002	60,105		52,477		49,128
Operating expenses							
Wastewater collection		5,623	4,656		5,629		6,517
Wastewater treatment		20,506	18,908		17,378		17,208
Wastewater disposal		7,705	8,613		11,316		10,664
Administration and general		4,255	3,868		24,755		23,266
Depreciation and amortization		35,191	26,582		30,173		29,999
Operations and maintenance		32,295	31,933		3,725		3,230
Total operating expenses		105,575	94,560		92,976		90,884
Operating income (loss)		(38,573)	(34,455)		(40,499)		(41,756)
Non-Operating revenues (expenses)							
Interest income		564	819		963		1,179
Property tax revenue		38,487	48,087		32,695		33,419
Wastewater capital connection fees		9,789	14,614		7,686		5,398
Other non-operating revenues		6,337	7,510		8,562		6,090
Interest on long-term debt		(8,565)	(9,958)		(7,447)		(8,058)
Other non-operating expenses		(29,841)	(7,936)		(9,014)		(7,773)
Total non-operating revenues (expenses)		16,771	53,136		33,445		30,255
Income (loss) before contributions and transfers		(21,802)	18,681		(7,054)		(11,501)
Capital grants		2,663	3,152		4,841		7,587
Contributions in aid		-	-		-		-
Change in net position	\$	(19,139)	\$ 21,833	\$	(2,213)	\$	(3,914)
Total net position - beginning		\$512,618	\$513,938		\$518,455		\$522,370
Net position by component:							
Net Investment in capital assets		318,292	354,124		362,673		372,277
Restricted for Debt service & Capital construction		63,073	50,036		42,798		50,378
Unrestricted		136,056	 131,611		106,357		95,800
Total net position - ending	\$	517,421	\$ 535,771	\$	511,828	\$	518,455

Operating & Non-Operating Revenues & Net Position Trends For the Past Ten Fiscal Years



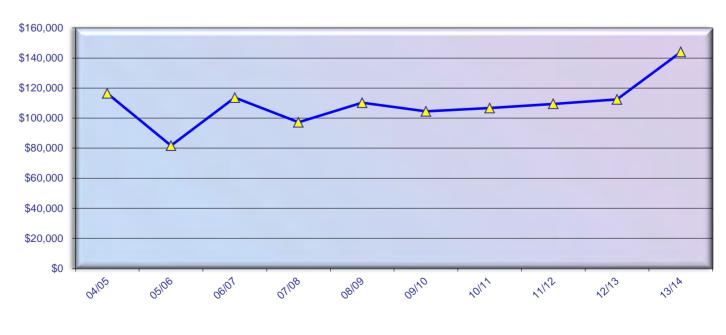
INLAND EMPIRE UTILITIES AGENCY

Combined Schedule of Revenues, Expenses and Changes in Net Position - All Funds -

For The Past Ten Fiscal Years (continued) (Dollars in Thousands)

2009/10		2008/09		2007/08			2006/07	:	2005/06	2004/05		
\$	44,545	\$	43,832	\$	39,459	\$	37,964	\$	33,837	\$	29,194	
	-		-		-		-		-		1,755	
	4,162		2,716		2,007		3,254		1,147		653	
	48,707		46,548		41,466		41,218		34,984		31,602	
	7,338		2,351		5,361		1,086		1,143		1,052	
	19,016		23,640		22,429		25,082		22,694		19,194	
	10,030		9,885		12,723		7,434		6,236		5,851	
	21,567		25,101		22,322		24,447		23,568		20,605	
	26,173		22,185		19,054		18,944		18,719		16,311	
	2,760		5,539		2,175		7,431		67		1,688	
	86,884		88,701		84,064		84,424		72,427		64,701	
	(38,177)		(42,154)		(42,598)		(43,206)		(37,443)		(33,099)	
	4 745		2.706		F 000		E 225		2.000		2.002	
	1,715		2,796		5,006		5,325		3,868		2,903	
	34,355 7,753		36,325 5,753		34,451 16,626		31,018 24,671		20,070 20,895		16,674 27,958	
	7,733 7,638		3,543		17,720		8,645		20,895 8,007		4,195	
	(9,891)		(13,498)		(11,278)		(9,540)		(7,796)		(7,138)	
	(7,684)		(8,031)		(11,270)		(19,678)		(1,478)		(868)	
	33,886		26,888		60,635		40,441		43,566		43,724	
	(4,291)		(15,266)		18,036		(2,765)		6,123		10,623	
	10,387		13,924		12,373		13,883		6,656		4,220	
	-		_		-		-		68		26	
\$	6,096	\$	(1,342)	\$	30,409	\$	11,118	\$	12,847	\$	14,869	
	\$515,104		\$516,446		\$472,192		\$476,440		\$463,594		\$448,725	
	377,512		370,516		355,794		330,897		339,320		300,869	
	63,545		81,418		123,620		66,071		59,447		101,162	
	81,313		63,170		37,032		75,224		77,673		61,563	
\$	522,370	\$	515,104	\$	516,446	\$	472,192	\$	476,440	\$	463,594	
	<u> </u>		0.0,10-	<u> </u>	0.0,0		,		,		.00,00	

Operating & Non-Operating Expense Trends For the Past Ten Fiscal Years



Wastewater Capital Connection Deposits Held For the Past Ten Fiscal Years

Table 1

Fiscal Year	CVWD*	Chino	Chino Hills	Fontana
2004/05	16,709,735	4,073,882	2,848,819	10,823,845
2005/06	1,687,180	977,463	257,703	1,600,188
2006/07	2,788,920	2,416,243	911,522	2,351,750
2007/08	1,603,879	1,217,755	2,360,905	2,711,172
2008/09	1,228,895	901,211	977,018	2,288,501
2009/10	2,133,583	836,680	641,780	2,509,193
2010/11	3,713,185	1,425,146	861,408	4,128,203
2011/12	3,527,692	2,031,803	843,754	4,269,896
2012/13	6,929,682	6,872,100	933,078	5,210,856
2013/14	8,831,383	9,492,302	2,918,210	6,041,082
Percentage	23.2%	25.0%	7.7%	16.0%

Wastewater Capital Connection Fee Agreement

On April 12, 1984, an Amendment was made to the Chino Basin Regional Sewage Service Contract, wherein each Contracting Agency agreed to contribute Wastewater Funds (Connection Fees) to the Inland Empire Utilities Agency (IEUA) for the improvement and expansion of the Regional Wastewater System. According to the Chino Basin Regional Sewage Service Contract, the Contracting Agencies must deposit or credit an amount for each wastewater connection into a Capital Capacity Reimbursement Account (CCRA). While the source of these funds is left to the discretion of the individual agencies, it is generally obtained by a connection assessment against new construction. Funds deposited into the CCRA may be used only to provide Supplemental Capital Outlay Contributions to IEUA. According to the Chino Basin Regional Sewage Service Contract, each Contracting Agency must report monthly building (permit) activity to IEUA, and the ending monthly balance of funds in each respective Capital Capacity Reimbursement Account.

In accordance with the Chino Basin Regional Sewage Service Contract, IEUA must provide each Contracting Agency: a) a quarterly report concerning the level of Capital Capacity Reimbursement Account reserves, b) Regional Wastewater Capital Improvement expenditures and, c) the estimated amount of Supplemental Capital Outlay which will be necessary to call for funds from each Contracting Agency.

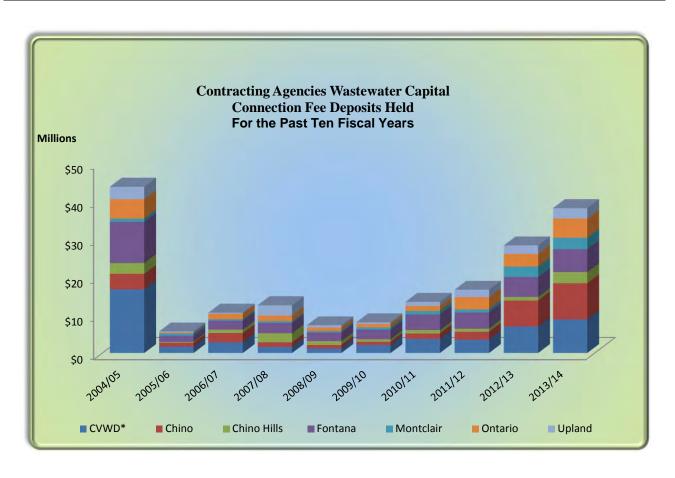
Connection fee payments to IEUA are calculated based on the percentage of each Contracting Agency's Reimbursement Account balance relative to the total balance of all Contracting Agency held funds. That percentage is then utilized to calculate each Contracting Agency's (pro rata) contribution of an IEUA "Capital Call" for funds from the Reimbursement Accounts. Table 1 & 2 represent the connection fee balances reported in the respective Contracting Agency's Annual Financial Reports. Balances reported for FY 2013/2014 are subject to further adjustment after audit.

^{*}Cucamonga Valley Water District

Wastewater Capital Connection Deposits Held For the Past Ten Fiscal Years

Table 2

Fiscal Year	Montclair	Ontario	Upland	Total
2004/05	831,738	5,137,652	3,244,291	43,669,962
2005/06	645,129	241,894	259,375	5,668,934
2006/07	400,636	1,478,984	243,823	10,591,879
2007/08	417,175	1,498,502	2,732,573	12,541,961
2008/09	372,384	921,436	605,408	7,294,853
2009/10	651,837	842,484	432,863	8,048,420
2010/11	930,082	1,282,000	1,106,443	13,446,467
2011/12	825,708	3,151,337	1,982,403	16,632,593
2012/13	2,746,961	3,337,340	2,216,963	28,246,980
2013/14	3,009,462	5,011,733	2,731,441	38,035,613
Percentage	7.9%	13.2%	7.3%	100.0%



INLAND EMPIRE UTILITIES AGENCY Regional Wastewater Program Capital Requirements For the Ten Fiscal Years Ending June 30, 2024*

	Actual	Projec	cted
Project Description	2013/14	2014/15	2015/16
Replacement Projects	-		
TP-1 Disinfection Pump Improvements	4,118	95,000	225,000
RP-1/RP-2 Boiler Replacements	446,901	55,000	
Chino Creek Invert Repair	17,827	288,000	
RP-1 Aeration Ducting	1,247,012	25,000	
CCWRF Odor Control System Replacement	166,149	500,000	600,000
RP1 Flare System Improvements	293,270		
RP4 Foundation Field Bus Link Device		42,000	
RP4 ControlNet Replacement		112,000	
Replace Remote I/O Scanners at RP4		26,000	
Server Replacement-Proc Auto & Cntrl Net		10,000	
Process Automation Controls IT Improvmnt		300,000	300,000
Total Replacement Projects	\$2,175,275	\$1,453,000	\$1,125,000
Equipment Projects			
Agency Wide Chlorine Res Analzyer Rep	102,756	160,000	
Major Facilities Repair/Replacements		700,000	500,000
Autoclave Replacement		17,500	
Agency Wide Security Equipment Upgrade		50,000	50,000
Total Equipment Projects	\$102,756	\$927,500	\$550,000

[&]quot;Source: Projections were derived from the 2014/15 IEUA Ten Year Capital improvement Plan.

Regional Wastewater Program Capital Requirements (continued) For the Ten Fiscal Years Ending June 30, 2024*

Projected

2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
								000 000
								320,000
								55,000
								288,000
								25,000
1,780,000								2,880,000
1,550,000	1,850,000							3,400,000
								42,000
								112,000
								26,000
								10,000
300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	3,000,000
\$3,630,000	\$2,150,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$10,158,000
								160,000
400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	4,400,000
								17,500
								100,000
\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$4,677,500

INLAND EMPIRE UTILITIES AGENCY Regional Wastewater Program Capital Requirements For the Ten Fiscal Years Ending June 30, 2024*

	Actual	Projected		
Project Description	2013/14	2014/15	2015/16	
nstruction Projects				
RP-4 Headworks Retrofit	293,333	900,000	300,000	
RP-5 Flow Equalization and Effluent Moni	252,353	700,000	763,000	
SCADA Enterprise System	403,196	1,000,000	2,625,000	
Montclair Lift Stn Communication System	38,522	165,000		
RP-5 Standby Generators Control Mods	308,809	270,000	25,000	
RP-2 Digester No. 4 Dome Improvements	591,366	400,000		
Montclair Lift Station Upgrades	390,693	2,500,000	415,000	
Agency-Wide HVAC Improvments- Pckg No. 2	115,284	600,000	300,000	
RP-2 Drying Beds Rehabilitation	90,684	600,000	510,000	
RP-4 Procees Improvements	82,424	200,000	900,000	
RP-1 Headworks Gate Replacement	6,569		223,223	
RP-1 Sludge Thickening SystemImprovement	8,190			
CCWRF Secondary Clarifier No. 3 Rehab	90,421	800,000	110,000	
Sewer Collection System Manhole Rehabili	55,339	600,000	610,000	
Collection System Repairs Phase V , West	00,000	400,000	100,000	
Lab Equipment Replacement		400,000	50,000	
New Lab Equipment (New Lab)			30,000	
New Water Quality Laboratory				
RP-1 East Primary Effluent Pipe Rehab		600,000	150,00	
·		400,000	100,000	
RP-1 TWAS and Primary Effluent Piping Re		·	•	
RP-1 Odor Control Improvements		100,000	550,000	
RP-1 Plant 3 Primary Scum Well Upgrade		75,000	325,000	
CM Misc RO Construction & Emerg Proj FY1		250,000	250,000	
Misc RO Construction & Emerg Proj FY14/1		250,000		
Misc WW Construction & Emerg Proj FY14/1		250,000	250,000	
CM Misc RC Construction & Emerg Proj FY1		250,000	250,000	
Regional Sewer Special Projects FY14/15		100,000		
Agency-Wide HVAC Improvements- Pckg No.		100,000	950,000	
Whispering Lakes Pump Station Rehab				
Aeration System Improvements				
Energy Efficiency Improvements			100,000	
RP-1 IPS System Improvements				
RP-4 Secondary Drains				
RP-5 Expansion to 30 mgd				
Haven LS SCADA Improvements				
RP-5 SHF				
RP-1 Flow Equalization Upgrade and Odor				
RP-1 Digester Mixing Upgrade				
Chino Creek Wetlands & Educational Park				
RP-5 Biofilter Improvements				
Financial Planning for RO Program		10,000		
Financial Planning for RC Program		17,500		
Veeam Virtual Mach Backup/Recvry Softwr		17,000		
Purch & Install of RP-5 Satellite Whs/MM	40	A 44 4	A a a a a a a a a a a	
Total Construction Projects	<u>\$2,727,183</u>	<u>\$11,554,500</u>	\$9,633,000	
Total Capital Projects	\$5,005,214	\$13,935,000	\$11,308,000	

Regional Wastewater Program Capital Requirements (continued) For the Ten Fiscal Years Ending June 30, 2024*

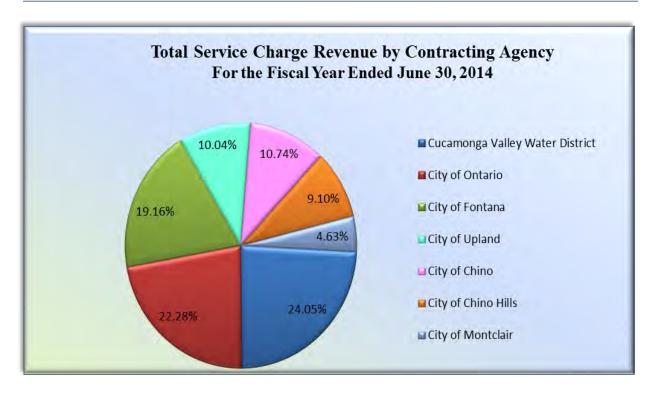
Projected

2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23 2	2023/24	Γotal
								1,200,0
								1,463,0
3,000,000	3,000,000							9,625,0
, ,	, ,							165,0
								295,0
								400,0
								2,915,0
								900,
								1,110,0
425,000								1,525,0
210,000	1,500,000	6,000,000	2,800,000					10,510,0
		240,000	1,250,000	3,478,000	3,478,000			8,446,0
								910,0
								1,210,0
								500,0
		50,000			50,000			150,0
	650,000	,			•			650,0
1,100,000	10,000,000	6,000,000						17,100,0
								750,0
								500,0
								650,0
								400,0
250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	2,500,0
,	,	,	,	,	,	,	,	250,0
250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	2,500,0
250,000	250,000	250,000	250,000	250,000	•	,	,	2,500,0
200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	100,0
150,000								1,200,0
130,000		300,000	2,700,000					3,000,0
250,000	3,000,000	3,000,000	2,700,000					6,250,0
200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	1,700,0
	250,000	750,000	,	,	,		,	1,000,0
	100,000	500,000	500,000					1,100,0
		100,000						100,0
		300,000	2,700,000					3,000,0
		250,000	25,000,000	25,000,000	25,000,000	25,000,000		100,250,0
		1,000,000						1,000,0
			250,000	500,000		500,000	500,000	2,250,0
				900,000	958,000			1,858,0
						100,000	250,000	350,0
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								17,5
			200 000	E0 000				17,0
\$6,085,000	\$19,450,000	\$19,440,000	200,000 \$36,350,000	50,000 \$30,878,000	\$30,936,000	\$26,550,000	\$1,700,000	250,0 \$192,576,5
510,115,000	\$22,000,000	\$20,140,000	\$37,050,000	\$31,578,000	\$31,636,000	\$27,250,000	\$2,400,000	\$207,412,0

Regional Wastewater Funds Service Charge Revenue and Rates by Contracting Agency For the Fiscal Year Ended June 30, 2014

Through hard work, commitment and discipline, the IEUA team provides the communities they live and work in, with wastewater and related utility services, at some of the lowest rates in the State. The following table displays data for FY 2013/2014.

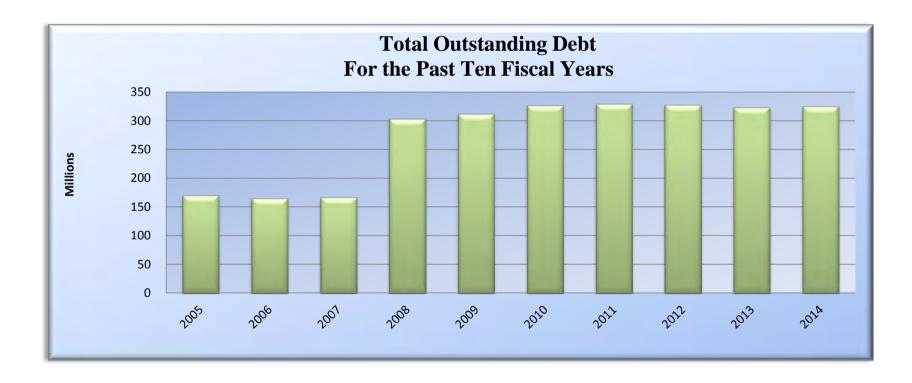
Contracting Agency	Total EDU's	Rate	Service Charge Revenue	% of Service Charge Revenue
Cucamonga Valley Water District	768,353	\$ 13.39	\$ 10,288,244	24.05%
City of Ontario	711,899	13.39	9,532,321	22.28%
City of Fontana	612,143	13.39	8,196,601	19.16%
City of Upland	320,752	13.39	4,294,863	10.04%
City of Chino	343,012	13.39	4,592,930	10.74%
City of Chino Hills	290,726	13.39	3,892,815	9.10%
City of Montclair	147,955	13.39	1,981,117	4.63%
Total Contracting Agencys' Service Charge Revenue	3,194,839		\$ 42,778,892	100.00%



Ratios of Outstanding Debt For the Past Ten Fiscal Years

The following table and chart reflect the Agency's outstanding debt ratio's and percentage of personal income per capita for the past ten fiscal years.

Fiscal Year Ended	Revenue Bonds (2)	State of California Loans (2)	SAWPA Note (2)		Total City of Outstanding Fontana(2) Debt (2)		Per Capita (1)	Percentage of Personal Income(1)	
2005	A 450 057 000	4.4.070.070	•	0.005.007	•	•	400 400 040	Φ 00	0.0000/
2005	\$ 152,957,336	\$ 14,079,679	\$	2,365,327	\$ -	\$	169,402,342	\$ 86	0.332%
2006	147,608,907	14,547,366		2,225,451	0		164,381,724	83	0.264%
2007	143,140,252	20,490,644		2,107,273	0		165,738,169	83	0.262%
2008	271,851,506	28,984,381		1,966,522	0		302,802,409	150	0.486%
2009	266,575,303	43,887,866		1,817,326	0		312,280,495	154	0.503%
2010	259,825,394	56,246,235		1,659,178	8,899,580		326,630,387	160	0.528%
2011	247,096,595	72,620,998		1,491,542	8,417,002		329,626,137	160	0.530%
2012	240,428,398	77,865,387		1,313,848	7,934,424		327,542,057	157	0.513%
2013	236,017,294	78,764,115		1,125,493	7,451,846		323,358,748	154	0.495%
2014	228,604,318	88,017,521		925,834	6,969,268		324,516,941	155	0.449%



- (1) Statistical information derived from San Bernardino County demographics at California Department of Transportation and quickfacts.
- (2) Data Source: Inland Empire Utilities Agency Finance & Accounting Department

Agency System Total Debt Coverage Ratio For Fiscal Years Ended June 30, 2014 (With Comparative Totals for the Fiscal Year Ended June 2013)

_		2014		2013	20	13 Adjusted
Revenues: Wastewater System Service Charges	\$	43,047,559	\$	39,981,119	\$	39,981,119
Wastewater Capital Connection Fees	Ψ	9,788,634	Ψ	14,614,387	Ψ	14,614,387
Property Tax		38,486,730		47,986,078		33,490,920
NRW System Service Charges		8,199,986		7,909,829		7,909,829
Interest		510,114		7,909,829		755,578
		10,830,500		7,951,605		7,951,605
Recycled Water Sales						
Desalter/Composter Services		4,231,808		4,640,059		4,640,059
Other Total Revenues	\$	1,688,917 116,784,249	\$	1,988,702 125,827,357	\$	1,988,702 111,332,199
Total Revenues	Ф	110,764,249	Ф	125,027,557	Ф	111,332,199
Operation and Maintenance Costs:			_			
Wastewater Treatment	\$	20,505,666	\$	18,910,308	\$	18,910,308
Administration and General		30,658,425		22,997,395		22,997,395
Wastewater Disposal		7,705,551		8,612,642		8,612,642
Wastewater Collection		5,622,638		4,656,679		4,656,679
Operations and maintenance		3,764,958		3,195,541		3,195,541
Desalter/Composter Services		4,231,808		4,848,111		4,848,111
Other		457,439		1,873,791		1,873,791
Total Operation and Maintenance Costs:	\$	72,946,485	\$	65,094,468	\$	65,094,468
Revenues Available to Pay Senior Debt Service	\$	43,837,764	\$	60,732,889	\$	46,237,731
Senior Obligation Debt Service						
1994 Installment Payments	\$	0	\$	0	\$	0
1999 Installment Payments		0		0		0
Total Senior Obligation Debt Service	\$	0	\$	0	\$	0
Senior Obligation Debt Service Coverage		-		0		-
Net Revenues	\$	43,837,764	\$	60,732,889	\$	46,237,731
Parity Obligation Debt Service						
2005A Installment Purchase Payments	\$	2,135,933	\$	2,213,213	\$	2,213,213
2008A Installment Payments	•	6,250,000		6,250,000		6,250,000
2008B Installment Payments		1,750,447		1,737,000		1,737,000
2010A Installment Payments		5,295,150		5,286,650		5,286,650
Total Parity Obligation Debt Service	\$	15,431,530	\$	15,486,863	\$	15,486,863
Parity Obligation Debt Service Coverage		2.84		3.92		2.99
_	_		_		_	
Net Revenues	\$	28,406,233	\$	45,246,026	\$	30,750,868
Subordinate Obligations State Povelving Fund Lean	\$	4 700 247	\$	4 660 665	s	4 660 66F
State Revolving Fund Loan	Ф	4,709,347	Ф	4,660,665	Ф	4,660,665
SAWPA Sari Capacity Purchase		267,188		267,188		267,188
City of Fontana	\$	562,402 5,538,937	\$	562,401 5,490,254	\$	562,401 5,490,254
Total Subordinate Obligations	Ф	5,556,957	Ф	5,490,254	Φ	5,490,254
Other Debt Service Coverage		5.13		8.24		5.60
Remaining Net Revenue	<u> \$ </u>	22,867,296	\$	39,755,772	\$	25,260,614
Revenues available after O&M expenses	\$	43,837,764	\$	60,732,889	\$	46,237,731
Total debt service	\$	20,970,467	\$	20,977,117	\$	20,977,117
Total debt coverage ratio		2.09		2.90		2.20

Agency System Total Debt Coverage Ratio For Fiscal Years Ended June 30, 2014 (continued)

(With Comparative Totals for the Fiscal Year Ended June 2013)

In July 2003, the Chino Basin Regional Financing Authority issued Variable Rate Revenue Bonds, Series 2002A. This issuance is subordinate to the pledge thereon securing the outstanding 1994 & 1999 Revenue Bonds. In March 2008, the Agency issued the Chino Basin regional Financing Authority issued Variable rate Demand Revenue Refunding Bonds, Series 2008B to refund all of the outstanding 2002A Bonds.

In May 2005, the Chino Basin Regional Financing Authority issued Revenue Bonds, Series 2005A. This issuance is subordinate to the pledge thereon securing the outstanding 1994 & 1999 Revenue Bonds.

In February 2008, the Chino Basin Regional Financing Authority issued Revenue Bonds, Series 2008A. The Bonds were primarily used for improvements to the wastewater recycled water and non-reclaimable wastewater facilities.

In July 2010, the Chino Basin Regional Financing Authority issued Refunding Revenue Bonds, Series 2010A. The Bonds were primarily used to refund the outstanding Chino Basin Regional Financing Authority Revenue Bond Series 1994.

In addition, the Agency wastewater funds are required to maintain operating reserves sufficient to cover four (4) months of budgeted operating and maintenance expenses.

- The amended budget FY 2013/14 for operating and maintenance expenses for four months was \$24,765,804.
- As of the Fiscal Year Ended June 30, 2014, the Agency had designated debt service reserves of \$4,754,185, which has been included in Net Investment in Capital Assets.

INLAND EMPIRE UTILITIES AGENCY Computation of Direct and Overlapping Bonded Debt As of June 30, 2014

2013/2014 Assessed Valuation: \$83,588,577,734 (after deducting \$26,903,284,615 Redevelopment Incremental Valuation)

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable (1)	Debt 6/30/14	
Metropolitan Water District	3.827%	\$ 5,062,164	
Chaffey Community College District	98.772	159,675,709	
San Bernardino Community College District	0.736	3,260,237	
Chino Valley Unified School District	100.	132,919,999	
Colton Joint Unified School District	1.106	1,963,950	
Fontana Unified School District	91.572	203,349,114	
Rialto Unified School District	5.152	3,711,664	
Upland Unified School District	99.780	86,716,769	
Chaffey Union High School District	99.832	180,526,206	
Alta Loma School District	99.812	14,148,387	
Central School District	100.	18,143,515	
Mountain View School District & School Facilities Improvement District No. 1	100.	13,291,670	
Ontario-Montclair School District	100.	50,054,903	
Inland Empire Utilities Agency	100	0	(2)
City of Chino Community Facilities Districts	100.	127,490,000	1-1
City of Chino Hills Community Facilities Districts	100:	44,725,000	
Etiwanda School District Community Facilities Districts	100	96,275,000	
Upland Unified School District Community Facilities District	100	4.213.000	
City of Fontana Community Facilities Districts	4,930-100.	58,101,110	
Mountain View School District Community Facilities District	100.	885,000	
San Bernardino County Community Facilities Districts No. 2002-1	100.	22,295,000	
City of Ontario Community Facilities District	100.	7.655.000	
City of Rancho Cucamonga Community Facilities Districts	100.	88,544,000	
City of Upland Community Facilities Districts	100.	41,195,000	
City of Chino Hills 1915 Act Bonds	100.	2,680,000	
	100.		
City of Ontario 1915 Act Bonds	100.	8,945,000	
City of Rancho Cucamonga 1915 Act Bonds TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	100.	1,615,000	
		\$1,377,442,397	
OVERLAPPING GENERAL FUND OBLIGATION DEBT:	7.00	a salida a sala	
San Bernardino County General Fund Obligations	49.675%	\$ 249,937,279	
San Bernardino County Pension Obligations	49.675	242,979,466	
San Bernardino County Flood Control General Fund Obligations	49.675	50,191,620	
Chaffey Community College District Certificates of Participation	98.772	11,670,570	
Chino Valley Unified School District Certificates of Participation	100.	18,605,000	
Colton Joint Unified School District Certificates of Participation	1.106	43,026	
Fontaria Unified School District Certificates of Participation	91.572	43,386,814	
Rialto Unified School District Certificates of Participation	5.152	352,397	
Cucamonga School District Certificate of Participation	100.	9,810,000	
City of Chino Hills Certificates of Participation	100.	17,730,000	
City of Fontana Certificates of Participation	82.601	43,357,265	
City of Montclair General Fund Obligations	100.	25,265,000	
City of Ontario General Fund Obligations	100.	72.035.000	
Other City General Fund Obligations	8.172.8100.	951,870	
West Valley Vector Control District Certificates of Participation	100.	3,215,000	
TOTAL NET OVERLAPPING GENERAL FUND	0.5	-12.12	
		\$ 790,530,307	
OVERLAPPING TAX INCREMENT DEBT:	10.914-100.	\$ 942,028,518	
NET COMBINED TOTAL DEBT		\$3,110,001,222	(3)

INLAND EMPIRE UTILITIES AGENCY Computation of Direct and Overlapping Bonded Debt (continued) As of June 30, 2014

Ratios to 2013-14 Assessed Valuation:	
Direct Debt	0.00%
Total Direct and Overlapping Tax and Assessment Debt	1.65%
Ratios to Adjusted Assessed Valuation:	
Combined Direct Debt	3.72%
State School Building Aid Repayable As Of 6/30/14:	\$0

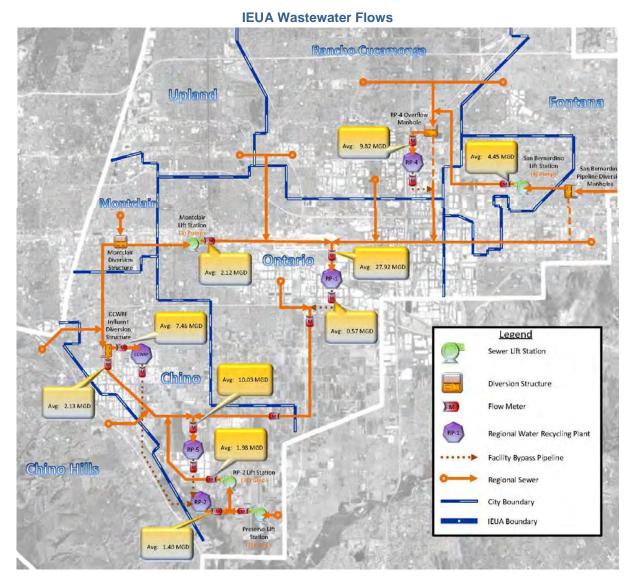
Source: California Municipal Statistics, Inc.

Footnotes:

- (1) Percentage of overlapping agency's assessed valuation located within boundaries of the agency.
- (2) Excludes revenue issues.
- (3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax Allocation Bonds and non-bonded capital lease obligations.

Operating Indicators - Wastewater Facilities Design Capacity and Average Flow As of June 30, 2014

Currently, the Agency operates four water recycling plants: Regional Plant No. 1 (RP-1) is located in the City of Ontario, Carbon Canyon Water Recycling Facility (CCWRF) is located in the City of Chino, Regional Plant No. 4 (RP-4) is located in the northeast service area in the City of Rancho Cucamonga and Regional Plant No. 5 (RP-5) located in the unincorporated area of the City of Chino.



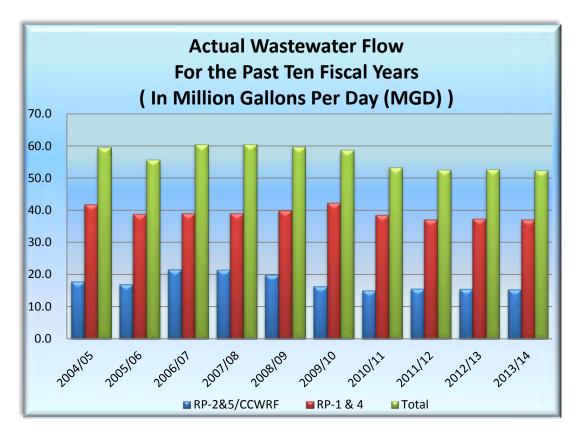
The following table presents the current design capacities and flows of the Agency's water recycling facilities as of June 30, 2014:

Facility	Design Capacity (MGD)*	Average Flow (MGD)*	Average Flow as % of Design Capacity
RP-1	44.0	26.9	61.1%
RP-4	14.0	10.1	72.1
RP-5	15.0	8.0	53.3
CCWRF	11.4	7.2	63.2
Total	84.4	52.2	61.8%

^{*}MGD = million gallons per day

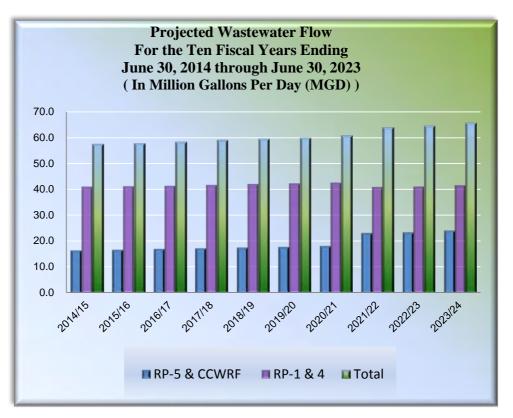
Operating Indicators - Actual Wastewater Flow For the Past Ten Fiscal Years (In Million Gallons Per Day (MGD))

Fiscal Year	RP-1 & 4 (MGD)	RP-2&5/CCWRF (MGD)	Total (MGD)
2004/05	41.9	17.7	59.6
2005/06	38.8	17.0	55.8
2006/07	39.1	21.4	60.5
2007/08	39.1	21.5	60.6
2008/09	39.8	20.0	59.8
2009/10	42.3	16.4	58.7
2010/11	38.4	14.9	53.3
2011/12	37.0	15.6	52.6
2012/13	37.3	15.5	52.8
2013/14	37.0	15.3	52.2



Operating Indicator - Projected Wastewater Flow For the Ten Fiscal Years Ending June 30, 2015 through June 30, 2024* (In Million Gallons Per Day (MGD))

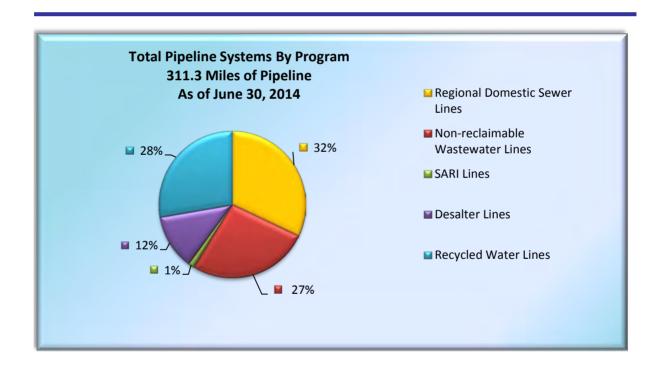
Fiscal Year	RP-5 & CCWRF (MGD)	RP-1 & 4 (MGD)	Total (MGD)
2014/15	16.4	41.1	57.5
2015/16	16.7	41.3	58.0
2016/17	16.9	41.5	58.4
2017/18	17.2	41.8	59.0
2018/19	17.5	42.1	59.6
2019/20	17.7	42.4	60.1
2020/21	18.1	42.7	60.8
2021/22	23.1	41.0	64.1
2022/23	23.4	41.2	64.6
2023/24	24.1	41.7	65.8



^{*} Source: Statistics were Provided by IEUA Planning and Water Resources Dept.

Operating and Capacity Indicators - Pipeline Systems By Program As of June 30, 2014

Program	Miles of Pipeline	Percentage of Pipelines
Regional Domestic Sewer Lines	99.7	32%
Non-reclaimable Wastewater Lines	83.2	27%
SARI Lines	4.3	1%
Desalter Lines	37.8	12%
Recycled Water Lines	86.3	28%
Total Miles of Pipeline	311.3	100%



Source: IEUA Engineering Dept.

No data available prior to most recent information.

Operating Indicators - FY 2013/14 Staffing Allocations As of June 30, 2014

Actual staffing allocation by Program

*FTE

Regional Wastewater Operations	162.5
Regional Wastewater Capital Programs	28.2
Recycled Water Programs	15.5
Inland Empire Regional Composting Authority Operations	24.0
Non-reclaimable Wastewater System Programs	12.9
Chino Basin Desalter Operations & Capital Programs	7.0
Recharge Water Programs	2.6
Water Related Activities & Conservation Programs	4.3
General Administration	1.0
Total FTE Count	258
Total Authorized FTE	295
Vacancy Factor Percentage	12.5%

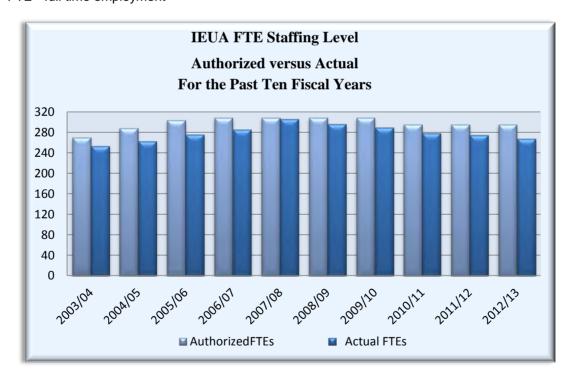
Source: IEUA June 2014 Position Control Report

^{*}FTE- Full Time Equivalent

Operating Indicators - Comparison of Authorized and Actual Staffing Level For the Past Ten Fiscal Years

Fiscal Year	Authorized FTEs	Actual FTEs
2003/04	270	254
2004/05	288	262
2005/06	303	276
2006/07	308	286
2007/08	308	306
2008/09	308	296
2009/10	308	290
2010/11	295	278
2011/12	295	275
2012/13	295	267

*Actual Employee Count is an annual weighted average FTE - full time employment

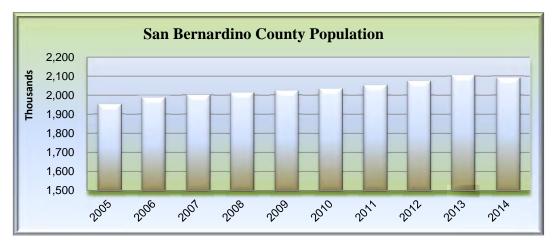


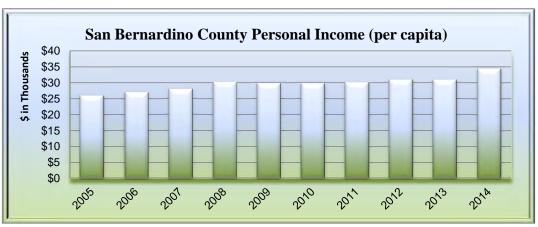
The chart and table above reflect the number of authorized FTE positions versus actual staffing level by fiscal year for the past ten fiscal years.

Demographic and Economic Statistics For the Past Ten Fiscal Years

San Bernardino County (1)

Year	Population	Personal Income (billions)	Personal Income (per capita)
			_
2005	1,953,229	50.9	26,068
2006	1,987,505	53.9	27,134
2007	2,002,208	56.1	28,024
2008	2,015,355	60.9	30,363
2009	2,024,760	59.7	29,859
2010	2,035,210	60.8	29,848
2011	2,053,974	63.6	30,245
2012	2,074,668	67.3	31,007
2013	2,106,217	68.1	30,990
2014	2,092,660	73.5	34,561





Footnotes:

- (1) The Agency has chosen to use the County data since it believes that the County data is representative of the conditions and experience of the Agency.
- (2) Data for Year 2014 has been estimated.

Demographic and Economic Statistics

Area's Largest Public and Private Employers

Firm	Location	Number of Employees
Ontario International Airport	Ontario	7,510
Kaiser Permanente Medical Center	Fontana	4,800
Fontana Unified School District	Fontana	3,392
San Antonio Community Hospital	Upland	1,942
California Institution for Men	Chino	1,696
Upland Unifed School District	Upland	1,500
Chino Valley Unified School District	Chino	1,350
Chaffey Community College District	Rancho Cucamonga	1,229
North American Medical Management	Ontario	1,304
City of Fontana	Fontana	1,103

Sources: San Bernardino Area Chamber of Commerce, City's websites and financial documents



City of Fontana



San Antonio Community Hospital



Fontana Medical Center



Ontario International Airport

Footnote: No data available prior to most recent information.

Inland Empire Utilities Agency

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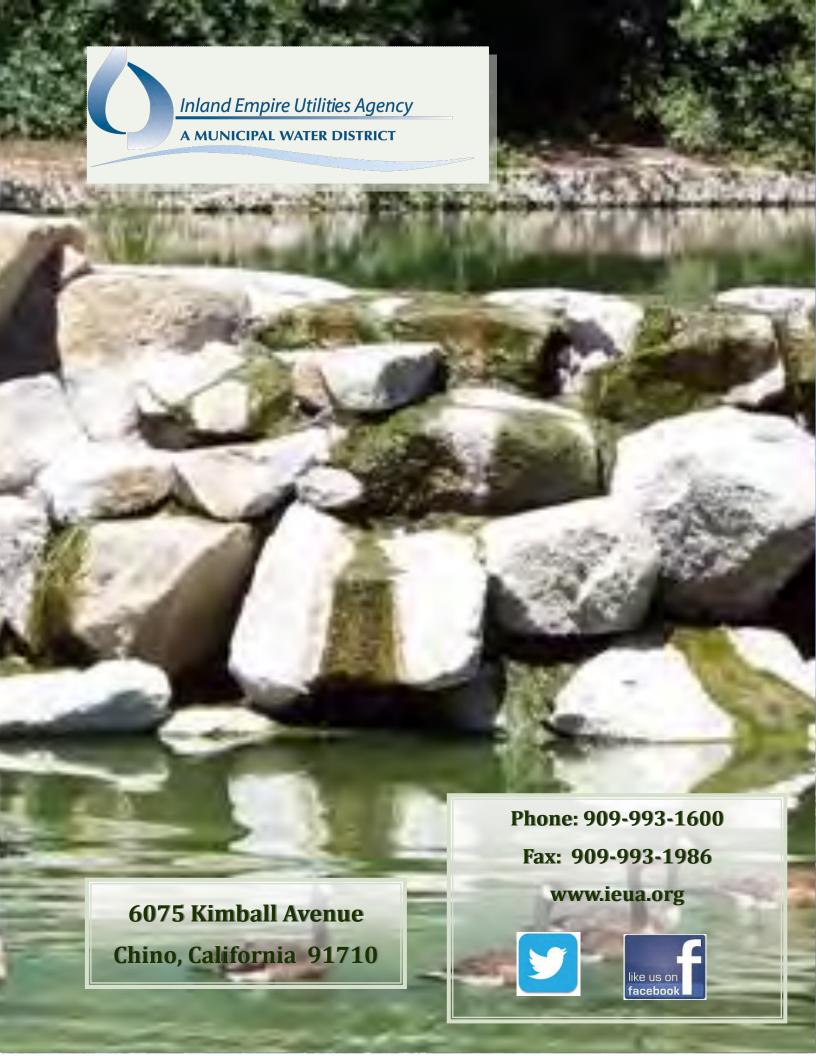
White Nelson Diehl Evans , LLP 2875 Michelle Drive, Suite 300 Irvine, California 92606

Acknowledgements:

Special Thanks to the IEUA employees who contributed photographs, articles, and their expertise for this Comprehensive Annual Financial Report.



Garden in Every School Program – Coyote Canyon Elementary



Financial Statements for the Agencies San Bernardino Valley Municipal Water District:

June 30, 2014

Attachment 3c

SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT

San Bernardino, California

Basic Financial Statements and Supplementary Information

For the Years Ended June 30, 2014 and 2013



Basic Financial Statements and Supplementary Information For the Years Ended June 30, 2014 and 2013

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PCPS The AICPA Alliance for CPA Firms

Governmental Audit
Quality Center

California Society of Certified Public Accountants

Independent Auditor's Report

Board of Directors San Bernardino Valley Municipal Water District San Bernardino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the San Bernardino Valley Municipal Water District as of June 30, 2014 and 2013, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Bernardino Valley Municipal Water District as of June 30, 2014 and 2013, and the results of its operations, changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the California State Controller's office and state regulations governing special districts.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2014 the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

Logers Underson Majorly & Scott, LLP

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2014, on our consideration of the San Bernardino Valley Municipal Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

San Bernardino, California November 5, 2014

The District

San Bernardino Valley Municipal Water District (District) was formed on February 17, 1954, under the Municipal Water District Act of 1911. The District is one of 29 contractors to the California State Water Project, which delivers water from Northern California to various parts of the state. A major function of the District is to import and deliver water into its service area through participation in the State Water Project and to manage groundwater storage within its boundaries. The District's service area encompasses approximately 352 square miles in southwestern San Bernardino County and a portion of Riverside County. It spans the eastern two thirds of the San Bernardino Valley, the Crafton Hills, and a portion of the Yucaipa Valley, and includes the cities and communities of San Bernardino, Colton, Loma Linda, Redlands, Rialto, Bloomington, Highland, Grand Terrace, and Yucaipa. The District is governed by a five member board, representing five geographical divisions within the District, which is elected by the citizens in a general popular election.

In 1960, the District entered into a contract with the State Department of Water Resources to receive an annual allotment of up to 102,600 acre-feet of water from the State Water Project. The District has been importing water from the State Water Project since 1972.

Overview of the Basic Financial Statements

San Bernardino Valley Municipal Water District is a special purpose governmental district (Special District) engaged only in activities that support themselves through tax levies and user fees. Accordingly, the accompanying financial statements are presented in the format prescribed for proprietary funds by the Governmental Accounting Standards Board.

These financial statements consist of three interrelated statements designed to provide the reader with relevant, understandable data about the District's financial condition and operating results. They are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

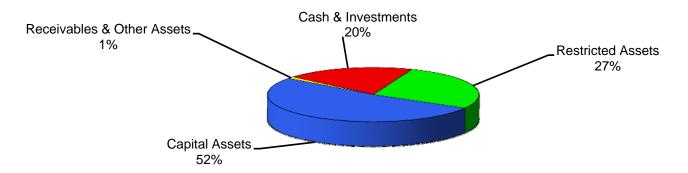
The Statement of Net Position presents the District's assets and liabilities and the difference, or net, between what is owned and what is owed as of the last day of the District's fiscal year. The Statement of Revenues, Expenses and Changes in Net Position describes the financial results of the District's operations for the years reported. These results, or changes in net position, are the increases or decreases in the bottom line of the Statement of Net Position.

The Statement of Cash Flows conveys to financial statement users how the District managed cash resources during the year. This statement converts the Change in Net Position presented on the Statement of Revenues, Expenses and Changes in Net Position into actual cash provided by or used for operations. The Statement of Cash Flows also details how the District obtains cash through financing and investing activities and, conversely, how cash is spent for these purposes.

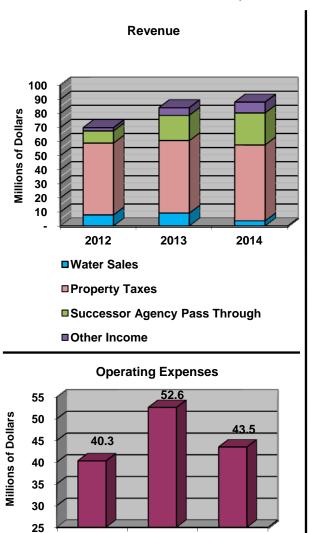
Summary Financial Information and Analysis

During the year ended June 30, 2014, the District's Total Assets increased by \$48.9 million and Net Position increased by \$47.8 million. A majority of the increase in Total Assets resulted from an increase of \$20.1 million in Unrestricted Current Assets and a \$29.9 million increase in Restricted Assets, an increase of \$.7 million in Total Capital Assets and a \$1.2 million increase in Construction in Progress netted against a decrease in Non Current Assets of \$2.8 million.

Assets Owned



Total Cash in bank, Cash in Local Agency Investment Fund and Investments in government securities increased by \$56.8 million. The increase can be further divided into general unrestricted and restricted cash. Unrestricted cash increased by \$22.9 million and restricted cash increased by \$33.9 million.



2013

2014

2012

Financial Statement Summary (In millions)

	6/30/2014	6/30/2013
Current Assets	\$ 128.59	\$ 108.41
Restricted Assets	172.71	142.83
Capital Assets	327.19	325.28
Other Noncurrent		
Assets	2.49	5.48
Total Assets	630.97	582.01
Total Liabilities	18.38	17.22
Net Position	612.60	564.79
Revenues		
Water Sales	3.65	9.15
Other Operating Revenues	5.33	6.53
Property Taxes	53.95	51.47
SA Pass Through	22.69	17.99
Interest	2.17	0.27
Miscellaneous	3.85	(.63)
_		
Expenses	(10.11)	(20.45)
Source of Supply Admin & General	(19.11)	(29.45)
	(13.16)	(12.46)
Depreciation & Amort.	(11.24)	(10.74)
Interest Expense	(0.33)	(0.34)
Change in Net Resition	\$ 47.80	\$ 31.79
Change in Net Position	Ş 47.60	Ç 31./9

The increase in Net Position included an operating loss of \$34.5 million. This is due in part to the District being required by the California State Controller's office to report property taxes as nonoperating revenue. However, the majority of the property tax revenues are used for State Water Project expenditures which are included in operating expenses.

Total operating expenses for the year ended June 30, 2014 decreased over the prior year by \$9.1 million. The majority of the decrease is from Source of Supply expenses which include operations, maintenance, power, and purchased water paid to the Department of Water Resources which decreased by \$10.3 million and Administrative and General Expenses increased slightly by \$.7 million.

Total Nonoperating revenues increased by \$10.4 million over the prior year. Total property taxes received increased slightly by \$2.5 million. The assessed values within the District's service area experienced a 3.4% increase over the prior year. A majority of the increase in Nonoperating Revenues was due to an increase in Successor Agency Pass Through Payments. The State of California Legislature approved the dissolution of Redevelopment Agencies (RDA). After a period of litigation, RDAs were officially dissolved as of February 1, 2012. As a result of the elimination of the RDAs, remaining property tax revenues that exceed the enforceable obligations are now being allocated to cities, counties, special districts, and school and community college districts. Successor Agency Pass Through Payment increase by \$4.7 million over the prior year.

Categories of Net Position

The District is required to present its net position in three categories: Invested in Capital Assets, Restricted for State Water Project, and Unrestricted.

Net Investment in Capital Assets

At June 30, 2014, the amount the District had invested in capital assets, net of related debt was \$318.8 million. This balance was obtained by combining Construction in Progress of \$1.8 million with Capital Assets in Service, net of Accumulated Depreciation and Amortization of \$325.3 million and Certificates of Participation of \$8.2 million.

Restricted Net Position – Debt Service

The District has restricted Net Position of \$171.8 million, which consists of tax proceeds that were levied for State Water Project payments plus interest on investments less State Water Project related expenditures. The Board of Directors has designated \$30 million of this amount to be retained for the purpose of Maintenance and Repairs on the State Water Project distribution pipelines, pump stations and reservoirs. The balance of restricted net position of \$142.1 million is to be used for future expenses related to the State Water Project.

The District's future commitment for State Water Project costs over the years 2013 to 2035, according to a payment schedule dated January 24, 2014, is estimated to total \$651 million.

Unrestricted Net Position

The District had unrestricted Net Position of \$121.9 million at June 30, 2014. The Board of Directors has designated \$19 million of this reserve to be retained for the purpose of self insuring the District against any claims made against the District. The District has an extensive future capital improvement plan which consists of many projects which include Enhanced Santa Ana River Spreading, Central Feeder Phase 2, Santa Ana River Tributary / Storm Water Capture and Recycled Water System.

Construction In Progress (CIP)

Construction in progress increased from \$.7 to \$1.8 million between June 30, 2013 and June 30, 2014. The projects still in progress at June 30, 2014 included Riverside Groundwater Aquifer Storage Project, East Branch Extension Phase II and the Baseline Feeder Flow Controls and Metering Project.

Capital Assets

The District made payments to the Department of Water Resources during the year totaling \$29.0 million net of credits and refunds for participation rights in the State Water Project. This was a decrease of \$9.5 million over the prior year mainly attributable to lower allocation of State Project Water being available for fiscal year June 30, 2014 which resulted in a decrease of variable energy cost and costs associated with the Off Aqueduct Power Facilities.

Certificates of Participation

The District issued \$8.6 million in Certificates of Participation (COP) bonds during the fiscal year ending June 30, 2012. The District received an AAA bond rating from Standard and Poors. Bond proceeds were used to build the Baseline Feeder Well Replacement Project.

Contacting the District's Financial Management

This financial report is designed to provide our customers, investors, and creditors with an overview of the District's financial operations and condition. If you have questions about this report or need additional information, you may contact the District at (909) 387-9200 or 380 E. Vanderbilt Way, San Bernardino, CA 92408.

Statements of Net Position June 30, 2014 and 2013

ASSETS		2014	 2013
Current assets:	·	_	
Cash and cash equivalents	\$	38,957,218	\$ 46,791,820
Investments		84,717,982	54,025,565
Property taxes receivable		161,659	36,684
Accounts receivable		1,643,192	5,624,813
Accrued interest receivable		155,685	172,904
Current portion of other receivables		2,618,734	1,545,757
Current portion of notes receivable		338,481	221,255
Total current assets - unrestricted		128,592,951	108,418,798
Restricted assets:			
Cash and cash equivalents		34,657,031	32,027,485
Investments		132,271,613	100,954,734
Total restricted cash and investments		166,928,644	132,982,219
Property taxes receivable		740,872	709,427
Accounts receivable		2,854,197	6,584,176
Accrued interest receivable		201,254	224,948
Water bank inventory		1,983,525	2,329,863
Total restricted assets		172,708,492	142,830,633
Noncurrent assets: Capital assets:			
Capital assets in service		193,784,810	192,834,026
Accumulated depreciation		(40,045,343)	(36,570,607)
Capital assets - net		153,739,467	156,263,419
Participation rights in State Water Project facilities (at cost)		284,956,337	273,980,909
Accumulated amortization		(113,384,803)	(105,654,174)
Participation rights in State Water Project facilities - net		171,571,534	168,326,735
Total capital assets, net of accumulated depreciation and amortization		325,311,001	324,590,154
Construction in progress		1,874,334	687,962
Total capital assets, net		327,185,335	325,278,116
Other noncurrent assets:			
Other receivables, net of current portion		1,791,818	4,410,553
Notes receivable, net of current portion		453,713	677,191
Water stock		238,500	388,500
Deposit on land		1,975	 1,975
Total noncurrent assets		329,671,341	330,756,335
Total assets	\$	630,972,784	\$ 582,005,766

Statements of Net Position June 30, 2014 and 2013

LIABILITIES	 2014		2013
Current liabilities:	_		_
Payable from current assets - unrestricted:			
Accounts payable	\$ 2,149,780	\$	1,151,744
Accrued employee benefits	1,699,335		1,501,465
Accrued interest payable	168,222		169,872
Unearned revenue	5,415,624		5,066,040
Certificates of participation, current portion	 165,000	_	165,000
Total payable from current assets - unrestricted	9,597,961		8,054,121
Payable from restricted assets:			
Accounts payable	288,093		553,823
Santa Ana River restoration/recovery trust fund	276,803		226,759
Total payable from current assets - restricted	564,896		780,582
Non-current liabilities:			
Certificates of participation, non-current portion	8,075,000		8,240,000
Premium on certificates of participation, net	139,325		144,485
Total non-current liabilities	 8,214,325		8,384,485
Total liabilities	 18,377,182		17,219,188
NET POSITION			
Net investment in capital assets	318,806,011		316,728,632
Restricted:			
Debt service - State Water Project	170,250,826		138,881,982
Debt service - Devil Canyon-Castaic	1,559,549		1,376,877
Unrestricted	 121,979,216		107,799,087
Total net position	\$ 612,595,602	\$	564,786,578

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Statements of Revenues, Expenses and Changes in Net Position For the Years Ended June 30, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Water sales	\$ 3,650,841	\$ 9,150,206
Other operating revenues	5,334,418	6,527,693
Total operating revenues	8,985,259	15,677,899
OPERATING EXPENSES		
Source of supply:		
Operations, maintenance, power and replacement	15,800,305	21,185,726
Purchased water	3,307,191	8,266,464
	19,107,496	29,452,190
Administrative and general:	· · · · · · · · · · · · · · · · · · ·	
Salaries	2,241,929	2,447,175
Retirement and benefits	1,823,869	1,809,403
Payroll taxes	148,758	160,770
Consultants	3,625,722	2,204,112
Legal and accounting	970,493	858,120
Outside services	43,668	40,458
Office supplies and expense	215,484	264,300
Dues and subscriptions	356,991	273,792
Public education and information	246,340	179,633
Maintenance and repair	1,470,405	1,103,272
Utilities	447,164	539,437
Inland Empire Brine Line fees	1,075,382	2,021,893
Insurance	93,585	148,128
Auto and travel	83,343	85,671
Lodging and meals	14,994	14,958
Taxes and licenses	48,341	31,208
Tax collection fee	252,358	274,850
	13,158,826	12,457,180
Other operating expenses:		
Depreciation and amortization	11,240,524	10,736,283
Total operating expenses	43,506,846	52,645,653
OPERATING LOSS	\$ (34,521,587)	\$ (36,967,754)

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Statements of Revenues, Expenses and Changes in Net Position For the Years Ended June 30, 2014 and 2013

	2014		2013	
NONOPERATING REVENUES (EXPENSES)			•	
Revenues:				
Property taxes:				
Debt service	\$	46,291,478	\$	44,287,277
General purpose distribution		7,661,949		7,179,629
Successor Agency pass through		22,690,528		17,987,013
Investment income		2,172,030		268,800
Gain on sale of water stock		150,000		150,000
Gain (loss) on disposal of capital assets		10,312		(1,276,997)
		78,976,297		68,595,722
Expenses:				
Interest expense		331,284		340,467
Total nonoperating revenues		78,645,013		68,255,255
Income before contributions		44,123,426		31,287,501
Contributions in aid of construction		3,685,598		499,598
Change in net position		47,809,024		31,787,099
Net position - beginning of year, as restated		564,786,578		532,999,479
Net position - end of year	\$	612,595,602	\$	564,786,578

Statements of Cash Flows For the Years Ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from water sales	\$ 11,712,025	\$ 3,698,612
Cash received from other operating activities	5,334,418	4,928,423
Cash paid for source of supply	(18,761,158)	(36,032,021)
Cash paid to other suppliers	(8,211,964)	(10,301,782)
Cash paid for employees' wages, taxes and benefits	(4,016,686)	(4,144,686)
Net cash used for operating activities	(13,943,365)	(41,851,454)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes received - general purpose distribution	7,536,974	7,229,034
Successor Agency pass through received	24,236,286	19,532,771
Trust funds received	 50,044	 50,034
Net cash provided by noncapital financing activities	31,823,304	 26,811,839
CASH FLOWS FROM CAPITAL AND RELATED		
FINANCING ACTIVITIES		
Property taxes received - debt service	46,260,033	44,300,651
Proceeds from sale of capital assets	10,312	1,419,333
Proceeds from collection of note receivable	106,252	219,054
Acquisition of capital assets	(11,961,371)	(15,420,041)
Payments for construction in progress	(1,186,372)	(1,933,302)
Principal payments on debt	(165,000)	(160,000)
Interest paid	(338,094)	(341,344)
Proceeds from contribution in aid of construction	3,685,598	499,598
Net cash provided by capital and	 -,,	
related financing activities	 36,411,358	 28,583,949
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(127,972,518)	(94,708,044)
Redemption of investments	66,347,460	93,381,880
Sale of water stock	300,000	300,000
Investment income	 1,828,705	 1,477,420
Net cash (used for) provided by investing activities	(59,496,353)	 451,256
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,205,056)	13,995,590
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	78,819,305	64,823,715
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 73,614,249	\$ 78,819,305

Statements of Cash Flows For the Years Ended June 30, 2014 and 2013

	2014	2013
RECONCILIATION TO STATEMENTS OF NET POSITION		
Current assets:		
Cash and cash equivalents - current	\$ 38,957,218	\$ 46,791,820
Cash and cash equivalents - restricted	 34,657,031	 32,027,485
Total cash and cash equivalents	\$ 73,614,249	\$ 78,819,305
RECONCILIATION OF OPERATING LOSS TO NET		
CASH USED FOR OPERATING ACTIVITIES		
Operating loss	\$ (34,521,587)	\$ (36,967,754)
Adjustments to reconcile operating loss to net cash		
used for operating activities:		
Depreciation and amortization	11,240,524	10,736,283
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	7,711,600	(10,931,934)
Water bank inventory	346,338	-
Increase (decrease) in:		
Accounts payable	732,306	(3,861,220)
Accrued employee benefits	197,870	272,662
Unearned revenue	 349,584	 (1,099,491)
Net cash used for operating activities	\$ (13,943,365)	\$ (41,851,454)
SCHEDULE OF NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES		
Installment sale of capital assets	\$ -	\$ 1,117,500
Amortization of premium on bonds payable	(5,160)	(5,160)

Notes to the Basic Financial Statements For the Years Ended June 30, 2014 and 2013

Note 1: Reporting Entity and Summary of Significant Accounting Policies

Organization and operations of the reporting entity

San Bernardino Valley Municipal Water District (the District) was formed on February 17, 1954, under the Municipal Water District Act of 1911. The District is one of 29 contractors to the California State Water Project, which delivers water from Northern California to various parts of the state. The purpose of the District is to import and deliver water into its service area through participation in the State Water Project and to manage groundwater storage within its boundaries. The District's service area encompasses approximately 352 square miles in southwestern San Bernardino County. It spans the eastern two-thirds of the San Bernardino Valley, the Crafton Hills, and a portion of the Yucaipa Valley, and includes portions of the cities of San Bernardino, Colton, Loma Linda, Redlands, Rialto, Bloomington, Highland, Grand Terrace, and Yucaipa. The District is governed by a five member board, representing five geographical divisions within the District, which is elected by the citizens in a general popular election.

The San Bernardino Valley Municipal Water District Financing Corporation (the Corporation) was created in May of 2011 by a joint exercise of powers agreement for the purpose of acquiring, constructing, rehabilitating, financing and refinancing, or providing for the sale or leasing of public capital improvements. It is governed by a Board of Directors comprised of the District's Board of Directors. The Corporation has issued debt which is secured solely from installment payments payable under an installment purchase agreement entered into by the District and the Corporation. All accounts or funds created and established pursuant to any instrument or agreement to which the Corporation is a party, and any interest earned or accrued thereon, shall incur to the benefit of the District. Separate financial statements are not prepared for the Corporation. It is reported as a blended component unit.

Measurement focus, basis of accounting and financial statement presentation

The District's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting, in conformity with generally accepted accounting principles (GAAP) and the Uniform Systems of Accounts for Water Utility Districts as prescribed by the Controller of the State of California. Under this basis, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand, demand deposits at financial institutions, investments in money market funds and government securities that are highly liquid and readily available with an original maturity of three months or less, and deposits in the State of California Local Agency Investment Fund (LAIF). Deposits in the LAIF can be withdrawn at any time without penalty.

Investments

Investments are stated at fair value (the value at which financial instruments could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale), in accordance with GASB 31. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Notes to the Basic Financial Statements For the Years Ended June 30, 2014 and 2013

Note 1: Reporting Entity and Summary of Significant Accounting Policies (continued)

Allowance for doubtful accounts

Notes and accounts receivable are reported net of an allowance for uncollectible accounts. Allowances are reported when notes and accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with notes receivable were \$1,588,221 for the years ended June 30, 2014 and 2013, while there were no allowances for uncollectible accounts to be netted with accounts receivable for those respective years. Refer to Note 5 for details of the notes receivable netted with allowances for doubtful accounts.

Prepaid expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Inventories

Inventories are valued at purchase cost using the weighted average cost of consumption method. Refer to Note 3 for more information regarding inventory.

Capital assets

Capital assets are stated at original cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. The cost of maintenance is charged to operating expense. Land, right of ways, pipeline capacity, and construction in progress are not depreciated. Other tangible property, plant and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings	30-40
Furniture, fixtures and equipment	5-50
Vehicles	5-10
Water transportation and distributions lines	10-100

The capital cost component of the transportation charges and the Delta water charge the District pays for participation rights in the State Water Project are being capitalized as paid and amortized using the straight-line method over the remaining life of the State Water Contract, which expires in 2035.

Employee benefits

District employees earn vacation and sick leave days based on length of service. Employees may accumulate vacation time not to exceed two annual vacation periods, as determined by length of service, and unused sick leave to a maximum of 1,280 hours. Upon termination, the District is obligated to compensate employees for 100% of the accrued unused vacation time, and 25% of the accrued unused sick leave. Compensated absences are presented in the current liabilities section of the statement of net position.

The District provides a Health and Dependent Care Reimbursement Plan to employees eligible under the District's plan. Any unused benefits under this plan carry over to following years to a maximum of \$25,000. The accrued medical reimbursement plan liability is presented in the current liabilities section of the statement of net position.

Notes to the Basic Financial Statements For the Years Ended June 30, 2014 and 2013

Note 1: Reporting Entity and Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

The District provides a deferred compensation plan to employees on a voluntary basis. Employees may elect to have a portion of their current earnings withheld and invested with ING Life Insurance and Annuity Company or PERS deferred compensation plan. Benefits are generally available upon the employee's death, disability, retirement, severe hardship, or termination of employment.

Restricted resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed, in accordance with its Reserve Policy.

Net position

Net position is categorized as follows:

- Net investment in capital assets This component of net position consists of capital assets, net of
 accumulated depreciation and reduced by any outstanding debt against the acquisition, construction or
 improvement of those assets.
- Restricted net position This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position This component of net position consists of net position that do not meet the definition of restricted or net investment in capital assets.

Operating and nonoperating activities

Revenues and expenses are distinguished between operating and nonoperating items. Operating revenues generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are water sales.

Operating expenses include costs associated with the purchasing, pumping, and distribution of water, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Property taxes

Property taxes are attached as an enforceable lien on property as of March 1. Taxes are levied on July 1 and are due in two installments. The first installment is due on November 1, and is payable through December 10 without penalty. The second installment is due February 1, and becomes delinquent on April 10. Property taxes are remitted to the District from the County of San Bernardino and County of Riverside at various times throughout the year.

Contributions

Contributions in aid of construction represent cash and capital assets contributed to the District by other governmental agencies for the acquisition, construction or improvement of District capital assets.

Reclassification

Certain reclassifications have been made to prior years' balances to conform to classifications used in 2014.

Note 1: Reporting Entity and Summary of Significant Accounting Policies (continued)

Implementation of new accounting principle

Effective July 1, 2013, the District adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The District's financial statements do not contain any elements that meet the definition of deferred outflows of resources or deferred inflows of resources. GASB 65 amended prior guidance with respect to the treatment of debt issuance costs. Under GASB 65, debt issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred rather than reported as an asset on the statement of net position and recognized as an expense in a systematic and rational manner over the duration of the related debt. Accordingly, as noted in Note 13 of the financial statements, the District has restated beginning net position for any unamortized debt issuance costs previously reported on the statement of net position in conformity with GASB 65.

Note 2: Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments as of June 30, 2014 and 2013 are classified in the accompanying financial statements as follows:

	2014		2013	
Statements of Net Position:				
Current assets:				
Cash in bank and on hand	\$ 7,2	226,620	\$	15,140,182
Cash in Local Agency Investment Fund	31,7	730,598		31,651,638
Total cash and cash equivalents	38,9	57,218		46,791,820
Investments	84,7	17,982		54,025,565
Total unrestricted	123,6	375,200		100,817,385
Restricted:				
Cash in bank	15,9	36,180		20,624,720
Cash in Local Agency Investment Fund	18,1	10,826		10,841,134
Cash held by trustee	3	33,222		334,872
Cash held in trust	2	276,803		226,759
Total cash and cash equivalents	34,6	557,031		32,027,485
Investments	132,2	261,613		100,944,734
Department of Water Resources bonds		10,000		10,000
Total investments	132,2	271,613		100,954,734
Total restricted	166,9	28,644		132,982,219
Total cash and cash equivalents and investments	\$ 290,6	603,844	\$	233,799,604

Notes to the Basic Financial Statements For the Years Ended June 30, 2014 and 2013

Note 2: Cash, Cash Equivalents, and Investments (continued)

Cash, cash equivalents, and investments as of June 30, 2014 and 2013 consisted of the following:

		2014	 2013
Cash on hand	\$	350	\$ 350
Deposits with financial institutions		23,772,475	36,326,183
Cash in Local Agency Investment Fund		49,841,424	42,492,772
Investments		216,989,595	 154,980,299
	' <u>-</u>	_	 _
Total cash and cash equivalents and investments	\$	290,603,844	\$ 233,799,604

Investments authorized by the California Government Code and the District's investment policy

The table below identifies the investment types that are authorized by the District in accordance with Section 53601 of the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, and concentration of credit risk.

Authorized investment type	Maximum maturity	Maximum percentage of portfolio	 Maximum nvestment in one issuer
U.S. Treasury Bills, Notes and Bonds	5 years	None	None
Federal Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
California Local Agency Investment			
Fund	N/A	None	\$ 50,000,000
Medium-Term Notes	5 years	30%	None
Money Market Funds	90 days	20%	None
Collateralized Bank Deposits	None	25%	None
Municipal Bonds	5 years	30%	None

Note 2: Cash, Cash Equivalents, and Investments (continued)

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2014 and 2013, the District had the following investments and maturities:

41,276,539

29,033,722

154,980,299

6,889,470

579,849

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AS	OI	Jun	e.30	. 201	14:

Bonds

Commercial Paper

Medium-Term Notes

Money Market Funds

Total investments

As of June 30, 2014:										
		Remaining maturity (in months)								
Investment type	Amount 12 or less 13 to 24		13 to 24	25 to 36	More than 36					
	 		_		_					
Federal Agency										
Securities	\$ 68,253,588	\$	6,269,350	\$	31,717,849	\$ 16,698,100	\$ 13,568,289			
Municipal Bonds	10,000		-		-	-	10,000			
U.S. Treasury Bills, Notes and										
Bonds	53,887,526		2,621,172		-	42,347,916	8,918,438			
Commercial Paper	4,999,339		4,999,339		-	-	-			
Medium-Term Notes	29,125,012		6,256,785		10,604,498	8,027,476	4,236,253			
Money Market Funds	60,714,130		60,714,130		-	-	-			
Total investments	\$ 216,989,595	\$	80,860,776	\$	42,322,347	\$ 67,073,492	\$ 26,732,980			
		1								
As of June 30, 2013:										
•				Re	maining maturit	ty (in months)				
Investment type	Amount		12 or less		13 to 24	25 to 36	More than 36			
Federal Agency										
Securities	\$ 77,190,719	\$	3,566,973	\$	15,046,572	\$ 39,831,341	\$ 18,745,833			
Municipal Bonds	10,000		-		-	-	10,000			
U.S. Treasury Bills, Notes and	•						•			
• '										

13,834,717

6,889,470

6,285,066

\$ 31,156,075

579,849

22,957,406

10,623,783

48,627,761

4,484,416

4,141,111

7,983,762

\$ 47,815,103

Note 2: Cash, Cash Equivalents, and Investments (continued)

Disclosures relating to credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy and the actual rating as of year-end for each investment type.

Credit ratings of investments as of June 30, 2014 and 2013 were as follows:

As of June 30, 2014:

	Minimum Rating as o							f year e	nd			
Investment type	Amount		ment type Amount		legal rating		AAA AA-			A+	N	ot rated
Federal Agency												
Securities	\$	68,253,588	N/A	\$	68,253,588	\$	-	\$	-	\$	-	
Municipal Bonds		10,000	N/A		-		-		-		10,000	
U.S. Treasury Bills, Notes and												
Bonds		53,887,526	N/A		53,887,526		-		-		-	
Commercial Paper		4,999,339	Α		4,999,339		-		-		-	
Medium-Term Notes		29,125,012	Α		-	6,6	343,986	22,	481,026		-	
Money Market Funds		60,714,130	AAA		60,714,130						-	
Total investments	\$	216,989,595		\$	187,854,583	\$ 6,6	643,986	\$ 22,	481,026	\$	10,000	

As of June 30, 2013:

7.6 6. 64.16 66, 26.16.			Minimum		R	ating as c	f year e	end		
Investment type		Amount	legal rating	AAA		AA-		<u>A+</u>	N	ot rated
Federal Agency										
Securities	\$	77,190,719	N/A	\$ 77,190,719	\$	-	\$	-	\$	-
Municipal Bonds		10,000	N/A	-		-		-		10,000
U.S. Treasury Bills, Notes and										
Bonds		41,276,539	N/A	41,276,539		-		-		-
Commercial Paper		6,889,470	Α	6,889,470		-		-		-
Medium-Term Notes		29,033,722	Α	-	4,8	895,729	24,	137,993		-
Money Market Funds		579,849	AAA	 579,849		-		-		-
Total investments	\$	154,980,299		\$ 125,936,577	\$ 4,	895,729	\$ 24,	137,993	\$	10,000

Notes to the Basic Financial Statements For the Years Ended June 30, 2014 and 2013

Note 2: Cash, Cash Equivalents, and Investments (continued)

Concentration of credit risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The District's investment policy is to apply the prudent investor standard as set forth in the California Government Code: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

The District's investment policy limits certain investments to minimum credit ratings issued by nationally recognized statistical rating organizations. The District's investments in commercial paper, medium-term notes, and money market funds at June 30, 2014 and 2013 met their respective minimum credit ratings requirements.

Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% of more of the total District's investments are as follows:

As of June 30, 2014:

Issuer	Investment type		amount
Fannie Mae	Federal Agency Securities	\$	35,668,150
Federal Home Loan Bank	Federal Agency Securities	\$	13,380,038
Freddie Mac	Federal Agency Securities	\$	19,205,379
As of June 30, 2013:			Danastad
Issuer	Investment type		Reported amount
Face's Man	Fordered Assessed Conseilling	•	00 004 404
Fannie Mae	Federal Agency Securities	\$	39,934,184
Federal Home Loan Bank	Federal Agency Securities	\$	16,902,381
Freddie Mac	Federal Agency Securities	\$	20,354,153

Custodial credit risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

As of June 30, 2014 and 2013, \$22,552,940 and \$35,384,732 respectively, of the District's demand deposits with financial institutions were in excess of federal depository insurance limits. As of June 30, 2014, these funds were fully collateralized by securities in a separate account held by the same institution.

Notes to the Basic Financial Statements For the Years Ended June 30, 2014 and 2013

Note 2: Cash, Cash Equivalents, and Investments (continued)

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF), which is part of the Pooled Money Investment Account that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio), which was \$49,841,424 and \$42,492,772 as of June 30, 2014 and 2013, respectively. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The District may invest up to \$50,000,000 in the LAIF fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. All investments with LAIF are secured by the full faith and credit of the State of California. Separate LAIF financial statements are available from the California State Treasurer's Office on the internet at http://www.treasurer.ca.gov.

Investments with fair values highly sensitive to interest rate fluctuations

At June 30, 2014 and 2013, the District did not hold investments that were highly sensitive to interest rate fluctuations beyond that already indicated in the information provided above.

Note 3: Water Bank Inventory

The Metropolitan Water District of Southern California, a State Water Project Contractor, has allowed the District to utilize capacity in the Kern Delta Water Bank, for the purpose of increasing water supply in a dry year. The District has stored 15,154 acre-feet and is able to call on a maximum of 5,000 acre-feet per year of this stored water. This stored water is classified as a restricted asset and is valued at cost.

The following is a summary of the water bank inventory for the years ended June 30, 2014 and 2013:

	Acre-feet	Inv	ventory cost
Balance at June 30, 2012	17,800	\$	2,329,863
Additions	-		-
Reductions	-		-
Balance at June 30, 2013	17,800		2,329,863
Additions	-		-
Reductions	(2,646)		(346,338)
Balance at June 30, 2014	15,154	\$	1,983,525

Notes to the Basic Financial Statements For the Years Ended June 30, 2014 and 2013

Note 4: Capital Assets

Summaries of changes in capital assets in service for the years ended June 30, 2014 and 2013 were as follows:

As of June 30, 2014:

7.0 0. 00.10 00, 20	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets, not being depreciated: Land, right of ways, and				
pipeline capacity	\$ 11,740,009	\$ 946,120	\$ -	\$ 12,686,129
Construction in progress	687,962	1,186,372	-	1,874,334
Total capital assets, not being				
depreciated	12,427,971	2,132,492		14,560,463
Capital assets, being depreciated:				
Buildings	6,232,110	-	-	6,232,110
Distribution lines	162,620,042	10,688	-	162,630,730
Brine line	7,121,795	-	-	7,121,795
Furniture, fixtures and equipment	1,036,248	-	-	1,036,248
Vehicles	385,584	29,135	35,159	379,560
Yucaipa Dam	3,698,238			3,698,238
Total capital assets, being				
depreciated	181,094,017	39,823	35,159	181,098,681
Less accumulated depreciation	(36,570,607)	(3,509,895)	(35,159)	(40,045,343)
Total capital assets, being depreciated, net	144,523,410	(3,470,072)		141,053,338
Participation rights in State Water				
Project Facilities	273,980,909	10,975,428	-	284,956,337
Less accumulated amortization	(105,654,174)	(7,730,629)	-	(113,384,803)
Participation rights in State		<u> </u>		
Water Project Facilities, net	168,326,735	3,244,799		171,571,534
Total capital assets, net	\$ 325,278,116	\$ 1,907,219	\$ -	\$ 327,185,335

Notes to the Basic Financial Statements For the Years Ended June 30, 2014 and 2013

Note 4: Capital Assets (continued)

As of June 30, 2013:

A3 01 Julie 30, 2013.	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets, not being depreciated: Land, right of ways, and				
pipeline capacity	\$ 9,521,882	\$ 3,545,004	\$ 1,326,877	\$ 11,740,009
Construction in progress	9,174,909	1,933,302	10,420,249	687,962
Total capital assets, not being		, ,	, ,	,
depreciated	18,696,791	5,478,306	11,747,126	12,427,971
Capital assets, being depreciated:	7 004 074	4 447 000	0.000.040	0.000.440
Buildings	7,821,671	1,447,382	3,036,943	6,232,110
Distribution lines	151,449,000	11,171,042	-	162,620,042
Brine line	7,121,795	-	-	7,121,795
Furniture, fixtures and equipment	1,028,829	7,419	-	1,036,248
Vehicles	370,438	47,487	32,341	385,584
Yucaipa Dam	3,698,238			3,698,238
Total capital assets, being				
depreciated	171,489,971	12,673,330	3,069,284	181,094,017
Less accumulated depreciation	(33,688,670)	(3,464,269)	(582,332)	(36,570,607)
Total capital assets, being depreciated, net	137,801,301	9,209,061	2,486,952	144,523,410
depreciated, net	107,001,001	3,203,001	2,400,332	144,323,410
Participation rights in State Water				
Project Facilities	264,358,954	9,621,955	-	273,980,909
Less accumulated amortization	(98,382,160)	(7,272,014)	-	(105,654,174)
Participation rights in State				
Water Project Facilities, net	165,976,794	2,349,941		168,326,735
Total capital assets, net	\$ 322,474,886	\$ 17,037,308	\$ 14,234,078	\$ 325,278,116

Notes to the Basic Financial Statements For the Years Ended June 30, 2014 and 2013

Note 5: Notes Receivable

Notes receivable at June 30, 2014 and 2013 consisted of the following:

	 2014	2013
The District entered into a loan agreement with the San Bernardino Regional Water Resources Authority JPA for an amount not to exceed \$900,000. The loan is to be repaid from time to time from available revenues and other funding sources of the Authority. This note shall continue in effect, until such time as the full amount of the note is repaid. The loan is not secured and the principal balance shall not accrue interest. An allowance for uncollectible accounts was recorded in 2009 for the total principal balance outstanding.	\$ 861,771	\$ 861,771
The District entered into a loan agreement with the San Bernardino Regional Water Resources Authority JPA in 2001 for an amount not to exceed \$850,000. The loan is to be repaid from time to time from available revenues and other funding sources of the Authority. This note shall continue in effect, until such time as the full amount of the note is repaid. The loan is not secured and the principal balance shall not accrue interest. An allowance for uncollectible accounts was recorded in 2009 for the total principal balance outstanding.	726,450	726,450
The District entered into a loan agreement with the San Bernardino Municipal Water Department, a division of the City of San Bernardino on July 3, 2012 for the amount of \$1,117,500, for the purchase of property located at 1331 South E. Street. The loan is secured by the property and is to be paid in monthly installments of \$19,102 including interest at 1% through July 2017.	677,191	898,446
The District entered into a loan agreement with the San Bernardino Regional Water Resources Authority JPA in December 2013 for the amount of \$115,003, for the construction of a park project in the City of San Bernardino, for which the JPA has been awarded a reimbursable grant from the state. The loan is to be repaid in one lump sum within the next fiscal year.	115,003 2,380,415	- 2,486,667
Less allowance for uncollectible accounts Less current portion of notes receivable	 1,588,221 338,481	 1,588,221 221,255
Total notes receivable, net of current portion	\$ 453,713	\$ 677,191

Notes to the Basic Financial Statements For the Years Ended June 30, 2014 and 2013

Note 6: Unearned Revenue

The District receives cash advances from various water purveyors in exchange for commitments of future water deliveries. As of June 30, 2014 and 2013, total unearned revenue amounted to \$5,415,624 and \$5,066,040, respectively.

Note 7: Certificates of Participation

The District issued Revenue Certificates of Participation, Series 2011A on July 7, 2011, in the amount of \$8,565,000, to fund capital improvements to the Baseline Feeder Project. The certificates are secured by the District's annual net revenues, meaning the revenues for any given fiscal year, excluding property taxes levied for the State Water Project, less the operation and maintenance costs for that fiscal year. Principal and interest are due in semiannual installments beginning on July 1, 2012 and ending on July 1, 2041. Interest rates range from 2.00% to 4.25%. Certificates are subject to extraordinary prepayment prior to their respective stated maturities at a prepayment price equal to the principal amount thereof plus accrued interest without a premium or penalty.

In May 2012, the District executed a Restated and Amended Agreement for the Construction, Operation and Maintenance of the New Baseline Feeder System with the District of Rialto, Riverside Highland Water Company and the West Valley Water District. The agreement requires annual capital payments by Rialto, Riverside Highland and West Valley to reimburse the District for the Debt Service on the 2011A Certificates of Participation. The District receives 100% reimbursement from the above mentioned entities and pays the annual principal and interest payable on the bonds to the bond trustee.

The following is a summary of bonds payable for the years ended June 30, 2014 and 2013:

As of June 30, 2014:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Due within one year
2011A Certificates of Participation Premium on certificates of	\$ 8,405,000	\$ -	\$ (165,000)	\$ 8,240,000	\$ 165,000
participation	144,485		(5,160)	139,325	
Total certificates of participation, net	\$ 8,549,485	\$ -	\$ (170,160)	\$ 8,379,325	\$ 165,000
As of June 30, 2013:	Balance	A Library	District	Balance	Due within
	June 30, 2012	Additions	Deletions	June 30, 2013	one year
2011A Certificates of Participation Premium on certificates of	\$ 8,565,000	\$ -	\$ (160,000)	\$ 8,405,000	\$ 165,000
participation	149,645	_	(5,160)	144,485	-
			(-,)		
Total certificates of participation, net	\$ 8,714,645	\$ -	\$ (165,160)	\$ 8,549,485	\$ 165,000

Note 7: Certificates of Participation (continued)

The aggregate principal and interest debt to maturity payments for certificates of participation are summarized as follows:

Principal		Interest	Total	
\$ 165,000	\$	333,968	\$	498,968
170,000		328,944		498,944
180,000		323,694		503,694
185,000		318,219		503,219
190,000		311,644		501,644
1,070,000		1,435,820		2,505,820
1,305,000		1,199,120		2,504,120
1,595,000		907,051		2,502,051
1,970,000		530,632		2,500,632
 1,410,000		94,280		1,504,280
\$ 8,240,000	\$	5,783,372	\$	14,023,372
	170,000 180,000 185,000 190,000 1,070,000 1,305,000 1,595,000 1,970,000 1,410,000	\$ 165,000 170,000 180,000 185,000 190,000 1,070,000 1,305,000 1,595,000 1,970,000 1,410,000	\$ 165,000 \$ 333,968 170,000 328,944 180,000 323,694 185,000 318,219 190,000 311,644 1,070,000 1,435,820 1,305,000 1,199,120 1,595,000 907,051 1,970,000 530,632 1,410,000 94,280	\$ 165,000 \$ 333,968 \$ 170,000 328,944 180,000 323,694 185,000 318,219 190,000 311,644 1,070,000 1,435,820 1,305,000 1,199,120 1,595,000 907,051 1,970,000 530,632 1,410,000 94,280

Note 8: Defined Benefit Pension Plan (PERS)

Plan description

The District contributes to the California Public Employees' Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to eligible plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

Funding policy

All full-time District employees are eligible to participate in PERS with benefits vesting after five years of service. District employees who retire at age 60 or older are entitled to an annual retirement benefit, payable monthly for life, in increasing percentage increments up to 2% for employees hired on or after July 1, 2011, or 3% for employees hired prior to that, of their average full-time monthly pay rate for the highest 12 consecutive months for each year of credited service.

Participants are required to contribute a percentage of their annual covered salary, and the District is required to contribute at an actuarially determined rate. Employees hired before July 1, 2011 are required to contribute 8% of their annual covered salary. The District's contribution rate for the period is 33.029% of covered payroll for those employees. The District makes the contributions required of these District employees on their behalf and for their account.

Effective July 1, 2011, the District amended the plan for new employees hired on or after that date, and as such, those employees are required to contribute 7% of their annual covered salary. The District's contribution rate for the period is 9.873% of covered payroll for those employees. The District makes 6.130% of the 7% contributions required of these District employees on their behalf and for their account, with the employees contributing the rest. For the years ended June 30, 2014 and 2013, the amount contributed by the District, including the amount contributed on behalf of the employees, was \$982,982 and \$973,159, respectively. Benefit provisions and all other requirements are established by state statute and District ordinance.

Notes to the Basic Financial Statements For the Years Ended June 30, 2014 and 2013

Note 8: Defined Benefit Pension Plan (PERS) (continued)

Assembly Bill 1974, which added Sections 20840-20842 to the California Government Code allowed PERS to create risk pools and mandate public agency participation in those pools. Commencing with the valuation of June 30, 2003, mandatory pooling was established for plans with less than 100 active members. As a result, the San Bernardino Valley Municipal Water District was required to participate in a risk pool of other Districts with less than 100 employees. The valuation report as of June 30, 2012, contained two sections: 1) the specific information of the plan including the development of the pooled contribution rate, and 2) the report of the Risk Pool Actuarial Valuation as of June 30, 2012.

At the time of joining a risk pool (valuation of June 30, 2003), a side fund was created to account for the difference between the funded status of the pool and funded status of the District's plan. The side fund for the District's plan as of the June 30, 2012 valuation was a negative \$1,840,360.

The side fund will be credited, on an annual basis, with the actuarial investment return assumption. This assumption is currently 7.5%. The negative side fund will cause the District's required employer contribution rate to be increased by the amortization of the side fund. In the absence of subsequent contract amendments or funding changes, the side fund will disappear at the end of the amortization period. The amortization period remaining as of June 30, 2012, was 4 years.

Three year trend information

Fiscal year	ual Pension ost (APC)	Percentage of APC contributed	Net pension obligation	
June 30, 2012	\$ 999,768	100%	\$	-
June 30, 2013	\$ 973,159	100%	\$	-
June 30, 2014	\$ 982,982	100%	\$	-

Note 9: Other-Post Employment Benefits (OPEB)

Plan description

The District pays the entire cost of the monthly medical and dental insurance premiums for retired employees and their dependents who have reached at least age 50 with a minimum of 10 years service. District-provided benefits continue for the life of the retiree and eligible family members. Benefits are also continued to surviving family members in the event of the death of an active eligible employee if age plus service at death equals 60 or more. The District participates in the ACWA medical program and Delta Dental of California. Retirees may enroll in any of the single-employer benefit plans offered by the District. The authority to establish and amend postemployment benefits resides with the District's Board of Directors.

The District intends to pre-fund its other postemployment benefits (OPEB) with CalPERS through the California Employers' Retiree Benefits Trust (CERBT) Fund. The CERBT is a trust fund that allows public employers to prefund the future cost of their retiree health insurance benefits and OPEB obligations for their covered employees or retirees. Employers that elect to participate in the CERBT make contributions into the trust fund. Participating employers use investment earnings to pay for retiree health benefits, similar to the CalPERS pension trust. CalPERS issues a publicly available annual financial report that includes financial statements and required supplementary information for the CERBT. That report may be obtained by writing to CalPERS Headquarters, Lincoln Plaza North, 400 Q Street, Sacramento, CA 95811, or on the internet at http://www.calpers.ca.gov.

Note 9: Other-Post Employment Benefits (OPEB) (continued)

Funding policy and annual other postemployment benefit costs

The District has not adopted a funding policy for its other postemployment benefits (OPEB) obligation. Contributions requirements of the District are established and may be amended through Board action. The District contributes 100% of the cost of current-year premiums for eligible retired plan members and their dependents. The District's annual OPEB cost (expense) is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance within the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan for the years ended June 2014 and 2013:

	June 30, 2014		June 30, 2013	
Annual required contribution	\$	300,458	\$	288,960
Interest on net OPEB obligation		69,982		52,182
Adjustment to annual required contribution		(59,772)		(44,569)
Annual OPEB cost	,	310,668	'	296,573
Contributions made		(84,721)		(59,241)
Increase in net OPEB obligation	,	225,947	'	237,332
Net OPEB obligation - beginning of year		933,094		695,762
Net OPEB obligation - end of year	\$	1,159,041	\$	933,094

The District's annual OPEB cost, which is equal to its annual required contribution, has been recognized as a part of the operating expenses of the District in the accompanying financial statements. The net OPEB obligation is included in accrued employee benefits on the Statements of Net Position.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2014, 2013 and 2012 are presented below:

			Percentage of				
Plan	Year	Annual PEB cost	•	Actual htribution	OPEB cost contributed	-	Net OPEB obligation
OPEB	June 30, 2012	\$ 283,136	\$	62,574	22%	\$	695,762
OPEB	June 30, 2013	\$ 296,573	\$	59,241	20%	\$	933,094
OPEB	June 30, 2014	\$ 310,668	\$	84,721	27%	\$	1,159,041

Note 9: Other-Post Employment Benefits (OPEB) (continued)

Schedule of funding progress

			Unfunded Actuarial			
	Entry Age		Accrued			
	Normal	Actuarial	Liability	Funded		UAAL
	Actuarial	Value of	(UAAL)/	Ratio	Annual	As a %
Actuarial	Accrued	Assets	(Excess	Based on	Covered	Covered
Valuation	Liabiltiy	(AVA)	Assets)	AVA	Payroll	Payroll
Date	(a)	(b)	(a) - (b)	(b) / (a)	(c)	[(a)-(b)]/(c)
7/1/2008	\$ 1,743,276	\$ -	\$ 1,743,276	0%	\$ 2,204,558	79%
7/1/2011*	\$ 2,824,066	\$ -	\$ 2,824,066	0%	\$ 2,350,055	120%

^{*} Most recent actuarial valuation available

Actuarial methods and assumptions

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts, amounts determined regarding the funded status of a plan, and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

Valuation date

Actuarial cost method

Amortization method

Remaining amortization period

Asset valuation method

Actuarial assumptions:

Investment rate of return

Payroll growth

July 1, 2011

Entry age normal cost

Level percentage of payroll

27 years as of the valuation date

N/A - no assets

7.50%

3.25%

		Increa	ase
	Year	Medical	Dental
Healthcare trend rates	2012	7.6%	4%
	2013 - 2015	7.3% - 6.7%	4%
	2016 - 2018	6.4% - 5.8%	4%
	2019+	5.5%	4%

Note 10: Commitments and Contingencies

Construction contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves. The District has committed to \$2,668,735 in open construction contracts as of June 30, 2014. These include:

	Approved	Payments	Balance
Project	Contract	To Date	To Complete
Baseline Feeder Flow Control and Metering Improvement	\$ 950,267	\$ 950,267	\$ -
City Creek Stream Channel Armor Protection	611,840	336,868	274,972
Construction of Cactus Basins	167,454	23,489	143,965
Rialto Colton Groundwater Model	115,353	67,605	47,748
Refine the Rialto Colton Basin Groundwater Model	337,070	310,283	26,787
Habitat Conservation Plan and Preliminary			
Design for Habitat Restoration Project	563,182	337,071	226,111
United State Geological Society	1,886,500	745,559	1,140,941
Economic Based Water Use Efficiency	83,960	75,868	8,092
Conceptual Design for the Santa Ana River			
Watershed Scale	112,229	10,529	101,700
Coordinate Public Outreach on Drought and			
Water Conservation	353,550	-	353,550
Yucaipa Basin Annual Change in Storage and Recharge	553,045	208,176	344,869
Total	\$ 5,734,450	\$ 3,065,715	\$ 2,668,735

State of California Department of Water Resources

On December 30, 1960, the District entered into a contract with the State of California, Department of Water Resources to receive an annual entitlement for water from the State Water Project. The District assumed a proportionate share of capital costs and minimum operations, maintenance, power and replacement costs of the State facilities, in addition to paying variable operations, maintenance, power and replacement costs on a per-acre-foot charge for water deliveries received.

The District's future commitment for State Water Project costs over the years 2014 to 2035, according to the payment schedule dated January 24, 2014, is estimated as follows:

Transportation charges:	
Capital cost component	\$ 64,568,427
Minimum operations, maintenance, power and replacement component	248,423,867
Variable operations, maintenance, power and replacement component	 205,673,158
	518,665,452
Delta water charges	94,728,123
Water system revenue bond surcharge	 37,389,543
Total	\$ 650,783,118

Notes to the Basic Financial Statements For the Years Ended June 30, 2014 and 2013

Note 10: Commitments and Contingencies (continued)

Jointly governed organization

The District participates in the following jointly governed organization with other districts and agencies for various water projects and operating facilities in Southern California:

Santa Ana Watershed Project Authority

The Santa Ana Watershed Project Authority (SAWPA) was formed under a joint exercise of power agreement for the purpose of undertaking projects for water quality control, protection, and pollution abatement in the Santa Ana River Watershed. SAWPA is composed of five member water agencies within the watershed area: Eastern Municipal Water District, Orange County Water District, San Bernardino Valley Municipal Water District, Western Municipal Water District, and the Inland Empire Utilities Agencies. Each participating agency appoints one commissioner and one alternate commissioner to form the Board of Commissioners, the governing body of SAWPA. Financial data for SAWPA is available online at www.sawpa.org.

Condensed financial information for the operation of SAWPA for the fiscal years ended June 30, 2013 and 2012 are as follows:

	2013			2012		
Total assets	\$	185,329,072	\$	192,136,326		
Total liabilities	\$	117,951,098	\$	125,316,591		
Total net position	\$	67,377,974	\$	66,819,735		
Total revenues	\$	15,507,129	\$	18,061,846		
Total expenses	\$	(14,948,890)	\$	(16,860,977)		
Change in net position	\$	558,239	\$	1,200,869		

Note 11: Funds Held in Trust

The District is the administrator and custodian of funds held in trust on behalf of the California Department of Fish & Game (CDFG), as prescribed in the Memorandum of Agreement dated March 2007 (Agreement). The Agreement requires the District and Western Municipal Water District to deposit a combined sum of \$50,000 per year, from 2007 to 2016, into a segregated fund administered by the District. Accordingly, the segregated fund is presented as a restricted asset and liability in these financial statements. The CDFG shall direct the District on the disbursements from the fund as needed, in accordance with the Agreement. The balance of the Santa Ana River Restoration/Recovery Trust Fund as of June 30, 2014 and 2013 was \$276,803 and \$226,759, respectively.

Notes to the Basic Financial Statements For the Years Ended June 30, 2014 and 2013

Note 12: Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To help mitigate some of these risks, the District has purchased commercial insurance as follows:

<u>Property Loss</u> - Insured up to \$100,000,000 per occurrence (total insurable value of \$59,275,450 as of May 23, 2014), with a \$5,000 deductible for buildings, personal property, fixed equipment, mobile equipment, and licensed vehicles.

<u>Boiler and Machinery</u> - Insured up to \$100,000,000 per occurrence (total insurable value of \$59,275,450 as of May 23, 2014), with a \$10,000 deductible for boiler and machinery breakdown.

Auto Liability - Insured up to \$1,000,000 per occurrence with no deductible for property damage.

<u>Information Security and Privacy Liability</u> - Insured up to \$20,000,000 per occurrence with no deductible for security and privacy breaches.

Pollution Liability - Insured up to \$25,000,000 per occurrence with no deductible for underground storage tanks.

The District is self-insured for general liability exposure.

The District pays annual premiums for these coverages. They are subject to retrospective adjustments based on claims experience. The nature and amounts of these adjustments cannot be estimated and are charged to expense as invoiced. There have been no significant reductions in insured liability coverage from coverage in the prior year, and there were no instances in the past three years where a settlement exceeded the District's coverage.

Note 13: Change in Accounting Principle

As discussed in Note 1, the District implemented GASB Statement No. 65 effective July 1, 2013. GASB 65, among other provisions, amended prior guidance with respect to the treatment of debt issuance costs. Under GASB 65, debt issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred rather than reported as an asset on the statement of net position and recognized as an expense in a systematic and rational manner over the duration of the related debt. The District's unamortized balance of debt issuance costs, at the beginning of the year was \$164,733. GASB 65 requires that accounting changes adopted to conform to the provisions of the Statement be applied retroactively by restating financial statements. Accordingly, beginning net position on the Statement of Revenues, Expenses and Changes in Net Position, has been restated for any unamortized debt issuance costs previously reported on the Statement of Net Position as follows:

Net position - at June 30, 2012, as previously reported	\$ 533,164,212
Change in accounting principle	(164,733)
Net position - at June 30, 2012, as restated	\$ 532,999,479

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PCPS The AICPA Alliance for CPA Firms

Governmental Audit Quality Center

California Society of Certified Public Accountants Board of Directors San Bernardino Valley Municipal Water District San Bernardino, California

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of San Bernardino Valley Municipal Water District, as of and for the year ended June 30, 2014, and have issued our report thereon dated November 5, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Bernardino Valley Municipal Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Bernardino Valley Municipal Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

San Bernardino, California

Logers Underson Malouly & Scott, LLP

November 5, 2014

Financial Statements for the Agencies

San Bernardino Valley Water Conservation District: June 30, 2014

Attachment 3d



SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2014



SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT ANNUAL FINANCIAL REPORT FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT

Established 1932

1630 West Redlands Boulevard, Suite A Redlands, CA 92373-8032 (909) 793-2503 Fax: (909) 793-0188 P.O. Box 1839 Redlands, CA 92373-0581 Email: info@sbvwcd.dst.ca.us www.sbvwcd.dst.ca.us

September 10, 2014

Board of Directors San Bernardino Valley Water Conservation District

Introduction

It is our pleasure to submit the Annual Financial Report for the San Bernardino Valley Water Conservation District (District) for the fiscal year ended June 30, 2014 following guidelines set forth by the Governmental Accounting Standards Board. The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that we believe necessary to enhance the Board and public understanding of the District's financial position and activities.

This report is organized into two sections: (1) Introductory and (2) Financial. The Introductory section offers general information about the District's organization and current District activities and reports on a summary of significant financial results. The Financial section includes the Independent Auditor's Report, Management's Discussion and Analysis of the District's basic financial statements, and the District's audited basic financial statements with accompanying Notes.

Generally Accepted Accounting Principles (GAAP) requires that District management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately after the Independent Auditor's Report.

District Structure and Leadership

The San Bernardino Valley Water Conservation District is an independent special district, which operates under the authority of Division 21 of the California Water Code. The origin of the District dates from 1909 when the Water Conservation Association was voluntarily formed to conserve water in the region. The District was formed in 1932 as the successor agency to the Water Conservation Association by a vote of the people. The District is currently governed by a five-member Board of Directors, elected by division from within the District's service area. The District reduced the number of Divisions to five and transitioned to a five member Board in December 2013. This assists the Board in limiting their expenses and improving the focus and efficiency of the District.

Board Of Directors Division 1: Richard Corneille Division 2: David E. Raley Division 3: Manual Aranda, Jr. Division 4: John Longville Division 5: Melody McDonald GENERAL MANAGER Daniel B. Cozad

The General Manager administers the day-to-day operations of the District in accordance with powers established in Resolution 493 and the policies and procedures established by the Board of Directors. In addition to the general manager the District employs five regular employees, two in the field and three in the office. The District's Board of Directors generally meets once each month. Meetings are publicly noticed and the public and the press frequently attend its Board meetings and District workshops.

In 2013, the Board approved a Community Strategic Plan which was developed with input from the water, mining and other partners and the communities the District serves. This Strategic Plan focused on the District's services, efforts and strategic direction in support of the needs of the District's communities, rate payers and partners. This strategic plan provided additional focus on the District Priorities that are revised each January. The District is also finalizing policy principals to help translate the norms, values and desires of the Board.

District Services

The San Bernardino Valley Water Conservation District recharges the groundwater basin protecting the safe yield of the San Bernardino Bunker Hill Basin. The District's recharge services benefit the cities, districts and agricultural and non-agricultural groundwater producers within the District's boundaries.

To accomplish the recharge, the District maintains 71 water percolation basins in the Mill Creek and Santa Ana River spreading grounds. The District also plans for, maintains or leases over 3600 acres in the Santa Ana River Wash at and below the confluence of the Santa Ana River and Mill Creek. Water year 2014 has been an exceptionally dry year. The District recharged all water that was available; 8,153 acre feet of water successfully recharged into the groundwater basin for the water year ending September 30, 2013. This year has seen extreme drought grip California and the west as shown in the US Drought Monitor graphic from July 29, 2014 shown at right. Consequently the District has focused additional effort on conservation and outreach and performed additional maintenance of the basins and canals. At the same time the State Water Board has implemented emergency regulations for conservation and the District has supported the efforts of the BTAC Conservation committee to address these needs.



Significant Initiatives

The District has several initiatives ongoing that are organizationally and financially significant.

Santa Ana River Wash Plan - The Wash Plan is a long term environmental and infrastructure planning effort that the District has led for many years. The District has been able to work with the USFWS to refocus efforts and reinitiate progress toward completion of the Wash Plan Habitat Conservation Plan. This plan will contribute the significant environmental improvements to habitat for several endangered species including the San Bernardino Kangaroo Rat and the Santa Ana River Woolly Star plant in the wash. The plan also allows expanded water conservation facilities, mining, transportation and trails. The communities served by the District are very involved in the effort through the Wash Plan Task Force. This effort was transitioned to have its own fund for accounting during this fiscal year and received funding beyond its current year costs.

Plunge Creek Water and Habitat Conservation - This project was developed and was selected from more than 100 projects within the Santa Ana Watershed for Proposition 84 Integrated Regional Water Management Planning funding. The District will receive an allocation of \$500,000 in grant funding for the project. This significant project planned with the US Fish and Wildlife Service will ultimately develop about 100 acres of new high quality SBKR habitat and create an additional 1,600 AF of groundwater recharge per year on District owned lands. The project is awaiting a grant funding contract from DWR and SAWPA for the project to begin. This is expected to take place in fiscal 2015.

Enhanced Recharge Project with SBVMWD - The Enhanced Recharge Project is significant to the District because it is a cooperative project with San Bernardino Valley Municipal Water District (SBVMWD). The project will improve and construct additional facilities; basins, canals and related structures on District lands to increase the capacity to recharge water from the Santa Ana River in the years when it is plentiful. This cooperative joint project also allows more effective use of the existing facilities for the benefit of the groundwater basin.

SDLF

District Transparency

Excellence Recipient

Certificate of

Policy Development - Staff continues to work to better document the principals, policy, practices and procedures used by the District. Many changes were made in the practices of the staff in the past years and this fiscal year many of these changes have been made to the Board's procedures and policies. The documentation of these proper policies and the redesign of the District website to make financial and policy information easily available to the public has resulted in the District receiving the Transparency Certificate of Excellence from the Special District Leadership Foundation (SDLF), affiliated with the California Special District Association.

Additionally, SDLF recognized SBVWCD with the District of Distinction accreditation. To make the award, the SDLF committee of volunteers, made up of district controllers, finance directors and certified general managers reviewed the independent audits and the District's operations to ensure prudent fiscal practices are followed and ensure the District's Board of Directors and executive staff have appropriate educational training in public governance, and compliance with ethics and harassment prevention training. The Board of Directors and staff completed training and development, and performed a self-assessment of performance. Both the Board and Staff are proud of these recognitions as they demonstrate our commitment to do the public's business transparently and to act as a professional special district measured by the highest standards and benchmarks

Economic Condition and Outlook

The District is located at a strategic point in the watershed in the East end of the San Bernardino Valley. The Valley experienced significant economic growth with the rest of the Inland Empire in the mid 2000's. During the last six to seven years, it has also experienced the downturn as a result of the housing market collapse. This downturn in building and the larger economy greatly impacted the District's revenues. The downturn in building caused the District to experience near elimination of mining royalties collected on aggregate mined from District leased properties. A 2011 revision to the land lease and mining agreement with CEMEX now provides for minimum annual guaranteed revenue. This has shown to be a significant improvement and will help to mitigate revenue variability given future uncertainty.

The broader economic outlook for the Inland Empire has improved from the real estate recession. Housing prices have risen and development activities are being initiated in the District and the region. Historically, the Inland Empire recovers somewhat slower than Los Angeles and coastal Southern California. The ongoing financial crisis remnants may continue to impact District's mining royalties for the next few years. The California State budget has improved from the late 2000 deficits and should have less impact to the District. County property tax revenues are now also recovering.

Internal Control Structure

District management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft or misuse. The internal control structure also ensures adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District's internal control structure is designed to provide reasonable assurance that these objectives are met with the limited staff at the District. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management. The District is better documenting its controls and practices and adding efforts to allow the highest level of control possible with its minimal staffing.

Budgetary Control

The District's Board of Directors annually adopts an operating and capital budget prior to the beginning of the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise operations and capital projects. The budget and reporting treatment applied to the District is consistent with the accrual basis of accounting and the financial statement basis.

In 2011 the District's Board of Directors adopted an enterprise model for financial management as well as reserve and other pertinent policies to implement the enterprise model. These changes were made to provide better internal accountability and provide greater public transparency for the finances of the District. In 2013/14 several of these policies were updated to revisit levels of reserves and provide implementation when revenue was available.

Investment Policy

The Board of Directors has adopted an investment policy that conforms to state law, District ordinance and resolutions, prudent money management, and the "prudent person" standards. The objective of the Investment Policy is safety, liquidity and yield. District funds are invested in the State Treasurer's Local Agency Investment Fund, the CalTrust Joint Powers Authority, and institutional checking accounts.

District Revenues

State law and District policy ensure that all revenues from groundwater charges generated from District groundwater production support District operations. Groundwater Charge rates are set in accordance with section 75500 of the California Water Code. Groundwater charges are levied on all groundwater producing agricultural and non-agricultural facilities within the District boundaries. This is the primary component of the District's revenue. The District has agreements with other entities for payment or reimbursement for the cost of recharge of water on their behalf. In 2012 a cooperative agreement for the implementation of the Enhanced Recharge facilities was implemented and this agreement provides land lease funding as well as groundwater operations funding, which replaces reimbursement revenue from SBVMWD. Revenue from royalties on aggregate mining, property leases, easements, and interest on reserves complete the non-rate revenues of the District.

Audit and Financial Reporting

State Laws require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Eadie and Payne, LLP CPAs has conducted the audit of the District's financial statements. Their unmodified Independent Auditor's Report appears in the Financial Section.

Other References

More information is contained in the Management's Discussion and Analysis and the Notes to the Basic Financial Statements found in the Financial Section of the report.

Acknowledgements

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that the staff of the District. We would also like to thank the members of the Ad Hoc Audit Committee and the Board of Directors for their continued support in planning and implementation of the San Bernardino Valley Water Conservation District's fiscal policies.

1 1111 11 4

Respectfully submitted,

General Manager

Service Since 1932

San Bernardino Valley Water Conservation District Board of Directors as of June 30, 2014

			Current
Name	Division	Title	Term Ending
Richard Corneille	1	President	December 14, 2015
Melody Henriques-McDonald	5	Vice-President	December 11, 2017
Manuel Aranda Jr.	3	Director	December 14, 2015
John Longville	4	Director	December 11, 2017
David E. Raley	2	Director	December 11, 2017

San Bernardino Valley Water Conservation District Daniel B. Cozad, General Manager 1630 West Redlands Blvd., Suite A P.O. Box 1839 Redlands, California 92373 (909) 793-2503 - www.sbvwcd.org





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INDEPENDENT AUDITOR'S REPORT

Board of Directors San Bernardino Valley Water Conservation District Redlands, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary fund of San Bernardino Valley Water Conservation District (District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary fund of the District, as of June 30, 2014 and, where applicable, the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior-Period Financial Statements

The financial statements of the San Bernardino Valley Water Conservation District as of June 30, 2013, were audited by other auditors whose report dated October 9, 2013, expressed an unmodified opinion on those statements.

Other Matters Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 17 and schedules of funding progress on pages 40 and 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, schedules of operating revenues and expenses, and schedules of Wash Plan additions and reductions are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of operating revenues and expenses and schedules of Wash Plan additions and reductions are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of operating revenues and expenses and schedules of Wash Plan additions and reductions are fairly stated in all material respects in relation to the basic financial statements as a whole. The 2013 balances on page 42 and 43 were subjected to the auditing procedures applied in the 2013 audit of the basic financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2013 financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 44 and 45.

September 10, 2014

Easlie and Payne, LLP

Redlands, California

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the San Bernardino Valley Water Conservation District (District) provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2014 and 2013. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory Section and with the basic financial statements and related notes, which follow this section.

Financial Highlights

The District's net position increased 17.0% or \$731,789 to \$5,043,733 in fiscal year 2014 as the result of operations. In 2013, The District's net position increased 45.7% or \$1,353,056 to \$4,311,944 as the result of one-time payments and operations.

The District's operating revenues for fiscal year 2014 were \$1,303,888, which was \$8,558 less than its operating expenses. Depreciation expense was \$94,204 and net nonoperating income was \$834,551 resulting in a net change in net position of \$731,789.

Required Financial Statements

This annual report consists of a series of financial statements. The statement of net position, statement of revenues, expenses, and changes in net position and statement of cash flows provide information about the activities and performance of the District using accounting methods similar to those used by private-sector companies.

The statement of net position includes all of the District's investments in resources (assets and deferred outflows) and the obligations to creditors (liabilities and deferred inflows). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness.

The final required financial statement is the statement of cash flows, which provides information about the District's cash receipts and cash payments during the reporting period. The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, noncapital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

In addition, the financial statements include a statement of fiduciary net position - agency fund, which reports the assets and liabilities of the Wash Plan. The annual report also includes required supplementary information and other supplementary information.

Financial Analysis of the District

The analysis in this section is focused on the primary activities of the District and do not include Agency Fund balances and activities.

These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities"? The statement of net position and the statement of revenues, expenses and changes in net position report information about the District in a way that helps answer this question.

These two statements report the District's *net position* and changes in it. You can think of the District's net position - the difference between assets and deferred outflows less liabilities and deferred inflows - as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other nonfinancial factors such as changes in economic conditions, population growth, zoning and new or changed government legislation, such as changes in federal and State water quality standards.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 23 through 39.

Condensed Statements of Net Position

	2014	2013	Change	Percentage Change
Assets:				
Current assets	\$ 8,894,590	\$ 8,143,031	\$ 751,559	9.2%
Capital assets, net	1,278,721	1,283,635	(4,914)	-0.4%
Total assets	10,173,311	9,426,666	746,645	7.9%
Liabilities:				
Current liabilities	85,995	52,289	33,706	64.5%
Noncurrent liabilities	5,043,583	5,062,433	(18,850)	-0.4%
Total liabilities	5,129,578	5,114,722	14,856	0.3%
Net position:				
Net investment in capital assets	1,278,721	1,283,635	(4,914)	-0.4%
Unrestricted	3,765,012	3,028,309	736,703	24.3%
Total net position	\$ 5,043,733	\$ 4,311,944	\$ 731,789	17.0%

The total net position of the District may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of the District exceeded liabilities plus deferred inflows \$5,043,733 and \$4,311,944 as of June 30, 2014 and 2013, respectively.

By far, the largest portion of the District's net position, 25.4% as of June 30, 2014 and 29.8% as of June 30, 2013, reflects the District's investment in capital assets (net of accumulated depreciation). The District uses these capital assets to provide services to groundwater producers within the District's service area; consequently, these assets are not available for future spending.

At the end of fiscal years 2014 and 2013, the District showed a positive balance in its unrestricted net position of \$3,765,012 and \$3,028,309, respectively, which may be utilized in future years.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2014	2013	Change	Percentage Change
Revenues:				
Operating revenues	\$ 1,303,888	\$ 1,579,538	\$ (275,650)	-17.5%
Nonoperating revenues	946,321	932,498	13,823	1.5%
Total revenues	2,250,209	2,512,036	(261,827)	-10.4%
Expenses:				
Operating expenses	1,312,446	931,716	380,730	40.9%
Depreciation expense	94,204	101,985	(7,781)	-7.6%
Nonoperating expenses	111,770	125,280	(13,510)	-10.8%
Total expenses	1,518,420	1,158,981	359,439	31.0%
Change in net position	731,789	1,353,055	(621,266)	-45.9%
Net position, beginning of year	4,311,944	2,958,889	1,353,055	45.7%
Net position, end of year	\$ 5,043,733	\$ 4,311,944	\$ 731,789	17.0%

The statement of revenues, expenses, and changes in net position shows how the District's net position changed during the fiscal years. In the case of the District, net position increased by \$731,789 and \$1,353,055 in fiscal years ended June 30, 2014 and 2013, respectively.

A closer examination of the sources of changes in net assets reveals that:

- The District's net position increased 17.0% or \$731,789 to \$5,043,733 in fiscal year 2014 as the result of operations. In 2013, The District's net position increased 45.7% or \$1,353,055 to \$4,311,944 as the result of one-time payments and operations.
- The District's operating revenues decreased by 17.5% or \$275,650 in 2014 primarily due
 to a \$298,838 reduction in revenue from operating agreements. In 2013, the District's
 operating revenues increased 84.0% or \$721,048 due to a one-time payment of \$496,090
 for completion of reimbursable contracts for water spreading and a \$224,958 increase in
 groundwater assessments from increased production.

- The District's nonoperating revenues increased by 1.5% or \$13,823 in 2014 primarily due to a \$151,382 increase in royalty income resulting from new contracts with minimum annual royalty payments and a \$43,346 increase in the fair-market value of investments, which was offset by a reduction in other nonoperating revenues of \$171,565. The reduction in other nonoperating revenues was due to the prior year one-time revenue which was partially offset by a \$124,016 insurance reimbursement. In 2013, The District's nonoperating revenues increased by 83.0% or \$422,788 primarily due to a \$52,876 increase in property tax revenues, a \$63,848 increase in royalty revenues, and a \$311,818 increase in other nonoperating revenues related to a one-time payment for the East Branch Extension II Easement Condemnation.
- The District's operating expenses increased 40.9% or \$380,730 in 2014 primarily due to increases in salaries and benefits of \$155,382 due to the addition of a Land Resources Manager, basin maintenance expenses of \$100,740, and contributions to regional programs of \$92,421. In 2013, the District's operating expenses decreased 14.1% or \$152,844 primarily due to decreases in maintenance expenses of \$73,110, professional services of \$28,591, and employee benefits costs of \$16,747.
- The District's nonoperating expenses decreased 10.8% or \$13,510 in 2014 primarily due to the increase in the fair-market value of investments recovering the previous losses, which was offset by a \$23,111 increase in rental property expense. In 2013, the District's nonoperating expenses increased 10.0% or \$11,361 primarily due to a \$16,368 decrease in the fair-market value of investments at year-end, a \$6,702 increase in rental property expense, which was offset by an \$11,709 decrease in interest expense.

Capital Asset Administration

At the end of fiscal years 2014 and 2013, the District's net investment in capital assets amounted to \$1,278,721 and \$1,283,635, respectively. This investment in capital assets includes land, diversion facilities, recharge basins, buildings, equipment, and vehicles. Major capital asset additions during the year include improvements to the District's buildings and equipment.

Changes in capital assets in 2014 were as follows:

	Balance 2013	A	dditions	sposals/ ransfers	Balance 2014
Capital assets:					
Nondepreciable assets	\$ 219,383		-	-	\$ 219,383
Depreciable assets	2,123,146	\$	89,290	\$ (81,556)	2,130,880
Accumulated depreciation	(1,058,894)		(94,204)	81,556	(1,071,542)
Total capital assets	\$ 1,283,635	\$	(4,914)	\$ 	\$ 1,278,721

Changes in capital assets in 2013 were as follows:

	Balance 2012	Additions	Disposals/ Transfers	Balance 2013
Capital assets:				
Nondepreciable assets	\$ 219,383	-	-	\$ 219,383
Depreciable assets	2,136,800	\$ 12,212	\$ (25,866)	2,123,146
Accumulated depreciation	(982,775)	(101,985)	25,866	(1,058,894)
Total capital assets	\$ 1,373,408	\$ (89,773)	\$ -	\$ 1,283,635

District Reserves

The District builds, maintains and uses reserves to prepare for expected and unexpected costs. In accordance with the District's reserve policy, funds are allocated based on enterprise or fund performance and targets set by the Board based on benchmarks, best practices, and risk. Reserves may greatly exceed the minimums set by the Board for many reasons. Likewise, some reserves fall below the target level because they are funded over many years and have not been fully funded. The Board revises targets or reallocates funds to reserves annually. Additionally, it should be noted that the Prepaid Royalties Reserve/Liability is unearned revenue related to a deposit of funds in anticipation of aggregate mining under the Wash Plan. Additionally, the overall reserves are about 17% above targets. The reserves that are above their target levels are the land resources reserve and groundwater recharge enterprise reserve, which contain deferred capital project costs anticipated for 2015 and 2016.

Reserve	Target	Balance	% Funded
Groundwater Recharge Enterprise Reserve	\$ 200,000	\$ 1,524,057	762%
Groundwater ER Maintenance Reserve	250,000	100,000	40%
GWA Rate Stabilization	400,000	38,340	10%
Redlands Plaza Reserve	65,000	55,127	85%
Land Resources Reserve	50,000	927,180	1854%
Prepaid Royalties Reserve/Liability	5,000,000	5,000,000	100%
Habitat Management Reserve/Trust	-	-	
PERS/Post-Employment Expense Trust	32,423	32,423	100%
Self Insurance Reserve	50,000	15,000	30%
Capital Improvement/Equipment Reserve	60,000	60,000	100%
General Fund Reserve	1,048,000	640,324	<u>61%</u>
	\$ 7,155,423	\$ 8,392,451	<u>117%</u>

Conditions Affecting Current Financial Position

Management is unaware of any conditions which could have a significant impact on the District's current financial position, net assets, or operating results based on past, present, and future events.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please review the District website at www.sbvwcd.org or contact the District's General Manager at 1630 West Redlands Blvd., Suite A, P.O. Box 1839, Redlands, CA 92373.



SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT STATEMENTS OF NET POSITION

JUNE 30, 2014 AND 2013

	2014	2013
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$ 916,307	\$ 1,469,699
Investments (Note 2)	7,476,144	6,041,653
Accrued interest receivable	3,484	3,378
Accounts receivable	62,553	45,361
Assessments receivable - groundwater charge	427,746	380,585
Advances to Wash Plan (Note 3)	-	188,365
Prepaid expenses	8,356	13,990
	8,894,590	8,143,031
NONCURRENT ASSETS		
Capital assets (Note 4)	2,350,264	2,342,530
Accumulated depreciation	(1,071,543)	(1,058,895)
Total Noncurrent Assets	1,278,721	1,283,635
TOTAL ASSETS	10,173,311	9,426,666
CURRENT LIABILITIES		
Accounts payable and accrued expenses	34,560	10,535
Accrued wages and related payables	25,781	15,358
Customer deposits for rentals	9,291	6,767
Compensated absences (Note 5)	16,363	19,629
Total Current Liabilities	85,995	52,289
NONCURRENT LIABILITIES		
Unearned revenue (Note 6)	5,000,000	5,000,000
Compensated absences (Note 5)	31,296	59,315
Other post-employment benefits payable (Note 8)	12,287	3,118
Total Noncurrent Liabilities	5,043,583	5,062,433
TOTAL LIABILITIES	5,129,578	5,114,722
NET POSITION		
Net investment in capital assets	1,278,721	1,283,635
Unrestricted	3,765,012	3,028,309
TOTAL NET POSITION	\$ 5,043,733	\$ 4,311,944

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT **STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION** FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
OPERATING REVENUES		
Groundwater assessments	\$ 919,338	\$ 896,150
Operating agreements	354,550	653,388
Services for other agencies	30,000	30,000
Total Operating Revenues	1,303,888	1,579,538
OPERATING EXPENSES		
District operations	1,026,077	773,563
Regional programs	99,171	6,750
General and administrative	187,198	151,403
Total Operating Expenses	1,312,446	931,716
OPERATING INCOME (LOSS) BEFORE		
DEPRECATION EXPENSE	(8,558)	647,822
DEPRECIATION EXPENSE	94,204	101,985
OPERATING INCOME (LOSS)	(102,762)	545,837
NONOPERATING REVENUES (EXPENSES)		
Property taxes	108,138	129,852
Investment earnings	26,387	45,343
Gain on disposal of assets	5,500	
Increase (decrease) in fair-market value of investments	43,346	(36,590)
Royalty income	416,294	264,912
Rental income	189,587	163,758
Rental property expense	(111,770)	(88,659)
Interest expense	-	(31)
Other nonoperating revenues and expenses	157,069	328,634
Total Nonoperating Revenues	834,551	807,219
CHANGE IN NET POSITION	731,789	1,353,056
NET POSITION, BEGINNING OF YEAR	4,311,944	2,958,888
NET POSITION, END OF YEAR	\$5,043,733	<u>\$4,311,944</u>

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from groundwater assessments and		
other agencies	\$1,239,535	\$1,579,538
Cash paid to vendors and suppliers for materials		
and services	(793,651)	(340,949)
Cash paid to employees for salaries and wages	(500,829)	(399,932)
Net Cash Provided By (Used In) Operating Activities	(54,945)	838,657
CASH FLOWS FROM NONCAPITAL FINANCING		
ACTIVITIES		
Proceeds from property taxes	108,138	129,852
Proceeds from royalty income	416,294	264,912
Proceeds from rental revenue, net of expenses	80,341	75,098
Proceeds from other sources	157,069	-
Receipts from (advances to) Wash Plan	188,365	(26,459)
Interest paid on pension debt		(31)
Net Cash Provided By Noncapital Financing Activities	950,207	443,372
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Acquisition of capital assets	(89,290)	(12,212)
Proceeds from disposal of capital assets	5,500	
Net Cash Provided By (Used In) Capital		
Financing Activities	(83,790)	(12,212)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(3,741,601)	(500,000)
Sale of investments	2,350,350	
Interest and investment earnings	26,387	37,743
Net Cash Provided By (Used In) Investing Activities	(1,364,864)	(462,257)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(553,392)	807,560
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,469,699	662,139
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 916,307	\$1,469,699

STATEMENTS OF CASH FLOWS (Continued)

	2014	2013
RECONCILIATION OF OPERATING INCOME (LOSS) TO		
NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Operating income (loss)	\$ (102,762)	\$ 545,837
Adjustments to Reconcile Operating Income (Loss) to		
Net Cash Provided By (Used In) Operating Activities		
Depreciation expense	94,204	101,985
Other nonoperating revenues (expenses), net		292,044
Changes in Operating Assets and Liabilities		
(Increase) Decrease in Operating Assets		
Accounts receivable	(17,192)	(15,361)
Assessments receivable - groundwater charge	(47,161)	(85,430)
Prepaid expenses and other	5,634	(12,490)
Increase (Decrease) in Operating Liabilities		
Accounts payable and accrued expenses	24,025	(12,497)
Accrued wages and related payables	10,423	5,765
Customer deposits for rentals	-	2,050
Compensated absences	(31,285)	15,598
Other post-employment benefits payable	 9,169	 1,156
Net Cash Provided By (Used In) Operating Activities	\$ (54,945)	\$ 838,657
NONCASH INVESTING, CAPITAL, AND FINANCING TRANSACTIONS		
Change in fair-market value of investments	\$ 43,346	\$ (16,368)

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT STATEMENTS OF FIDUCIARY NET POSITION - AGENCY FUND

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and cash equivalents	\$180,178	-
Due from other entities	212,009	\$188,365
Total Assets	392,187	188,365
LIABILITIES		
Budgeted expenditures for Wash Plan	392,187	
Advances from District for Wash Plan		188,365
Total Liabilities	392,187	188,365
NET POSITION	<u>\$ -</u>	<u>\$ -</u>

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The San Bernardino Valley Water Conservation District (District) was formed in 1932 under the statutory authority of the California Water Code. Its function is to conduct water spreading operations by capturing water flows of the Santa Ana River and Mill Creek. Spreading enables the water to percolate into the groundwater basin for the benefit of all producers.

The District is comprised of approximately 50,000 acres of land. Within its boundaries are several municipal water purveyors, public utilities, and other (mutual and private) companies who supply water needs. The source of such water is the groundwater basin underlying the District, of which an average of 150,000 acre-feet per year is extracted through more than 200 producing wells by more than 50 different producers.

The District is governed by a five-member board of directors elected by the citizens residing within the District's service boundaries.

B. Basis of Accounting

The accounting records of the District are maintained on the accrual basis of accounting. Under this method, revenues are recognized in the period earned and expenses are recognized in the period incurred. The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through groundwater assessments, capital grants, and similar funding.

Operating revenues and expenses result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses are reported as nonoperating revenues and expenses.

The District also maintains a fiduciary fund for reporting the Wash Plan assets and liabilities. A Task Force was established, under the leadership of the District to coordinate land uses within the wash area. The members include the District, the County of San Bernardino, the Cities of Highland and Redlands, the San Bernardino Valley Municipal Water District, East Valley Water District, and two aggregate miners. The Wash Plan is accounted for as an agency fund.

Both the enterprise fund and the fiduciary fund report using an economic resources measurement focus.

C. Accounting Pronouncements

The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting.

D. Net Position

The District follows the financial reporting requirements of the GASB and reports net position under the following classifications:

- (1) Net Investment in Capital Assets Investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances of any debt, or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (2) Restricted Restricted consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- (3) **Unrestricted** Unrestricted consists of any remaining balance of the District's net position that do not meet the definition of "restricted" or "net investment in capital assets."

The District's policy is to first apply disbursements to restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

E. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses, and disclose material contingent liabilities existing at the date of the financial statements. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest-bearing accounts. The District considers all cash and cash deposits, investment in the State Treasurer's Local Agency Investment Fund, and other investments with initial maturities of less than 90 days at the date of purchase to be cash and cash equivalents in the presentation of the District's financial statements.

G. Investments

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

H. Property Taxes and Assessments

Secured property taxes are levied against real property and are due and payable in two equal installments. The first installment is due on November 1 and becomes delinquent if not paid by April 10. Unsecured personal property taxes are due on July 1 each year. These taxes become delinquent if not paid by August 31.

The District assesses its property taxes through the County tax rolls. Property taxes are recognized as revenue in the period for which they are levied.

I. Compensated Absences

District employees earn vacation and sick leave in varying amounts based on length of service. The District records the cost of vested vacation and sick leave as it is earned. Vacation pay is payable to employees at the time vacation is taken or upon termination of employment. Employees may receive payment for unused sick leave upon termination according to a predetermined vesting schedule.

J. Concentrations

The District has two primary sources of revenue. One is the groundwater charge levied to entities who extract water from the groundwater basin underlying the District. The amount of rainfall in the area as well as additional allocations of state project water to the neighboring water districts can have a significant effect on the amount of water extracted. The second major source of revenue is from mining activities on District property. The level of building activity in the region may have significant impact on royalties from mining activities.

K. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$1,000 and an estimated useful life of five years. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	40-50 years
Vehicles and equipment	5-10 years
Office equipment	3-10 years
Field equipment	5-10 years
Spreading basins	50+ years
Improvements	
Structural	40 years
Furnishings	10 years

K. Budgetary Policies

The District adopts an annual nonappropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

2. CASH AND INVESTMENTS

Cash and investments as of June 30 are classified in the statements of net position as follows:

	2014	2013
STATEMENTS OF NET POSITION		
Cash and cash equivalents	\$ 916,307	\$1,469,699
Investments	7,476,144	6,041,653
TOTAL CASH AND INVESTMENTS	\$8,392,451	\$7,511,352

Cash and investments as of June 30 consist of the following:

		2014		2013
Cash on hand - undeposited funds		-	\$	32,940
Deposits with financial institutions	\$	470,949		992,498
Deposits held with the California Local Agency				
Investment Fund		445,358		444,261
Deposits Held with CalTrust				
Short-Term Trust Fund	(3,734,031		
Medium-Term Fund	_;	3,742,113	_6	6,041,653
TOTAL CASH AND INVESTMENTS	\$ 8	3,392,451	\$ 7	7,511,352

As of June 30, the District's authorized deposits had the following average maturities:

	2014	2013
California Local Agency Investment Fund	232 Days	278 Days
Investment Trust of California (CalTrust		
Short-Term Fund)	500 Days	N/A
Investment Trust of California (CalTrust		
Medium-Term Fund)	748 Days	741 Days

A. Investments Authorized by the California Government Code and the District's Investment Policy

Under provisions of the District's investment policy, and in accordance with Section 53601 of the California Government Code (Code), the District may invest in the following types of investments:

- Securities of the U. S. Government, or its agencies;
- Certificates of deposit (or time deposits) placed with commercial banks and/or savings and loan companies;
- State of California Local Agency Investment Fund;
- Investment Trust of California CalTrust;
- · Checking accounts or passbook savings account demand deposits; and
- Money market mutual funds.

The District's investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The District's investment policy does not contain any specific provisions intended to limit the District's allowable deposits or investments or address the specific types of risk to which the government is exposed, including its exposure to a concentration of credit risk.

B. Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The District's cost basis in LAIF was \$445,237 at June 30, 2014 and its fair value was \$445,358.

C. Investment Trust of California (CalTrust)

(CalTrust) is organized as a Joint Powers Authority established by public agencies in California for the purpose of pooling and investing local agency funds. A Board of Trustees supervises and administers the investment program of the Trust. CalTrust has four pools, money market account, short-term, medium-term, and long-term. The District has deposits in the Short-Term Fund and the Medium-Term Fund. The District's investment in these pools are reported in the accompanying financial statements at fair value based on the District's pro-rata share of the respective pools as reported by CalTrust. The average cost of the District's investment in the Short-Term Fund as of June 30, 2014 was \$3,727,420 and its fair value (withdrawal value) was \$3,734,031. The average cost of the District's investment in the Medium-Term Fund as of June 30, 2014 was \$3,752,446 and its fair value (withdrawal value) was \$3,742,113.

D. Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits:

The Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balances, up to \$250,000 held at each institution were federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District's investment policy contains legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

E. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide for cash flow requirements and liquidity needed for operations.

F. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

	MINII	MININUM		S AS OF		
	LEGAL I	LEGAL RATING		LEGAL RATING YEAR-EN		R-END
	2014	2013	2014	2013		
California Local Agency Investment						
Fund	None	None	Not rated	Not rated		
Investment Trust of California (CalTrust						
Short-Term Fund)	None	None	AAf / S1+	AAf / S1+		
Investment Trust of California (CalTrust						
Medium-Term Fund)	None	None	Not rated	Not rated		

G. Concentrations of Credit Risk

The District's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the Code. There were no investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District's investments at June 30, 2014 and 2013.

3. ADVANCES TO WASH PLAN

The District provides various funding for Wash Plan operations on behalf of interested parties. Amounts are to be reimbursed to the District based on the Plan's formative agreement.

Changes in advances to Wash Plan at June 30 were as follows:

	2014	2013
Beginning balance	\$188,365	\$161,906
Advances	150,043	26,459
Receipts	338,408	
ENDING BALANCE	<u>\$</u> -	\$188,365

4. CAPITAL ASSETS

Changes in capital assets for 2014 were as follows:

	BALANCE		DISPOSALS/	BALANCE
	7/1/13	ADDITIONS	TRANSFERS	6/30/14
Land	\$ 219,383	-	-	\$ 219,383
Buildings	1,174,848	-	-	1,174,848
Vehicles and equipment	140,484	-	\$(14,857)	125,627
Office equipment	155,232	\$ 6,704	(24,504)	137,432
Field equipment	208,704	79,623	(42,195)	246,132
Spreading basins	330,192	-	-	330,192
Improvements	94,404	2,963	-	97,367
Equipment	19,283			19,283
	2,342,530	89,290	(81,556)	2,350,264
Less: Accumulated depreciation	(1,058,895)	(94,204)	81,556	(1,071,543)
TOTAL CAPITAL ASSETS, NET	\$1,283,635	\$ (4,914)	\$ -	\$ 1,278,721

Changes in capital assets for 2013 were as follows:

	BALANCE		DISPOSALS/	BALANCE
	7/1/12	ADDITIONS	TRANSFERS	6/30/13
Land	\$ 219,383	-	-	\$ 219,383
Buildings	1,174,847	-	-	1,174,847
Vehicles and equipment	140,484	-	-	140,484
Office equipment	174,534	\$ 6,567	\$(25,866)	155,235
Field equipment	208,701	-	-	208,701
Spreading basins	330,192	-	-	330,192
Improvements	94,404	-	-	94,404
Equipment	13,638	5,645		19,283
	2,356,183	12,212	(25,866)	2,342,529
Less: Accumulated depreciation	(982,775)	(101,985)	25,866	(1,058,894)
TOTAL CAPITAL ASSETS, NET	\$1,373,408	\$ (89,773)	\$ -	\$ 1,283,635

5. **COMPENSATED ABSENCES**

The changes to compensated absences balances at June 30 were as follows:

BALANCE			BALANCE		
7/1/13	ADDITIONS	DELETIONS	6/30/14	CURRENT	LONG TERM
\$78,944	\$24,152	\$ (55,437)	\$47,659	\$16,363	<u>\$31,296</u>
BALANCE			BALANCE		
7/1/12	ADDITIONS	DELETIONS	6/30/13	CURRENT	LONG TERM
\$63,346	\$35,639	\$ (20,041)	\$78,944	\$19,629	\$59,315

6. UNEARNED REVENUE

In 1993, the District entered into a lease agreement for the extraction of rock, sand, and gravel from Section 7 property within the Wash Plan area. The District received a \$5,000,000 prepayment against future rentals and royalties on 12,000,000 tons of material to be earned when mining was initiated. The lease commencement date was December 31, 2002, but due to delays in the Wash Plan the agreement was subsequently amended in 2003. This amendment linked the commencement of operations to the approval of the Wash Plan. The initial term of the lease is for ten years with four successive five-year renewal periods, minimum annual rent of \$1,000,000 after the initial prepayment is exhausted. In the event the leasee is unable to obtain necessary permits for operations within the Wash Plan area the prepaid \$5,000,000 would then become refundable without interest, upon a one-year notice.

7. DEFINED BENEFIT PENSION PLAN

A. Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multi-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by State statute and the Agency. Copies of CalPERS annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

B. Funding Policy

The contribution rate for Plan members in CalPERS, under funding Policy 2.5% at 55 Risk Pool Retirement Plan is 7.888% of their annual covered salary and is paid 85% by the District. The District makes these contributions required of District employees on their behalf and for their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The required employer contribution rates are equal to the annual pension costs (APC) percentage of payroll for fiscal years 2014, 2013, and 2012 as noted below. The contribution requirements of the Plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS. For fiscal years 2014, 2013, and 2012, the District's annual contributions for the CalPERS Plan were equal to the Agency's required and actual contributions for each fiscal year as follows:

THREE-YEAR TREND INFORMATION FOR CALPERS

	ANNUAL	PERCENTAGE	NET	APC	
FISCAL	PENSION	OF APC	PENSION	PERCENTAGE	
YEAR	COST (APC)	CONTRIBUTED	OBLIGATION	OF PAYROLL	
2011-2012	\$ 63,658	100 %	-	14.532	%
2012-2013	67,671	100	-	19.171	
2013-2014	96,258	100	-	19.537	

8. OTHER POST-EMPLOYMENT BENEFITS PAYABLE

A. Plan Description - Eligibility

The District pays the level set by the Board for Employees for the cost of health insurance for retirees under the plans offered by the District until the retiree qualifies for Medicare, subject to limits determined by the Board of the District.

Membership in the OPEB plan consisted of the following members as of June 30:

	<u>2014</u>	<u>2013</u>	2012
Active Plan members	6	6	5
Retirees and beneficiaries receiving benefits	-	-	-
Separated Plan members entitled to but not yet			
receiving benefits			
TOTAL PLAN MEMBERSHIP	6	6	5

B. Plan Description - Benefits

The District offers post-employment medical benefits to retired employees who satisfy the eligibility requirements. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any medical plan available through the District. The contribution requirements of eligible retired employees and the District are established and may be amended by the Board of Directors.

C. Funding Policy and Annual Other Post-employment Costs

The District's annual OPEB expense is calculated based on the *Annual Required Contribution (ARC)* of the *Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ARC rate is 1.83% of the annual covered payroll.

The District funds the plan on a pay-as-you-go basis. The District will pay up to 100% of the cost of the post-employment benefit plan. The District has established reserves (and records a liability) for the difference between pay-as-you-go and the actuarially determined ARC cost. The District's annual OPEB cost for the current year and two preceding years and the related information for the Plan are shown below:

	2014	2013	2012
ANNUAL OPEB EXPENSE			
Annual required contribution (ARC)	\$ 9,169	\$1,156	\$1,000
Interest on net OPEB obligation	125	-	-
Adjustment to annual required contribution	(125)		
Total Annual OPEB Expense	9,169	1,156	1,000
CHANGE IN NET OPEB PAYABLE OBLIGATION			
Age-adjusted contributions made			
Total Change in Net OPEB Payable Obligation	9,169	1,156	1,000
OPEB PAYABLE, BEGINNING OF YEAR	3,118	1,962	962
OPEB PAYABLE, END OF YEAR	\$12,287	\$3,118	\$1,962

The District's current-year OPEB cost, which is equal to the current-year annual required contribution, has been recognized as a part of the general and administrative expenses in the accompanying statement of revenues, expenses and changes in net position.

D. Funded Status

The funded status of the Plan as of June 30, 2014, based on the July 1, 2014 actuarial valuation, is as follows:

	AMOUNT
Actuarial Accrued Liability (AAL)	\$32,423
Actuarial value of trust assets	
UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	\$32,423
Funded ratio (actuarial value of trust asets/AAL)	0%

E. Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of employee turnover, retirement, mortality, as well as economic assumptions regarding claim costs per retiree, healthcare inflation, and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multi-year trend information about whether the unfunded actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The following is a summary of the actuarial assumptions and methods:

Valuation date Actuarial cost method Amortization method	July 1, 2014 Entry age normal actuarial cost method
Remaining amortization period	Level percent of payroll amortization 23 Years as of the valuation date
Asset valuation method	30-Year smoothed market
Actuarial Assumptions	30- Fedi Smoothed market
Investment rate of return	4.00%
Projected salary increase	3.00%
Inflation - discount rate	4.00%
Individual salary growth	3.00%
Medical Insurance Premium	
Increases	
Years 1 and 2	8.00%
Years 3 and 4	7.00%
Year 5	6.00%
Years 6-10	5.00%
Years 11-21	4.00%
Thereafter	3.00%

9. **LEASE AGREEMENTS**

The District is the lessor, in various lease agreements, providing for the excavation and removal of rock, gravel, sand, and other materials from District property. Monthly lease payments are generally based on tonnage of materials removed, subject to annual minimum amounts.

The District is the lessor of commercial building space under operating leases expiring in various years through the year ending June 30, 2019.

Minimum future rentals to be received on noncancelable leases as of June 30 are as follows:

YEAR	RENTAL	ROYALTIES	TOTAL	
2015	\$156,315	\$ 434,667	\$ 590,982	
2016	107,642	516,667	624,309	
2017	72,307	550,000	622,307	
2018	49,255	550,000	599,255	
2019	8,249	550,000	558,249	
2020	-	183,333	183,333	
TOTAL	\$393,768	\$2,784,667	\$3,178,435	

The District is the lessee of a copier with monthly payments of \$335. Minimum future rentals to be paid on noncancelable leases as of June 30, 2014 were as follows:

YEAR	AMOUNT
2015	\$ 4,024
2016	4,024
2017	4,024
2018	4,024
2019	3,020
TOTAL	<u>\$19,116</u>

10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is insured for a variety of potential exposures. The following is a summary of the insurance policies carried by the District as of June 30, 2014:

- Property: Up to the scheduled value of the property with a \$1,000 deductible;
- Vehicles/Mobile Equipment: \$1,000,000 in the aggregate per occurrence with a \$500 deductible/vehicles and \$1,000 deductible/equipment;
- General Liability: \$1,000,000 in the aggregate per occurrence with a \$1,000 deductible;
- Crime, Computer Fraud, Forgery, and Dishonesty coverage: \$100,000 per claim with a \$1,000 deductible;
- Employers Liability: \$2,000,000 per accident employee by disease; and
- Workers' compensation: \$2,000,000 each accident or each employee by disease.

11. GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2014, that have effective dates that may impact future financial presentations.

A. Governmental Accounting Standards Board Statement No. 68

In June 2012, the GASB issued Statement No. 68 - Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

B. Governmental Accounting Standards Board Statement No. 69

In January 2013, the GASB issued Statement No. 69 - Government Combinations and Disposals of Government Operations. The objective of this Statement is to provide new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

C. Governmental Accounting Standards Board Statement No. 71

In November 2013, the GASB issued Statement No. 71 - Pension Transition for Contributions made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

12. COMMITMENTS AND CONTINGENCIES

Litigation

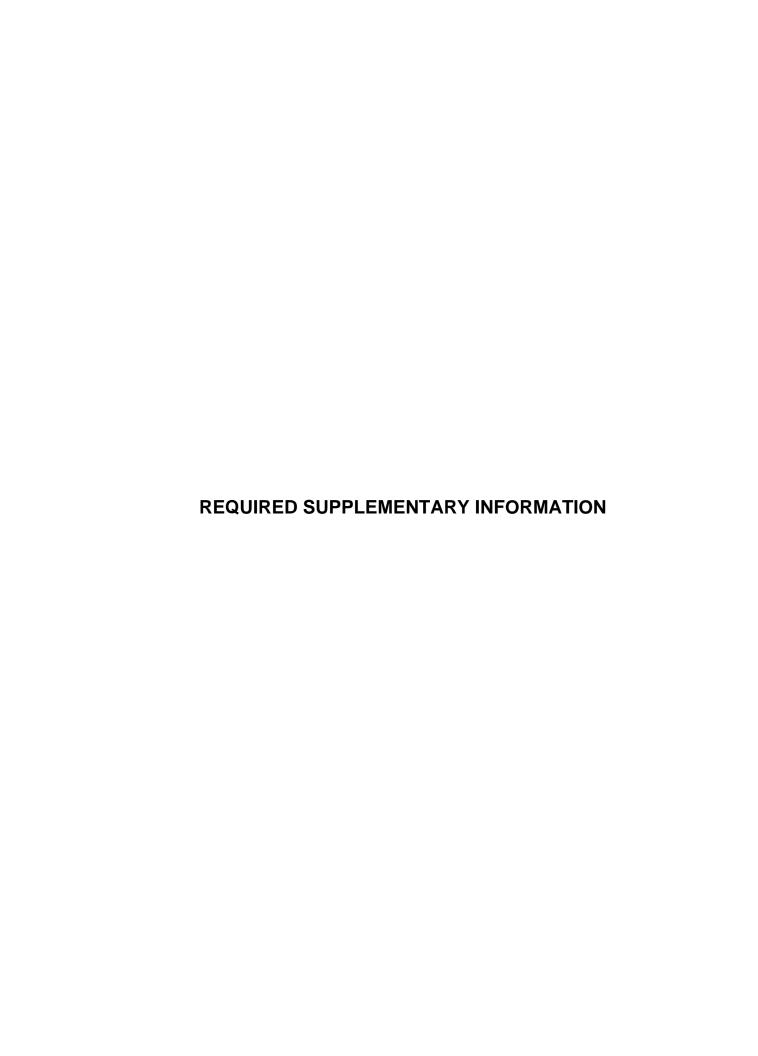
In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

13. SUBSEQUENT EVENTS

Events occurring after June 30, 2014 have been evaluated for possible adjustment to the financial statements or disclosure as of September 10, 2014, which is the date the financial statements were available to be issued.

14. **RESTATEMENTS**

Certain items in the prior year financial statements have been restated to agree with the current year presentation. There was no effect on net position or the changes in net position as a result of the restatements.



SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT SCHEDULE OF FUNDING PROGRESS - RETIREMENT PLAN FOR THE YEAR ENDED JUNE 30, 2014

CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM Miscellaneous 2.5% at 55 Risk Pool

The table below displays a short history of the Entry Age Normal Accrued Liability, the Actuarial Value of Assets, the Unfunded Liability (or Excess Assets). Funded Status (i.e., the ratio of the Actuarial Value of Assets to Entry Age Normal Accrued Liability), the estimated annual covered payroll and the Unfunded Actuarial Accrued Liability (UAAL) as a percentage of the covered payroll. The table represents amounts for the entire pool of which the San Bernardino Valley Water Conservation District is only one participating employer.

	ENTRY AGE					UAAL AS A
	NORMAL	ACTUARIAL	UNFUNDED		ANNUAL	PERCENTAGE
	ACCRUED	VALUE OF	LIABILITY	FUNDED	COVERED	OF COVERED
VALUATION	LIABILITY	ASSETS	(EXCESS ASSETS)	STATUS	PAYROLL	PAYROLL
DATE	(a)	(b)	(a)-(b)	(b)/(a)	(c)	[(a)-(b)]/c
6-30-2008	\$1,537,909,933	\$1,337,707,835	\$200,202,098	87.0%	\$333,307,600	60.1%
6-30-2009	1,834,424,640	1,493,430,831	340,993,809	81.4%	355,150,151	96.0%
6-30-2010	1,972,910,641	1,603,482,152	369,428,489	81.3%	352,637,380	104.8%
6-30-2011	2,135,350,204	1,724,200,585	411,149,619	80.8%	350,121,750	117.4%
6-30-2012	2,254,622,362	1,837,489,422	417,132,940	81.5%	339,228,272	123.0%

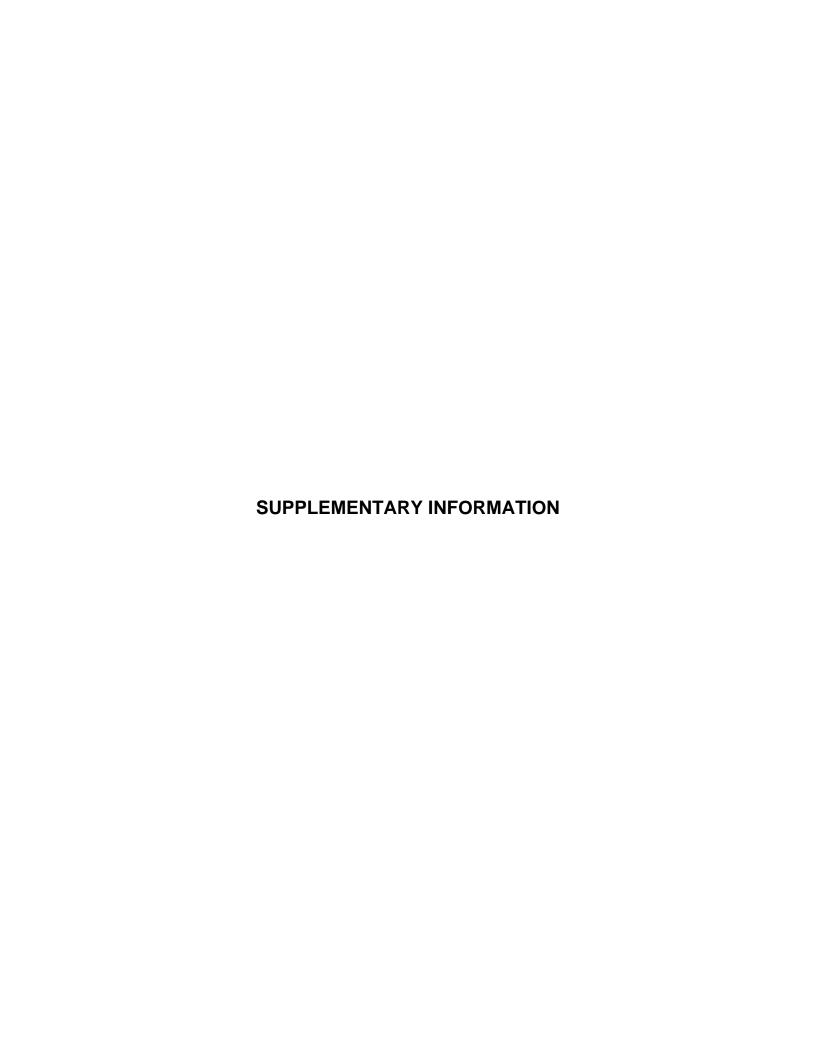
SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFITS PLAN

FOR THE YEAR ENDED JUNE 30, 2014

OTHER POST-EMPLOYMENT BENEFITS PLAN

			UNFUNDED			UAAL AS A
	ACTUARIAL	ACTUARIAL	ACTUARIAL			PERCENTAGE
ACTUARIAL	VALUE OF	ACCRUED	ACCRUED	FUNDED	COVERED	OF COVERED
VALUATION	ASSETS	LIABILITY	LIABILITY (UAAL)	RATIO	PAYROLL	PAYROLL
DATE	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
11-1-2011	-	\$ 3,118	\$ 3,118	0.00%	\$ 429,422	0.73%
7-1-2014	-	32,423	32,423	0.00%	630,544	5.14%

^{*}This information for the two preceding years is unavailable. GASB No. 45 was implemented in fiscal year 2011.



SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT SCHEDULES OF OPERATING REVENUES AND EXPENSES

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

2014	2013
OPERATING REVENUES	
Groundwater Assessments	
Groundwater charge assessment - agricultural \$ 52,599	987
Groundwater charge assessment - nonagricultural 866,739	895,163
Operating Agreements	
Enhanced recharge agreement 354,550	157,298
Close-out of prior agreement	496,090
Services for other agencies 30,000	30,000
Total Operating Revenues 1,303,888	1,579,538
OPERATING EXPENSES	
District Operations	
Professional services 147,998	139,159
Field operations 30,89°	35,564
Utilities 20,526	27,015
Benefits 240,222	158,293
Salaries/staff 479,967	406,514
Repairs and maintenance 106,473	7,018
Total District Operations 1,026,077	773,563
Regional Programs	
Regional programs LAFCO contribution 995	6,750
Regional River HCP contribution 20,000)
Wash Plan contribution 78,176	<u> </u>
Total Regional Programs 99,17	6,750
General and Administrative	
Directors' fees/expense 85,336	95,319
Staff travel and education 12,15	6,238
Insurance 23,974	3,552
Other administrative expenses 65,737	46,294
Total General and Administrative 187,198	
Total Operating Expenses 1,312,446	931,716
OPERATING INCOME (LOSS) BEFORE	
DEPRECIATION EXPENSE (8,558)	647,822
DEPRECIATION EXPENSE 94,204	101,985
OPERATING INCOME (LOSS) \$ (102,762	2) \$ 545,837

An insurance reimbursement of \$108,508 was received to cover some of the costs to repair damages incurred.

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT SCHEDULES OF WASH PLAN ADDITIONS AND REDUCTIONS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

ADDITIONS	2014 \$730,595	2013
	\$730,595	<u>\$ -</u>
REDUCTIONS		
Professional services	\$ 55,092	\$16,870
Environmental services	14,862	-
Legal expenses	8,941	9,590
Allocated District Expenses		
Salaries and benefits	65,176	
Office expense	5,972	
	150,043	26,460
Repayment of prior liability	188,365	
	\$338,408	\$26,460



1983 LAFCO Special Study on Water Conservation in the Chino Basin

Attachment 4

A POSITION PAPER EXPRESSING CONCERN FOR THE WATER CONSERVATION PROGRAM WITHIN THE CHINO BASIN

At a time in which the Metropolitan Water District and the State Department of Water Resources are issuing dire predictions of future water shortages in Southern California, and with the knowledge that the Chino Basin is one of the largest storage basins for underground water in the Southland, thousands of acre feet of natural water in the Chino Basin are being, and will continue to be in ever increasing larger amounts, allowed to flow off the land, through flood control channels and into the Santa Ana River -- and lost to the Basin's underground supply for lack of a Basin-wide water conservation plan to preserve these waters.

Consider the Following:

- While agricultural acreage within the Basin replaced with urban development will release some available water which can then be used for domestic purposes, every housing tract, commercial and industrial development, new streets, and flood control channel constructed adds to the total roof top and concrete surface of the basin.
 - Every new development planned for the west end will add to its flooding problems, will speed the flow of natural water out of the basin, and reduce the amount of water which historically has been returned to underground storage.
- There is currently being considered a flood control project involving Day Creek, Etiwanda Creek, and San Sevaine Creek flood flow areas, which if constructed will reduce present and future flood damage in the currently developed and future developing areas within the Chino Basin and in Riverside County.
 - This flood protection $\underline{\text{must}}$ be provided if the Chino Basin area is to continue to develop in the manner the Cities and the County have planned for it to grow.

However, unless this project is constructed with complete and detailed attention to water conservation, many thousands of acre feet of natural water will be exported out of the basin -- and a valuable resource will be lost.

• Even if this flood control project is not constructed, a great amount of native water is flowing now and will continue to flow through natural drainage channels across private lands, damaging and flooding developed areas, and much of this water will flow out of the basin area and be lost.

These facts are not new information to the Public Bodies of the County's West End, the problem is that too little attention is being given to them.

The Chino Basin is being projected as one of the busiest areas in the State for growth and development, and yet in every inquiry as to the status of Chino Basin water conservation, it was evident that water conservation efforts are limited, with no reference to an overall basin plan, and an absence of leadership designated to provide one.

What are the current actions or plans to prevent the Watr Basin's Depletion?

- 1. At the present time the Chino Basin Municipal Water District, acting in its role as Water Master, is engaged in a program of purchasing <u>California Aqueduct water</u> and filtering it into the underground at the upper end of the basin in an amount designed to keep the basin at a "safe yield" level for the multiple users who pump water out. It is participating in few -- if any -- efforts for natural water retention and infiltration.
- Many of the water suppliers of the West End are considering plans to construct a filtration plant which will permit the receiving of <u>State Project Water</u> and provide for its delivery

(after filtering) directly through the various water systems to users. Few of these suppliers are engaged in any substantive way in natural water conservation.

3. The Metropolitan Water District is considering a plan to <u>purchase</u> and store large quantities of <u>California aqueduct water</u> in the large Chino Basin underground storage area to provide for an adequate water supply in future dry years.

Considering the difference in cost now -- and especially in the future -- of an acre foot of California Aqueduct Water, as compared to the cost of pumping an acre foot of natural water out of the underground storage, considering the diminishing amounts of natural recharge which will be reduced by roof tops and concrete, and considering that the basin may need to purchase imported water in future dry years at the then higher cost of such water -- it would seem wise for the water interests in the West End to cooperate in a water conservation program to preserve every acre foot of natural local water which might be preserved in a reasonable cost effective program.

This seems so evident that citizens should question: Why are not the Water Agencies within the Chino Basin now engaged in a coordinated conservation program of local water?

There are several reasons:

1. A Water Conservation Program is expensive, and involves not only the acquisition of land for retention and percolation basins and the facilities to operate these, but also, the program must provide for the cost of monitoring, maintaining, and operating those facilities.

No one has been designated the authority to implement a Basinwide water conservation program, and no agency, by itself, has the funds to pay for it.

- Multipurpose bodies, such as cities and regional districts, have other obligations, with limited funds, so water conservation has low priority as long as there is plenty of water <u>now</u>.
- 3. No one knows just how cost effective a full scale water conservation program might be, so the expedient known cost solution is used through the purchase of State Water, and planning for future water assurance is deferred.
- 4. Cooperation between fourteen benefiting agencies is an enormous task and no one wants to tackle such an effort.

However, these answers notwithstanding, there seems to be a consensus that there needs to be a coordinated approach to a basin water management program -- which would include all the entities which would benefit from the program.

Are there possible solutions to consider?

Several ideas have been proposed by those concerned:

As to Funding:

1. If the Chino Basin, acting as Water Master, could determine the amount of natural water which is preserved by the present natural recharge and present water conservation efforts, and with the permission of all water appropriators, claim for the Water Conservation Program ownership of water derived from additional water conservation efforts, then the sale of this additional water could be used to finance the Conservation Program.

In all likelihood the Conservation Program could sell the water preserved to those who need supplemental water at less than the present cost.

2. The Chino Basin MWD, acting as Water Master, has the authority

to impose a pump tax on some water providers for excess water pumped out of the basin. If it could be shown that additional water conservation efforts could provide additional underground water to assure an adequate supply in future years, a small pump tax could be levied on all water appropriators to pay for the additional water conservation efforts.

- 3. Sewage treatment plants which <u>export</u> the treated effluent remove enormous quantities of water from the basin from which these waters originate. The recharge of this treated water back into underground storage, or its use for agricultural irrigation, or industrial use is a necessary element of an intelligent water basin management and conservation program.

 This water saved reduces the need for higher priced imported water and could provide a source of funding for the Water Conservation Program.
- 4. Or, the cost could be prorated to all Water Agencies, based on a level of benefit.
- 5. Or, a small surcharge could be added to every water bill to fund the program.

There are probably other ways to fund a Water Conservation effort which the participants should consider.

As to the Water Conservation Program

- The first effort would be to increase the effectiveness of present water conservation facilities, percolation ponds, and water spreading basins by monitoring these carefully and performing the necessary maintenance work -- to insure that these are all operating at maximum efficiency.
- 2. In connection with every <u>existing</u> flood control facility, and in all <u>future</u> flood control projects there should be cooperative

efforts and extra funding to slow flood water and provide for retention and infiltration basins. There must also be provisions for the monitoring, maintenance, and operations of these.

- 3. Every added residential, commercial, and industrial development adds to natural water flow downstream. This compounds flood control problems, and exports much of this water. By reasonable planning and development requirements, much of this water could be preserved and percolated into the ground within the project, or,
 - -- Another, and perhaps a more practical way to preserve roof top and concrete <u>downstream</u> runoff would be to locate scattered retention basins, close to the highly developed areas, adjacent to drainage and flood control channels. These would then be <u>public</u> facilities with scheduled clean up and maintenance.
- 4. The preservation and reclamation of treated sewage wastewater can be both a source of funding for, and a vital element of a water conservation program.

The "Ontario" plant has the potential of either using its waste-water for agricultural irrigation or mixed with natural flood waters and filtered through spreading basins into the underground. The proposed Plant #4 being proposed for the upper part of the basin has the potential to have its treated wastewater used for industrial purposes or mixed with natural water and returned to underground storage.

These programs <u>are</u> being actively pursued and both offer major sources for water reclamation, but neither is operational now.

5. The State Water Resources Control Board and local Conservation Districts are actively promoting citizen education in water conservation. A centralized or coordinated Chino Basin Water Conservation program is a natural vehicle through which such educational programs could be channelled.

No one really knows the level of effectiveness of current natural basin recharge on open lands and current flood water retention and infiltration programs, and no one knows precisely how much <u>more</u> natural water could be preserved for the Basin with additional effort.

-- However, everyone agrees that with additional development and new flood control channels, the natural recharge will diminish and every water expert believes that large amounts of natural water could be preserved by a Basin-wide centralized or coordinated water conservation plan.

A group consisting of the City of Ontario, the Water Conservation District, private developers, the Cucamonga CWD and the Chino Basin MWD has proposed a study which would use all the present and past reports which have been written on the Basin's water retention possibilities and produce a new estimate of present basin natural recharge and the effectiveness of additional effort.

This is a study which will provide valuable updated information, but it is not intended to propose an <u>organizational</u> solution to the problem.

CONCLUSIONS:

With the Department of Water Resources and the Metropolitan Water District warning Southern California of probable water shortages in future years,

- -- With the natural underground water recharge in the Chino Basin diminising with every significant development project,
- -- With flood control and drainage facilities being planned and constructed which will export natural water out of the basin,
- -- With power costs increasing the cost of imported water and the assurance of that water at any cost in doubt, and,
- -- With the Chino Basin having available one of the largest underground water storage basins around,

It seems irresponsible not to preserve the flow of native water for present and future use by infiltrating these waters into the underground through a Basin-wide water conservation plan.

How Might it be Accomplished:

 All of the public and private bodies who depend on a water source could get together and either select a Committee of several representative people expert in water conservation, or, select a single Agency, and authorize this choice to design, implement, and manage a Basin water preservation effort.

Each participant would need to agree to pay their pro-rata share of the cost based on some equitable measure of benefit.

- 2. The Chino Water Conservation District could be expanded to encompass the entire basin, and given assurance that the cost of capital projects, basin management and maintenance would be reimbursed by some formula. The one constraint for this option is that its staff and resources are limited.
- 3. The Chino Basin Municipal Water District, and in its role as Water Master, is the only agency which covers the entire basin with present responsibility, authority, and resources to provide for the entire water infiltration and recharge facilities, maintenance and operation. With cooperative support from all who would benefit from water conservation, this agency could implement and manage the program.
- 4. The County Flood Control District has the legal responsibility for flood control in the Chino Basin. It is involved with and constructs most of the flood control facilities. It is also involved in water retention and infiltration, and owns a great deal of land suitable for catch basins, and water retention and infiltration projects. The primary mission of the Flood Control District is to prevent flood damage, and while it has a peripheral

concern for water conservation, it doesn't have adequate funds for flood control, much less the extra funds and staff needed for water conservation.

Properly organized and funded it could perform the water conservation task for the basin.

5. With the present interest in all the All River Plan to protect against floods in the Santa Ana River, it might be possible to enlist the support of SAWPA and the Corps of Engineers. Either or both of these bodies, in connection with flood control programs, might assist in water retention projects which could, with local support, result in basin water preservation.

To devise a Basin-wide plan for water retention, preservation, and recharge and to implement the plan, construct the facilities, maintain and operate the facilities will be a major undertaking, and require major funding.

The problem is that <u>not to have</u> a coordinated water conservation plan will also be expensive <u>and will threaten</u> the possibility of a continuing water supply.

If development is to occur -- and it will -- then the flood control facilities <u>must</u> be constructed. Not to add these projects, and to existing flood control facilities, the facilities for water retention and reclamation is folly.

In examining the options for solution, considering expertise, staffing and resources, this study indicates that the two agencies best suited to do the job are the Chino Basin Municipal Water District and the County Flood Control District -- but neither of these will want the assignment without an assurance of full support from all the other benefitting agencies.

A joint Powers Body has been suggested and could work but it would need a lead agency and this large group of jurisdictions, each wishing to retain a veto, becomes unwieldy and difficult to manage.

The findings of this paper support the position that an intelligent water conservation plan is something the Chino Basin <u>must</u> have. There is <u>no</u> plan now, so the fourteen public bodies who will benefit must decide how to provide one.

LARRY H. HENDON
Executive Officer

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LHH:cl April 29, 1983

ACKNOWLEDGEMENTS

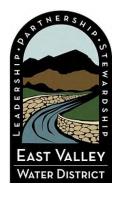
The people and agencies listed below supplied information used to produce findings and conclusions in this report, and appreciation is expressed for their helpful cooperation, However, the conclusions are completely those of the LAFC staff and does not necessarily represent the conclusions of any of those who supplied the information.

Information sources included the following:

Chino Basin Water Conservation District staff
Chino Basin Municipal Water District staff
Robert Jackson, Dennis Wilkins -- City of Ontario
County Flood Control Department staff
Andrew Salange, Consultant, SAWPA Manager
Bill Mann and Associates, Consulting Engineers
Louis Fletcher, District Manager, San Bernardino Valley
Municipal Water District
Joseph Delorio, RC Land Company
Lloyd Michaels, Manager, Cucamonga County Water District
Oliver Roemer, Director, West San Bernardino County
Water District

Letters dated April 1, 2015 and
December 12, 2014
Regarding Regional Sustainable
Groundwater Management Council
for the East Valley







April 1, 2015

Kathleen Rollings-McDonald Executive Officer Local Agency Formation Commission 175 West Fifth Street, Second Floor San Bernardino, CA 92415-0490

Dear Executive Director McDonald:

The purpose of this letter is to provide general comments on the Local Agency Formation Commission Municipal Service Review report, dated March 12, 2015, for Water Conservation in the Valley Region of San Bernardino County. We appreciate your support of the Groundwater Sustainability Council we proposed. Since we submitted the proposal we have had two meetings with producers and had very positive feedback. We have continued to develop concepts of governance for the Groundwater Sustainability Council. The participants currently have reservations about the efficiency of a Joint Powers Authority and will utilize streamlined governance in the Council's formation. The Groundwater Sustainability Council will be implemented through a contract/agreement that will provide for the equitable funding of groundwater recharge for each basin covered by the Council. The Groundwater Sustainability Council's purpose will in no way change the existing authority of the elected City Councils and Special District Boards of Directors that make up the Groundwater Sustainability Council. These governmental structures will fully retain their legislative authority to set rates, appropriate funds, etc. The Groundwater Sustainability Council, made up of General Managers or equivalent staff representatives, will perform the scientific studies to determine the water supply and funding needs and then develop recommendations for their respective Boards.

We support the sphere requested by the Water Conservation District in their request. SBVWCD will submit some specific detailed comments and corrections related to sections of the report. We continue to feel the proposed organization and the elements described will significantly move the valley forward.

Sincerely,

Daniel B Cozad

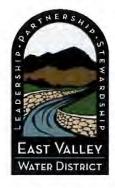
General Manager, SBVWCD

Dougas D. Headrick General Manager SBVMWD

John J. Mura

General Manager EVWD







December 12, 2014

Kathleen Rollings-McDonald Executive Officer Local Agency Formation Commission 175 West Fifth Street, Second Floor San Bernardino, CA 92415-0490

RECEIVED DEC 15 2014

Dear Executive Director McDonald:

LAFCO San Bernardino County

The purpose of this letter is to provide Local Agency Formation Commission the proposed alternative that has been developed by the general managers of the agencies. Since we met with you in October we have been working to develop a Regional Sustainable Groundwater Management organization. We have vetted the concept with boards of the agencies signing the letter and held the first meeting to discuss with the producers in the basin. All feedback to date has been very positive.

We feel the proposed organization and the elements described will significantly move the valley forward and eliminate the need to consolidate the Conservation District.

Sincerely,

Daniel & Cozad

General Manager, SBVWCD

Douglas D. Headrick

General Manager SBVMWD

John J. Mura

General Manager EVWD

Attachments:

Groundwater Sustainability Council Description

Bunker Hill Basin Producers Commitment to Regional Groundwater Sustainability

Especially in this time of drought it is important that LAFCO reviews the critical role of water conservation service and water districts. In response to the Water Conservation District's request for Sphere reinstatement and the Municipal Service Review, the San Bernardino Valley Water Conservation District, San Bernardino Valley Municipal Water District, East Valley Water District and others have requested LAFCO staff and Commissioners consider our collective efforts and the District's work with the other water agencies in the region. These agencies have worked together to provide the alternative to consolidation below which has garnered wide water agency support.

1. We agree the questions LAFCO is asking are important

Any high functioning agency when asked about financial capability, accountability and capacity of facilities for future population considers the questions seriously. We believe efficiency, effectiveness, trust and transparency are critical, especially to water related agencies demonstrating their accountability to the public and those they serve. We believe for the east valley our plan answers these questions.

2. We support the intent of the questions and MSR process

The evaluations performed by LAFCO staff and the discussion with LAFCO Management were instrumental in spurring agency staff to discuss the needs of the community and the basin for the future. The Bunker Hill Groundwater basin has limited capacity without appropriate and proactive management. The Agencies in the basin rely on the basin to meet the needs of the current and future population, growth and economic development.

3. We feel consolidation is damaging to the working relationships of the agencies

Rather than expanding the opportunities to cooperate and increase shared services and facilities, this particular consolidation process has damaged relationships and caused mistrust that has taken years to heal. The public expects agencies to work together for their interest and the acrimony caused by forced consolidation does is not in the public interest.

4. Basin water agencies are proposing a Regional Groundwater Sustainability Council, related to recent groundwater legislation requirements.

This region is blessed with a large and flexible groundwater basin. As highlighted by the recent groundwater sustainability legislation, these public assets require participatory management by responsive and responsible agencies. While the region is exempt from some of the requirements of the new laws due to adjudication, the agencies are moving forward with a Groundwater Sustainability Council to continue to further efficient management of this critical resource.

5. With this proposal and the agencies' working relationships, consolidation is unneeded and produces an inferior result.

The groundwater sustainability council will empower and by agreement require agencies producing water in the basin to actively engage in the management of Agency their critical resource, be responsible for the costs, and value the benefits they get

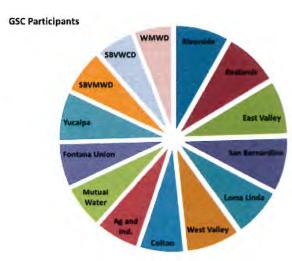


The Groundwater Sustainability Council

Groundwater Charge.

from a sustainable groundwater basin.

A. <u>Develop Collaborative Management to ensure efficiency and fairness of costs</u> to beneficiaries. We appreciate that LAFCO allows us to present this proposal for governance and financial responsibility for the groundwater basin through the Groundwater Sustainability Council. While it will take time, we are confident that it is a critical part of the future sustainability and vitality of the region. The graphic at right expresses the agencies that are expected to become members which eliminates equity issues in the current Conservation District



- B. <u>Develop regional Groundwater Sustainability Council structure to help basin users meet sustainability need and share responsibility.</u> The agencies in the basin expect that the costs for water and the cost to manage the basin for sustainability will continue to rise. These costs must be understood and shared fairly to gain public acceptance and support. This approach will produce the most efficient manner to support the basin for those using the basin. This is even more critical due to the number of the DAC's served by the agencies of this region.
- C. Replace Groundwater Charge with part of Basin Sustainability funding. Acknowledging the limits of the current Conservation District Groundwater charge, the Conservation District has recommended replacing the current groundwater charge with a portion of the groundwater sustainability funding developed in this process. Such a change should spur the agencies to want to participate and their review will insure the costs information and use of the funding is transparent.
- D. <u>Use the opportunity to develop cost model fair to all producers, small and large, public and private in a collaborative manner.</u> This need is even more critical given the large concentration of Disadvantaged Communities served by the agencies producing from the basin and the residual agricultural uses. The model would expand those contributing to the costs to manage the basin to keep it affordable to all.
- E. Protect recharge lands and long term ability to recharge. The Conservation District is protecting and permitting the lands needed to expand recharge to protect the basin and cooperating with SBVMWD and others to increase recharge. The completion of permitting and access are critical to the future of the basin and our communities' future development. The collaboration among the water related agencies underscores interdependent needs and authorities needed to manage the basin. The Conservation District is willing to provide support continuity to the process and ensure continued cooperative staff relationships.

F. While not all water related entities have had adequate time to discuss all

elements of the Groundwater Sustainability Council, or GSC, there is demonstrated support for moving to form such an organization. The concept has added benefits in that it works with the existing collaborative structures that have been working for more than five years, such as those shown at right.



Summary of LAFCO Issues and Responses provided by this plan. The table below attempts to capture and respond to the major questions asked LAFCO staff.

LAFC	O Question	Response		
1.	Why are there 2 water conservation Districts in the valley should they not be combined to be more efficient?	Historically the two were formed by the needs of the people in the area. SBVWCD was preceded by a voluntary Water Conservation Association formed in 1908 for water recharge and protection of water rights. Chino Basin WCD was formed later in a separate basin, adjudication and responsibilities. The Groundwater Sustainability Council brings the efficiency gains without the inefficiency of covering a very large divergent area with one agency.		
2.	Why not combine Conservation Districts together and cover the area between them?	The area between then is covered by the Lytle Creek Water Conservation Association of 1924. To achieve the same goal the Sustainability Council includes the agencies that provide both water recharge and conservation education.		
3.	Why not consolidate into the Flood Control District or the Municipal Agencies.	While this was asked before, efficiencies could be diluted by conflicting missions and unintentional lack of focus on critical recharge needs. The Groundwater Sustainability Council eliminates the need to undertake these by including the parties in a unified management approach.		
4.	Why is the Conservation District groundwater charge is paid by some but not all basin producers?	This historic artifact of the District Boundary is made irrelevant by the development of the Groundwater Sustainability Council where all producers pay and has the important benefit of ensuring sustainable funding of both the recharge function and the recharge water the basin needs.		

Information Provided by the Chino Basin Water Conservation District dated March 2, 2015

Attachment 6



Chino Basin Water Conservation District

Protecting the Chino Groundwater Basin since 1949



Demonstrate

Educate

Percolate

Local Agency Formation Committee *for San Bernardino County*CBWCD Facility Tour – March 2, 2015



Chino Basin Water Conservation District

Creating a New Normal for
Water Conservation Sustainability through
Demonstration and Education



CBWCD: Water Conservation Through **Demonstration**, **Education**, and **Percolation**

Official Government District in 1949

- Started in 1931 as a protective association to start managing water use
- Prior to last year's legislation to regulate groundwater in California, the Chino
 Groundwater Basin was one of the few managed aquifers in the state

Our Mission:

"The Chino Basin Water Conservation District is a public agency whose goal is the protection of the Chino Groundwater Basin in order to guarantee that current and future water needs will be met. The Basin is protected by the capture and percolation of waters through the District's network of channels, basins and spreading grounds. Water conservation education is provided to the individuals and organizations within our service area to further promote the efficient use of our water resources."



The area has a rich history in agriculture



DEMONSTRATION

—Parking lot, buildings, and demonstration garden









EDUCATION

- —Kids
- —Professionals
- -Homeowners
- —The general public









PERCOLATION

—CBWCD owns 8 recharge basins used to percolate:

Storm water ~ Imported water ~ Recycled water



Basin: Montclair #1



The Governor's California Water Action Plan lists

"Make conservation a California way of life"

as the first of its Ten Essential Actions.



Make Conservation a California Way of Life

How do we make water conservation a way of life?

How do we begin to affect the attitudes and actions of an entire region?

How do we create a new normal for water conservation?



Memorable Public Education Messages









Creating a New Normal



Image Credit: Forum for the Future



Key Components:

Demonstration and Effective Public Education



Demonstrate...

Educate...





Creating a New Normal for Water Conservation

The Chino Basin Water Conservation District...

A Leader in Water Conservation Demonstration and Education



Demonstration:

Parking Lot – Low Impact Development



Parking lot with permeable pavement contrasted with traditional asphalt

- —Pervious Concrete
- —Pervious Asphalt
- —Pavers
- —Disconnected Flow Paths
- —Zero Curbs
- —Trench Drains
- —Bioretention Basins
- Rain Gardens



Demonstration: Water Conservation Center

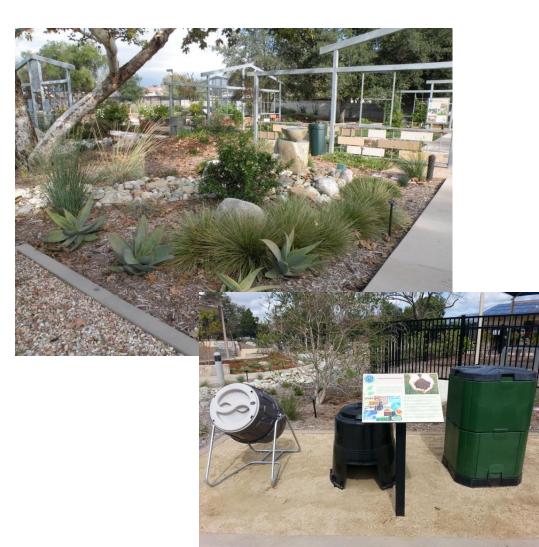


Entry evokes the natural surroundings of mountains and canyons

- —Eco-Revelatory
- —Rainwater Collection
- Environmentally Aware Design
- —Educational Lobby
- —Public Design Room
- —Class & Meeting Spaces



Demonstration: Water Wise Garden



- —Pocket Gardens
- —Different Methods of:
 - Composting
 - Irrigation
 - Mulching
- —Different Styles of:
 - Planting
 - Paving



Educate School-Age Children to Establish Good Habits

Equip Professionals and Homeowners to Implement Water-Saving Techniques

Establish a "new normal" for water use and conservation practices.



Education: K-12 School Tours and Programs



Earth Day field trip for 5th graders

- —Teaching Field Trips
- —Earth Day
- —Education Grants
- —Poster Contest
- —Garden in Every School
- -WEWAC



Education: Professionals



An EPA WaterSense
approved
professional
certification program
for irrigation system
auditing and water
management

Developed by Sonoma-Marin Saving Water Partnership



Education: QWEL Curriculum

The QWEL training presents an affordable local approach to reducing landscape water demand. QWEL provides graduates with knowledge in water efficient and sustainable landscape practices including water management and preservation of other valuable resources.



Covering Topics Such As:

 Where Your Water Comes From; Irrigation Systems and Efficiency;
 Scheduling and Controllers; Soils and Plants; Water Management and Budgets; New Technology



Education: Homeowners



Water Wise Landscape Workshops





Landscape workshops;
Landscape irrigation audits;
Weather based irrigation controllers;
Mulch and compost giveaways;
and more!



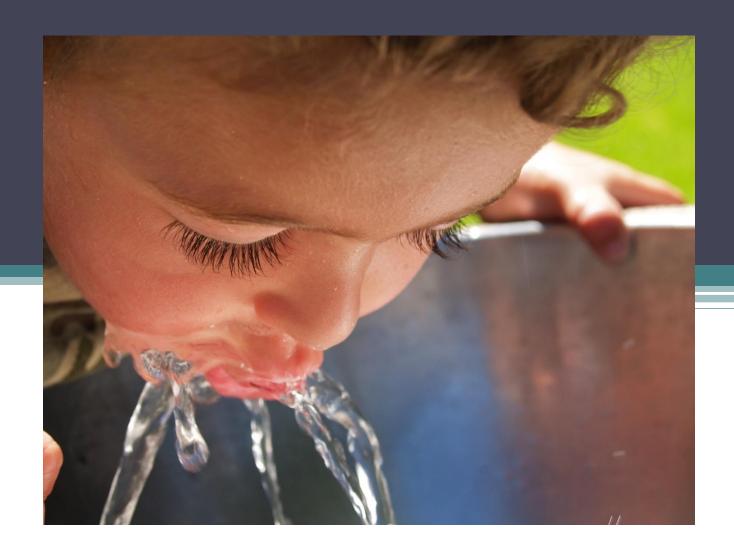
Landscape design appointments







Water Conservation and Public Education



Questions?

Responses to the Draft Report Chino Basin Water Conservation District Attachment 7a



Chino Basin Water Conservation District

March 25, 2015 Ltr. No. 2015-731 (Sent via email and hardcopy via U.S. Postal Service)

Kathleen Rollings-McDonald Executive Officer San Bernardino LAFCo 215 North D Street, Suite 204 San Bernardino, CA 92415-0490

> Service Review for Water Conservation in the Valley Region – Chino Basin WCD Response to the Draft Report

Dear Ms. Rollings-McDonald:

I appreciate the opportunity to respond to the Draft Service Review for Water Conservation in the Valley Region. It is apparent the thought and care you and your staff put into the review and recommendations. To supplement your thorough work, we have included an addendum with this letter that clarifies or corrects a few minor items in the report.

Regarding the overall determinations and recommendations of the report, the Chino Basin WCD staff and Board agree that "the Chino Basin WCD has long provided water conservation sustainability through demonstration and education and it provides this service well." We feel that the Chino Basin WCD is uniquely and advantageously positioned to provide excellent Water Conservation services to this area and as such, would vigorously oppose any outcome that would reduce or zero the Chino Basin WCD's sphere of influence, resulting in a reduction of the quality or availability of those services to our current community. We also agree that "the service of the Chino Basin WCD is limited within its boundary which encompasses only a portion of the Chino Basin." With this consideration, we agree with your recommendation that a Sphere of Influence review be initiated. We fully support and endorse increasing the Chino Basin WCD Sphere of Influence to encompass more of the Valley Region.

As the report notes, the Valley Region continues to be a fast growing and densely populated part of the county and state. Increased urbanization will create more impervious surfaces and a greater intensity and volume of runoff during storm events. Managing and percolating this runoff is crucial to flood control and groundwater recharge; fortunately, some key conjunctive use agreements—such as the Agreement for Operation and Maintenance of Facilities to Implement the Chino Basin Recharge Master Plan (commonly referred to as the 'Four-Party Agreement')—are already in place to do this effectively.

While managing and percolating storm water is a crucial part of maintaining our water availability, we need to turn to other strategies to increase our baseline water supply. These strategies entail such initiatives as water conservation and water use efficiency practices. As the

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PAUL HOFER
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March 25, 2015 Ltr. No. 2015-731

Page 2

report states, "Conservation and the efficient use of water is the most cost-effective source of water supply reliability and are essential to meeting the Valley region's current and future demand."

The California's water supply reliability and the need for water conservation is currently in the headlines due to the drought; however, we have seen this focus wax and wane depending on the fluctuating water levels in our state's reservoirs. To truly achieve sustainability, the focus on conservation must not just be when it is mandated by the state or in the headlines, but it must be consistent and committed. Many conservation outcomes—such as landscape changes or forming and cementing habits and skills in children, homeowners, and professionals—take time to implement and to become established. An independent agency that is focused on conservation protects this mission and guarantees it will receive appropriate attention and resources. This effort should not be diluted.

At the Chino Basin WCD our only core mission is and always has been water conservation through education, demonstration and percolation. This is not something we began championing due to the current drought, nor is it at cross purposes to our funding or other mandated responsibilities. We strongly believe the continuity, focus, and independent nature of the Chino Basin WCD is crucial to credibility and long term water sustainability in the Valley Region.

Therefore, we respectfully disagree that consolidation with IEUA would provide better service to the Valley Region. The Chino Basin WCD is highly successful in its core mission and there are no other programs of our scale or scope serving the Valley Region. The District is in an excellent financial position to continue providing these services with the added benefit of low overhead and no debt. While we disagree with the possibility of consolidation, we do strongly agree that expanding the sphere of influence for our services would be of great benefit to the Valley Region. To that end, we have initiated discussions with IEUA to explore possibilities by which we could provide our services to a larger area and achieve greater economies of scale.

The Chino Basin WCD staff and board are passionate about conserving water and bringing their expertise to as many people as possible through education, demonstration, and direct engagement. Towards that end we look forward to continued discussions with you and the LAFCO Board to increase the Chino Basin WCD Sphere of Influence and offer our expertise and services to a wider area.

Sincerely,

Éunice M. Ulloa General Manager

ADDENDUM

Requested Clarifications and Corrections to Draft Service Review for Water Conservation in the Valley Region

<u>Page 4, first paragraph</u> regarding the Gann appropriations limit and back up calculations, please revise the paragraph to acknowledge that the Chino Basin WCD did provide the information to LAFCO in January 2015.

Note: We understand that this information is clarified in the "Continued Monitoring" section, but it is under the heading 'Inland Empire Utilities Agency and San Bernardino Valley Municipal Water District' not 'Chino Basin Water Conservation District' and similar clarification is not offered on page 94 (see comment below).

<u>Page 28, "Valley Region Service Review" map</u>, the Chino Basin WCD four Montclair Basins are located north and south of the 10 Freeway. The map coloration for those basins should all be uniform.

<u>Page 30, the chart representing the Watermaster board</u> should be revised to reflect the current membership. The Chair is Steve Elie, Paul Hofer is the Vice-Chair, Robert Craig is no longer on the board, and the new member is Jim Bowman from the city of Ontario representing the Appropriative pool.

Page 38, last paragraph, first sentence; IEUA is also a member of the GRCC.

<u>Page 38, last paragraph, last sentence that ends on Page 39</u>; Neither IEUA, Chino Basin WCD, SBC Flood Control District nor Watermaster are aware of any process currently underway to develop new or modify the existing individualized operating plans for each of the recharge basins but this may be something considered in the future.

Page 62, Modify first paragraph and add additional paragraph to align comments with similar comments regarding other agencies:

"A primary function of Chino Basin WCD, as identified by its mission statement, is educating the community to conserve water as well as assisting the community in retrofitting efforts. The district opened its renovated Water Conservation Center campus in 2014. The Center includes a landscape design room where one can draft a water wise landscape, a classroom that holds 50 people, an educational lobby exhibit and a dedicated classroom building and edible garden area for Children's Education. The newly renovated water-wise demonstration garden features nine demonstration zones with over 300 water wise plant species arranged by type and water needs. The 1.5 acre garden is open to the public for self guided or staff guided tours and includes educational signage and demonstration exhibits that teach about water-wise landscaping, efficient irrigation and good maintenance practices. The district site also includes a demonstration parking lot that showcases various permeable pavements and Low Impact Development techniques; and a wilderness park that contains examples of 40 tree species that require low water – both are open to the public from dawn to dusk for casual recreation or informal gatherings.

At the Center, the district conducts workshops, hosts public events, accepts and actively pursues field trip visits from schools, and showcases various construction and landscape designs that reduce water

consumption. One of the districts longest running programs, an annual Earth Day field trip event, has reached over 25,000 5th graders with water conservation education since 1992. The district also offers daily teaching field trips, focused on water conservation and with curriculum that is compliant with state education standards. This past school year the program reached over 4,300 local school children, their teachers and many parents. In addition to these on-site programs, the district runs a water conservation poster contest which received 2,600 entries from 133 classes last year and a grant program that, since 1999, has provided up to \$5,000 for college bound students who are studying towards a career in a water related field."

Page 85, chart section "Assigned: Compensated absences," and first paragraph following the chart; The information on page 36 of the audit under section (9) "Fund Balance" did erroneously leave the value blank however, page 33 of the audit under section (6) "Compensated Absences" clearly reflects the 2013 balance as \$30,090. To ensure clear understanding of the Chino Basin WCD's fund balance amounts, please insert \$30,090 on the Assigned: Compensated absences line under 2012-2013, and note within the paragraph directly under the chart 2013 compensated absences of \$30,090 was reflected in the audit.

<u>Page 94, last paragraph</u>; this paragraph is identical to the first paragraph on Page 4. Please make the same revisions requested above.

Responses to the Draft Report
Inland Empire Utilities Agency

Attachment 7b



6075 Kimball Avenue • Chino, CA 91708 P.O. Box 9020 • Chino Hills, CA 91709 TEL (909) 993-1600 • FAX (909) 993-1983 www.ieua.org

April 2, 2015

Kathleen Rollings-McDonald Executive Officer Local Area Formation Commission for San Bernardino County 215 North D Street, Suite 204 San Bernardino, CA 92415

Dear Kathleen,

Thank you for the opportunity to respond to the draft LAFCO Service Review for Water Conservation in the Valley Region. We appreciate the efforts of you and your staff to ensure good governance in San Bernardino County and look forward to working with your organization moving forward.

There were a couple items of note in the draft report that we would like to clarify:

Page 32 – Watermaster Approval of IEUA Recharge Application

Under Article X of Chino Basin Watermaster Rules and Regulations, IEUA applied for and received approval from Chino Basin Watermaster in 2002 to recharge up to 30,000 acre-feet per year of recycled water in the Chino Basin consistent with the elements of the 1999 Optimum Basin Management Plan, the Peace Agreement to the Chino Basin Judgment, and the 2001 Chino Basin Recharge Master Plan.

Page 37 – IEUA and city of Upland Agreement for Recharge Using Upland Basin

In 2005, the city of Upland, IEUA and Chino Basin Watermaster entered into an agreement that IEUA and Chino Basin Watermaster could utilize the capacity of Upland Basin not used for flood control for groundwater recharge. IEUA and Watermaster contributed \$750,000 towards construction of Upland Basin and received a minimum recharge pool volume of 200 acre-feet. With this funding contribution, Upland assured IEUA and Watermaster that the facility would be used to the maximum practical extent for groundwater recharge. Maintenance costs due to recharge activities would be the responsibility of IEUA and Chino Basin Watermaster.

Page 38 - Groundwater Recharge Coordinating Committee

There is an operations manual from 2006, but the committee is not "in the process of developing individualized operating plans for each of the recharge basins."

Page 61 - Rebates

Metropolitan Water District of Southern California and IEUA do not offer rebates on pre-rinse spray nozzles. There used to be a rebate on pre-rinse spray valves, but a rebate no longer exists. Also, there is no mention of IEUA's locally implemented residential rebate programs, including the Landscape Turf Removal Program and the Landscape Retrofit Program.

 Terry Catlin
 Michael E. Camacho
 Steven J. Elie
 Gene Koopman
 Jasmin A. Hall
 P. Joseph Grindstaff

 President
 Vice President
 Secretary/Treasurer
 Director
 Director
 General Manager



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Page 61 – Chino Creek Wetlands and Education Park

IEUA has not partnered with the Santa Ana Watershed Association to operate the 22-acre Chino Creek Wetlands and Educational Park since June 2014, when IEUA assumed all responsibilities for the wetlands and park.

Page 62 – Chino Basin Water Conservation District Education Programs

In the first paragraph, it mentions CBWCD's education programs. The unfortunate consequence is CBWCD opening its Center in 2014 duplicated some of IEUA's extensive education programs, which have been an integral part of the community since 2008.

- ✓ 22-Acre Chino Creek Wetlands and Educational Park Water Discovery Program: The Program is designed to reconnect students with the environment by offering surrounding schools as well as community members the opportunity to participate in an outdoor field trip style experience at no cost. There have been a total of 212 field trips with 10,890 students since the inception of the program. In addition to the field trips, 7,266 community members and 4,384 students have taken part in IEUA's annual Earth Day celebration since 2007.
- ✓ Garden in Every School® Program: During FY 2013-14, 21 schools from the cities of Chino, Chino Hills, Fontana, Montclair, Ontario and Rancho Cucamonga that participated in a Project WET and a Garden in Every School® Workshop hosted by IEUA. The workshop's participants were then eligible for a \$1,000 mini-grant to assist in the upkeep of their pre-existing gardens. IEUA contracted with the Chino Basin Water Conservation District (CBWCD) to assist in evaluating the workshop participant's existing gardens and to offer recommendations. The Garden in Every School® Program is managed by IEUA. Each participating school is awarded a garden grant valued up to a maximum of \$4,500 in contract labor, irrigation hardware, plants, workshops, and education materials relating to the garden. To date, IEUA has implemented water-wise gardens in 51 schools.
- ✓ **Solar Cup:** Solar Cup is a seven-month program created through MWD that begins in the fall, in which high school teams totaling about 800 students build and race solar-powered boats at Lake Skinner, in Temecula Valley, learning about conservation of natural resources, electrical and mechanical engineering, problem solving and much more. IEUA sponsors up to three high school teams per year. Sponsorship includes funding, communication support, boat building participation, team packets, etc.
- ✓ School Assembly Program: IEUA sponsors the National Theater for Children. This assembly program is offered for FREE to all schools within IEUA's service area, and since 2004 more than 260,000 students in IEUA's service area have seen this production. The program focuses on water supply issues and water saving tips. Each student received a workbook and each teacher receives a working teacher guide.
- ✓ **STEM:** IEUA and the Board of Directors support STEM (Science, Technology, Engineering and Math) programs created from schools within IEUA's service area. Board contributions are offered to schools that partake in certain activities that are within the STEM sphere of influence (i.e. water testing, pollution detection, robotics, etc.).

 Terry Catlin
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✓ IE Garden Friendly: The program was developed by Eastern Municipal Water District, Inland Empire Utilities Agency, San Bernardino Valley Municipal Water District and Western Municipal Water District. The program has expanded to other parts of California and as far as Texas. The program makes it easy to spot outdoor water efficient irrigation products, plants and landscape material by looking for the bright and colorful Inland Empire Garden Friendly sticker. Now in its fourth year, the program is a public-private partnership open to all landscape retailers. The events take place in the spring and fall at various locations throughout the region. The partnership between Home Depot and the agencies has proved to be successful with the increasing number of returning and new customers attending the events.

Page 63 - 3rd bullet point

There is a typo here, but it should be noted that this item was completed in July 2014.

Page 65 - City of Upland

The City does not pay for the landscape classes – the classes are paid entirely by IEUA as part of its annual regional conservation program.

Page 80 - OPEB Payments

On May 21, 2014, the IEUA Board approved the establishment of a trust account with the California Employee Retirement Benefit Trust (CERBT). To date, a total of \$6.8 million has been paid into the trust account which eliminated the accrued liability reported in the Agency's financial report for fiscal year ending 2013/14. The Board letter and minutes from the meeting approving this change are attached.

Page 93 – Posting of Annual Compensation

IEUA has long been in compliance with the employee salary reporting requirements, with current salaries available on the Agency website through the Human Resources department link. There is also a link to the State Controller's website to provide access to the Board of Directors' salary information, with 2013 salary data, the most current available by the State. The link to this information is www.ieua.org/governance/transparency.

Again, thank you for the opportunity to submit our recommended additions and changes. If you need further clarification or have additional questions, please don't hesitate to contact us.

Sincerely,

INLAND EMPIRE UTILITIES AGENCY

P. Joseph Grindstaff General Manager

 Terry Catlin
 Michael E. Camacho
 Steven J. Elie
 Gene Koopman
 Jasmin A. Hall
 P. Joseph Grindstaff

 President
 Vice President
 Secretary/Treasurer
 Director
 Director
 General Manager

Responses to the Draft Report San Bernardino Valley Municipal **Water District**

Attachment 7c



April 1, 2015

Kathleen Rollings-McDonald Local Agency Formation Commission 215 North "D" Street, Suite 204 San Bernardino, CA 92415-0490 lafco@lafco.sbcounty.gov

Dear Kathleen,

We have reviewed the Local Agency Formation Commission's *Draft Staff Report - Service Review of Water Conservation in the Valley Region*, dated March 12, 2015, and offer the following comments for your consideration:

- 1. The table of recharge basins on page 47 is from the original *Upper Santa Ana River Watershed Integrated Regional Water Management Plan* (2007). The plan was recently updated and that Table 2-9 can be found on page 2-41 of the updated plan. The updated IRWMP is available on our website, http://www.sbvmwd.com/reports/reports/-folder-1057. We support the recommended corrections to this table as presented in the comments from the San Bernardino Valley Water Conservation District.
- 2. Suggest revising the last paragraph of the "San Bernardino Basin Area" section on page 50 to: Groundwater storage in the San Bernardino Basin Area is currently 650,000 acre-feet lower than it was in the base year, 1934. This new, historic low storage level is about 78,000 acre-feet lower than the previous, historic low storage level recorded in 1965.
- 3. The Crafton Hills Reservoir Expansion project listed on page 52 is not a "recharge project" as stated on page 51.
- 4. Suggest this revised text for the Enhanced Recharge project on page 51: The Enhanced Recharge in Santa Ana River Basins is a joint project with the Western Municipal Water District, Riverside Public Utilities and San Bernardino Valley Water Conservation District. The first phase involves construction of intake improvements, a sedimentation basin, new canal, 96-inch diameter pipeline and new recharge ponds. The second phase involves construction of additional 96-inch diameter pipeline to connect to the Metropolitan Water District of Southern California 12-foot diameter Inland Feeder Pipeline. Phase 1 is currently in process and is expected to cost \$35 million. Overall, this project is expected to capture and recharge an average of 12,000 acre-feet per year.

- 5. We have consulted the District's legal counsel who has advised us that there is no requirement in the California Constitution for Municipal Water Districts to have an independent auditor review the Gann Appropriations limit. The only reference that he found was a recommendation prepared by the California League of Cities which is not a part of California law. For this reason, we ask that you provide the legal basis for this requirement or that you remove the multiple references to this requirement from the report.
- 6. Suggest this revised text under the title of OPEB Payments on page 80: The Other-Post Employment Benefits (OPEB) Payments indicator below monitors whether an agency is able to pay or is paying the amount required to fund the OPEB system as determined by its actuary. It is calculated by dividing OPEB payments by OPEB annual cost. IEUA, MUNI, and SB Valley WCD provide OPEB to its retired employees, although at varying benefits and costs. For example, for employees hired before April 19, 2011, MUNI pays the cost of the monthly medical and dental insurance premiums for retired employees and their dependents who have reached at least age 50 with a minimum of 10 years of service. For employees hired after April 19, 2011 who have reached the age of 60 with a minimum of 15 years of service, MUNI will pay the cost of monthly medical and dental insurance premiums for retired employees and their dependents, until the retired employee reaches the age of Medicare eligibility.
- 7. Suggest including the District's Appropriation Limit on page 93, second paragraph to MUNI limit is \$24,215,427.

Thank you for the opportunity to provide comments on this draft staff report. Please call me directly at (909) 387-9226 if you would like to discuss further.

Sincerely,

Douglas D. Headrick

General Manager & Chief Engineer

Douglas D. Headnoh

Responses to the Draft Report San Bernardino Valley Water Conservation District

Attachment 7d

OUR NAME IS OUR MISSION

SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT

Established 193

1630 West Redlands Boulevard, Suite A Redlands, CA 92373-8032 (909) 793-2503 Fax: (909) 793-0188 Email: info@sbvwcd.org www.sbvwcd.org

April 1, 2015

Kathleen Rollings-McDonald Executive Officer Local Agency Formation Commission 175 West Fifth Street, Second Floor San Bernardino, CA 92415-0490

Dear Executive Director McDonald:

The purpose of this letter is to provide specific comments, changes and additional information on the Local Agency Formation Commission Municipal Service Review report, dated March 12, 2015, for Water Conservation in the Valley Region of San Bernardino County. We appreciate your support of the Groundwater Sustainability Council we proposed and have developed a joint letter on general comments.

The District has specific information and detailed comments and provides them for your consideration under this cover and by email. We have significant support from the entities in the East Valley for the sphere the District requested in its application. We understand LAFCO staff's rational for expanding the sphere to the Bunker Hill Basin. We believe consideration of additional expansion of the sphere is premature and recommend that this issue should be revisited when the Groundwater Sustainability Council is implemented and the needs and their recommendation can be taken into account.

Sincerely,

Daniel B Cozad

General Manager, SBVWCD

SBVWCD Comments on the Draft LAFCO Staff Report MSR 3-12-15

General Comments

The following are changes, comments and additional information submitted to the Local Agency Formation Commission on the Municipal Service Review Draft report, dated March 12, 2015, for Water Conservation in the Valley Region of San Bernardino County. The District sincerely appreciates your support of the Groundwater Sustainability Council the three districts proposed. The District and partners have continued to develop concepts of governance for the Groundwater Sustainability Council. The participants currently have reservations about the efficiency of a Joint Powers Authority and will utilize streamlined governance allowed in Section 10723.6 of the Water Code for the Council's formation. The Groundwater Sustainability Council will be implemented through an agreement that will provide for the equitable funding of groundwater recharge for each basin covered by the Council. The Groundwater Sustainability Council's purpose will in no way change the existing authority of the elected City Councils and Special District Boards of Directors that make up the Groundwater Sustainability Council. These governmental structures will fully retain their legislative authority to set rates, appropriate funds, etc. The Groundwater Sustainability Council, made up of General Managers or equivalent staff representatives, will perform the scientific studies to determine the water supply and funding needs and then develop recommendations for their respective Boards.

The District has gained significant support from the entities in the East Valley for the sphere the District requested in its application and provided letters documenting this support. We understand LAFCO staff's rationale for wanting to analyze a larger sphere to represent hydrology of the Bunker Hill Basin. We have taken LAFCO staff's suggestion to our partners, but, it has received little support. The consensus seems to be that any such expansion of the District's sphere at this time is premature, and is likely to be disruptive to the Groundwater Sustainability Council's formation process. We recommend that this issue should be revisited when the Groundwater Sustainability Council is implemented, and can serve its structural and service needs after they are better defined.

The District also provides information herein, for the record, on its belief that the Water Code provides authority for preparation and implementation of management plans addressing habitat on District-owned lands, and the District's ability to implement the habitat goals and requirements of the Wash Plan.

The District is providing specific comments, changes and additional information by page and section.

Executive Summary

Determination I – Growth and Population - No issues, concur

Determination II – Location of DUC - No issues, concur

Determination III – Page 3 - Paragraph 2

LAFCO Staff correctly states the District budgets very limited funding for Conservation Education, However, we do provide school and other outreach through IERCD, plus staff and directors provide assistance and outreach to commercial producers and small well owners who are not supplied by urban water suppliers, who have primary responsibility for implementing water conservation programs in their service areas We actively support and help fund the iEfficient initiative. We also lead a BTAC subcommittee for landscape education for implementing the qualified water efficient landscaper program (QWEL) and have a certified trainer on our staff.

Determination IV - General and Specific Comments

Page 3 - Last Paragraph

We appreciate LAFCO Staff's recognition of reduction in costs and implementation of fiscal policies. We do enjoy, and have worked to achieve, relatively high liquidity. This is because the District reserve policy provides the basis and need for funding accumulated specific needs and capital projects. The report states:

"Therefore, a high unassigned fund balance seems disproportionate to the services the district provides.

The District currently has a counter-cyclic revenue and expense cycle. In drought, pumping from the groundwater basin increases and costs for maintenance moderate, while operations are somewhat reduced. During wet periods, the cost of vegetation removal operations and the cleanup of silt and sediment can be extensive, to prepare for the next season. Without accumulating this reserve for the Groundwater Enterprise, rates would be highly variable based on annual cost. During rate hearings the District had repeatedly heard that fluctuations in rates paid by cities and districts were difficult as they set rates for 3-5 years in advance.

Additionally, the District is presently designing capital improvements which will use much of the reserve attributable to Groundwater. Future land management costs will utilize land management funds.

Legislative Authority to Implement Habitat Mitigation for Projects

LAFCO's MSR Staff Report ("Staff Report") suggests the Conservation District lacks the legislatively-conferred authority to oversee habitat mitigation required for its operation and projects, including cooperative implementation of such projects under the Wash Plan. (See, e.g., Staff Report pp. 3, 58, 91, 94.)

"Should the district desire to actively provide habitat management and enhancement (related to the Wash Plan), it would need to receive special legislation to expand the scope of its authorized activities as well as submit an application to LAFCO to request authorization to provide said service."

The District respectfully disagrees.

Water Code sec. 74501 confers broad authority to any conservation district to "make contracts and do all acts necessary for the full exercise of its powers." Courts have cited and interpreted this section broadly. (See *City of Santa Maria v. Adam* (2012) 211 Cal.App.4th 266, 307 [sec. 74501 cited as upholding water conservation districts' authority to manage and allocate salvaged groundwater].)

The organic Water Conservation District Act confers a broad array of powers for which the ability to enter into and administer a cooperative agreement for habitat preservation and management would be necessary. These include:

- Water Code sec. 74523 A district may "maintain, operate and repair" dams, reservoirs, canals, ditches, and spreading basins, among other facilities.
- Water Code sec. 74550 Conservation Districts may hold use, enjoy, manage, occupy, possess, lease or dispose of real and personal property of every kind.
- Water Code sec. 74552 Such districts "may take conveyance or other assurances for all property acquired by it."
- Water Code sec. 74570 Confers authority to cooperate and contract with one or more other districts or public corporations or agencies, whenever, in the opinion of the Board, such cooperation is desirable or advantageous to the District.
- Water Code sec. 74571 Similar power is granted to join with other Districts in acquisition, purchase, or construction of works, and conduct the actual construction and operation of the works.
- Water Code secs. 74610-618 This entire article of the Water Conservation District Law confers specific authority to enter into cooperative agreements with the United States.

Implementation of the Wash Plan touches, at least in part, on all of these statutorily conferred powers. A critical component of the Wash Plan is cooperation with San Bernardino Valley Municipal Water District ("Valley District") in constructing and operating additional water spreading basins for groundwater recharge enhancement. (See, LAFCO Staff Report p. 51.) Under a lease agreement with Valley District, the District will maintain these new basins, in addition to its traditionally-held facilities. (Staff Report, p. 55.) Because these basins cannot go forward without mitigating biological impacts from their placement and operation, mitigation is a necessary incident of both the development and operation of the contemplated basins, and the cooperative agreement between the two agencies.

Further, the Wash Plan implicates a land exchange with the Bureau of Land Management ("BLM",) and contemplates activities on areas of habitat for threatened and endangered species under the jurisdiction of both the California Fish and Wildlife Department and the United States Fish & Wildlife Service ("USFWS"). Therefore, both state and federal cooperative agreements are essential to secure the habitat conservation plan management and financing assurances, without which the contemplated new water facilities, along with all the other Wash Plan covered activities, simply would not become a reality. Certainly, the District's Board of Directors can determine (and has determined) that such inter-agency

cooperation is "desirable or advantageous to the District," and equally benefits many others. (See, Water Code sec. 74570.)

LAFCO itself has already taken the position that a strict reading of the statutorily-conferred powers the Legislature grants to special districts is inappropriate. In the Environmental Impact Report accompanying the rejected consolidation proposal, LAFCO 3076, LAFCO implied Valley District's ability to make surveys and investigations of water supply and resources of the District, as necessarily incident to its other statutory powers. It did so despite the absence of any specifically conferred authority to do so in the Water Code's Municipal Water District Law. (See, LAFCO 3076 EIR, SCH No. 2007091035, pp. 3-12.) A strict reading of the Conservation District's powers here would appear to be inconsistent with that precedent.

Moreover, if any agency must seek specific legislative authorization to perform habitat conservation oversight on regional cooperative plans, the District would be one of many who would have to petition Sacramento. Our research indicates San Bernardino County Flood Control District, which oversees and manages the Woolystar Preserve Area in the same vicinity of the Wash Plan, has no specific authorization in its organic act to conduct or manage habitat conservation activities. County Flood Control District's present power to conduct such activities would have to be necessarily implied in the conferral of other broader powers, similar to those listed above for Conservation Districts. (See, e.g., Water Code Appendix secs. 43-2, 43-6.)

The fact that County Flood currently implements the multi-agency effort managing the Woolystar Preservation Area in the Santa Ana Wash proves both the reasonableness, and practical efficacy, of a broad reading of statutorily conferred powers. Such broad reading appears to be the present interpretation of the courts, the present practice of agencies already undertaking multi-agency habitat management services, and is consistent with the literal wording of the statutes themselves.

Determination V – Shared Facilities – No issues, concur

Determination VI –Accountability Structure and Operating Efficiency

Paragraph 1 of VI – We question whether the absence of contested elections signals voter indifference. For vacancies occurring mid-term at least, appointing candidates in lieu of election is more efficient and costs less. On terms expiring through the elections cycle, if there was significant dissatisfaction opponents would have run to unseat incumbents. While the table is accurate as written our Board does not consists solely of appointees. Director Hendriques-McDonald was elected in 2005, Director Raley was elected in 2009 and Director Glaubig was elected in 2011. All of our directors regularly stand for election, and are more directly accountable than agencies that have boards appointed by other elected officials.

Paragraph 2 of VI Presents 2 options

- 1. Consolidate the two water conservation districts to a single District serving the entire valley
- 2. Two water conservation districts consolidate with their respective Municipal Water Districts

Given the state of development of the Groundwater sustainability council we recommend the following changes to paragraph 5. As indicated in section 10723(a) of the Sustainable Groundwater Management Act any local agency or combination of agencies overlying a groundwater basin may elect to be a groundwater sustainability agency for a basin. The Groundwater Sustainability Council is proposed be formed as efficiently as possible without hiring additional staff, increasing overhead or adding additional layers of government under an agreement among the parties considering the Interests of Groundwater users.

"However, as a part of this service review these agencies, along with East Valley Water District, have submitted an outline to form a Groundwater Sustainability Council (GSC) for stormwater capture, water import funding and groundwater recharge. This effort proposes in essence a functional manner to coordinate key functions and shared services and facilities, absent formal consolidation. The GSC would be the responsible entity for ensuring adequate stormwater capture, imported water funding, and groundwater recharge efforts. The GSC board of directors would be composed of producers representatives from the basin as member agencies. While this scenario does not achieve consolidation it fulfills LAFCO's initiatives toward shared services and facilities, and it provides a means to move toward the most efficient provision of this service in the East Valley area. Therefore, LAFCO staff would support this option."

LAFCO Staff Sphere Proposal

The LAFCO staff proposal (page 5 paragraph 2) regarding the Conservation District's sphere is:

- "Modify LAFCO 3173 to include the analysis of the following alternatives for consideration:
 - expansion of the sphere of influence to be coterminous with the sphere of influence of MUNI.
 - o include the whole of the Bunker Hill Basin, or
 - the request initiated by the District to expand the sphere of influence by 1,973 acres."

The District has received significant support for the requested sphere in our application. We did so hoping to come to LAFCO with a broadly supported, non-controversial sphere request. That hope was realized; our request is supported by all of our partners.

We have vetted LAFCO staff's other options among our partners, and those involved in the GSC formation efforts. Given the feedback we have received, we feel considering other sphere boundaries is premature until the GSC has better defined membership, and better defined roles and responsibility. While those detailed discussions occur, parallel, external definitions of future service responsibility may limit the flexibility and creativity the GSC efforts will require, and may even be disruptive of efforts at formation of the GSC. We therefore recommend that LAFCO Commission grant our requested sphere, and if needed reassess the changes to that sphere after our role, and the roles of all GSC participants, are further clarified.

Full Report Text

Full Report Comments are by Section and Page Number

Page 16 - Paragraph 2

Report should indicate that both the SBVMWD and SBVWCD monitor and report on surface and groundwater. The SBVWCD provides the Daily Flow Report for surface water and annual Engineering Investigation Report for groundwater levels and change in storage as required by the Water Code.

Page 47 - Recharge Table

SAR Spreading Grounds – Diversion capacity at Cuttle Weir is approximately 900 CFS, current capacity under Greenspot trail is 200-250 CFS. Enhanced Recharge Cooperative project is designed to increase to 500 CFS.

Mill Creek Row - Two 50 CFS canals can deliver a peak of 100 CFS. Improvements are in design to upgrade the reliability at this capacity during more productive storm events.

Page 51 - Second Paragraph

The Enhanced Recharge Project is a partnership between SBVMWD, SBVWCD, and Western Municipal Water District. A grant from the Santa Ana Watershed Project Authority provides additional funding and SBVWCD provides land, environmental mitigation support and long term operations.

Page 52

Please add the Plunge Creek Conservation project to the Current and Future Projects List.

 Plunge Creek Conservation Project. New infrastructure and operations to direct and slow stormwater increasing recharge and habitat quality. The joint project with the USFWS and funding from Proposition 84 IRWM funding through the Santa Ana Watershed Project Authority, it will increase recharge by approximately 1200 Acre feet per year on average and increase habitat for the endangered species in the lower Plunge Creek area.

Please indicate under basin monitoring that SBVMWD and SBVWCD cooperatively monitor and report on surface and groundwater. The SBVWCD provides the Daily Flow Report for surface water and annual Engineering Investigation Report for groundwater levels and change in storage as required by the Water Code.

Page 53

We believe the Mill Creek spreading grounds are mischaracterized. Since the time of the referenced letter the facility has been built and operates seamlessly with District facilities. The District has provided a graphic showing the history of groundwater recharge for the report.

Page 58 and 91

The LAFCO Staff report also raises a question whether activation of latent powers would be required for implementation of the Wash Plan's habitat conservation and mitigation components:

Habitat Management and Enhancement

Several strategic goals are related to this planning effort that are summarized by the Wash Plan's commitments to effective stewardship of easement lands owned and managed by the SB Valley WCD. According to SB Valley WCD, habitat management and enhancement in accordance with the Wash Plan is both a requirement and an opportunity for the district. However, SB Valley WCD is not authorized by LAFCO or State Law the function or service of habitat management or similar activity. Further, Water Conservation District Law does not allow for a water conservation district to provide habitat management services. Since March 2006, SB Valley WCD is authorized by LAFCO to provide "water conservation" and "surveys of water supply and resources" pursuant to the Rules and Regulations of the Local Agency Formation Commission for San Bernardino County Affecting Functions and Services of Special Districts. Should the district desire to actively provide habitat management and enhancement, it would need to receive special legislation to expand the scope of its authorized activities in Water Conservation District Law as well as submit an application to LAFCO requesting authorization to provide said service. As an alternative to SB Valley WCD providing habitat management and enhancement, the Inland Empire Resource Conservation District could perform this service as its parent act and LAFCO authorize it to do so."

This appears to be a departure from past findings and indications from LAFCO.

Our review of the "Listing of Special Districts Functions and Services," included as Exhibit "A" to the "Policy Statement Adopted by Independent Special Districts and San Bernardino LAFCO Regarding Independent Special District Representation" (see, LAFCO Policy and Procedure Manual pp. 183-202), includes few specific authorizations for habitat preservation or conservation. The only agencies so listed appear to be the Mojave Desert Resource Conservation District (LAFCO Policy and Procedure Manual, p. 189), CSA 70 (*Id.* at p. 199) and CSA 120 (*Id.* at p. 200). The Conservation District presumes that a number of other special districts can and do implement habitat conservation and preservation activities in connection with mitigation requirements of their own projects, undertaken alone or collaboratively with other agencies, whether under CEQA, NEPA, or otherwise. We are unaware that LAFCO has previously preconditioned such mitigation on an activation of latent powers.

Further, LAFCO staff seems to imply that the Wash Plan implementation the District contemplates could be done by Inland Empire Resources Conservation District ("IERCD"). (LAFCO Staff Report, p. 58.) While the District has considered this as a possibility, IERCD likewise currently lacks habitat preservation or conservation in its roster of approved services. (LAFCO Policy & Procedure Manual, p. 129.) Therefore, no administrative efficiencies would appear to result from asking IERCD to step into the District's shoes for the Wash Plan effort at this late date.

We also note the latent powers issue was not highlighted in the proceedings on LAFCO 3076 in 2008, when consolidation with Valley District was being considered. Then, LAFCO's approved EIR concluded that Valley District not only had agreed to accept a lead agency role to complete the project (see, LAFCO 3076 EIR, pp. 3-17), but that it was obligated to continue processing the Wash Plan, including subsequent implementation measures, such as the required EIS and "other permits/approvals." Presumably, the "other permits/approvals" contemplated State and Federal "take" permits and accompanying HCD requirements, which were even then being negotiated. Certainly, LAFCO's approved EIR did not include activation of latent powers as a discretionary approval for either the District nor Valley District, and specifically stated: "Other than actions related to transferring of title, responsibilities, and assets from the District to Valley District, no other discretionary permits or approvals have been identified at this time that would be necessary for LAFCO 3076." (Id. at pp. 3-30.) The clear implication of this LAFCO finding was that latent powers activation was not intended to be required by LAFCO of either agency.

For all the foregoing reasons, the District believes that its ability to go forward with its planned mitigation activities for the Wash Plan is consistent both with its organic legislative-conferred powers, and what it understands has been LAFCO's past practices regarding how mitigation activities fit with other specifically listed functions and services. To the extent there may be disagreement on this point, it will best be resolved after the Wash Plan implantation planning is complete.

The Wash Plan Task Force is still working on forming the specific structure of how the State and Federal "take" permits will be held, and how the mitigation obligations under the Habitat Conservation Plan and its Implementing Agreement will be funded, overseen, and implemented. At this juncture, questions of what agencies involved in the Wash Plan, standing alone, have what mitigation authority, are largely academic. Once the full roster and structure of the Wash Plan mitigation implementation is decided, all parties will have a definitive organizational structure to assess, and a better perspective to gauge who may legally, and most effectively, do what. Should that result in valid requirements to come to LAFCO for implementing authority, the District will do so, with the prior consensus of the participating Wash Plan Task Force members that will be required to define the optimum organizational structure.

Page 67

SBVWCD is the local sponsor (with the Basin Technical Advisory Committee, Conservation Subcommittee) to provide QWEL training for Landscapers. Instructors are to be drawn from local district conservation staff and IERCD staff. The District cosponsored the cost of the training for participants from the service area. The training was held in cooperation with CBWCD at their facilities in December 2014. While the report accurately describes the District's judicious spending on outside efforts, we work closely with agricultural and commercial groundwater producers to address conservation opportunities and are an active participant in the regional iEfficient program and help fund the program.

Page 74

We appreciate LAFCO Staff's recognition of reduction in costs and implementation of fiscal policies. We have relatively high liquidity however the District reserve policy provides the basis and need for funding

accumulated specific needs and capital projects. We suggest these be included in the discussions on this page.

We also suggest the report recognize the unusual circumstance that replenishment and conservation districts face.

The District currently has a counter-cyclic revenue and expense cycle. In drought, pumping from the groundwater basin increased and costs for maintenance increase slightly while operation are somewhat reduced. During wet periods the cost of operations and the cleanup of silt and sediment can be very large to prepare for the next season. Without accumulating the reserve for the Groundwater Enterprise, rates would be highly variable based on annual cost. During rate hearings the District had repeatedly heard that annual changes to rates paid by cities and districts were difficult as they set rates for 3-5 years in advance. Additionally, currently the District is designing capital improvements which will use much of the reserve attributable to Groundwater. Future land management costs will utilize significant land management funds.

Page 82

The Report text is inaccurate and incomplete as written. The District first completed an OPEB actuarial study in 2011. The Study indicated an annual contribution for OPEB at \$962 per year with an accrued liability of \$3118. The District contributed the \$3118 in 2011 and has contributed at least the \$962 per year for the following 2 years (2012 and 2013). In 2014, the District, as required, updated the actuarial study which concluded that based on experience, the annual OPEB contribution should be \$8,883. The unfunded liability was estimated at \$29,305. Based on Board direction the unfunded liability difference was funded in 2014. The District budgets the \$8,883 annually to fund the OPEB Reserve. The District intends to convert the OPEB Reserve to a Trust in the coming fiscal year.

Page 87

In the second sentence: While the District's assets are mostly unrestricted from an accounting perspective, we would appreciate if it noted that they are subject to the Districts Reserve Policy.

In the Table: There is an error in the 2009-2010 Cash and Investments shown as \$66,913,884 Cash and Investments should be \$6,613,884 and other should be \$250,297 rather than \$60,049,703.

Page 90 - First Paragraph

"General Fund Reserve

According to the FY 2014-15 budget, the General Fund Reserve is the only existing reserve (with the exception of the Prepaid Royalty Reserve and counter to the reserves identified in the 2012-13 and 2013-14 audits) and it has been significantly depleted in the past two years due to the general economy and litigation costs. The district envisions that this reserve level balance be maintained, once achieved, at a level equal to two years budgeted General Fund operating expenses or approximately \$1,200,000.

Similar"

This text is accurately taken from the budget document, but is not presently correct. This text was accurate in 2011 and reflects the status before the Board approved the Reserve Policy. The District has

funded its reserves in all critical areas of risk. As the report indicates, the General Fund Reserve may contain up to 2 years of the General Fund costs of the District. It currently contains \$540,273 which is about one year of General Fund operations. The District's other reserves are allocated by policy. The Groundwater Reserves are funded at about \$1.6 million, about 90% of the maximum by policy, however a significant portion of that will likely be needed in Capital Improvements for Mill Creek Diversion Rehabilitation. The land resources reserve is currently over funded at \$968,387; however this reserve is used to make safety repairs and improvements planning for the next two fiscal years. The District has a Capital Improvement/Equipment reserve currently funded at about \$400,000, which provides capacity for pay-go project and equipment replacement.

Staff apologizes for the old text remaining in the budget and the resulting misinformation. We trust the report can be revised to represent the actual present situation.

Page 90 - Second Paragraph

"Similar to Chino Basin WCD, the district has high liquidity, no long-term debt, and meets its service obligations (after capital projects). Therefore, an unassigned fund balance of this magnitude seems disproportionate to the services the district provides."

As stated previously the District currently has a counter-cyclic revenue and expense cycle. In drought, pumping from the groundwater basin increased and costs for maintenance increase slightly while operation are somewhat reduced. During wet periods the cost of operations and the cleanup of silt and sediment can be very large to prepare for the next season. Without accumulating the reserve for the Groundwater Enterprise, rates would be highly variable based on annual cost. During rate hearings the District had repeatedly heard that annual changes to rates paid by cities and districts were difficult as they set rates for 3-5 years in advance. Additionally, currently the District is designing capital improvements will use much of the reserve attributable to Groundwater. Future land management costs may utilize land management funds.

Page 90 - Paragraph #3 Director Expenses

In regard to Director Expenses, the District requests the following changes in red and additional information.

"The figure below identifies Director Expenses as outlined in its budgets. The board of director per-diem of \$197 per meeting up to a maximum of 10 meetings per month and expenses for District and other meetings is set by Ordinance No. 2014-1 and Resolutions No. 509A & 509B. A review of the district's minutes identifies that the district board meets roughly 13 times a year with quarterly meetings of the finance committee, operations committee and outreach committee. Therefore, a fair estimate for stipends and travel expenses for district Board and Committee meetings would be \$18,000. Board members do not receive health, life insurance, or retirement benefits. This leaves over \$64,000 annually (from 2010-11 through 2013-14) for what is believed to be fees for partner agency attending association meetings, seminars and conferences. To illustrate the point, dividing the 2013-14 Directors Fees (\$68,000) by the per diem (\$197) and five board members equates to 69 meetings a year per director. This additional

amount related to Directors Fees appears to be high for any district, more so given the limited nature of the district."

Activity	2010-11	2011-12	2012-13	2013-14	2014-15 Budget
Director Fees	\$64,155	\$66,487	\$69,541	\$68,000	\$82,000
Mileage	879	2,145	2,850	3,000	2,750
Air Fare	1,201	2,822	5,100	4,750	6,412
Other Travel	165	192	350	500	750
Meals	1,021	1,333	2,930	2,930	2,430
Lodging	6,414	3,029	<i>3,758</i>	3,500	4,900
Conference/Seminar	11,627	5,000	4,500	4,590	8,032
Total	\$85,462	\$81,008	\$88,029	<i>\$87,270</i>	\$107,274
No. of Directors	7	7	5	5	5

We recommend the deletion the budgeted amount for 2014-15, because the Board has limited its meetings and as of the end of February (7 months) the total Board expenses are less than \$58,000. It is expected that the year will end with expenses being closer to \$85,000-\$88,000.

Page 91 - Habitat Authority

Report Text indicates:

"Since March 2006 SB Valley WCD is authorized by LAFCO to provide water conservation, and survey of water supply and resources pursuant to the Rules and Regulations of the LAFCO for SB County Affecting Functions and Services of Special Districts".

The District commented on page 2 of this document that believes it has the legislative authority and will either request activation of latent powers, continue to work with IERCD or contract with non-profit based on the Wash Plan Task Force recommendation.

Page 97 - Last three rows of the table

The listed Pipeline Ownership is in error; SBVWCD does not have ownership in any of the pipelines listed. Texas Street is owned by Redlands and Muni has purchased capacity. We do not have the data to correct the Virginia and 10th street ownership.

Page 102 - Elections and Appointments

For vacancies occurring mid-term at least, appointing candidates in lieu of election is more efficient and costs less. On terms expiring through the elections cycle, if there was significant dissatisfaction opponents would have run to unseat incumbents. While the table is accurate as written our Board does not consists solely of appointees. Director Hendriques-McDonald was elected in 2005, Director Raley was elected in 2009 and Director Glaubig was elected in 2011. All of our directors regularly stand for election, and are more directly accountable than agencies that have boards appointed by other elected officials. Additionally, all existing Board members have filed for election and prepared candidates statements and were not "appointed" by the Board.

Page 105 - Paragraph 3

The Report Text indicates:

"Consolidation offers the greatest level of benefit for resource management, seamless operations, and standardized coverage. For stormwater capture, overhead would reduce as shared equipment and labor would result in savings. All areas would participate in capital costs for new equipment and station upgrades."

Given that this text appears to come from earlier analysis of fire or another service type, it may be that it is less applicable to services like that provided by the SBVWCD. Because of the Enhanced Recharge agreement with SBVMWD and WMWD facility upgrades are currently shared across a broad two county area. In addition, successful State Grant applications the cost of some facilities is paid for 75% by taxpayers Statewide.

"It would be expected that a single agency could use resources more effectively, and water education activities could consolidate thereby resulting in a streamlined message."

The agencies in the East Valley already do this through their combined use of IERCD and the iEfficient program. Such efforts have extended their outreach and reduced costs, without consolidation.

Page 105 and 106

Regional - One Water Conservation District for the Valley Region

The Report text Indicates:

"Since the formation of the two water conservation districts in the Valley, there are significant gaps in coverage of a water conservation district, particularly within the Rialto-Colton basin. This scenario would include consolidation of the two water conservation districts and annexation of the remainder of the Valley Region...

The benefits of a single regional agency responsible for water conservation is that the consolidated agency could be the primary agency responsible for water conservation for the entire Valley Region to include storm water capture and public education. The area in between the two water conservation districts is covered by the Lytle Creek Water Conservation Association."

We believe that for this scenario to be considered further there would need to be agreement of the Lytle Creek WCA and companies and agencies who are currently engaged in recharge in that area. We suggest that this be added to the following paragraphs indicating the rationale for not further considering this scenario.

Additionally for public education, the report states that consolidation:

"...would provide a single voice on the matter thus removing the fractured message, program, and educational opportunities."

We believe that the local nature of water conservation is important. While it does benefit from coordination and unification such as is done in the East Valley with iEfficient and cooperatively funding IERCD programs, we do not believe that it is specifically enhanced by consolidation.

The fourth Paragraph on page 106 indicates:

"However, the primary function for the water conservation districts is changing and appears to be moving toward a <u>concentration of education opportunities</u> while the <u>Groundwater Sustainability Agencies</u> will assume <u>direct control of recharge activities</u>. Therefore, a single Water Conservation District for the Valley region coordinating the educational activities and programs would be an improvement for the region.

The transition of water conservation districts to primarily consumer education is not occurring statewide. Most Water Conservation Districts are primarily focused on groundwater recharge, management and sustainability in the ways and methods most important to their local area. It is likely premature to propose governance changes based on some local experience. Moreover, water conservation efforts in rural, agricultural and unincorporated areas differ significantly from those in urbanized areas.

Page 108 - Paragraph two and three

"The first step to implement the Act is for local agencies to form local groundwater sustainability agencies (GSAs) by June 1, 2017. The second step is the adoption of groundwater sustainability plans (GSPs) by January 31, 2020 for basins determined by the Department of Water Resources to be in critical overdraft and by January 31, 2022 for those not in critical overdraft. Once the GSPs are in place, local agencies have 20 years to fully implement them and achieve the sustainability goal."

Current interpretation of the Act reads that adjudicated basins are exempt from creating a GSA and a GSP, but still requires reporting to the state. In this case, the court-appointed receivers (Chino Basin Watermaster and MUNI) can fulfill the reporting requirement to the state."

We recommend that the report note that the proposed Groundwater Sustainability Council, is intended to be in place and implement programs prior to 2017. The structure and ground rules are currently being discussed by the producers with excellent progress.

Page 108 - Paragraph 3 continues:

"Further, in the Chino Basin the IEUA and the Chino Basin Watermaster jointly report to the court on basin monitoring. Additionally, some basins extend beyond the adjudicated boundary, and in this case the larger agency may be the best suited to perform the task of the GSA, being the municipal water districts in the Chino Basin and San Bernardino Basin Area."

Muni and Western Municipal Water District are the Watermaster for the San Bernardino Basin Area. All agencies cooperate with the Watermaster, BTAC, CASGEM and SBVWCD's annual Engineering Investigation. Additionally, the District provides monitoring of surface water diversions in the mouth of

the Santa Ana Canyon and Mill Creek that many agencies depend upon and cooperatively fund. In the GSC outline, it is proposed that the GSC provide reporting in the SBBA because some basins are adjudicated and others are not. We propose subcommittees to integrate these differences in a streamlined manner.

Page 111 - Second to last paragraph

"While this scenario does not achieve the full range of economies of scale in a consolidation, the formation of this Council would in essence be a functional consolidation, an effort that this Commission has historically supported."

We suggest the same changes as indicated on page 4 of this document as below:

"Of note, this option does not require LAFCO approval except in the instance of service outside an agency's boundaries. Pursuant to Government Code Section 56133, LAFCO is charged with the responsibility for reviewing and taking action on any city or district contract to extend service outside of its jurisdiction. If an agency is anticipated to actively provide a service outside of its boundary it would need to submit an application to LAFCO requesting either approval or exemption from Section 56133. In this scenario, if the San Bernardino WCD is intended to perform activities outside its boundaries, that contract would need to be reviewed and approved by LAFCO."

We agree that upon development and implementation the GSC and agencies should engage LAFCO to assess if additional approvals may be needed to satisfy Government Code Requirements.

Page 112 - Paragraph 2

Report text indicates:

<u>"4. East Valley – Sphere of Influence Expansion for the San Bernardino Valley Water Conservation</u> <u>District to encompass the Remainder of the Bunker Hill Basin</u>

The San Bernardino Valley Water Conservation District has submitted an application to LAFCO requesting expansion of its sphere of influence from a zero sphere designation to one that extends beyond its boundary to include territory along the Santa Ana River (LAFCO 3173). Per Government Code Section 56076, a "Sphere of influence" means a plan for the probable physical boundaries and service area of a local agency, as determined by the commission.

However, LAFCO and its staff have continually expressed its sentiments that the district move towards expanding its sphere of influence to encompass the entirety of the Bunker Hill Basin. Therefore, the staff would recommend that LAFCO 3173 be modified to address the boundaries of MUNI as an alternative for further discussion."

The District requested in LAFCO 3173, a sphere that was supported by the agencies it currently serves. Our request has not changed. However, to address LAFCO suggestions, the 2014 Groundwater Management Act and build on the broad cooperative environment building in East Valley, the District with Muni, East Valley Water District and others is organizing the Groundwater Sustainability Council to

address the same issues LAFCO raises here. We feel that there is an opportunity to solve several issues in this cooperative coordinated effort that would not be solved in consolidation or changes to spheres themselves. However we do agree that the sphere, as ultimate service area, should be addressed with the GSC. We strongly believe that LAFCO should allow the GSC to form and implement its programs and assess the needs for changes to services based on its efforts and the developing changes being considered.

"5. Maintenance of the Status Quo

The maintenance of the current government structure is always an option. It is likely that the two municipal water districts (IEUA and MUNI) will be designated as the Groundwater Sustainability Agencies for their respective basins as they already report to the court in some manner regarding the respective adjudications. Therefore, the role of the water conservation districts would remain duplicative."

In the East Valley as indicated above, the GSC is proposed to be the Ground Water Sustainability Agency. We do not have information about whether IEUA or Chino Basin Watermaster would be the GSC in the Chino Basin.

Second to last Paragraph:

With regard to elections please see discussion on page 2.

Page 113 - Paragraph 1

Text States:

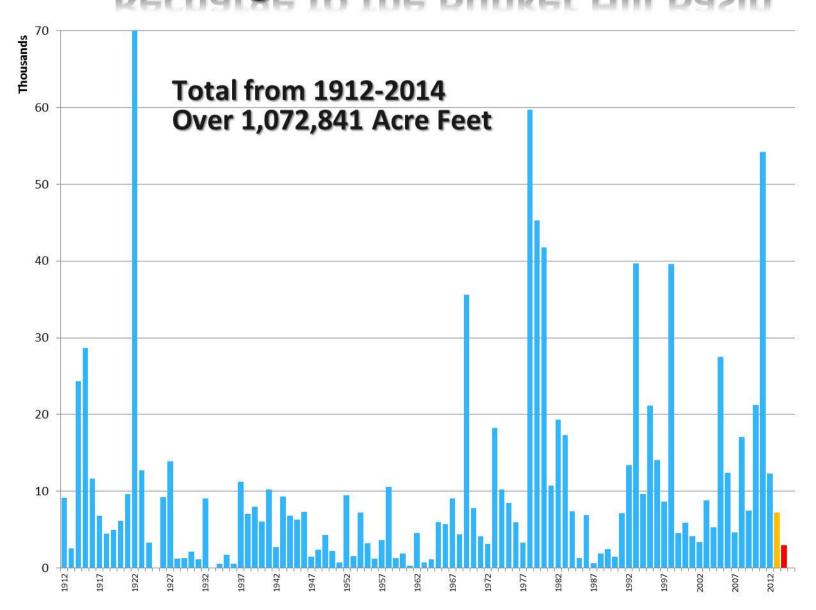
"For SB Valley WCD, in July 2008 a proposed consolidation of the SB Valley WCD and the MUNI was denied by LAFCO. During the processing of this service review, both the SB Valley WCD and MUNI have expressed the lack of desire to consolidate given the contentious nature of the previous consolidation and the deep and painful wounds that linger. However, as a part of this service review these agencies along with East Valley Water District have submitted an outline to form a joint powers authority ("JPA") for stormwater capture and recharge, in essence a functional consolidation. The JPA would be the responsible entity for all stormwater capture and recharge efforts with a board of directors composed from the member agencies. While this scenario does not achieve the full range of economies of scale in a consolidation, the formation of this Council would in essence be a functional consolidation. Therefore, LAFCO staff supports this option for the basin."

The District believes nobody wants to return to the controversies, enmity, and inefficiencies that resulted from LAFCO 3076. We also believe, however, that its legacy lies not so much in wounds that linger from the prior consolidation process, but more in the healing process that followed, which has resulted in open cooperative changes between both agencies. The Enhanced Recharge Agreement, as well as other efforts, are producing a high functioning cooperative atmosphere in the East Valley. This

benefits not only Muni and the District, but all water users. Also, please reference the prior comments and requested changes on page 4 for the JPA and this section.

As indicated in section 10723(a) of the Sustainable Groundwater Management Act any local agency or combination of agencies overlying a groundwater basin may elect to be a groundwater sustainability agency for a basin. The Groundwater Sustainability Council is proposed be formed as efficiently as possible without hiring additional staff, increasing overhead or adding additional layers of government under an agreement among the parties. We therefore recommend that LAFCO Commission grant our requested sphere including the 1,973 expansion, and if needed reassess the changes to that sphere after our role, and the roles of all GSC participants, are further clarified.

Acre Feet of Conserved Water Recharge to the Bunker Hill Basin



Responses to the Draft Report

San Bernardino County Flood Control

Attachment 7e

www.SBCounty.gov



Department of Public Works

Gerry Newcombe Director

- Environmental & Construction Flood Control
- Operations Solid Waste Management
- Surveyor Transportation

March 31, 2015

LAFCO San Bernardino County

Local Agency Formation Commission (LAFCO) 215 North "D" Street, Suite 204 San Bernardino, CA 92415-0490

Attention: Kathleen Rollings-McDonald

Executive Officer

RE: SERVICE REVIEW FOR WATER CONSERVATION IN THE VALLEY REGION SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT COMMENTS

Dear Ms. Rollings-McDonald:

The San Bernardino County Flood Control District (District) is providing the following information to clarify to LAFCO its role in groundwater recharge within San Bernardino County.

Page 11 of the LAFCO service review report contains a statement that "LAFCO staff consulted with the San Bernardino County Flood Control District during the SB Valley WCD service review in 2007 (LAFCO 2919) and the position of the District's administrator was that its purpose was to move water through its facilities as quickly and safely as possible and it did not directly pursue water conservation efforts. No change in position is known at this time." This is incorrect. As recognized elsewhere in the LAFCO report (Pages 38 and 47 specifically) the District has built extensive infrastructure that is used for groundwater recharge throughout the Valley Area.

The District has a history of actively using its facilities for water conservation purposes that dates back to 1939 when the District was formed. A number of the existing storm water detention/water conservation basins originated as spreading grounds for water conservation. The District owns and operates 120 basins that are either debris, detention, conservation basins or a mixture thereof. The District also has ownership of most of the natural creeks and rivers in the valley area where recharge also occurs.

Local Agency Formation Commission (LAFCO) Attention: Kathleen Rollings-McDonald March 31, 2015 Page 2

The act that formed the District, California Water Code Appendix 43, gave the District a twofold mission which it has been fulfilling as quoted below:

" 43-2. Objects and purposes; nature of district; powers

Sec. 2. Objects and purposes. The objects and purposes of this act are to provide for the control of the flood and storm waters of the district and the flood and storm waters of streams that have their source outside of the district, but which streams and the flood waters thereof flow into the district, and to conserve such waters for beneficial and useful purposes by spreading, storing, retaining, and causing to percolate into the soil within the district, or without the district, the waters, or to save or conserve in any manner all or any of the waters and protect from flood or storm waters, the watercourses, watersheds, public highways, life, and property in the district, and to prevent waste of water or diminution of the water supply in, or exportation of water from the district, and to obtain, retain, and reclaim drainage, storm, flood, and other waters for beneficial use in the district."

Due to its limited resources providing flood protection for life and property has been considered the Districts higher purpose, but its secondary mission of water conservation has been considered important as evidenced by the number of basins constructed by the District. A number of these facilities are operated in conjunction with water agencies in order for them to be utilized for the recharge of state project water and recycled water in order to maximize the groundwater recharge since storm water is so variable.

The report mentioned that a Joint Powers Authority (JPA) is proposed for storm water capture and recharge by several of the water agencies. The District has ownership of most of the natural drainage courses in the area and should be consulted regarding the JPA.

Page 28 – The map is missing most of the facilities listed on Page 35.

Page 45 - The District has an easement dating back to 1942 that is overlying the property shown on the map as being owned by the City of San Bernardino and operates and maintains several percolation basins in this area.

Page 47 – The District's Oak Glen and Wildwood basins need to be added to the Yucaipa area basins.

If you have any questions, regarding our comments, please contact me at (909) 387-7906.

Sincerely,

GERRY NEWĆOMBE

Director

cc: Kevin Blakeslee, Deputy Director – Flood Control Bob Page, Principal Management Analyst, CAO

Appropriations Limit Analysis

a. Memorandum from LAFCO Legal Counsel dated April 22, 2015

Attachment 2a



Memorandum

To: Michael Tuerpe, Project Manager File No.: 14141.00000

LAFCO for San Bernardino County

From: Clark H. Alsop

Paula C.P. de Sousa

Date: April 22, 2015

Re: Proposition 111 (Section 1.5 of Article XIIIB)

You requested that we review the following issues as related to a Municipal Service Review ("MSR") for Water Conservation in the Valley Region of San Bernardino County, to be considered by the Local Agency Formation for San Bernardino County "(LAFCO") at an upcoming Commission hearing.

- 1. The requirements of section 1.5 of Article XIIIB of the California Constitution ("Section 1.5") regarding the annual calculation of the appropriations limit ("Gann Limit") as part of an annual independent financial audit; and
- 2. LAFCO staff's recommendation that certain specified districts reviewed in the MSR include a review of the annual calculation of the Gann Limit as part of their annual financial audits.

Based on our analysis below, we conclude that nothing precludes LAFCO from recommending, as a best practice, that cities and independent special districts review annual Gann Limit calculations as part of their annual independent financial audits. Further we conclude that Valley District's act of establishing its annual appropriations limit pursuant to Government Code section 7910(a) and submitting an Annual Statement of Financial Transactions to the State Controller, in which it identifies its Gann Limit, does not satisfy the separate additional requirement imposed by Section 1.5.

BACKGROUND

At an upcoming hearing, the Commission will consider the MSR for Water Conservation in the Valley Region of San Bernardino County. Included in the draft MSR is a statement and recommendation regarding two of the districts reviewed (Inland Empire Utilities Agency and San Bernardino Valley Municipal Water District), as follows:



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Section 1.5 of the State Constitution reads that the annual calculation of the appropriations limit (Gann Limit) for each entity of local government shall be reviewed as part of an annual financial audit. A review of the audits for Inland Empire Utilities Agency and San Bernardino Valley Municipal Water District does not identify the annual calculation of the limit. LAFCO staff recommends that these agencies include this requirement in future audits.

LAFCO's position is that independent special districts, such as the Inland Empire Utilities Agency and San Bernardino Valley Municipal Water District, must have their appropriations limits audited as part of the independent financial audit performed by these districts.

By letter from legal counsel for San Bernardino Valley Municipal Water District ("Valley District") dated April 6, 2015, Valley District took exception with the proposed LAFCO recommendation, asserting that Section 1.5 does not specify that the appropriations limit be audited as part of an "*independent*" audit. Valley District further asserts that it has "found no instance where our accountants, who serve a large number of special districts, or other public accountancy firms regularly include a provision to review an agency's compliance with the Gann Limit in their annual audits."

ANALYSIS

Section 1.5, which was added to the California Constitution by passage of Proposition 111, provides as follows:

The annual calculation of the appropriations limit under this article for each entity of local government shall be reviewed as part of an annual financial audit.

Proposition 111 began as SCA 1 (Senate Constitutional Amendment) from the 1989 legislative session (authored by Senator Garamendi) for the purpose of increasing the accountability of local government in adopting their appropriations limits. The author, Senator Garamendi, probably intended that the review required by Section 1.5 be part of annual "*independent*" financial audit. However, a review of the legislative history of Proposition 111 and case law does not provide any information to either support or rebut the contention that the legislature intended the review to be included in an annual independent financial audit. Because the word "*independent*" is not included in Section 1.5, arguably and technically a local government could satisfy the requirement by performing an annual internal audit of the calculation of the Gann Limit. Based

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¹ League of California Cities. (1991). Article XIIIB Appropriations Limit Uniform Guidelines, 3.



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on this, the plain language of Section 1.5 does support Valley District's position that the annual calculation is not required to be reviewed as part of an annual independent financial audit.

Notwithstanding the above, after the approval of Proposition 111 the League of California Cities (the "League") prepared and released uniform guidelines to help entities better understand the requirements of Article XIIIB in a publication entitled *Article XIIIB Appropriations Limitation Uniform Guidelines* (the "Guidelines"). The Guidelines recommend interpretations that are most consistent with the intent of Proposition 111, state law and court decisions. The League recommends the following interpretation of Section 1.5:²

- An annual financial audit of the entity shall include a review of the adjustments made to the Gann Limit from the prior year.
- If the government entity alters or modifies its Gann Limit, the review will address those changes including any related revision of base year and intervening year calculations.
- The review will evaluate the accuracy of the computations and adequacy of documentation. Completion of the worksheets in these guidelines or alternative computations, along with required council motions will provide adequate documentation needed for the review.
- A local government need not conduct an annual audit of its "proceeds of taxes."

The review will include the following procedures:

- Determine that the Gann Limit was adopted by the governing board of the entity, and that the population and inflation options were selected by a recorded vote of the governing board.
- Determine that the computations correctly compute the current year Gann Limit, taking into account the prior year Gann Limit, adjustments for the change in cost of living and the change in population as defined, and any alterations or modifications.

² League of California Cities. (1991). *Article XIIIB Appropriations Limit Uniform Guidelines*, 26-27, 32; League of California Cities. (2014). *The California Municipal Revenue Sources Handbook*, 179.



BEST BEST & KRIEGER & ATTORNEYS AT LAW

- Determine from supporting schedules or worksheets that the computations of the components used in the calculation of the Gann Limit are correctly calculated.
- Agree the prior year Gann Limit used in this computation to the prior year Gann Limit adopted by the governing board during the prior fiscal year.
- The determination of whether actual revenues exceeded the Gann Limit should take place pursuant to other responsibilities of the financial auditor.
- The review of the Article XIIIB computations must be conducted even if an entity does not normally conduct a full financial audit.
- The auditor should issue an "agreed-upon procedures" report to the governing board of the entity.

While there is support in the plain language of Section 1.5 that a review of the Gann Limit calculation is not legally required to be part of an annual "*independent*" financial audit, the Guidelines and practices of other local governments provide strong support for this being a generally accepted good-governance practice. In fact, contrary to Valley District's assertion, based on a quick internet search we confirmed that numerous independent annual financial audits of special districts do include an agreed upon procedures report to assist those districts in meeting the requirements of Section 1.5.

Valley District asserts that it has complied with the requirements of the law by establishing its annual appropriations limit pursuant to Government Code section 7910(a) and submitting an Annual Statement of Financial Transactions to the State Controller, in which it identifies its Gann Limit. However, Section 1.5 imposes something separate and apart from those statutory requirements; it requires a review of the Gann Limit calculation as part of an annual financial audit. An audit is defined as "a complete and careful examination of the financial records of a business or person," or "a careful check or review of something." Simply establishing an appropriations limit and submitting forms that include the Gann Limit calculation do not comply with the "audit" requirement of Section 1.5.

Please feel free to call or e-mail us if you have any questions regarding this memorandum.

- 4 -

³ In Merriam-Webster Online, Retrieved April 16, 2015, from http://www.merriam-webster.com/dictionary/audit.

Appropriations Limit Analysis

b. Letter from San Bernardino Valley Municipal Water District Legal Counsel dated April 6, 2015

Attachment 2b

David R.E. Aladjem daladjem@downeybrand.com 916/520-5361 Direct 916/520-5761 Fax 621 Capitol Mall, 18th Floor Sacramento, CA 95814 916/444-1000 Main downeybrand.com

April 6, 2015

VIA ELECTRONIC AND U.S. MAIL: kmcdonald@lafco.sbcounty.gov

Kathleen Rollings-McDonald Executive Officer Local Agency Formation Commission for San Bernardino County 215 North "D" Street, Suite 204 San Bernardino, California 92415-9490

Re: Service Review for Water Conservation in the Valley Region

Dear Kathleen:

Our firm represents the San Bernardino Valley Municipal Water District ("Valley District"). By memorandum dated March 12, 2015, the Local Agency Formation Commission for San Bernardino County ("LAFCO") circulated a draft report on the proposed Service Review for Water Conservation in the Valley Region (the "Draft Report"). On page five of the Draft Report, LAFCO states, in relevant part, as follows:

This service review identifies areas where the districts fail to comply with the State Constitution, State Law, and generally accepted good-governance practices. LAFCO staff recommends that the Commission determine that the districts are not in compliance with the following and that LAFCO staff returns to the Commission every six months until all of the items below are satisfied.

<u>Inland Empire Utilities Agency and San Bernardino Valley Municipal Water</u> <u>District</u>

Section 1.5 of [Article XIIIB of] the State Constitution reads that the annual calculation of the appropriations limit (Gann Limit) for each entity of local government shall be reviewed as part of an annual financial audit. A review of the audits for IEUA and MUNI [i.e., Valley District] does not identify the annual calculation of the limit. . . . LAFCO staff recommends that these agencies include this requirement in future audits.

Valley District believes that LAFCO staff have misunderstood Section 1.5 and so have mistakenly requested that Valley District include an independent assessment of whether or not Valley District complies with the Gann Limit in our annual audit. For the reasons described below, therefore, Valley District respectfully requests that the Commission not adopt the recommendation of LAFCO staff to require that our annual audit include a review of whether or not Valley District has complied with the Gann Limit.

Pursuant to Government Code section 7910(a), "[e]ach year the governing body of each local jurisdiction shall, by resolution, establish its appropriations limit and make other necessary determinations for the following fiscal year pursuant to Article XIII B of the California Constitution at a regularly scheduled meeting or noticed special meeting." Attached hereto for your reference as Exhibits 1 and 2 are Valley District Resolution Numbers 1007 and 1018, which established Valley District's appropriations limits for FY 2013/14 and 2014/15, respectively.

Section 1.5 of Article XIIIB of the California Constitution further requires that "[t]he annual calculation of the appropriations limit under this article for each entity of local government shall be reviewed as part of an annual financial audit." It is noteworthy that, in light of the requirement that virtually all public agencies have an independent audit performed each fiscal year, section 1.5 does *not* specify an "independent" audit by a certified public accountant. Indeed, the plain language of the section does not even indicate which agency or individual is required to conduct the audit. Our research indicates that there is no statute, regulation, California case, Attorney General Opinion or other binding legal authority that requires any specific agency to perform the review or even that specifies any process through which the review must be undertaken. Moreover, section 1.5 was added by Proposition 111 in 1990, which generally weakened the Gann Limit rather than bolstered its requirements. Thus, LAFCO staff's recommendation in the Draft Report that Valley District include such a review in its annual audit is precisely that — a recommendation by LAFCO staff, without any legal support.

Valley District has contacted our accountants, as well as other public accountants, to determine whether annual audits for special districts typically include the type of provision that LAFCO staff recommends in the Draft Report. We have found no instance where our accountants, who serve a large number of special districts, or other public accountancy firms regularly include a provision to review an agency's compliance with the Gann Limit in their annual audits. One accountant told us that, if requested, they could provide this service, but also indicated that it was not a normal part of the audits that it conducts for special districts.

Valley District believes that it is not surprising that public accountancy firms that audit special districts do not attempt to review compliance with the Gann Limits for those agencies. As noted above, California law requires the governing board of these agencies to formally adopt a Gann Limit each year. The California State Controller's Office, which is responsible for providing statewide oversight for the operations of special districts, then requires each agency to report, under penalty of perjury, its compliance with the Gann Limit as part of its annual report. Attached hereto for your reference as Exhibit 3 is Valley District's 2014 report to the State



Controller's Office. As you will see on page 6 of 9 in the PDF version, the State Controller's Office requires each special district to identify its Gann Limit (which was previously adopted by the agency's governing board) and then determine the total appropriations subject to the limit and whether the agency is in compliance with that limit. A copy of Valley District's working papers, which show how Valley District calculated the numbers that were reported to the State Controller's Office in 2014, are attached hereto as Exhibit 4.

In other words, California law does not support the position taken by LAFCO staff to the effect that a review of compliance with the Gann Limit must occur during the annual independent audit. Instead, the law simply requires that a public agency's compliance with the Gann Limit must be reviewed and then accomplishes that purpose through the combination of requiring the agency's governing board to establish the appropriation limit in public and review by the California State Controller's Office as part of the agency's annual reporting. The actual practice of public accountants is consistent with this understanding of the law, not with the recommendation of LAFCO staff.

For these reasons, Valley District respectfully requests that the Commission not adopt the recommendation of LAFCO staff to require that our annual audit include a review of whether or not Valley District has complied with the Gann Limit. Valley District's Comptroller, Cindy Saks, is planning to attend the LAFCO meeting on April 15 and will be available to answer questions at that time.

Very truly yours,

DOWNEY BRAND LLP

David R.E. Aladjem

cc: Doug Headrick

Cindy Saks

Enclosures

Exhibit 1: Resolution No. 1007 (Establishing Appropriations Limit for FY 2013/14)
Exhibit 2: Resolution No. 1018 (Establishing Appropriations Limit for FY 2014/15)

Exhibit 3: 2014 Report to State Controller's Office

Exhibit 4: Working Papers for Calculation of 2013/14 Appropriations Limit

RESOLUTION NO. 1007

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT ESTABLISHING THE APPROPRIATIONS SUBJECT TO LIMIT FOR FISCAL YEARS 2013-2014

BE IT HEREBY RESOLVED that, in accordance with Article XIII B of the California State Constitution, the Board of Directors of the San Bernardino Valley Municipal Water District hereby establishes \$24,172,145 as the appropriations subject to limit for Fiscal Year 2013-2014.

ADOPTED this 21st day of May, 2013.

San Bernardino Valley Municipal Water

District

By:

C. Patrick Milligan President

ATTEST:

Edward Killgo

Secretary

RESOLUTION NO. 1018

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT ESTABLISHING THE APPROPRIATIONS SUBJECT TO LIMIT FOR FISCAL YEARS 2014-2015

BE IT HEREBY RESOLVED that, in accordance with Article XIII B of the California State Constitution, the Board of Directors of the San Bernardino Valley Municipal Water District hereby establishes \$24,215,427 as the appropriations subject to limit for Fiscal Year 2014-2015.

ADOPTED this 3rd day of June, 2014.

San Bernardino Valley Municipal Water

District

C. Patrick Milligan President

ATTEST:

Edward Killgore Secretary

San Bernardino Valley Municipal Water District Special Districts Financial Transactions Report

General Information

Mailing Ad	dress			
Street 1	380 E. Vanderbill	Way		☐ Is Address Changed
Street 2				
City	San Bernardino	State CA	Zip 92408-	1
Email				
Members o	of the Governing Boo	yk		demokratik (1904)
	First Name	Middle Initial	Last Name	Title
Member	C.	Р	Milligan	President
Me mber	Mark		Bulot	Vice President
Member	Steve		Copelan	Treasurer
Member	Edward		Killgore	Secretary
Member	Gil		Navarro	Director
Member				
Me mber				
Member				
Member	1			
	Other Officials			
	First Name	Middle Initial	Last Name	Title
	Douglas		Headrick	Manager
	Cynthia_		Saks	Fiscal Officer
	Bruce		Varner	Attorney
years array for dealers and				
	Report Prepared I	Ву		
	First Name	Middle Initial	Last Name	Phone No
	Cynthia		Saks	(909) 387-9224
app	Indonendant Audi	tor		
apple plane	Independent Audi First Name	tor Middle Initial	Last Name	Phone No

General Information Page 1 11/18/2014

San Bernardino Valley Municipal Water District

Special Districts Financial Transactions Report

Detailed Summary o	f Footnotes For	Fiscal Year 2013-1	14
Forms	Column	Additional Details	Footnotes
Vater Revenues, Expenses and Changes in Fund Equity			
Sales for Resale	A		Due to the Drought in California and low allocat from the State Water Project, water has not be available for resale.
Water Purchases	A		Due to the Drought in California and low allocat from the State Project, w has not been available to purchase and resale accordingly
Interest Income	А		The District has hired and financial advisor which has helped the District increatinterest earnings.
Prior Period Adjustments	A		Due to changes in Govermental Accounting Standards, the District wa required to write the outstanding balance of th Cost of Issuance for the 2011 COP's

San Bernardino Valley Municipal Water District Special Districts Financial Transactions Report - Water Enterprise

Revenues, Expenses and Changes in Fund Equity

Fiscal Year 2014	
Operating Revenues	
Water Sales	
Residential	
Business	
Industrial	
Irrigation	
Sales for Resale	3,650,841
Interdepartmental	
All Other Sales	
Water Services	
Fire Prevention	
Ground Water Replenishment	
Standby or Availability Charges	
Service Type Assessments	
All Other	
Total Operating Revenues	\$3,650,841
Operating Expenses	
Source of Supply	
Water Purchases	3,307,191
Ground Water Replenishment	
Other	15,800,305
Other Operating Expenses	
Pumping	
Water Treatment	
Administration and General	13,158,826
Customer Accounts	
Transmission and Distribution	
Depreciation and Amortization	11,240,524
Other	
Total Operating Expenses	\$43,506,846
Operating Income (Loss)	(\$39,856,005)
Non-Operating Revenues	
Interest Income	2,172,030
Rents, Leases and Franchises	
Taxes and Assessments	
Current Secured and UnSecured (1%)	7,184,192
Voter Approved Taxes	45,595,207
Property Assessments	

Revenues, Expenses and Changes in Fund Equity

11/19/2014

Page 1

San Bernardino Valley Municipal Water District Special Districts Financial Transactions Report - Water Enterprise

Revenues, Expenses and Changes in Fund Equity

Fiscal Year 2014	
Special Assessments	
Prior Year Taxes and Assessments	391,063
Penalties and Cost on Delinquent Taxes and Assessments	
Federal	<u> </u>
Aid for Construction	
Other Federal	
State	
Aid for Construction	-
State Water Project	
Homeowners Property Tax Relief	782,965
Timber Yield	
State Other and In-Lieu Taxes	
Other Governmental Agencies	
Redevelopment Pass-Through	22,690,528
Other	
Other Non-Operating Revenues	5,494,730
Total Non-Operating Revenues	\$84,310,715
Non-Operating Expenses	
Interest on Long-Term Debt	331,284
Other Interest	
Other Non-Operating Expenses	
Total Non-Operating Expenses	\$331,284
Non-Operating Income (Loss)	\$83,979,431
Income (Loss) Before Operating Transfers	\$44,123,426
Operating Transfers In (Intra-District)	
Operating Transfers Out (Intra-District)	
Net Income (Loss)	\$44,123,426
Fund Equity, Beginning of Period	\$564,951,311
Contributed Capital	
Federal	
State	
Other Governmental Agencies	3,685,598
Non-Governmental Agencies	
Prior Period Adjustments	-164,733
Residual Equity Transfers	100
Other	
Fund Equity, End of Period	\$612,595,602

San Bernardino Valley Municipal Water District

Special Districts Financial Transactions Report Consolidation of Fund Equities and Transfers

Consolidation of Fund Equities and Transfers

Fiscal Year	2014	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds
Consolidation	of Fund Equities				
Non-Enterpris	e Activities	\$0	\$0	\$0	*
Enterprise Fu	nd Equities				
Airport					\$0
Electric					\$0
Harbor and Po	rt				\$0
Hospital					\$0
Waste Disposa	al				\$0
Water		02-2			\$612.595.602
Total Endin	g Fund Equities	\$0	\$0	\$0	\$612.595.602
			Transfers In	Transfers Out	Net
			A	B	С
Consolidation	of Transfers In an	d Transfer Out			
General and Sp	pecial Revenue Fun	ds T	\$0	so so	
Debt Service F	unds	Ţ	\$0	\$0	
Capital Project	s Funds	ſ	\$0	\$0	
Enterprise Act	tivities				
Airport		ſ	\$0	\$0	
Electric		ſ	\$0	\$0	
Harbor and Por	rt	ŗ	\$0	\$0	
Waste Disposa	ıf),	\$0	\$0	
Water		ī	\$0	\$0	
Total		r	\$0	\$0	\$0

San Bernardino Valley Municipal Water District Special Districts Financial Transactions Report Appropriations Limit Information

Appropriations Limit Information

Fiscal Year	
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Appropriations Limit

Total Annual Appropriations Subject to the Limit

Revenues received (Exceed) Under Appropriation Limit

2014

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16,765,915

\$7,406,230

San Bernardino Valley Municipal Water District Special Districts Financial Transactions Report - Long-Term Debt

General Obligation Bonds, Revenue Bonds, Certificates of Participation and Other

Fiscal Year	2014		
District-wide or Imp	rovement District/Zone	District-v	vide
Improvement/Zone	(If Applicable)		
Type of Debt		Certificates of Participation	
Activity		Water Enterprise	
Purpose of Issue		Baseline Feeder Well Replace	
Nature of Revenue	Pledged	Baseline Feeder Retail Agencie	
Percent of Pledge			100.00
Year of Authorization	on		2011
Principal Amount A	uthorized		8,565,000
Principal Amount Is	sued		8,565,000
Beginning Maturity	Date		2013
Ending Maturity Da	te		2042
Principal Amou	nt Unmatured, Beginning	of Fiscal Year	\$8,405,000
Adjustments - Incre	ease (Decrease)		
Principal Amount I	ssued During Fiscal Year		
Principal Amount M	latured During Fiscal Year		165,000
Principal Amount D	efeased During Fiscal Year		
Principal Amou	nt Unmatured, End of Fisc	al Year	\$8,240,000
Principal Amount in	Default, End of Fiscal Year		
Interest in Default,	End of Fiscal Year		
Amount Held in Bo	nd Reserve		

Page 1

	S	in Bernardino	Valley Municipa	San Bernardino Valley Municipal Water District			
	Special Districts F		sactions Report	inancial Transactions Report - Consolidated Balance Sheet	Balance Shee)t	
			Assets				
Fiscal Year 2014	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	General Fixed Assets	General Long-Term Debt	Total Memorandum Only
Assets							
Cash and Cash Equivalents				38 957 218			
Taxes Receivable				161,659			\$38.957.218
Interest Receivable			World Advisor Control	155 685			000.1010
Accounts Receivable				1,643,192			\$155.685 \$1 643 192
Loans, Notes, and Contracts Receivable	ole .	7777		5,202,746		The state of the s	\$5 202 746
Due from Other Funds							00
Inventory of Materials and Supplies		1					OF CF
Other Current Assets				1,975			\$1 975
Lease Payments Receivable							
Uneamed Finance Charges							
Investments	1000			84,717,982			\$84 717 082
Restricted Assets				172,708,492			6472 700 402
Deferred Charges							#112.100.492
Unamortized Discount on Long-Term Debt)ebt						
Other Assets				238,500			\$238 500
Fixed Assets							
Land				12,686,129			\$12 686 129
Buildings and Improvements				6,232,110			\$6 232 110
Equipment				459,822,908			6460 000 000
Construction in Progress				1,874,334			£1 874 334
Total Fixed Assets				\$480,615,481	US		6480 645 484
Accumulated Depreciation				153.430.146			9452 420 440
Net Fixed Assets				\$327 185 335	9		#133.430.146
Other Debits					9		3527.185.335
Amount Available in Debt Service Funds	SE						
Amount to be Provided							
Total Assets	0\$	\$0	\$0	\$630.972.784	80	0\$	\$630.972.784

11/18/2014

General and Special Revenue Funds Revenue Funds So So So So So So So So	Special Districts Financial Transactions Report - Consolidated E		S	San Bernardin	Bernardino Valley Municipal Water District	al Water District			
Liabilities and Equity	Control and Control and Control and Sherder Control and Sherde		Special Districts		ansactions Repo	rt - Consolidatec	Balance Sh	eet	
2014 General and Debt Capital Funds	2014 General and Service Service Service Funds Copietta Finads Finads Finads				Liabilities and Equi	ty			
Assets So So Set2.58 And Emily So So Set2.58	1,17,816,376 1,17		General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	General Fixed Assets	General Long-Term Debt	Total Memorandum Only
Assets Assets So S	18222 18188 18222 18188 1818	ities and Equity							
Assets Sayable Sayabl	166,222 S168 S17,428 S270 S17,428 S270 S17,428 S270 S17,428 S17,429 S17,429 S17,429 S17,429 S17,429 S17,439 S17,43	nts/Warrants Payable				2,714,676			00 744 070
Assets ### Assets	1428.000 1428.000	and Notes Payable	and the same of th						32 / 14.6/6
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Assets Assets Assets Assets	Assets Assets Assets Assets	er Non-Current Liabilities				139,325			\$5.415.624
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od Fund Family	\$0 \$0 \$612.595.602 \$612.595.602 And Fund Equity \$0 \$0 \$630.972.784	rved Undesignated							0.9
	\$0 \$630.972.784	Fund Equity	\$0	80	0\$	\$612.595.602			\$612 505 602
09 09		I Liabilities and Fund Equity	\$0	\$0	0\$	\$630 972.784		S S	9620 072 764



SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT APPROPRIATIONS LIMIT 2013 ~ 2014 FISCAL YEAR

2012 - 2013 APPROPRIATIONS LIMIT			22,801,002
	Percent	Ratio	
2013 - 2014 ADJUSTMENT FOR PERCENTAGE CHANGES IN:			
CALIFORNIA PER CAPITA PERSONAL INCOME	5.12	1.0512	ST
POPULATION PERCENT CHANGE 2012 TO 2013	0.85	1.0085	
PERCENT CHANGE AS A FACTOR			106.0135%
2042 2044 ADDDODDIATIONS LIMIT			04.470.445
2013 - 2014 APPROPRIATIONS LIMIT			24,172,145



STATE CAPITOL E ROOM 1145 E SACRAMENTO CA # 95814-4998 E WWW.DDF.CA.GDV

May 2013

Dear Fiscal Officer:

Subject: Price and Population Information

Appropriations Limit

The California Revenue and Taxation Code, section 2227, mandates the Department of Finance to transmit an estimate of the percentage change in population to local governments. Each local jurisdiction must use their percentage change in population factor for January 1, 2013, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2013-14. Attachment A provides the change in California's per capita personal income and an example for utilizing the price factor and population percentage change factor to calculate the 2013-14 appropriations limit. Attachment B provides city and unincorporated county population percentage change. Attachment C provides population percentage change for counties and their summed incorporated areas. The population percentage change data excludes federal and state institutionalized populations and military populations.

Population Percent Change for Special Districts

Some special districts must establish an annual appropriations limit. Consult the Revenue and Taxation Code section 2228 for further information regarding the appropriations limit. Article XIII B, section 9(C), of the State Constitution exempts certain special districts from the appropriations limit calculation mandate. The Code and the California Constitution can be accessed at the following website: http://leginfo.legislature.ca.gov/faces/codes.xhtml.

Special districts required by law to calculate their appropriations limit must present the calculation as part of their annual audit. Any questions special districts have on this issue should be referred to their respective county for clarification, or to their legal representation, or to the law itself. No state agency reviews the local appropriations limits.

Population Certification

The population certification program applies only to cities and counties. Revenue and Taxation Code section 11005.6 mandates Finance to automatically certify any population estimate that exceeds the current certified population with the State Controller's Office. Finance will certify the higher estimate to the State Controller by June 1, 2013.

Please Note: Prior year's city population estimates may be revised.

If you have any questions regarding this data, please contact the Demographic Research Unit at (916) 323-4086.

ANA J. MATOSANTOS Director By:

MICHAEL COHEN Chief Deputy Director

Attachment

A. **Price Factor**: Article XIII B specifies that local jurisdictions select their cost of living factor to compute their appropriation limit by a vote of their governing body. The cost of living factor provided here is per capita personal income. If the percentage change in per capita personal income is selected, the percentage change to be used in setting the fiscal year 2013-14 appropriation limit is:

Per Capita Personal Income

Fiscal Year (FY)

Percentage change over prior year

2013-14

5.12

B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2013-14 appropriation limit.

2013-14:

Per Capita Cost of Living Change = 5.12 percent Population Change = 0.79 percent

Per Capita Cost of Living converted to a ratio:

5.12 + 100 = 1.0512

100

Population converted to a ratio:

0.79 + 100 = 1.0079

Calculation of factor for FY 2013-14:

 $1.0512 \times 1.0079 = 1.0595$

Attachment B
Annual Percent Change in Population Minus Exclusions*

January 1, 2012 to January 1, 2013 and Total Population, January 1, 2013

County Percent Change City 2012-2013		Population MI 1-1-12	Total Population 1-1-2013	
San Bernardino				
Adelanto	0.97	30.989	31,289	31,289
Apple Valley	0.78	69,888	70,436	70,436
Barstow	0.85	22,582	22,773	23,168
Blg Bear Lake	0.65	5.078	5,111	5,111
Chino	1.78	71,999	73.277	79.873
Chino Hills	0.71	75,497	76,033	76,033
Colton	0.71	52,581	52,956	52,956
Fontana	0.75	199,482	200,974	200,974
Grand Terrace	1.15	12.131	12.270	12,270
Hesperia	0.61	90,844	91,400	91,400
Highland	0.70	53,553	53,926	53,926
Loma Linda	0.59	23,278	23,416	23,476
Montclair	0.61	37,086	37,311	37,311
Needles	0,57	4,884	4,912	4,912
Ontario	0.65	165,790	166,866	166,866
Rancho Cucamonga	1.13	169,152	171.058	171,058
Redlands	0.66	69,358	69.813	69,813
Rialto	0.87	100,397	101,275	101,275
San Bernardino	0.71	209,567	211.056	212,639
Twentynine Palms	2.46	16,930	17,347	26,084
Upland	0.66	74,414	74,907	74,907
Victorville	1.62	113,461	115,296	120,368
Yucaipa	1.07	51,992	52,549	52,549
Yucca Valley	0.75	20,873	21,030	21.030
Unincorporated	0.65	285,479	287,336	296,550
County Total	0.85	2,027,285	2,044,617	2,076,274

^{*}Exclusions include residents on federal military installations and group quarters residents in state mental institutions, state and federal correctional institutions and veteran homes.

Environmental Recommendation from Tom Dodson

Attachment 3

TOM DODSON & ASSOCIATES

2150 N. ARROWHEAD AVENUE SAN BERNARDINO, CA 92405 TEL (909) 882-3612 • FAX (909) 882-7015 E-MAIL tda@tdaenv.com



February 28, 2015

Ms. Kathleen Rollings-McDonald Local Agency Formation Commission 215 North D" Street, Suite 204 San Bernardino, CA 92415-0490 DEGE | VE | MAR 05 2015

LAFCOSan Bernardino County

Dear Kathy:

LAFCO 3174 consists of a Service Review for Water Conservation in the Valley Region. The primary agencies encompassed by the service review would include:

- San Bernardino Valley Water Conservation District
- · Chino Basin Water Conservation District
- Inland Empire Utilities Agency
- · San Bernardino Valley Municipal Water District
- · San Bernardino County Flood Control District, and
- Other Agencies considered but of lesser importance include: City of Chino, City of Chino Hills, City of Redlands, City of San Bernardino (Municipal Water Department, City of Upland, Cucamonga Valley Water District, East Valley Water District, Monte Vista Water District, Riverside Highland Mutual Water Company, West Valley Water District and Yucaipa Valley Water District.

This Service Review will be received and filed by the Commission without taking any action that could change the environment. As we have learned from previous service reviews, only when the subsequent step is taken to physically revise the jurisdictional boundary or to provide new services does a potential for physical change in the environment occur. Thus, the proposed action presented above is not judged to pose any identifiable adverse changes to the physical environment.

Therefore, I recommend that the Commission find that a Statutory Exemption (as defined in the California Environmental Quality Act, CEQA) applies to LAFCO 3174 under Section 15061 (b) (3) of the State CEQA Guidelines, which states: A project is exempt from CEQA if the activity is covered by the general rule that CEQA applies only to projects which have the potential for causing significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA." It is my opinion, and recommendation to the Commission, that this circumstance applies to LAFCO 3174.

In this case, adopting the proposed action does not alter the existing operations or obligations of the affected agencies and does not adversely affect any existing physical facilities. Based on this review of LAFCO 3174 and the pertinent sections of CEQA and the State CEQA Guidelines, I conclude that LAFCO 3174 does not constitute a project under CEQA and adoption of the Statutory Exemption and filing of a Notice of Exemption is the most appropriate determination to comply with CEQA for this action. The Commission can approve this review and finding for this action and I recommend that you notice LAFCO 3174 as statutorily exempt from CEQA for the reasons outlined in the State CEQA Guideline section cited above. The Commission needs to file a Notice of Exemption (NOE) with the County Clerk of the Board for this action once it is completed.

A copy of this memorandum and the NOE should be retained in the LAFCO project file to serve as verification of this evaluation and as the CEQA environmental determination record. If you have any questions, please feel free to give me a call.

Sincerely,

Im Nodon

Tom Dodson

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

215 North D Street, Suite 204, San Bernardino, CA 92415-0490 (909) 383-9900 • Fax (909) 383-9901 E-MAIL: lafco@lafco.sbcounty.gov www.sbclafco.org

DATE: MAY 13, 2015

FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer

TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #10 – Review and Adoption of Final Budget for Fiscal

Year 2015-16

RECOMMENDATION:

Staff recommends that the Commission take the following actions:

- 1. Adopt the Fiscal Year 2015-16 Final Budget as presented with the apportionment of net LAFCO costs based upon the Auditor's information attached to this report.
- 2. Approve amendments to the LAFCO Benefit Plan, Section 5 Flexible Spending Account to reflect County of San Bernardino and IRS required updates.
- 3. Determine that the amount owed by the applicant for LAFCO 3172 for costs in processing the environmental assessment are uncollectible and will no longer be recognized for financial reporting purposes.
- 4. Direct the Executive Officer to submit to the County Auditor-Controller the adopted Final Budget and request the apportionment of the Commission's net costs to the County, Cities/Towns and Independent Special Districts pursuant to the provisions of Government Code Section 56381 as shown in the approved Final Budget.

BACKGROUND:

The Commission's annual budget process began at the April 15 hearing through adoption of the Proposed Budget for Fiscal Year 2015-16. The Proposed Budget included an outline of the anticipated appropriations, revenues, and policy items for Commission consideration.

On April 20, the Proposed Budget was forwarded for review and comment, as required by Government Code Section 56381, to the County, each of the 24 Cities/Towns and Special Districts with the request to submit comments by May 7 for inclusion in the final report. As of the date of this report, no comments or concerns have been provided regarding the Proposed Budget as adopted at the April hearing. If concerns are received following the publication of this report, staff will provide those to the Commission at the hearing along with an oral response. Copies of the Final Budget and Budget Narrative and Apportionment Schedules are included as Attachments #1 and #2 to this report.

Following the April hearing, staff determined two additional items needed to be brought before that Commission:

1. It learned of another change required in the LAFCO Benefit Plan related to the Flexible Spending Account (medical expense reimbursement plan) provided for employees. The amendment provides for updates to the language to be consistent with the current administration of the benefit through the county's Human Resources Department and includes Treasury Department updates. The Treasury Department IRS rule changes allows participants to carry over up to \$500 in their accounts from one plan year to the next. The Plan Year commences in July 2015 so the changes need to be adopted at this hearing in order to be implemented next year. The changes proposed do not impact the budget since they are technical in nature. The update language is as follows with the inclusions in shown in bold:

SECTION 5: FLEXIBLE SPENDING ACCOUNT

(Amended August 17, 2005; May 16, 2007; June 16, 2011; May 20, 2015)

The County has established a **medical expense reimbursement plan**, Flexible Spending Account (FSA), for employees in regular positions. The FSA is established in accordance with the provisions of **Internal Revenue Code (IRC)** Section 125. The Human Resources Employee Benefits Department and Services Division Chief, or designee, will serve as the Plan's Administrator **and will administer the Exempt FSA in accordance with the County's exempt medical expense reimbursement plan document.** The Health Expense FSA Plan Year will coincide with the County's Benefit Plan Year. SB LAFCO contracts with SB County to provide this benefit to its employees.

Eligible employees may contribute **to the FSA**, on a pre-tax basis, a minimum of ten dollars (\$10.00) and **up to the IRC maximum per biweekly pay period**. SB LAFCO will contribute up to forty dollars (\$40.00) per bi-weekly pay period, matching employee contributions dollar for dollar.

Upon enrolling in the Plan, employees may not change their designated bi-weekly contribution amount or discontinue making contributions for the remainder of the plan year **except as permitted by the IRC**. Any unused amounts remaining in an employee's account at the end of the plan year shall be forfeited except as permitted by the IRC and the County's exempt medical expense reimbursement plan document.

2. WRITE-OFF OF UNCOLLECTIBLE ACCOUNT

In June 2014, the Commission considered LAFCO 3172, which had two alternatives:

Alternative #1 - Reorganization to include Annexation to the Big Bear City Community Services District and Detachment from San Bernardino County Fire Protection District and its Mountain Service Zone

Alternative #2 - Reorganization to include Formation of the Baldwin Lake Fire Protection District and Detachment from the San Bernardino County Fire Protection District and its Mountain Service Zone (community of Baldwin Lake)

The Commission approved Alternative #1, and per the LAFCO Fee Schedule staff issued billings to the Big Bear City CSD and the original applicant, Chief Larry Winslow for costs in excess of deposits. The Fee Schedule reads as follows:

For the item above, agencies will be required to reimburse the Commission for all direct charges (LAFCO legal counsel, environmental review, reproduction costs, notification costs, etc.) in excess of the deposit. If charges billed to LAFCO are less than the amount of the deposit, the balance of the deposit will be refunded to the applicant.

Costs incurred by LAFCO in conducting LAFCO 3172 in excess of deposits total \$3,319, composed of \$579 related to protest hearing charges attributable to Big Bear City CSD and \$2,740 related to environmental charges attributable to the applicant. Staff invoiced the Big Bear City CSD and reimbursement has been received. However, staff invoiced the applicant alone for \$2,740 with copies of each billing, as well issuing a second and third notice. Collection procedures have been conducted without results: therefore, the outstanding balance has been determined to be an account which is uncollectible.

Staff is recommending that the Commission determine the amount owed to LAFCO of \$2,740 for LAFCO 3172 to be uncollectible and approve the write-off of the amount. This will make the determination that the amount is no longer recognized as collectible receivables for financial reporting purposes. All financial documentation related to LAFCO 3172 will be a part of the materials for the 2014-15 audit.

Another option would be to have a collection agency attempt collection. However, the costs for the effort may not justify this option.

CONCLUSION:

In conclusion, LAFCO staff has provided copies of the Final Budget Spreadsheet and narrative recommended for adoption (Attachment #1 to this report). The apportionment for the County, Cities/Towns and Special Districts for Fiscal Year 2015-16 to be billed as of July 1, 2015 is also included as a part of Attachment #2.

The staff will be happy to answer any questions from the Commission prior to or at the hearing regarding any of the items within the budget documents or this report.

/krm

Attachments:

- 1. Final Budget Spreadsheet, and Narrative
- 2. Apportionment Schedules

Final Budget Spreadsheet and Narrative

Attachment 1

ACCT.	ACCOUNT NAME	ACTUAL	ACTUAL	ACTUAL	ACTUAL	FINAL	PROJECTED	FINAL	FORECAST	FORECAST
#		YEAR-END	YEAR-END	YEAR-END	YEAR-END	BUDGET	YEAR-END	FY 15-16	FY 16-17	FY 17-18
		FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 14-15	BUDGET	OFFICE MOVE	EO RECRUIT
	SALARIES AND BENEFITS								The same of the same	ALTERNATION OF THE RESERVE TO SERVE THE RESERVE TO SERVE THE RESERVE TO SERVE THE RESERVE TO SERVE THE RESERVE THE
1010	Regular Salary and Bilingual	\$ 429,049	\$ 372,803	\$ 379,028	\$ 408,248	\$ 437,522	\$ 433,830	\$ 455,278	\$ 463.908	\$ 472,128
1030	Auto and Cell Phone Allowances	14,039	14,600	14,600	15,062	14,881	17,000	17,327		17,327
1035	Overtime		802	1,028	361	-	154	A promote to the		
1045	Termination Payment	33,687					-			As the second second
1110	General Member Retirement	77,173	59,328	70,512	81,993	99,625	101,418	115,531	118,536	119,856
1130	Survivors Benefits	111	93	81	160	178	238	245	245	245
1135	Indemnification - General	42,314	14,397	15,538	16,641	20,163	20,634	20,163	20,163	20,163
1200	Employee Group Insurance (Health Subsidy)	8,480	29,005	35,599	41,141	50,040	46,556	63,950	63,950	63,950
1205	Long-Term Disability	986	858	883	994	1,099	1,079	1,127	1,150	1,168
1207	Vision Care Insurance	634	589	589	759	837	822	837	837	837
1215	Dental Insurance & Health Subsidy	322	1,846	1,701	1,466	1,557	1,529	1,557	1,557	1,557
1220	Psychological Services	41					-	17 may 27 may 18		基基品
1222	Short-Term Disability	1,124	1,044	2,728	3,312	3,658	3,590	3,744	3,819	3,873
1225	Social Security Medicare	4,453	4,723	4,728	5,128	5,637	5,560	5,790	5,932	6,046
1235	Workers' Compensation	4,101	2,091	2,644	1,573	4,782	2,788	4,911	5,018	5,104
1240	Life Insurance & Medical Trust Fund	4,603	3,814	4,415	4,546	5,289	4,836	5,593	5,671	6,358
1305	Other (Medical Reimbursement Plan)	3,498	2,585	2,600	2,600	6,920	2,840	6,920	6,920	6,920
1310	Indemnification	25,760					-		- Holder	Audio St.
1314	457/401a Defined (LAFCO Contribution)	1,737	1,289	1,327	1,451	1,650	1,622	1,691	1,727	1,753
1315	401k Contribution	22,854	19,671	21,037	22,983	26,400	25,952	27,063	27,634	28,051
1000	Salary Reserve	-	-	-		9,000	8,750		1.000	
	TOTAL SALARIES & BENEFITS	\$ 674,965	\$ 529,536	\$ 559,037	\$ 608,417	\$ 689,235	\$ 679,197	\$ 731,727	\$ 744,394	\$ 755,335
	Staffing (Full time equivalent units)	4.5	4.5	4.5	4.5	5.5	5.5	5.5	5.5	5.5
	SERVICES AND SUPPLIES							and the second solution		Anne La A
	Services:	*								
2037	COMNET Charge (ISF)	\$ 2,552	\$ 2,872	\$ 2,590	\$ 2,532	\$ 2,874	\$ 2,524	A 0.000	A 0.005	0.040
2037	Long Distance Charges	72	φ 2,072 58	\$ 2,590 74	\$ 2,532 86	\$ 2,874 120	- ' ' ' ' ' ' ' ' ' ' ' ' ' ' ' ' ' ' '	\$ 2,828 120		PERMIT
2040	Relocation Charges - Phone Service	12	50	/4	00	10,000	91	(C)	20 kg kanada a kalendara a 19 kg 19 kg	125
2040	Phone Service/Outside Company	483	447	304	366		647	18,200	All of the second of the second of the second of	500
2041	Electronic Equipment Maintenance	403	447	304	140	5,540		540	A STATE OF THE RESERVE OF THE PARTY OF THE P	562
2045	Membership Dues	7,846	7,870	8,089	8,324	8,515	498	9,180	Maria States and Control	9,364
2076	Tuition Reimbursement	7,040	341	0,009	1,100	2,000	8,509 100	8,447		8,788
2080	Publications	2,038	2,399	3,000	2,054			2,000		2,081
2085	Legal Notices	12,822	14,648	5,193	9,223	3,600	3,040	3,395	BSS are much	3,532
	Legal Notices	12,022	14,040	5,195	304	26,000	18,743	21,000	21,420	21,848
2110	Floot Management Dequisition Charges	1								1400 CE 100
2110	Fleet Management Requisition Charges	4 500	2 222	2 925		2 246	2.050	0.405	0.404	
2115	Computer Software	4,590	3,222	2,825	6,427	3,346	3,850	8,435	6,401	6,529
2115 2125	Computer Software Inventoriable Equipment	4,590 17,944	3,222 2,070	2,825 3,252	6,427	3,346 17,500	3,850 4,660	8,435	6,401	6,529
2115 2125 2195	Computer Software Inventoriable Equipment Reimbursement Services and Supplies	17,944	2,070	3,252	6,427 - 4,304	17,500	4,660			
2115 2125	Computer Software Inventoriable Equipment				6,427			8,435 7,078		6,529 - - 7,364
2115 2125 2195	Computer Software Inventoriable Equipment Reimbursement Services and Supplies	17,944	2,070	3,252	6,427 - 4,304	17,500	4,660			
2115 2125 2195	Computer Software Inventoriable Equipment Reimbursement Services and Supplies Other Insurance Supplies:	17,944 - 50	2,070 - 7,045	3,252 - 6,998	6,427 - 4,304 7,074	7,012	4,660 - 7,128	7,078	7,219	7,364
2115 2125 2195 2245 2305	Computer Software Inventoriable Equipment Reimbursement Services and Supplies Other Insurance Supplies: General Office Expense	17,944	2,070 - 7,045 5,842	3,252 - 6,998 8,710	6,427 - 4,304 7,074 11,621	17,500	7,128 7,844		7,219	
2115 2125 2195 2245 2305 2308	Computer Software Inventoriable Equipment Reimbursement Services and Supplies Other Insurance Supplies: General Office Expense Credit Card Clearing Account	17,944 - 50 6,313	2,070 - 7,045 5,842 1,126	3,252 - 6,998 8,710 (288)	6,427 - 4,304 7,074 11,621 (85)	7,012	7,128 7,844 2,895	9,232	7,219 38,516	7,364 8,687
2115 2125 2195 2245 2305	Computer Software Inventoriable Equipment Reimbursement Services and Supplies Other Insurance Supplies: General Office Expense	17,944 - 50	2,070 - 7,045 5,842	3,252 - 6,998 8,710	6,427 - 4,304 7,074 11,621	7,012	7,128 7,844	7,078	7,219 7,219 38,516 - 13,170	7,364

ACCT.	ACCOUNT NAME	ACTUAL	ACTUAL	ACTUAL	ACTUAL	FINAL	PROJECTED	FINAL	FORECAST	FORECAST
#		YEAR-END	YEAR-END	YEAR-END	YEAR-END	BUDGET	YEAR-END	FY 15-16	FY 16-17	FY 17-18
		FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 14-15	BUDGET	OFFICE MOVE	EO RECRUIT
2335	Temporary Services	_		16,965	13,311	_		PERMIT	10.00	assertion of the
	Consultant & Special Services:							4-4		
2400	Prof & Special Service (Legal Counsel)	29,198	24,758	21,903	24,048	36,800	26,453	29,300	29,886	30,484
2405	Auditing	7,611	6,932	8,372	7,527	11,799	11,125	11,868	12,105	12,347
2410	Data Processing	5,106	6,212	6,630	7,142	7,611	7,575	7,565	7,716	7,871
2414	Application Development Maintenance				-	_	-	2000		
2415	COWCAP	39,230	18,772	9,219	6,053	6,308	6,308		6,000	6,000
2420	ISD Other IT Services	189	206	244	344	1,008	753	701	715	730
2421	ISD Direct	2,035	1,690	739	1,772	12,800	10,412	9,180	9,364	9,551
2424	Mgmt & Tech (Environmental Consultant)	11,988	8,078	8,853	15,339	9,800	13,018	9,300	9,486	9,676
2444	Security Services	405	408	408	578	408	408	408	416	424
2445	Other Prof (Commission, Surveyor, ROV)	28,304	41,878	44,593	32,275	46,196	49,047	47,428	50,376	69,344
2449	Outside Legal (Litigation & Special Counsel)	58,334	-	5,050	2,909	10,000	3,956	Contraction of the second	-	
2450	Application Development Support	-	-	10,499	19,709	17,500	216	1,500	1,530	1,561
2460	GIMS Charges	13,530	10,524	10,500	11,877	14,600	14,150	14,180	14,464	14,753
									Marketha Fores	APPENDING SELECTION OF THE PERSON OF THE PER
	Lease/Purchases:							4 A 4 A 4 A 4 A 4 A 4 A 4 A 4 A 4 A 4 A	A.1	The little bases
2895	Rent/Lease Equipment (copier)	7,800	7,678	4,235	2,610	4,800	5,541	6,180	6,180	6,180
2905	Office/Hearing Chamber Rental	49,317	55,438	48,859	53,576	51,270	51,219	52,741	54,323	55,410
										ale confliction
	Travel Related Expenses:									
2940	Private Mileage	4,549	6,579	4,760	5,135	6,418	3,048	4,394	4,482	4,572
2941	Conference/Training	3,458	4,215	5,363	4,225	7,950	6,077	6,850	6,987	7,127
2942	Hotel	2,411	5,692	5,482	5,264	5,486	6,372	5,850	5,967	6,086
2943	Meals	597	1,214	743	923	1,900	1,088	1,900	1,938	1,977
2944	Car Rental	-	589	1,247	653	500	191	150	153	156
2945	Air Travel	1,305	1,915	1,954	4,241	2,400	2,270	5,650	2,448	5,747
2946	Other Travel	248	438	677	1,061	600	579	600	612	624
					-				49.00	
	Other Charges:							Mark St. St.		
5012	Services Out (Staples)	1,190	1,098	1,480	4,146	3,600	4,698	3,600	3,672	3,745
								on to the design of the		
	TOTAL SERVICES & SUPPLIES	\$ 333,189	\$ 262,639	\$ 265,938	\$ 291,993	\$ 376,884	\$ 302,234	\$ 323,282	\$ 357,985	\$ 340,211
									A. C. P. Sea	
TOTAL	EXPENDITURES	\$ 1,008,153	\$ 792,176	\$ 824,975	\$ 900,410	\$ 1,066,119	\$ 981,431	\$ 1,055,009	\$ 1,102,379	\$ 1,095,546
							NAME OF THE PROPERTY OF THE PR	Constitutions and		1,000
	RESERVES									
6000	Contingency					\$ 87,356		\$ 105,501	\$ 110,238	400 555
6010	Net Pension Liability Reserve					56,432			109,068	
6025	General Reserve							82,750		135,386
6030	Compensated Absences Reserve			-		300,000		291,007	247,986	270,073
6030	Compensated Absences Reserve					72,897		83,329	87,495	91,870
TOTAL	CONTINGENCIES & RESERVES	l .				\$ 516,685	s a second place	\$ 562.587	¢ ==4707	6 202.004
I UIAE	JOINTHINGENOUS & RESERVES	A CONTRACTOR OF THE STATE OF TH				\$ 516,685	φ -	\$ 562,587	\$ 554,787	\$ 606,884
TOTAL	. APPROPRIATION	\$ 1,000 452	\$ 702.470	\$ 824,975	\$ 900,410	¢ 1 500 004	¢ 004 424	\$ 1,617,596	4 057 400	¢ 4700 400
i Oim	AMA AMOA MUMAADI V	\$ 1,008,153	φ (92,1/6	φ 624,975	φ 500,410	\$ 1,582,804	\$ 981,431	\$ 1,617,596	\$ 1,657,166	\$ 1,702,430

ACCT	ACCOUNT NAME	ACTUAL	ACTUAL	ACTUAL	ACTUAL	FINAL	PROJECTED	FINAL	FORECAST	FORECAST
#		YEAR-END	YEAR-END	YEAR-END	YEAR-END	BUDGET	YEAR-END	FY 15-16	FY 16-17	FY 17-18
		FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 14-15	BUDGET	OFFICE MOVE	EO RECRUIT
	CONTRIBUTION REVENUES									
	Use of Money:				-					Analysis (Editor)
8500	Interest	\$ 6,569	\$ 3,992	\$ 4,009	\$ 3,066	\$ 4,000	\$ 3,626	\$ 4,000	\$ 4,500	\$ 5,500
	Mandatory Contribution from Governments:								Material Control of the Control of t	
8842	Local Government — For FY 2015-16 apportionment to County, Cities, and Independent Special Districts of approximately \$294,039 each	1,033,911	933,639	903,000	864,822	864,821	864,822	882,117 2% increase	904,170 2.5% increase	926,775 2.5% increase
	Fees and Deposits (Current Services):							2 /0 IIIClease	2.5 % morease	2.5% increase
9545	Individual Notice	5,100	1,238	4,402	11,200	4,900	2,400	4,900	7,000	8,250
9555	Legal Services	9,782	4,733	5,934	8,625	7,475	4,193	7,475	10,350	11,450
9655	GIMS Fees	6,845	2,710	1,255	3,235	2,400	3,895	2,400	3,200	6,000
9660	Environmental	7,996	3,313	10,171	12,580	4,950	7,509	4,950	6,900	9,950
9800	LAFCO Fees	47,287	20,758	33,004	99,656	38,750	59,274	38,750	59,000	80,250
	Total Fees and Deposits	77,010	32,751	54,765	135,296	58,475	77,271	58,475	86,450	115,900
•	TOTAL CONTRIBUTION REVENUES	\$ 1,117,490	\$ 970,382	\$ 961,774	\$ 1,003,185	\$ 927,296	\$ 945,719	\$ 944,592	\$ 995,120	\$ 1,048,175
	OTHER REVENUES									And the second second
9910	Refunds from Prior Year Revenue	\$ (7,462)	\$ (2,027)	\$ 1,401	\$ 1,761	\$ (2,000)	\$ (2,472)	\$ (2,000)	\$ (2,000)	\$ (2,000)
9930	Miscellaneous Revenues	463	517	1,652	3,578	1,500	10	495	1,459	1,468
9970	Carryover of Ongoing Projects			33,056	1,212	.,,	16,510			
9970	Carryover from Prior Year, Unassigned		145,730	108,937	223,425	192,736	250,087	157,824	100,000	100,000
	TOTAL CONTRIBUTION REVENUES	(7,000)	144,220	145,046	228,765	192,236	264,135	156,319	99,459	99,468
TOTAL P	REVENUES	1,110,491	1,114,602	1,106,820	1,231,949	1,119,532	1,209,854	1,100,911	1,094,579	1,147,643
	RESERVES FROM PRIOR YEAR, as of July 1									
9970	Contingency	122,658	35,197	41,507	84,730	99,872	99,872		105,501	110,238
9970	COWCAP Reserve (not active)			56,000	46,780	46,780	46,780	Pagas Asset Sa		
9970	Net Pension Liability Reserve							56,432	82,750	109,068
	General Reserve	79,811	124,108	180,000	200,000	250,000	250,000	300,000	291,007	247,986
	Compensated Absences Reserve			62,003	66,620	66,620	66,620	72,897	83,329	87,495
TOTAL	RESERVES FROM PRIOR YEAR	\$ 202,469	\$ 159,305	\$ 339,510	\$ 398,130	\$ 463,272	\$ 463,272	\$ 516,685	\$ 562,587	\$ 554,787
TOTAL	REVENUE AND RESERVES	\$ 1,312,959	\$ 1,273,907	\$ 1,446,330	\$ 1,630,079	\$ 1,582,804	\$ 1,673,126	\$ 1,617,596	\$ 1,657,166	\$ 1,702,430
	Note: Spreadsheet utilizes the cash basis	of accounting	g and does no	include accr	ual/reversal dat	a which do not aff	ect fund balance).		

NARRATIVE FOR FY 2015-16 FINAL BUDGET

SALARIES AND BENEFITS 1000 SERIES

FY 2014-15

Salaries and Benefits (1000 series) for FY 2014-15 was budgeted at \$689,235 for 5.5 positions: one Contract Executive Officer (limited to 960 paid hours per year), Assistant Executive Officer, Project Manager, Clerk to the Commission/Office Manager, Analyst, and Deputy Clerk. During March of 2015 amendments to the Exempt Compensation Plan were approved by the County. LAFCO mirrors this County compensation plan; therefore, five employees will be provided a one-time \$1,750 bonus and the salary ranges will be increased by three steps, two sub-step 1 salary ranges and one new step 12. This will affect one employee during this fiscal year. Even with these changes, year-end expenditures for the 1000 series are estimated to be \$679,197, \$10,038 under budget.

FY 2015-16

For Fiscal Year 2015-16 the staffing is anticipated to be maintained from the prior year – a contract Executive Officer, and regular employees of an Assistant Executive Officer, Project Manager, LAFCO Analyst, Clerk to the Commission/Office Manager and Administrative Assistant.

No cost-of-living change has been identified by the County for the upcoming fiscal year. Therefore, since the Commission has adopted the County Exempt Compensation Plan as its own no salary increase has been included.

As the Proposed Budget Spreadsheet identifies, FY 2015-16 budgets a total expenditure of \$731,729, an increase of \$42,494 over the prior year budget. This includes the step changes in salary appropriate for staff members, budgeting full participation for all benefits for 26.5 pay periods, and the retirement rate increase of 11.4%.

FY 2016-17 and FY 2017-18

The forecast for FY 2016-17 and 2017-18 includes the payment of the standard 26 pay periods under the same staffing structure as the prior year, step increases as appropriate for staff members. The projections for retirement rates stabilize beginning in 2016-17 with an increase by 0.81% and a 0.13% reduction in FY 2017-18. The forecast is for \$732,660, in FY 2016-17 an increase of \$931 over the proposed budget for FY 2015-16 and \$743,454 in FY 2017-18.

LINE ITEM ACCOUNTS FOR SALARIES AND BENEFITS FOR FISCAL YEAR 2015-16

Regular Salary - Account 1010: \$455,279

Salaries are calculated at 26.5 pay periods for five positions and the contract for the Executive Officer and bilingual payments for the Clerk to the Commission and LAFCO Analyst positions (\$2,385). Cash out amounts included in this line item account for annually declared vacation/holiday leave cash outs (estimated at \$9,963). The salaries by position are:

Executive Officer (contract)	\$104,640
Assistant Executive Officer	97,718
Project Manager	80,246
LAFCO Analyst	48,006
Clerk to the Commission	55,536
Administrative Assistant	50,400

BENEFITS

For employee benefits, LAFCO mirrors the County's Exempt Compensation Plan as identified in the LAFCO Benefits Plan and contracts with the County to administer the benefits for its employees. Benefit allocations are calculated at 26.5 pay periods for the regular LAFCO positions and only the car allowance benefit for the Executive Officer, except where identified otherwise.

Merit Incentive (Car and Cellphone Allowance) - Account 1030: \$17,327

The LAFCO Benefit Plan allocates to the Executive Officer \$561.54 car allowance and cellphone allowance of \$92.31 per pay period. The contract with the Executive Officer provides for the payment of this benefit.

Termination Payment - Account 1045: \$0.00

The LAFCO Benefit Plan provides that at separation from LAFCO service, employees are required to contribute the cash value of their unused sick-leave to the Retirement Medical Trust Fund at the rate of 75% of the cash value of the employee's unused sick leave hours. Should such occur revenues would be transferred from the Compensated Absence Reserve account for payment.

General Member Retirement – Account 1110: \$115,531

Calculation for the payment of the LAFCO (employer) retirement contribution is based upon the rate of 33.31% of salaries paid. All employees are calculated at the Tier I rate. The retirement rate increases from the FY 2014-15 contribution rate of 29.91%, an increase of 11.4%. However, SBCERA projects the rate to stabilize then decrease, with subsequent annual changes through FY 2020-21 of 0.81%, -0.39%, -2.96%, -4.25%, and -4.54%.

Survivor's Benefits - Account 1130: \$245

The cost is calculated at approximately \$1.85 per employee per pay period; an increase from \$1.34.

Indemnification General – Account 1135: \$20,163

This account allocates the funding necessary to cover additional employee retirement payments pursuant to the provisions of the LAFCO Benefits Plan. This amount has been reduced through the exclusion of the seven percent match of earnable compensation. However, a retirement benefit of \$152.17 employee per pay period is included in this plan.

Employee Group Insurance (Health Insurance Subsidy) – Account 1200: \$63,950 This account allocates a Medical Premium Subsidy in an amount that has been augmented to include the dollars from the Flexible Benefit Plan. The subsidy is paid only toward coverage chosen by the employee. If costs are less than amounts identified, no residual dollars are provided to the employee. The budget anticipates coverage for all employees as: employee plus two or more dependents at \$482.64 per pay period.

Long Term Disability - Account 1205: \$1,127

This cost is calculated at 33 cents per \$100 of base pay.

Vision Care Insurance - Account 1207: \$837

This cost is calculated at \$6.32 per employee per pay period.

Dental Insurance and Health Subsidy – Account 1215: \$1,557

This account allocates the Dental Premium Subsidy of \$9.46 per employee per pay period that, when combined with the Medical Subsidy, would offset the cost of out-of-pocket dental expenses charged to eligible employees.

Short Term Disability and Family Medical Leave Overhead – Account 1222: \$3,744 LAFCO employees are provided with short-term disability by contract with the County at a cost of 1.04% of salaries per pay period. In addition, the administrative cost for the Family Medical Leave is calculated at \$1.41 per pay period for each regular employee and includes the contract Executive Officer.

Social Security Medicare – Account 1225: \$5,790

For employees entering LAFCO service after 1985, contribution to the federal Social Security Medicare system is mandatory. The cost is calculated for five positions and the contract Executive Officer at the rate of 1.41% of base compensation.

Worker's Compensation – Account 1235: \$4,911

This account is for worker's compensation insurance. LAFCO purchases this insurance through the Special District Risk Management Authority (SDRMA), a joint powers authority. The charge is not increasing from the prior year and is estimated to be \$1.07 per \$100 of salaries and Commissioner stipend payments.

Life Insurance and Medical Trust Fund- Account 1240: \$5,593

This account contains costs associated with term life insurance (\$1.80 per pay period per employee), variable life insurance (based upon employee elections, \$815), and contributions to the Retirement Medical Trust Fund (based upon years of service, \$4,539).

Other (Medical Reimbursement Plan) - Account 1305: \$6,920

This account is for the Commission's matching payment toward an Exempt Medical Reimbursement Plan for employees of up to \$40 per employee per pay period and the Healthy Lifestyles membership up to \$324. Staff estimates full utilization of this benefit by five employees.

Deferred Compensation - Account 1314: \$1,691

LAFCO matches employee contributions to the 457 savings plan of the County up to $\frac{1}{2}$ % of the employee's base salary. The appropriation anticipates full participation by five employees in this plan.

401(k) Contribution – Account 1315: \$27,063

LAFCO matches employee contributions to the 401(k) savings plan of the County up to 8% of the employee's base salary. The appropriation anticipates full participation by the five full-time employees.

SERVICES AND SUPPLIES 2000 AND 5000 SERIES

FY 2014-15

For FY 2014-15, Services and Supplies were budgeted at \$376,884 and are estimated to be 80% expended at the year-end for a total of \$302,234. Items of note during this Fiscal Year are:

- The Commission approved \$20,000 for communications infrastructure related to the County's Workforce Development Department move from the building where the LAFCO office is located. This relocation affects LAFCO because our communications infrastructure (telephone and internet/email/county internal databases) extend from that department's infrastructure. The infrastructure burden will now be placed upon LAFCO, which means that LAFCO will have to purchase and lease equipment and pay for all direct services. The move was originally anticipated for May, but is now occurring in September. Therefore, the funding for this project will carry forward into FY 2015-16.
- The Executive Officer is the Chair of the CALAFCO Legislative Subcommittee on Disincorporation. This has necessitated additional travel to Sacramento and sites to review the proposed legislation with stakeholders and others. CALAFCO has provided for up to \$1,000 in travel costs to be reimbursed to the Commission.
- Fiscal Indicators program is available on the LAFCO website with the final piece going live on March 31, 2015.
- The Rim of the World preliminary feasibility study contract was approved in September 2014 and it is currently anticipated that will be completed in June with presentation to the Commission and the Second District in July and the communities thereafter.
- The special study for the Daggett, Newberry, and Yermo Community Services Districts was completed.
- The service review for Water Conservation in the Valley Region is anticipated for presentation to the Commission in May.
- The special study for the Morongo Valley Community Services District is anticipated for presentation to the Commission in June.

FY 2015-16

The total budgeted amount for Services and Supplies for FY 2015-16 is \$323,280, which is an increase of roughly \$21,000 from the 2014-15 estimated year-end. The following policy items are included:

- Funding of \$20,000 related to the infrastructure improvements required due to the County's move from the building where the LAFCO office is located will carry forward into 2015-16.
- Currently, archive videos of LAFCO hearings are available on the website of the City
 of San Bernardino's government and public access television station. During the
 term of this contract this service has been provided at no cost to LAFCO. Due to the
 reorganization of this activity by the City, it may no longer support the hosting of
 other agencies on the station's website. For budgeting purposes, \$4,000 is
 budgeted to continue this service with an outside company and staff is reviewing its
 options.
- As a part of the special study for the Daggett, Newberry, and Yermo Community Services Districts, LAFCO arranged for the Special Districts Risk Management Authority (SDRMA) to conduct local training on board governance. The training held in March 2014 provided access to resources that some of the districts may not have had otherwise. The event was well attended with about 50 representatives. The Commission expressed its intent to build upon this educational pursuit and continue to provide governance training for the government agencies within the County.

In that vein, staff has developed an education program for the coming year with the California Special Districts Association (CSDA) and the Institute for Local Government (ILG) which anticipates the conduct of two to three classes per year. CSDA has indicated that it would not charge to conduct the training, and ILG has identified a cost of \$2,300. The budget includes \$2,300 to provide the flexibility needed to accommodate the choice of classes to provide.

 Fiscal Indicators program will add the data for audit years 2012-13 and 2013-14 for viewing on the LAFCO website by July.

In addition, the workload related to jurisdictional change applications is increasing from the recession years. Staff is estimating that the upcoming year will have six proposals for jurisdictional change along with its state mandated obligation to perform service reviews.

FY 2016-17 and FY 2017-18

Services and Supplies for FY 2016-17 are projected at \$357,985. It anticipates a slight increase in activity to include the submission of eight proposals for the year; natural contract increases for legal counsel and office lease payments, and maintenance of current activities.

The office lease terminates on June 30, 2017, and it is the position of the Commission to move to another location. Staff estimates that the move will cost \$47,000 identified as follows:

• \$15,000 – Work performed by County ISD to relocate the technology infrastructure.

- \$30,000 Purchasing new office furniture. On a per unit basis, the costs are comparable to those recently incurred by two County departments.
- \$2,000 Moving company

In FY 2017-18 forecast includes the \$15,000 for the recruitment process for a permanent Executive Officer and a continuing 2.0% increase for those items sensitive to consumer price index increases.

LINE ITEM ACCOUNTS FOR SERVICES AND SUPPLIES FOR FISCAL YEAR 2015-16

SERVICES

Comnet Charge - Account 2037: \$2,828

Comnet is the County's telephone system. Charges for use of this system are \$29.46 per line per month. LAFCO utilizes eight phone lines: seven telephones and one fax/answering machine.

Long Distance Charges – Account 2038: \$120

Long distance activity is estimated at \$10 per month based on historical long-distance charges.

Relocation Charges - Account 2040: \$18,200

LAFCO will become responsible for its own internet infrastructure due to the County's Workforce Development Department moving out of the building where the LAFCO office is located. County ISD charges for installation of hardware and relocation of lines in order for LAFCO to remain on the County system are estimated at \$18,200, per quote from County ISD.

Phone Service/Outside Company - Account 2041: \$540

The use of phone service outside the County system (Verizon) is required by the security alarm company to ensure proper monitoring for the LAFCO office. The monthly phone charge is \$45 per month.

Electronic Equipment Maintenance - Account 2043: \$9,180

In addition to one-time costs related to the County moving out of the building where the LAFCO office is located, monthly charges of \$765 is budgeted to lease a switch from County ISD to have access to the internet, County intranet, and telephone via a fiber line.

Membership Dues – Account 2075: \$8,447

This account is for membership in professional associations. Dues are estimated to be \$7,428 for CALAFCO and \$1,019 for California Special Districts Association.

Tuition Reimbursement - Account 2076: \$2,000

Pursuant to the LAFCO Benefits Plan, employees can be reimbursed for up to \$1,000 for approved tuition, course/seminar or degree related expenses, and membership dues in

professional organizations. This appropriation provides for full participation by two employees.

Publications - Account 2080: \$3,395

This account anticipates costs for updates to the California Legislative Codes, California Environmental Law pamphlets, and other publications and/or updates utilized by either staff or the Commission and the monthly California Planning and Development Newsletter at a cost of \$238 per year. As a cost savings measure, the Commission has participated in a contract with West's Publishing Customer Loyalty program to receive updated pocket parts to the California Annotated Code.

Legal Notices - Account 2085: \$21,000

The budget figure accommodates the advertising needs for maintenance of a ten hearing schedule. The processing of service reviews for the region will require an eighth-page display ad in general newspapers and when advertisement is authorized in-lieu of individual landowner and/or registered voter notice for changes of organization.

Computer Software – Account 2115: \$8,435

The account accommodates the charges for purchases of new software programs, access to online programs, and annual updates of existing programs.

Purchases of new Adobe suite software for the LAFCO Analyst position will incur a one-time cost of \$1,406. Access to online programs will incur a cost of \$3,755 for access to: (1) ESRI's online mapping and (2) a new online program, Paxata, to parse spreadsheet data (\$3,255 annually). The spreadsheet program will assist in analyzing fire response data in the service review for fire protection in the Valley Region as well as other large data reviews. This program will be reevaluated for inclusion in subsequent budgets. Annual updates of existing programs total \$3,273 and include digital archiving software for LAFCO to maintain its records in perpetuity per Government Code Section 56382, upgrade to the current Adobe Acrobat for all other employees, and Microsoft annual license.

Inventoriable Equipment – Account 2125 -- \$0

There are no major equipment purchases budgeted for the year.

Other Insurance – Account 2245: \$7,078

This account is for property liability insurance (liability and damage), general liability, public officials and employee errors and omissions, personal liability for board members, employment practices liability, employee benefits liability, employee dishonesty coverage, and auto liability. LAFCO purchases this insurance through the Special District Risk Management Authority, a joint powers authority. SDRMA has provided notification that it intends not to raise rates for the upcoming year.

SUPPLIES

General Office Expense - Account 2305: \$9,232

This account is utilized for expenses to run the office such as office supplies and non-inventoriable items. General expenses include ink for the color printer, paper, petty cash reimbursement, annual fire inspection fee, and office supplies. The upcoming year anticipates the purchase of a Microsoft Surface for the LAFCO Analyst position (\$900). Additionally, LAFCO utilizes the County's contract with Staples and these expenses are budgeted in Account 5012 (Staples) with only the administrative surcharge included in this line item.

Credit Card Clearing Account - Account 2308: \$0

This is a clearing account for use of the credit card issued to the Executive Officer. All charges on the card will be posted to this account temporarily with charges then transferred to the appropriate accounts (2941 through 2946). At year's end, this account will have no expenditures.

Postage - Direct Charge - Account 2310: \$12,912

The shift to have placement of the staff reports and attachments and notices on CD has reduced overall postage costs. The estimated postage cost for the year is \$10,800 for 10 hearings. Calculations for receipt and delivery of interoffice mail including special pick-ups are \$2,112 as outlined in the County's Internal Service Rates.

Records Storage - Account 2315: \$570

Government Code Section 56382 mandates LAFCO to maintain its records in perpetuity. The cost for storage is estimated to be \$570 annually.

Reproduction Services - Account 2323: \$0

This account is for reproduction activity outside of the LAFCO office (County Printing Services, Kinkos, etc.). The shift made to have the staff reports and attachments and notices on CD and available online have reduced printing costs; therefore no costs are anticipated for the coming year.

CONSULTANT AND SPECIAL SERVICES

Professional and Special Service (Legal Counsel) - Account 2400: \$29,300

The existing contract for LAFCO legal counsel allows an annual rate based on the local consumer price index for the previous year for urban consumers not to exceed five percent and rounded up to nearest dollar; \$225 per hour is the estimate for Fiscal Year 2015-16. All legal counsel costs, with the exceptions of administrative charges and the staff workshop are reimbursable under the Commission's existing fee policy. Payments made for costs recoverable are deposited into Revenue Account 9555. (Litigation and outside legal counsel costs are charged under Account 2449 below.) LAFCO also participates in Best, Best, & Krieger's conflict of interest program which has an annual charge of \$3,300.

<u>Auditing – Account 2405: \$11,868</u>

The Commission is in the fourth year of a four year audit contract at a cost of \$8,500. Additionally, LAFCO Legal Counsel charges for the preparation of the response to the audit which is paid from this account (estimated at \$243). Beginning in FY 2014-15 SBCERA is required to determine the unfunded liability for its participants and by legislative action can charge for fulfilling that requirement. SBCERA has notified its participating agencies that the cost for compliance is estimated to be \$3,125 billed in January of 2016.

During FY 2015-16 a new RFP for audit services will need to be circulated. At this time it is understood that the CALAFCO Southern Region/CCL will be circulating an RFP for a joint audit proposal.

Data Processing – Account 2410: \$7,565

LAFCO contracts with the County Information Services Department for technology related services. This account is for technology infrastructure (internet, email, security, etc.) and reporting from the County payroll system. The budget utilizes a monthly average of \$630.

COWCAP - Account 2415: \$0

This is the first year that there are no costs identified in the County Wide Cost Allocation Plan (COWCAP), this would be for services performed in FY 2013-14 but charged in FY 2015-16. COWCAP costs include technology charges-emerging technologies, use of County Purchasing, and processing of payments and payroll through the County Auditor which are charged to LAFCO pursuant to existing agreements.

ISD Other IT Services – Account 2420: \$701

This account is for charges by the County Information Services Department for the Executive Officer's portable communication device (smart phone and tablet) connection to County e-mail servers and computers and Assistant Executive Officer and Project Manager for connection of tablets. Portable communication device cost is \$14.61 per month per device.

ISD Direct - Account 2421: \$9,180

LAFCO contracts with the County Information Services Department for technology related services. This account is for maintenance of the local area network of computers, printers, and servers. Beginning in FY 2014-15, the County charges a flat monthly charge by device rather than by service call activity. The monthly charge is \$85 per device for nine devices.

Environmental Consultant – Account 2424: \$9,300

The Commission contracts with an independent consultant, Tom Dodson and Associates, for the environmental assessment associated with its proposals. Anticipated costs are for environmental analysis of out-of-agency service contracts, proposals, sphere of influence updates and service reviews, and for other environmental determinations. All environmental consultant costs are billable under the Commission's existing fee schedule. Payments made for cost recovery are deposited into Revenue Account 9660.

Security Services - Account 2444: \$408

Costs for maintaining the security alarm system and monitoring are \$102 paid quarterly.

Other Professional Services - Account 2445: \$47,428

This account is for professional services to process proposals and items on the hearing agendas and includes the anticipated costs for the County Surveyor (\$200 per hour) and Registrar of Voters (\$270.32 per hour). Commissioner stipend payments for attendance at hearings, the costs associated with the August workshop, and the costs for the Commission's designated representative to CCL and the CALAFCO Board of Directors are provided in this account. This account also includes the costs anticipated for the County Auditor to bill for the apportionments for the Cities, Independent Special Districts and the County (\$3,654).

Currently, archive videos of LAFCO hearings are available on the website of the City of San Bernardino's government and public access television station. This service has been provided at no cost to LAFCO during the term of the current contract. Due to the reorganization of this activity by the City, the City may no longer support the hosting of other agencies on the station's website. For budgeting purposes, \$4,000 is budgeted to continue this service with an outside company to be determined at a later date.

As a part of the special study for the Daggett, Newberry, and Yermo Community Services Districts, LAFCO arranged for the Special Districts Risk Management Authority (SDRMA) to conduct local training on board governance. The training held in March 2014 provided access to resources that the districts may not have had otherwise and was attended by 50 representatives. The Commission expressed its intent to build upon this educational pursuit and continue to provide governance training for the special districts within the County. Staff has developed an education program for the coming year with the California Special Districts Association (CSDA) and the Institute for Local Government (ILG) and is proposing to provide three seminars during the fiscal year. CSDA has indicated that it would not charge to conduct the training, and ILG has identified a cost of \$2,300.

It is anticipated that there would be sufficient resources available if any member of the Commission wished to participate in one of the CALAFCO University courses available during the year.

Outside Legal – Account 2449: \$0

This account is for legal services conducted through special contract for either litigation or when a conflict of interest waiver is not granted. For proposals not initiated by the Commission, the applicant agrees to indemnify the Commission against legal costs.

System Development - Account 2450: \$1,500

LAFCO contracts with the County Information Services Department for technology related services. This account is for specialized support for the LAFCO website to include maintenance of the site, its mapping page, and Fiscal Indicators page.

GIMS Charges - Account 2460: \$14,180

LAFCO contracts with the County Information Services Department for technology related services. This account is for generation and maintenance of digitized maps. Costs for this account include paper maps generated (\$180), Aerial Imagery through Google Earth subscription (\$3,500) and Street Network Subscription (\$10,500).

LEASE/PURCHASES

Rent/Lease Copier - Account 2895: \$6,180

This account accommodates the contract for the copier rental at an estimated \$515 per month, based upon activity.

Office/Hearing Chamber Rental – Account 2905: \$52,741

The monthly lease payment for the staff office for 2015-16 will be \$4,353.42, a contracted 3% increase over the prior year for a total expense of \$52,241. This account also includes the rental charge for the Commission's hearings at \$50 per hearing for ten hearings (\$550).

TRAVEL RELATED EXPENSES

Private Mileage - Account 2940: \$4,394

This account is currently dedicated for Commissioners and staff private auto mileage, excluding the Executive Officer.

Conference/Training – Account 2941: \$6,850

This account is for attendance charges related to conferences and training courses for staff as directed by the Executive Officer. The costs include CALAFCO or CCL training, clerk and analyst training, attendance at the CALAFCO annual conference by Commissioners and staff (currently estimated at seven Commissioners and three staff), and staff participation at the CALAFCO Staff workshop. The Annual Conference will be hosted by Sacramento LAFCO and staff workshop by Los Angeles LAFCO. The budget anticipates attendance of all staff at the staff workshop at Universal City which would include closing the staff office for three days.

Hotel - Account 2942: \$5,850

This account is for hotel charges for Commissioners and staff at the CALAFCO annual conference (scheduled for the Hyatt Regency at the State Capital for seven Commissioners and three staff), CCL meeting attendance, staff participation at the staff workshop in Universal City (six staff), CALAFCO Legislative Committee participation, Assistant Executive Officer participation as CALAFCO Deputy Executive Officer for the Southern Region and any other overnight stays on LAFCO business.

Meals - Account 2943: \$1,900

This account is for Commissioner and staff meal charges related to the CALAFCO annual conference, CALAFCO Board hearings, CCL meeting attendance, staff workshop, CALAFCO Legislative Committee participation, and other travels.

Car Travel - Account 2944: \$150

This account is for car rental by Commissioners or staff.

Air Travel – Account 2945: \$5,650

This account is for air travel for Commissioners and staff. The costs identified are for the Executive Officer's travel due to membership on the CALAFCO Legislative Committee,

Commissioner participating on CALAFCO Board of Directors, and travel to the Annual Conference in Sacramento.

Other Travel - Account 2946: \$600

This account is for miscellaneous travel charges such as parking and taxi charges. The estimated cost for taxi services for the CALAFCO annual conference, staff workshop, and other travels.

OTHER CHARGES

Staples - Account 5012: \$3,600

LAFCO utilizes the County's contract with Staples for general office supplies and these expenses are budgeted in Account 5012 (Staples).

CONTINGENCIES AND RESERVES

Contingency (General) – Account 6000: \$105,501

The amount for this account has been set at 10% of total expenditures. Although the funds in this account are not anticipated for use, funds could be used for unexpected activity. Any transaction affecting the contingency funds requires Commission action to transfer the funds to the appropriate line item for expenditure.

Reserves - Net Pension Liability -- Account 6010: \$82,750

In October 2014, the Commission converted the COWCAP reserve to the Net Pension Liability Reserve due to the lack of COWCAP activity and the need to account for its unfunded pension liabilities. Currently, the reserve contains \$56,432. The most recent estimate (as of June 30, 2013) of the LAFCO share of the retirement pool's unfunded liability is \$582,793. Amortizing this out 20 years results in an annual contribution of \$26,318.

The Net Pension Liability will be calculated each year by SBCERA, and the amortization of this liability less the portion included in the annual employer share will have to be annually evaluated by LAFCO as part of the budget. It is hoped that this reserve plus Contingency would cover pension liability should the legislature dissolve LAFCOs throughout the State.

Reserves – General – Litigation – Account 6025: \$291,007

The Commission indicated that it would set aside a fund designated for use for general purposes to include litigation. Commission policy is \$200,000 for this reserve. The amount allocated for FY 2015-16 is \$291,447.

Reserves – Compensated Absences – Account 6030: \$83,329

The Commission has an established policy of setting aside reserves for the compensated absences payable as of the first pay period in April. The amount identified above represents five full-time staff positions and excludes the contracted Executive Officer.

REVENUES

FY 2014-15

The chart below shows the budgeted and the estimated year-end balances for the accounts that comprise the Fee categories, accounts that are sensitive to activity levels. By year's end, staff estimates fee revenue receipts \$35,894 above budget amounts. The chart below outlines the Revenue Categories:

Fee/Deposit Category	В	Estimated Year-End		
Individual Notice	\$	4,900	\$ 2,400	
Legal Services	\$	7,475	\$ 4,193	
GIMS Fees	\$	2,400	\$ 3,895	
Environmental Deposits	\$	4,950	\$ 7,509	
LAFCO Fees	\$	38,750	\$ 59,274	
Total Fee Revenue	\$	58,475	\$ 77,271	

As shown in the chart below, activity for which LAFCO receives fees and deposits is projected to exceed total expectations, except under the Service Review category. The anticipated activity for the year includes the following:

		Th	ru March	Projected		
Activity	Budget	No.	% of Budget	No.	% of Budget	
Proposals	. 6	5	83%	6	100%	
Service Contracts - Development	1	0	0%	0	0%	
Service Contracts - Admin (E.O.) approval	4	2	50%	3	75%	
Protest Hearing Deposits	6	4	67%	5	83%	

FY 2015-16

As noted in other portions of this narrative, FY 2015-16 is anticipated to continue a normal submission count for proposal activity. This reflects the information conveyed that most sectors of the local economy have strong predictions for the upcoming year. Staff is encouraged by this news and the positive turns that the current Fiscal Year have shown. However, even with this good news staff is retaining a conservative estimate for application filings for the upcoming year.

Activity	FY 2015-16 BUDGET
Proposals	6
Service Contracts - Development Related	1
Service Contracts - Admin approval	4
Protest Hearing Deposits	5

Revenues consisting of interest, mandatory apportionment contributions (2% increase from prior year), and fee revenue are estimated to be \$944,592. Refunds from Prior Years,

Miscellaneous Charges, and Carryover increase revenues to a total of \$1,100,911. Including Reserves from Prior Year adds \$516,685, for a grand total of \$1,617,596.

REVENUE FORECAST FOR FISCAL YEAR 2016-17 AND FISCAL YEAR 2017-18

The forecast included for Fiscal Year 2016-17 assumes an increase in activity levels and an increase in apportionment of net costs by 2.5% in each of the forecast years to \$904,170 in 2016-17 and \$926,775 in 2017-18. The following chart compares the proposed budget in FY 2015-16 to FY 2016-17 and FY 2017-18.

Activity	15-16	16-17	17-18
Proposals	6	8	8
Service Contracts - Develop.	1	2	3
Service Contracts - Admin	4	5	6
Service Review Deposits	0 2 3	0	0
Protest Hearing Deposits	5	7	7

LINE ITEM REVENUES FOR FISCAL YEAR 2015-16

Interest – Account 8500: \$4,000

LAFCO participates in the County's interest pool and is apportioned interest receipts quarterly. Interest earned will be similar to the prior year which remains low due to the lower interest percentage paid.

Mandatory Contribution from Governments (Local Government) – Account 8842: \$882,117 Government Code Section 56381 requires that the net costs for LAFCO be apportioned equally to the County, the Cities, and the Independent Special Districts within the County. The apportionment to the County, Cities, and Independent Special Districts is \$294,039 each. The County Auditor will be required to apportion this amount on July 1, 2015 pursuant to the requirements of law and Commission policies.

Pursuant to Government Code Section 56381(a), the proposed and final budget at a minimum shall be equal to the budget adopted for the previous fiscal year unless the commission makes certain determinations. As outlined in the Proposed Budget staff report, the continuation of the Contract Executive Officer coupled with reductions in other costs has allowed for the continued maintenance of the lower required apportionment payments. The apportionment amount identified will be sufficient to cover the costs for the upcoming fiscal year including the maintenance of the Commission required reserves.

CURRENT SERVICES/FEES

The deposits and fees for calculating revenues in this category utilize the existing Schedule of Fees, Deposits, and Charges (no changes are proposed at this time). Cost recovery for proposals and service contracts is not addressed in the budget due to its speculative nature.

Individual Notice – Account 9545: \$4,900

This account is for landowner and registered voter notification requirements. This deposit is applied to six proposals and one development-related service contract less refunds.

Legal Services - Account 9555: \$7,475

This account is for deposits for legal services are calculated at \$1,150 for proposals and \$575 for service contracts requiring a hearing.

GIMS Fees - Account 9655: \$2,400

This account is for receipt of revenue to recover the costs associated with the County's digital maps for sphere or boundary changes, maintenance and updates. The activity is estimated to include completion of six proposals.

Environmental Deposits - Account 9660: \$4,950

This account is for deposits for environmental review processing are calculated at \$750 for proposals and \$450 for service contracts requiring a hearing.

Other (LAFCO Fees) - Account 9800: \$38,750

Revenues in this account are based on anticipated activity and calculated at the lowest LAFCO filing fee of \$5,000 and Protest Hearing deposit of \$1,000.

OTHER REVENUES

Refunds from Prior Year – Account 9910: (\$2,000)

This account refunds deposits submitted by applicants less costs incurred for activity which carry over from one year to another.

Miscellaneous Revenues – Account 9930: \$495

This account is for revenues received for duplication of CDs, DVDs, paper copies, and other miscellaneous receipts.

Carryover from Prior Year – Account 9970: \$157,824

A total of \$157,824 is anticipated to carryover from FY 2014-15 to FY 2015-16 as unassigned funds. This amount will be used to balance the budget and lower the apportionment costs to the local governments.

RESERVES FROM PRIOR YEAR, as of July 1, 2015

All of the Commission's reserves are anticipated to carryover from FY 2014-15 to FY 2015-16 as follows:

•	TOTAL	\$ 516,685
•	Compensated Absences Reserve	72,897
•	General Reserve – Litigation	300,000
•	Net Pension Liability Reserve	56,432
•	Contingencies	\$ 87,356

Apportionment Schedules

Attachment 2

		Total Revenues		LAFCO	Allocation
City		FY 11-12	_	 Allocation	Percentage
Adelanto	\$	13,532,422.00		\$ 2,065.03	0.70%
Apple Valley	\$	46,153,218.00		\$ 7,042.92	2.40%
Barstow	\$	27,891,454.00	*	\$ 4,256.20	1.45%
Big Bear Lake	\$	• •	*	\$ 5,906.30	2.01%
Chino	\$	103,639,800.00		\$ 15,815.29	5.38%
Chino Hills	\$	78,818,103.00		\$ 12,027.53	4.09%
Colton	\$	110,341,756.00		\$ 16,838.00	5.73%
Fontana	\$, ,	*	\$ 25,454.06	8.66%
Grand Terrace	\$	7,616,001.00		\$ 1,162.19	0.40%
Hesperia	\$	• •	*	\$ 11,377.28	3.87%
Highland	\$	24,155,303.00		\$ 3,686.07	1.25%
Loma Linda	\$	23,909,765.00		\$ 3,648.60	1.24%
Montclair	\$	36,782,914.00		\$ 5,613.02	1.91%
Needles	\$	6,151,413.00		\$ 938.70	0.32%
Ontario	\$	325,482,281.00		\$ 49,668.12	16.89%
Rancho Cucamonga	\$	152,425,452.00	*	\$ 23,259.91	7.91%
Redlands	\$	100,445,863.00		\$ 15,327.90	5.21%
Rialto	\$	84,342,576.00		\$ 12,870.56	4.38%
San Bernardino	\$	251,449,111.00		\$ 38,370.78	13.05%
Twentynine Palms	\$	11,232,933.00		\$ 1,714.13	0.58%
Upland	\$	78,568,594.00		\$ 11,989.46	4.08%
Victorville	\$	127,506,571.00	*	\$ 19,457.33	6.62%
Yucaipa	\$	25,114,227.00		\$ 3,832.40	1.30%
Yucca Valley	_\$_	11,384,278.00		\$ 1,737.22	0.59%
	\$	1,927,009,738.00		\$ 294,059.00	100.00%

Allocation is based on Cities revenues extracted from Fiscal Year 2011-12 tables published on the State Controller's website (www.sco.ca.gov). Fiscal Year 2012-13 was not available as of 3-9-2015.

Barstow Fire Protection District (City of Barstow)

Big Bear Lake Fire Protection District (City of Big Bear Lake)

Fontana Fire Protection District (City of Fontana)

Hesperia County Water District (City of Hesperia)

Hesperia Fire Protection District (City of Hesperia)

Rancho Cucamonga Fire Protection District (City of Rancho Cucamonga)

Victorville Water District (City of Victorville)

^{*} Cities with subsidiary districts. Subsidiary districts are excluded from the special district distribution and revenue added to the City (confirmed for FY 2015-16 by email dated March 10, 2015)

District Name		Total Revenues*		į	LAFCO Cost	Allocation	
Apple Valley Foothill County Water \$ 140,579.00 \$ 38.06 0.01% Apple Valley Heights County Water \$ 1.059,776.00 \$ 286.89 0.10% Baker Community Services \$ 614,051.00 \$ 166.23 0.06% Baker Community Services \$ 614,051.00 \$ 166.23 0.06% Barstow Cemmunity Services \$ 614,051.00 \$ 15.24 0.01% Barstow Heights Community Services \$ 19,174,816.00 \$ 1,500.00 0.51% Bear Valley Community Healthcare \$ 19,174,816.00 \$ 1,500.00 0.51% Big Bear Alpront \$ 2,631,901.00 \$ 772.48 0.24% Big Bear City Community Services \$ 10,302,439.00 \$ 10,000.00 3.40% Big Bear Alpront \$ 4,444,548.00 \$ 1,204.62 0.41% Big Bear Alpront \$ 4,449,548.00 \$ 1,204.62 0.41% Big River Community Services \$ 171,248.00 \$ 46.36 0.02% Bighorn-Desert View Water Agency \$ 1,450,112.00 \$ 392.56 0.13% Chino Basin Water Conservation \$ 1,427,977.00 \$ 386.57 0.13% Chino Valley Independent Fire \$ 27,502,745.00 \$ 20,000.00 6.80% Crestline Unlarge Water \$ 4,324,599.00 \$ 1,100.17 0.40% Crestline Village Water \$ 2,865,920.00 \$ 775.84 0.26% Crestline Village Water \$ 2,865,920.00 \$ 775.84 0.26% Dagget Community Services \$ 2,866,920.00 \$ 775.84 0.26% East Valley Water \$ 2,867,743.00 \$ 30,000 0.100,000 Dagget Community Services \$ 28,879,439.00 \$ 72,244 0.02% East Valley Water \$ 2,865,920.00 \$ 72,244 0.02% East Valley Water \$ 5,71,773.00 \$ 10,000.00 3.40% Helbendare Community Services \$ 1,432,986.00 \$ 72,244 0.02% East Valley Water \$ 9,498,165.00 \$ 72,000.00 3.40% Helbendare Community Services \$ 2,867,473.00 \$ 10,000.00 3.40% Helbendare Community Services \$ 2,867,473.00 \$ 10,000.00 3.40% Helbendare Community Services \$ 1,500,700.00 \$ 30,000.00 0.20% Joshus Basin Water \$ 9,498,165.00 \$ 72,000.00 0.20% Joshus Basin Water \$ 9,498,165.00 \$ 30,000.00 0.20% Joshus Basin Water \$ 1,44,802.00 \$ 10,000.00 3.40% Helbendare Community Services \$ 9,49	District Name		FY 11-12		Allocation	Percentage	
Apple Valley Heights County Water \$ 227,801.00 \$ 61.67 0.02% Arrowbear Park County Water \$ 1,059,776.00 \$ 286.89 0.10% Barker Community Services \$ 614,051.00 \$ 166.23 0.06% Barstow Cemetery \$ 315,073.00 \$ 85.29 0.03% Barstow Heights Community Services \$ 58,505.00 \$ 15.600.00 0.51% Bear Valley Community Services \$ 19,174,816.00 \$ 1,500.00 0.51% Big Bear Airport \$ 2,631,901.00 \$ 712.48 0.24% Big Bear City Community Services \$ 13,024,490.00 \$ 1,000.00 3.40% Big Bear Municipal Water \$ 4,449,548.00 \$ 1,000.00 3.40% Big Bear Municipal Water \$ 4,449,548.00 \$ 1,204.62 0.41% Big River Community Services \$ 17,248.00 \$ 12,04.62 0.41% Big River Community Services \$ 14,427,977.00 \$ 392.56 0.13% Chino Basin Water Conservation \$ 1,427,977.00 \$ 392.56 0.13% Chino Basin Water Conservation \$ 1,427,977.00 \$ 386.67 0.13% Crestline Lake Arrowhead Water Agency \$ 4,324,599.00 \$ 1,170.71 0.40% Crestline Sanitation District \$ 27,562,745.00 \$ 20,000.00 0.68% Crestline Valuey Vater District \$ 2,865,920.00 \$ 775.54 0.26% Cucamonga Valley Water District \$ 2,865,920.00 \$ 775.54 0.26% Cucamonga Valley Water District \$ 2,865,920.00 \$ 72.84 0.02% Cucamonga Valley Water District \$ 2,869,021.00 \$ 784.53 0.27% Helbendiale Community Services District \$ 2,898,021.00 \$ 784.53 0.27% Helbendiale Community Services District \$ 2,898,021.00 \$ 784.53 0.27% Helbendiale Community Services District \$ 10,222,754.00 \$ 10,000.00 3.40% Helbendiale Community Services District \$ 2,898,021.00 \$ 784.53 0.27% Helbendiale Community Services District \$ 10,222,754.00 \$ 10,000.00 3.40% Helbendiale Community Services District \$ 10,222,754.00 \$ 10,000.00 3.40% Helbendiale Community Services District \$ 10,000.00 \$ 784.53 0.27% Helbendiale Community Services District \$ 1,244,802.00 \$ 10,000.00 3.40% Holper Rivera County Water \$ 265,954.00 \$ 70,000.0	Apple Valley Fire Protection	\$	7,091,742.00	\$	10,000.00	3.40%	
Baker County Water \$ 1,059,776.00 \$ 286.89 0.10% Baker Community Services \$ 614,051.00 \$ 166.23 0.06% Barstow Cementery \$ 315,073.00 \$ 85.29 0.03% Barstow Heights Community Services \$ 15,073.00 \$ 85.29 0.03% Barstow Heights Community Services \$ 19,174,816.00 \$ 15.00.00 0.51% Big Bear City Community Services \$ 19,174,816.00 \$ 712.48 0.24% Big Bear City Community Services \$ 10,302,439.00 \$ 10,000.00 3.40% Big Bear Mullipal Water \$ 4,449,548.00 \$ 1,204.52 0.41% Big Bear Mullipal Water Conservation \$ 1,427,977.00 \$ 386.57 0.13% Chino Dasin Water Conservation \$ 1,427,977.00 \$ 386.57 0.13% Chino Valley Independent Fire \$ 2,7502,745.00 \$ 20,000.00 6.80% Crestline Lake Arrowhead Water Agency \$ 4,324,599.00 \$ 1,170.71 0.40% Crestline Ulliage Water \$ 2,865,920.00 \$ 775.84 0.26% Cucamonga Valley Water District \$ 2,886,920.00 \$ 775.84 0.26% Cucamonga Valley Water District \$ 2,886,920.00 \$ 775.84 0.26% Castly Water \$ 2,876,949.00 \$ 775.84 0.26% Castly Water \$ 2,876,949.00 \$ 775.84 0.26% Castly Water \$ 2,876,949.00 \$ 775.84 0.26% Castly Water \$ 2,886,920.00 \$ 775.84 0.26% Castly Water \$ 2,876,949.00 \$ 72.84 0.02% Castly Water \$ 2,876,499.00 \$ 72.84 0.02% Castly Water \$ 1,776,779.00 \$ 10,000.00 0.01% Castly Water \$ 2,876,499.00 \$ 72.00 0.02% Castly Water \$ 2,876,499.00 \$ 10,000.00 0.01% Castly Water \$ 2,876,499.00 \$ 10,000.00 0.01% Castly Water \$ 2,876,499.00 \$ 10,000.00 0.00% Castly Water \$ 2,876,499.00 \$ 10,000.00 0.00% Castly Water \$ 2,876,499.00 \$ 10,000.00	Apple Valley Foothill County Water	\$	140,579.00	\$	38.06	0.01%	
Baker Community Services \$ 614,051,00 \$ 156,23 0.06% Barstow Cemetery \$ 315,073,00 \$ 65,29 0.03% Barstow Heights Community Services \$ 56,505,00 \$ 15,54 0.01% Big Bear Aliprof \$ 19,174,816,00 \$ 1,500,00 0.51% Big Bear Aliprof \$ 13,002,439,00 \$ 10,000,00 3.40% Big Bear Municipal Water \$ 14,449,548,00 \$ 10,000,00 3.40% Big Bear Municipal Water \$ 14,450,112,00 \$ 392,56 0.13% Big River Community Services \$ 17,248,00 \$ 392,56 0.13% Big River Community Services \$ 14,427,977.00 \$ 382,56 0.13% Chino Sala Water Conservation \$ 1,427,977.00 \$ 386,57 0.13% Chino Valley Independent Fire \$ 27,527,45.00 \$ 2,000,00 6.80% Crestline Sanitation District \$ 3,694,815.00 \$ 1,170.71 0.40% Crestline Water \$ 2,869,000.00 \$ 775,84 0.26% Crestline Water \$ 2,879,499.00 \$ 72,84 0.02% East Valley Water \$ 2,8	Apple Valley Heights County Water	\$	227,801.00	\$	61.67	0.02%	
Barstow Cemetary \$ 315,073.00 \$ 58.29 0.03% Barstow Heights Community Services \$ 19,174,816.00 \$ 1,500.00 0.51% Big Bear Aliport \$ 2,631,901.00 \$ 712.48 0.24% Big Bear City Community Services \$ 10,302,439.00 \$ 10,000.00 3.40% Big Bear Municipal Water \$ 4,449,548.00 \$ 10,000.00 3.40% Big Brown Community Services \$ 171,248.00 \$ 46.36 0.022% Big River Community Services \$ 171,248.00 \$ 46.36 0.023% Big River Community Services \$ 177,248.00 \$ 46.36 0.023% Big River Community Services \$ 177,248.00 \$ 46.36 0.023% Chino Dasin Water Conservation \$ 1,427,977.00 \$ 386.57 0.13% Chino Valley Independent Fire \$ 27,502,745.00 \$ 20,000.00 6.80% Crestline Lake Arrowhead Water Agency \$ 3,894,615.00 \$ 1,000.17 0.40% Crestline Valley Water \$ 2,865,920.00 \$ 775.84 0.26% Crestline Lake Arrowhead Water Agency \$ 2,896,021.00 \$ 778.84 0.26% <td>Arrowbear Park County Water</td> <td>\$</td> <td>1,059,776.00</td> <td>\$</td> <td>286.89</td> <td>0.10%</td>	Arrowbear Park County Water	\$	1,059,776.00	\$	286.89	0.10%	
Barstow Heights Community Services \$ 58,505.00 \$ 15.84 0.01%	Baker Community Services	\$	614,051.00	\$	166.23	0.06%	
Bear Valley Community Healthcare \$ 19,174,816.00 \$ 1,500.00 0.51% Big Bear Airport \$ 2,631,901.00 \$ 712.48 0.24% Big Bear City Community Services \$ 10,302,439.00 \$ 10,000.00 3.40% Big Bear Municipal Water \$ 4,449,548.00 \$ 1,204.52 0.41% Big River Community Services \$ 171,248.00 \$ 46.36 0.02% Chino Basin Water Agency \$ 1,450,112.00 \$ 392.56 0.13% Chino Valley Independent Fire \$ 27,502,745.00 \$ 20,000.00 6.80% Crestline Lake Arrowhead Water Agency \$ 4,324,599.00 \$ 1,170.71 0.40% Crestline Lake Arrowhead Water Agency \$ 4,324,599.00 \$ 1,170.71 0.40% Crestline Ullage Water \$ 2,865,920.00 \$ 77,584 0.26% Cueamong Valley Water District \$ 77,897,749.00 \$ 30,000.00 10.20% Crestline Lake Arrowhead Park \$ 2,865,920.00 \$ 775.84 0.26% Clearmong Valley Water District \$ 2,869,020.00 \$ 775.84 0.26% Clearmong Valley Water District \$ 2,869,020.00 \$ 775.84 0.26% Clearmong Valley Water District \$ 2,869,020.00 \$ 775.84 0.22% Clear May District \$ 2,869,020.00 \$ 72.84 0.02% Clear May District \$ 2,22,754.00 \$ 10,000.00 0.40% Clear May District \$ 60,723,988.00 \$ 10,000.00 0.40% Clear M	Barstow Cemetery	\$	315,073.00	\$	85.29	0.03%	
Big Bear Airport \$ 2,631,901.00 \$ 712.48 0.24% Big Bear City Community Services \$ 10,302,439.00 \$ 10,000.00 3.40% Big Bear Municipal Water \$ 4,449,548.00 \$ 1,204.52 0.41% Big River Community Services \$ 171,248.00 \$ 46.36 0.02% Bighorn-Desert View Water Agency \$ 1,450,112.00 \$ 392.56 0.13% Chino Basin Water Conservation \$ 1,427,977.00 \$ 386.57 0.13% Chino Valley Independent Fire \$ 27,502,745.00 \$ 20,000.00 6.80% Crestline Lake Arrowhead Water Agency \$ 4,224,599.00 \$ 1,170.71 0.40% Crestline Village Water \$ 2,865,920.00 \$ 775.84 0.28% Cucamonga Valley Water District \$ 7,697,749.00 \$ 30,000.00 10.20% Daggett Community Services \$ 269,600.00 \$ 775.84 0.22% East Valley Water \$ 2,886,021.00 \$ 72.84 0.22% East Valley Water \$ 2,886,021.00 \$ 72.00 6.80% Helendate Community Services District \$ 60,723,968.00 \$ 1,500.00 3.40%	Barstow Heights Community Services	\$	58,505.00	\$	15.84	0.01%	
Big Bear City Community Services \$ 10,302,439.00 \$ 10,000.00 3.40% Big Bear Municipal Water \$ 4,449,548.00 \$ 1,204.62 0.41% Big River Community Services \$ 171,248.00 \$ 46.36 0.02% Bighorn-Desert View Water Agency \$ 1,450,112.00 \$ 392.56 0.13% Chino Basin Water Conservation \$ 1,427,977.00 \$ 386.57 0.13% Chino Valley Independent Fire \$ 27,502,745.00 \$ 20,000.00 6.80% Crestline Lake Arrowhead Water Agency \$ 4,324,599.00 \$ 1,170.71 0.40% Crestline Valley Water District \$ 2,865,920.00 \$ 775.84 0.28% Crestline Village Water \$ 2,865,920.00 \$ 775.84 0.28% Crestline Village Water \$ 2,865,920.00 \$ 775.84 0.28% Crestline Village Water \$ 2,898,021.00 \$ 72.84 0.28% Crestline Village Water \$ 2,898,021.00 \$ 72.84 0.28% Crestline Village Water \$ 2,898,021.00 \$ 72.84 0.28% Crestline Village Water \$ 2,898,021.00 \$ 784.53 0.27% <	Bear Valley Community Healthcare	\$	19,174,816.00	\$	1,500.00	0.51%	
Big Bear Municipal Water \$ 4,449,548.00 \$ 1,204.52 0.41% Big River Community Services \$ 171,248.00 \$ 46.36 0.02% Bighorn-Desert View Water Agency \$ 1,450,112.00 \$ 392.56 0.13% Chino Basin Water Conservation \$ 1,427,977.00 \$ 386.57 0.13% Chino Valley Independent Fire \$ 27,502,745.00 \$ 20,000.00 6.80% Crestline Lake Arrowhead Water Agency \$ 4,324,599.00 \$ 1,170.71 0.43% Crestline Lake Arrowhead Water Agency \$ 4,324,599.00 \$ 1,170.71 0.43% Crestline Sanitation District \$ 3,694,615.00 \$ 1,000.17 0.34% Crestline Sanitation District \$ 3,694,615.00 \$ 1,000.17 0.34% Crestline Village Water \$ 2,868,920.00 \$ 775.84 0.22% Cucamonga Valley Water District \$ 77,697,749.00 \$ 30,000.00 10.20% Daggett Community Services \$ 268,060.00 \$ 72.84 0.02% Cast Valley Water \$ 2,8879,439.00 \$ 20,000.00 6.80% Helendale Community Services District \$ 60,723,968.00 \$ 784.53 0.27% Helepseria Recreation and Park \$ 5,101,705.00 \$ 10,000.00 3.40% Hi-Desert Memorial Healthcare District \$ 60,723,968.00 \$ 1,500.00 0.51% Hi-Desert Memorial Healthcare District \$ 10,222,754.00 \$ 10,000.00 3.40% Hi-Desert Water District \$ 10,222,754.00 \$ 10,000.00 3.40% Inland Empire Besource Conservation \$ 1,244,802.00 \$ 336.98 0.11% Inland Empire Utilities Agency \$ 94,896,165.00 \$ 72.00 0.02% Lake Arrowhead Community Services \$ 14,382,954.00 \$ 10,000.00 3.40% Mariana Ranchos County Water \$ 474,775.00 \$ 128.53 0.04% Mojave Water Agency \$ 35,120,602.00 \$ 20,000.00 3.40% Mortana Ranchos County Water \$ 15,507,770.00 \$ 10,000.00 3.40% Mortana Ranchos County Water \$ 15,507,770.00 \$ 10,000.00 3.40% Mortana Ranchos County Water \$ 15,507,770.00 \$ 10,000.00 3.40% Mortana Ranchos County Water \$ 250,980.00 \$ 68.52 0.02% Molyave Water Agency \$ 35,120,602.00 \$ 20,000.00 3.40% Molyave Water Agency \$ 35,207,700.00 \$ 10,000.00 3.40% Molyave Water Agency	Big Bear Airport	\$	2,631,901.00	\$	712.48	0.24%	
Big River Community Services \$ 171,248.00 \$ 46.36 0.02% Bighorn-Desert View Water Agency \$ 1,450,112.00 \$ 392.56 0.13% Chino Basin Water Conservation \$ 1,427,977.00 \$ 386.57 0.13% Chino Valley Independent Fire \$ 27,502,745.00 \$ 20,000.00 6.80% Crestiline Lake Arrowhead Water Agency \$ 4,324,599.00 \$ 1,170.71 0.40% Crestiline Village Water \$ 2,865,920.00 \$ 775.84 0.26% Cucamonga Valley Water District \$ 77,697,749.00 \$ 30,000.00 10.20% Daggett Community Services \$ 28,879,439.00 \$ 20,000.00 6.80% Helendale Community Services District \$ 2,898,021.00 \$ 764.53 0.27% Helsperla Recreation and Park \$ 5,101,705.00 \$ 10,000.00 3.40% Hi-Desert Memorial Healthcare District \$ 60,723,988.00 \$ 10,000.00 3.40% Hi-Desert Water District \$ 10,222,754.00 \$ 10,000.00 3.40% Hi-Desert Water District \$ 10,222,754.00 \$ 10,000.00 3.40% Hi-Desert Wemorial Healthcare District \$ 60,723,988.00<	Big Bear City Community Services	\$	10,302,439.00	\$	10,000.00	3.40%	
Big River Community Services \$ 171,248.00 \$ 46.36 0.02% Bighorn-Desert View Water Agency \$ 1,450,112.00 \$ 392.56 0.13% Chino Basin Water Conservation \$ 1,427,977.00 \$ 386.57 0.13% Chino Valley Independent Fire \$ 27,502,745.00 \$ 20,000.00 6.80% Crestiline Lake Arrowhead Water Agency \$ 4,324,599.00 \$ 1,170.71 0.40% Crestiline Village Water \$ 2,865,920.00 \$ 775.84 0.26% Cucamonga Valley Water District \$ 77,697,749.00 \$ 30,000.00 10.20% Daggett Community Services \$ 28,879,439.00 \$ 20,000.00 6.80% Helendale Community Services District \$ 2,898,021.00 \$ 764.53 0.27% Helsperla Recreation and Park \$ 5,101,705.00 \$ 10,000.00 3.40% Hi-Desert Memorial Healthcare District \$ 60,723,988.00 \$ 10,000.00 3.40% Hi-Desert Water District \$ 10,222,754.00 \$ 10,000.00 3.40% Hi-Desert Water District \$ 10,222,754.00 \$ 10,000.00 3.40% Hi-Desert Wemorial Healthcare District \$ 60,723,988.00<	Big Bear Municipal Water	\$	4,449,548.00	\$	1,204.52	0.41%	
Bighorn-Desert View Water Agency \$ 1,450,112.00 \$ 392.56 0.13% Chino Basin Water Conservation \$ 1,427,977.00 \$ 386.57 0.13% Chino Valley Independent Fire \$ 27,502,745.00 \$ 20,000.00 6.88% Crestline Lake Arrowhead Water Agency \$ 4,324,599.00 \$ 1,170.71 0.40% Crestline Sanitation District \$ 3,694,615.00 \$ 1,000.17 0.34% Crestline Village Water \$ 2,865,920.00 \$ 775.84 0.26% Cuamonga Valley Water District \$ 77,697,749.00 \$ 30,000.00 10.20% Bagett Community Services District \$ 28,879,439.00 \$ 20,000.00 6.80% Helendale Community Services District \$ 2,898,621.00 \$ 784.53 0.27% Helendale Community Services District \$ 60,723,968.00 \$ 10,000.00 3.40% Hi-Desert Memorial Healthcare District \$ 60,723,968.00 \$ 1,500.00 0.51% Hi-Desert Water District \$ 10,222,754.00 \$ 10,000.00 3.40% Inland Empire Utillities Agency \$ 94,896,165.00 \$ 30,000.00 10.20% Joshua Basin Water \$ 265,954	Big River Community Services		171,248.00		46.36	0.02%	
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All data in this worksheet are extracted from Fiscal Year 2011-12 Special Districts revenues tables published on the State Controller's website. Fiscal Year 2012-13 was not available as of 3-9-2015.

- On March 28, 1995, Hi- Desert Memorial Hospital's name was changed to Hi-Desert Memorial Healthcare District.
- $\hbox{- By the Resolution No. 2003-10-8, Cucamonga County Water District name changed to Cucamonga Valley Water District.}\\$
- Allocation is the same as previous year (from FY 2011-12 revenues) except:

Added \$174,699 Fire Protection Revenue for Arrowbear Park County Water District (it was not included in previous year's allocation by error)

Added \$279,763 Waste Disposal Revenue for Baker Community Services District (it was not included in previous year's allocation by error)

Crest Forest Fire Protection District (Total Revenue: \$4,524,268) was removed from the group by LAFCO's request

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

215 North D Street, Suite 204, San Bernardino, CA 92415-0490 (909) 383-9900 • Fax (909) 383-9901 E-MAIL: lafco@lafco.sbcounty.gov www.sbclafco.org

DATE: MAY 12, 2015

FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer

SAMUEL MARTINEZ, Assistant Executive Officer

TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: AGENDA ITEM #11 - Status Report on Conditions Imposed on

LAFCO 3157 – Sphere of Influence Establishment for County Service

Area 120

RECOMMENDATION:

Staff recommends that the Commission:

- 1. Continue to monitor County Service Area 120's compliance with the conditions outlined in Resolution No. 3190;
- Provide another status report as part of the Service Review for open-space and habitat conservation, with direction to evaluate a sphere reduction to zero if any of the conditions still have not been met; and,
- 3. Note receipt of the Status Report and file.

BACKGROUND:

At the March 18, 2015 Commission hearing, LAFCO staff was to apprise the Commission on the status and/or the progress of County Service Area (CSA) 120 in meeting the conditions that were imposed on its sphere of influence establishment. A few days before the staff report was to be published, the County Special Districts Department (hereafter "County SDD") provided a response letter that prompted LAFCO staff to request for a continuance of the item to the April 2015 hearing in order to provide staff and its Special Legal Counsel the ability to fully evaluate the positions taken regarding each of the conditions (copy included as Attachment #1).

Unbeknown to LAFCO staff, the Commission's Special Legal Counsel for LAFCO 3157, Holly Whatley from Colantuono, Highsmith & Whatley, PC, could not be available for the April 2015 hearing due to a prior commitment. Therefore, the Commission agreed to once again continue the item to the May 2015 hearing.

Sphere of Influence Establishment Conditions for County Service Area 120:

At the September 17, 2014 LAFCO hearing, the Commission approved LAFCO 3157, the sphere of influence establishment for CSA 120 which was followed by the Commission's adoption of Resolution No 3190 for LAFCO 3157. Included within that resolution (copy included as Attachment #2) were conditions imposed on CSA 120's sphere establishment, which are outlined below:

- Within six months of the approval of the sphere of influence establishment, County Service Area 120 shall have completed the due diligence process with the California Department of Fish and Wildlife to be declared an available recipient of mitigation properties in the future. Failure to do so will require a further analysis of the sphere of influence assignment;
- 2. Within six months of the approval of the sphere of influence establishment for CSA 120, management of the County Special Districts Department shall develop a mechanism to provide for the maintenance and operation of the improvements constructed through the 2008-09 State Park grant without use of the endowment funds established for mitigation purposes only;
- Within six months of the approval of the sphere establishment, County Service
 Area 120 shall have completed all reporting required by State law for the
 management of mitigation properties;
- 4. Within six months of the approval of the sphere of influence establishment, County Service Area 120 will have developed funding plans to restore endowment balances for those mitigation properties where mitigation work has not been performed but interest earnings used; and,
- 5. Direct LAFCO staff to provide ongoing monitoring of the completion of these activities with periodic updates provided to the Commission.

The first four are conditions that directly relate to CSA 120 operations, which addresses questions on solvency, operational issues, and management of endowment funds. The fifth condition is the reason this status report is being provided to the Commission as part of its on-going monitoring of CSA 120.

DISCUSSION:

As outlined at the outset of the report, in response to staff's request for an update on the conditions identified above, the County SDD submitted a letter to LAFCO dated March 6, 2015 (copy included as Attachment #2) which was presented to the Commission at its March 18 hearing. On March 24, 2015, LAFCO staff together with its Special Legal Counsel met with County SDD's staff and its legal counsel to go over its response letter. Based on the response letter submitted to LAFCO and the discussions that were made in the March 24, 2015 meeting, staff is providing the Commission with an update on the status of compliance with the conditions imposed on the sphere of influence establishment, as well as a discussion of the County SDD's response:

- 1. With regard to Condition No. 1, it responded that it is still in the process of preparing its Application for Requesting to Hold and Manage Mitigation Land (due diligence application) to the California Department of Fish and Wildlife (CDFW) and had projected that a completed application would be submitted in April 2015. In the March 24, 2015 meeting, the County SDD staff restated its position that it will comply with this requirement.
 - However, to date, LAFCO staff is not aware that the County has submitted its application to CDFW. Without CDFW authorization to hold and manage mitigation properties, LAFCO staff would question the rationale for having a sphere of influence if no new additional mitigation lands can be acquired.
- 2. With regards to Condition No. 2, the letter reiterates the positions taken by County SDD at the September hearing. Its response does not offer a mechanism to maintain and operate the improvements constructed through the 2008-09 State Park grant, as required by the condition. Instead, it outlines its justification for the use of endowment funds to support the needs of the North Etiwanda Preserve (NEP) overall. In the March 24, 2015 meeting, one of the statements that was reiterated was that, because the Wildlife Agencies (both the California Department of fish and Wildlife and the United States Fish and Wildlife Services) were involved in preparing the Cooperative Use Agreement, the North Etiwanda Preserve Management Plan (NEPMP), including the initial study and Mitigated Negative Declaration prepared for the NEP Enhancement Program, the Wildlife Agencies were fully aware of the funding structure and that both agencies never notified CSA 120 that it questioned the funds available for its use.

LAFCO staff's response to the reiteration of the statements made at the September hearing is that we do not believe that it is the responsibility of the Wildlife Agencies to raise the funding issues related to the management of the NEP especially since the Cooperative Use Agreement and the 2010 NEPMP specifically state that the

management of the NEP, which is the sole operation of CSA 120, was to be limited to the interest amount of the endowment funds.

Unfortunately, this enhancement program was put in place without a funding source for maintenance and operation. As LAFCO staff has stated several times in the past, the use of endowment funds for the maintenance and operation of these facilities is a concern. Therefore, staff reiterates its questions regarding the ability of CSA 120 to maintain and operate this trail system without any additional funding source. Nonetheless, the County SDD's response identifies that it will not comply with this specific condition imposed on CSA 120.

3. With regards to Condition No. 3, County SDD's position is that there are no reporting requirements for the management of its mitigation properties, indicating that it is the staff's interpretation that the current laws cannot be applied retroactively and that the law is inapplicable to the properties it acquired prior to the passage of the current law.

To be clear, the condition imposed does not relate to the current laws, it relates to the lack of documentation on work performed in response to the mitigation conditions imposed through the development process. As outlined in the staff report, the conditions that were imposed on the sphere establishment for CSA 120 are not tied to the Statute. The County SDD presentation at the September hearing included the presentation of this argument to the Commission before it made its determination (see Attachment #3 to this report). Therefore, it is LAFCO staff's opinion that the condition regarding the need to report on the mitigation activities is a valid condition and that the County SDD's response identifies that it does not intend to comply with this condition. Therefore, this direction will need to be addressed as a part of the ongoing service review for habitat conservation within LAFCO 3157A.

4. Finally, with regard to Condition No. 4, the County SDD's response does not provide any means of restoring the endowment balances for those mitigation properties where mitigation work has not been performed but interest earnings used. Instead, the letter states that CSA 120 will continue to manage current properties without segregating the funds, indicating there is economies of scale in doing so. Again, this was the position presented at the September Commission hearing which was not persuasive to the Commission in making its determination.

In addition, for this particular condition, LAFCO staff even changed its position on repayment of funds, changing its original condition to restore the endowment based on the revised NEPMP, which was adopted in 2010 instead of going back to 2003. This compromise was discussed by the Commission prior to adopting the resolution in October 2014 and staff from County SDD provided information at that hearing.

In the March 24, 2015 meeting, it was again reiterated by the County SSD staff that the Wildlife Agencies signed off on the NEPMP, and that both entities have not expressed any concerns regarding combining the endowment funds. Yet, the 2010 NEPMP specifically provides a clear distinction between Unit 1 (original 763 acre Preserve) and Unit 2 (all lands outside the original 763 acre Preserve). Even so, the County SDD's response implies it will not comply with this specific condition imposed on CSA 120.

CONCLUSION:

At the September 17, 2014 LAFCO hearing, the County SDD staff voiced its opinion on the same issues that were raised in its letter dated March 6, 2015. Its position was heard and discussed, and the Commission took the action to approve the sphere establishment but the adoption of the resolution was continued to the October 22, 2014 hearing to include the corrected audit numbers and the revised condition that took the repayment of funds from when the revised NEPMP was implemented - reducing the obligation from \$112,884 to \$14,752. At the October hearing, the Commission took the adoption of the resolution off the consent calendar in order to open the item for discussion; however, no one raised any further issues beyond LAFCO staff's changes. The 30-day reconsideration period took effect after the Commission adopted the resolution, and again, no one requested a reconsideration of the item.

Based on the response provided by the County SDD on behalf of CSA 120, it is LAFCO staff's understanding that Condition 1 will be accomplished at some point in the future, date not identified. However, for Conditions 2, 3, and 4, it is LAFCO staff's interpretation that CSA 120 will not comply with these conditions that were imposed upon the establishment of its sphere of influence.

At the September hearing, staff recommended that the service review required by Govt. Code Section 56430 for the sphere of influence establishment for CSA 120 be deferred until the final report of the County's Vision Environmental Element Group and SanBAG's "Habitat Conservation Framework for San Bernardino County" was completed. Since the framework study has now been completed, the Commission can move forward with its service review for open-space and habitat conservation in the Valley Region. LAFCO staff will consider the positions of the County SDD as a part of this service review and the alternative of designating a zero sphere of influence for CSA 120 because it has not fulfilled the conditions that were imposed on its sphere establishment. Designation of a zero sphere of influence would signal the Commission's position that the CSA 120 should no longer be considered to provide this service and that others within the area should consider assumption of these services through a jurisdictional change.

In conclusion, staff is recommending that the Commission take the actions outlined on page one of this staff report to continue to monitor the activities of CSA 120 in reference to the conditions imposed through adoption of LAFCO Resolution 3190.

KRM

Attachment:

- 1. Response from County Special Districts Department Dated March 6, 2015
- 2. LAFCO Resolution No. 3190
- 3. Excerpts from Minutes of September and October 2014 Commission hearings

Response from County Special Districts Department Dated March 6, 2015

Attachment 1



Interoffice Memo

DATE: March 6, 2015

FROM: TIMOTHY MILLINGTON

Interim Division Manager Special Districts Department

TO: KATHLEEN ROLLINGS-MCDONALD

Executive Director

Local Agency Formation Commission

PHONE: 387-5967



LAFCO San Bernardino County

SUBJECT

LAFCO CONDITIONS OF APPROVAL FOR CSA 120 SPHERE OF INFLUENCE ESTABLISHMENT

SPECIAL DISTRICTS ACTION SUMMARY

February 19, 2015

Within six months of the approval of the sphere of influence establishment County Service Area
 120 shall have completed the due diligence process with the California Department of Fish and
 Wildlife to be declared an available recipient of mitigation properties in the future. Failure to do so will require a further analysis of the sphere of influence assignment.

The Special Districts Department (Department) is still in the process of preparing the application to the California Department of Fish and Wildlife (CDFW) and gathering items needed for inclusion in CSA 120's submission to the State as part of the due diligence process. Submission of the completed application is projected to occur in April of 2015. The Department is not aware of the length of the State's review process and decision timeline. The requirement of an application to hold and manage mitigation land with the CDFW is only required if CSA 120 chooses to expand its mitigation property portfolio

 Within six months of the approval of the sphere of influence establishment County Service Area 120 shall have completed all reporting required by State law for the management of mitigation properties.

LAFCO has indicated that reporting is required by Government Code section 65968 amended and effective as of September 28, 2012 ¹. All properties were brought into CSA 120 prior to the effective date established under the law. After speaking with County Counsel, it is our opinion that the current laws cannot be applied retroactively and, therefore, are inapplicable to properties acquired prior to the passage of the

¹ Government Code section 65965 et seq was added in 2011 through Senate Bill (SB) 436 and subsequently amended by SB 1024 and effective September 28, 2012.

current law. Therefore, there is no reporting required by State law for the management of mitigation properties now held by CSA 120. Since the current laws were passed, CDFW representatives attending quarterly CSA 120 Board Meetings haven't voiced their concerns relative to this statutory law. Additionally, no agency has ever indicated that CSA 120 is in violation of Government Code section 65968. It appears that LAFCO has interpreted the law to be retroactive. However, the law as enacted does not contain a provision for retroactive application of its requirements. CSA 120 will provide required reports pertaining to any new property, it may acquire if approved under the CDFW due diligence process enacted under the new law.

Within six months of the approval of the sphere of influence establishment County Service Area 120 will have developed funding plans to restore endowment balances for those mitigation properties where mitigation work has not been performed but interest earnings used.

When the Legislature enacted SB 1094 (Gov. Code §65965 et seq), it intended for eligible entities "to hold, manage, invest and disburse endowments in furtherance of the long-term stewardship of the property set aside for mitigation purposes." CSA 120 properties have all been accepted in the same vicinity of like-habitat under the North Etiwanda Preserve Management Plan (NEPMP). The NEP's Endowment and Management Plan has always been constructed so that additional properties could be accepted and added under a similar management plan. CSA 120 currently manages properties that were accepted prior to enactment of the current laws. All CSA 120 properties are interrelated within the same geographic area and represent a similar habitat type with similar degree of management under the NEPMP approved and signed by the CADFW and United States Fish and Wildlife Service (USFWS) in 2010.

The Wildlife Agencies collectively agreed under the NEPMP that the combining of funds and properties is the best way to manage properties of similar habitat type in the same geographic area. SB 1094 was seemingly created to restrict organizations from using monies designated for one mitigation property in an entirely different area with no geographic or management connectivity. CSA 120 properties are both connected managerially by the NEPMP and geographically connected as neighboring properties of the same ecological community. The addition of properties and funding under the NEPMP was intended to improve the financial position of the Endowment through an economies of scale. Economies of scale is a term that refers to the reduction of per-unit costs through an increase in production volume. Economies of scale leverage both the operational and financial aspects of CSA 120 by working in concert. The NEPMP stipulates that additional properties would be added over time and that the area would benefit from combined management of additional resources, as it provides a more comprehensive management approach for the region. None of the regulatory agencies have expressed concerns relating to the violation of Government Code section 65968, or asked that CSA 120 divide properties and funds in this fashion. To comply with SB 1094, CSA 120 will segregate all future properties that it accepts as an approved mitigation CSA 120 will however continue to property holder according to Government Code section 65968. manage current properties under the NEPMP as intended, with all new properties being segregated as desired by the Wildlife Agencies.² There is still value to combined management and CSA 120 will seek

² In the execution of its duties, CSA 120, when it makes sense, will recommend (?) joint (?) management of all the properties and would seek CADFW permission to do so(??)

CDFW approval on consolidation of these efforts when it makes sense. To segregate funds of previously accepted properties would have detrimental impacts to CSA 120's land holdings.

 Within six months of the approval of the sphere of influence establishment County Service Area 120, management of the County Special Districts Department shall develop a mechanism to provide for the maintenance and operation of the improvements constructed through the 2008-09 State Park grant without use of the endowment funds established for mitigation purposes only.

The improvements constructed through the 2008-2009 State Park grant were constructed in accordance with the Cooperative Use Agreement (CMA) and CSA 120 NEPMP. The CMA is a Ownership and Management Agreement develop at inception of the NEP in 1998 that was signed by San Bernardino Associated Governments, CADFG now CADFW, USFWS, California Department of Transportation, County of San Bernardino, and County Special Districts as County Service Area 70 OS-1. Both Wildlife Agencies (USFWS and CDFW) were involved in the process of preparation of the Cooperative Use Agreement, NEPMP, Initial Study and the Mitigated Negative Declaration filed for the NEP Enhancement project. The Enhancement project was designed to eliminate harmful activities occurring within the North Etiwanda Preserve (Preserve) as a measure of protection through responsible use. Regulated public access is a component of the NEPMP used to aid and protect the environmental assets of the area. It has been commonly understood and noted in the CMA and NEPMP that endowment funds would be used to support the overall health and needs of the Preserve which also includes responses to public activity and impacts. The trails support education and define use of the area which keep people on designated routes and out of habitat areas of greater sensitivity. The project allowed the installation of gates to address OHV incursion, designated trail paths to define permissible areas of pedestrian travel, and installed signs for both regulation and education purposes. The enhancement has allowed recover of previously disturbed habitat, eliminated environmental degradation from trial blazing and OHV, and increased environmental awareness through education. The lack of such designed use would prove to be more detrimental to the area if additional funding hadn't been secured for these efforts of management.

The Wildlife Agencies have never notified CSA 120 that it has misused the properties or funds it is managing, nor have they indicated that the use of funds to provide signs for interpretation and education, removal of graffiti, or holding Preserve clean-ups was not allowed. Rather, the Wildlife Agencies has indicated that there has been the lack of funding available and asked that the fee methodology be changed to provide funding for future management. The management activities for which endowment funds have been used coincide with provisions under the NEPMP and CMA.

Structures built through the Enhancement Project within the Preserve were built with State grant funds and didn't require use of Endowment Funds. Nevertheless, the structures were designed to provide public education relative to the environment within the Preserve. The areas were designed as stops for education purposes and have interpretive panels at each to explain the area's significance to visitors and to encourage them to take a more active role in helping preserve the site.

Cc: Jeffrey O. Rigney, Director Dawn Messer, Deputy County Counsel CSA 120 Board Members

LAFCO Resolution No. 3190 Attachment 2

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

215 North D Street, Suite 204, San Bernardino, CA 92415-0490 (909) 383-9900 • Fax (909) 383-9901 E-MAIL: lafco@lafco.sbcounty.gov www.sbclafco.org

PROPOSAL NO.: LAFCO 3157

HEARING DATE: SEPTEMBER 17, 2014

RESOLUTION NO. 3190

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY MAKING DETERMINATIONS ON LAFCO 3157 – SPHERE OF INFLUENCE ESTABLISHMENT FOR COUNTY SERVICE AREA 120 (Habitat Conservation and Historical Resources – North Etiwanda) (sphere of influence establishment coterminous with existing District boundary excluding the territory currently within the City of Fontana's Interim Multi-Species Habitat Conservation Plan)

On motion of Commissioner Farrell, duly seconded by Commissioner Williams, and carried, the Local Agency Formation Commission adopts the following resolution:

WHEREAS, an application for the proposed sphere of influence establishment (expansion beyond existing District boundaries) in the County of San Bernardino was filed with the Executive Officer of the Local Agency Formation Commission (hereinafter referred to as "the Commission") in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Sections 56000 et seq.); and,

WHEREAS, at the times and in the form and manner provided by law, the Executive Officer has given notice of the public hearing by this Commission on this matter; and,

WHEREAS, the Executive Officer has reviewed available information and prepared a report including her recommendations thereon, the filings and report and related information having been presented to and considered by this Commission; and,

WHEREAS, the public hearing by this Commission was held upon the date and at the time and place specified in the notice of public hearing and in any order or orders continuing the hearing; and,

WHEREAS, at the hearing, this Commission heard and received all oral and written protests; the Commission considered all objections and evidence which were made, presented, or filed; it received evidence as to whether the territory is inhabited or uninhabited, improved or unimproved; and all persons present were given an opportunity to hear and be heard in respect to any matter relating to the application, in evidence presented at the hearing; and,

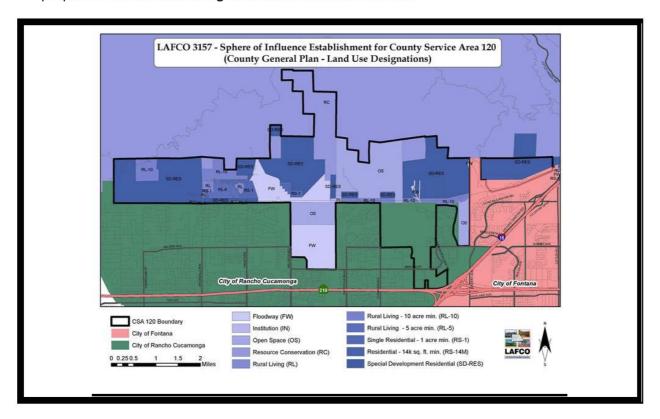
WHEREAS, a Mitigated Negative Declaration has been prepared pursuant to the provisions of the California Environmental Quality Act (CEQA) indicating that the sphere of influence establishment will not have a significant effect on the environment through implementation of the mitigation measures assigned; that the Commission has chosen Alternative #2 as the project for approval, and the Commission adopted the Mitigated Negative Declaration and instructed its Executive Officer to file a Notice of Determination within five days with the San Bernardino County Clerk to the Board of Supervisors if filing fees required by the California Department of Fish and Wildlife are received from the County Special Districts Department within that timeframe; and,

WHEREAS, based on presently existing evidence, facts, and circumstances filed with the Local Agency Formation Commission and considered by this Commission, it is determined that the sphere of influence for County Service Area 120 should be coterminous with its existing boundaries excluding the territory within the City of Fontana's Multi-Species Habitat Conservation Plan, as more specifically described on the attached Exhibits "A" and "A-1"; and,

WHEREAS, the following determinations are made:

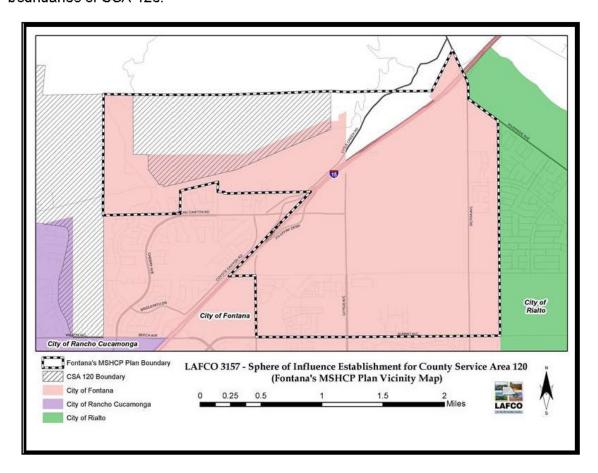
1. The present and planned land uses in the area, including agricultural and open space lands;

The present and planned land uses within the boundaries of CSA 120 include identification of open space uses and some rural level of residential development under the County General Plan. These uses are shown on the map below. Open space and Floodway designations within the area include those lands associated with flood control uses within Day Creek and the mitigation properties associated with the North Etiwanda Preserve as defined in 1998. However, the properties within the City of Fontana sphere of influence and within the boundaries of CSA 120, including mitigation lands deeded to CSA 120, along with most of the additional lands acquired for mitigation purposes in the Rancho Cucamonga sphere of influence have a SD-Res (Special Development -Residential) land use assignment by the County General Plan, contrary to the perpetual nature of the mitigation/conservation easement.



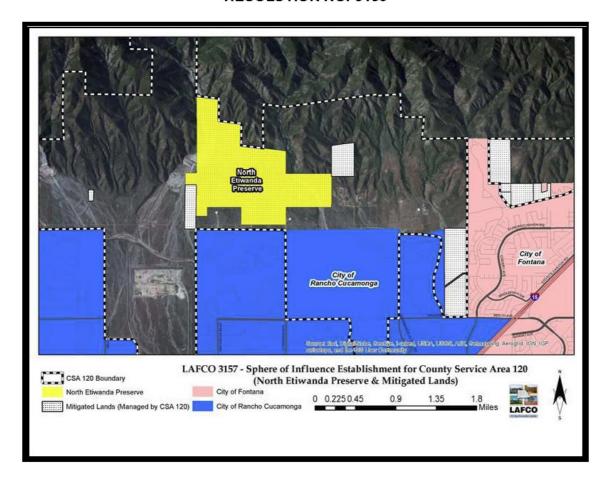
The City of Fontana General Plan assigns an open space designation to the territory within CSA 120 recognizing the future potential for habitat preservation. In addition, the City of Fontana has adopted a Multi-Species Habitat Conservation Plan (hereafter shown as MSHCP) and have indicated that the Interim MSHCP establishes a fee in-lieu of dedication to address mitigation. During the environmental assessment of the proposal, LAFCO's environmental consultant, Tom Dodson of Tom Dodson and Associates, reviewed an alternative that excluded the territory within

the City's MSHCP. The map below shows the relationship of the MSHCP territory to the existing boundaries of CSA 120.



2. The present and probable need for public facilities and services in the area;

Since 1998, mitigation lands have been managed by the County through its system of board-governed special districts. From 1998 through 2009, it was through CSA 70 Zones OS-1 and OS-3 and CSA 70 itself. From July 1, 2009 through the present day, it has been through CSA 120 in the area along the San Gabriel Mountains. These activities are managed under the auspices of the North Etiwanda Preserve Management Plan adopted in 2010 building upon its predecessor Cooperative Management Agreement of 1998. The lands now include approximately 1,207 acres and the management plan has divided the acreage into Unit 1 (original 762 acres of North Etiwanda Preserved) and Unit 2 (445 acres outside that boundary). The management of these lands is through deeded transfers of land ownership to CSA 70 OS-1 and CSA 70 (no quit claim transfer to the successor agency CSA 120 has taken place) and conservation easements transferred to the County of San Bernardino. A map of the lands under habitat management are shown below:



The acquisition of additional lands for mitigation management are regulated by the California Department of Fish and Wildlife through its state mandated due diligence process to review the qualifications of entities to manage endowments and to perform the mitigation management activities designed in a mitigation agreement. This process is undertaken through the completion of an "Application for governmental entity, special district or nonprofit organization requesting to hold and manage mitigation lands". To date, CSA 120 has not submitted this report; therefore, it is not able to acquire additional mitigation properties for which an endowment is proposed. The only approved entities to manage mitigation lands within San Bernardino County are: Inland Empire Resource Conservation District, Center for Natural Lands Management, Southwest Resource Management Associates and Transition Habitat Conservancy.

Without this authorization, the need for a sphere of influence, even a coterminous one, is questionable as no new service can be provided. Therefore, to address this issue, the Commission adopts the following condition:

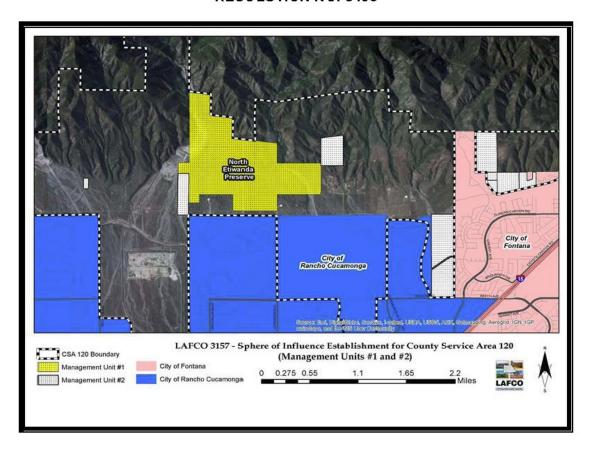
- Within six months of the approval of the sphere of influence establishment
 County Service Area 120 shall have completed the due diligence process with
 the California Department of Fish and Wildlife to be declared an available
 recipient of mitigation properties in the future. Failure to do so will require a
 further analysis of the sphere of influence assignment.
- 3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide;

The discussion of the determination identified above for a single purpose County Service Area authorized to provide habitat management and historic preservation must revolve around the

question of funding for the provision of mitigation management services envisioned in the mitigation management agreement or other contractual arrangement. In evaluating this determination, the Commission has looked at the funding mechanism for CSA 120 and the annual expenditure/revenue picture for the agency. While this information identifies significant concerns, it should be noted that the management of the district has attempted to continue its operations under the significant duress of the recession. As the information which follows identify, the interest earnings for this agency have plummeted making its ability to perform its mandated role difficult if not insurmountable. It is within this context that the Commission identifies its concerns.

The funding for the operations of CSA 120 is limited to the interest earned on the endowment funds received at the time that the properties are transferred to its ownership for management. The statutes require that the funds be used for the purposes identified in managing the mitigation properties from which the endowment is derived. In addition, CSA 120 has an adopted fee schedule that proposes a two-tier approach to funding, the endowment for long term management and a payment for management activities necessary to bring the property into compliance for perpetual management. The County fee schedule for CSA 120 is to identify the formula for determining the endowment amount; however, this element of the fee schedule is currently being reviewed by the California Department of Fish and Wildlife so it is not available for review at this time.

Since the inception of CSA 120 (through its predecessor agencies CSA 70 OS-1 and OS-3) it has acquired the primary properties identified as the "North Etiwanda Preserve" the 762 acres set aside for habitat mitigation by SanBAG and Caltrans for the development of the I-210 Freeway (acquired in 1998) and five other properties transferred for management between 2003 and 2010 related to housing development habitat mitigation requirements imposed by the State and other agencies as a part of the development process. As was outlined in the determination above. these properties are deeded to CSA 70 OS-1 and CSA 70 with the conservation easement required held in the name of the County of San Bernardino. Included as a condition of the approval in the formation of CSA 120 in 2009 was the requirement that the agency update the Management Plan for the North Etiwanda Preserve to address the management requirements for the additional 440 acres. In October 2010 the County Board of Supervisors, as the governing body of CSA 120, approved the revised Management Plan. This plan identified that the original 762 acre North Etiwanda Preserve would be identified as "Unit 1" and all other properties would be "Unit 2". Page 4 of the plan states "Regardless of future designations, all lands within the original 762 acre Preserve boundary is subject to any terms of this management plan specified for Unit 1, and all lands outside the original 762 acre Preserve are subject to any terms specified for Unit 2." The map below identifies the location of the mitigation lands held by CSA 120.



The chart which follows outlines the individual mitigation properties, the endowment for their perpetual management, and the interest earned by each property for the period of Fiscal Year 2007-08 through Fiscal Year 2012-13. This information is taken from the audits received as a part of the application process which are on file in the LAFCO office. Of concern to the Commission is that on several occasions during the processing of this proposal, information was requested on the work performed on those properties identified as Unit 2 and the response has always been that no mitigation work has been performed. Government Code Section 65968(c) specifies the disbursement of the interest earnings be limited to the property which funded the endowment; the section reads as follows:

"(c) The special district or nonprofit organization shall hold, manage, invest and disburse the funds in furtherance of the long-term stewardship of the property for which the funds were set aside."

Therefore, the interest earned on each of the properties can only be used for activities related to the specific property. However, the interest earnings related to CSA 120 have been consolidated and used for the purpose of maintaining the original 762 acres of the North Etiwanda Preserve for years. The original determination was to require the repayment of \$112,884 which was disputed by County Special Districts staff. The following chart has been modified to show the interest earnings attributable to each of the endowments received by CSA 120 using the percentage that the endowment bears to the whole, but has been modified during consultation with the County Special Districts Department, to require the repayment only from those years 2010-11 through current. (It is noted that the 2013-14 amount is not known at this time but will be included upon issuance of the audit.) This modification identifies the interest which would need to be returned to the five endowments that comprise Unit 2 to make them whole, as approximately \$14,752.

			Interest E	arned by E	ndowmen		,					
Name of Owner Date Total Acquired Acreage		Total Acreage	Endowment Funds Received	2008 2009		2010	2011	2012	2013	Total Interest by Conservation Property	% of Total Interest from 2008-13	
UNIT #1 - CSA 120 MANAGEMENT PLAN												
SANBAG	2/27/1998	762	\$700,000	\$33,073	\$23,262	\$16,037	\$6,015	\$2,793	\$2,983	\$84,163	43.94%	
UNIT #2 - CSA 120 M/	UNIT #2 - CSA 120 MANAGEMENT PLAN											
Lennar Communities	10/21/2003	33	\$85,600	\$3,759	\$2,643	\$1,822	\$731	\$339	\$363	\$9,657	5.04%	
A&J Resources and Rancho Etiwanda 685 LLC	3/1/2004	172	\$220,000	\$10,523	\$7,402	\$5,103	\$1,890	\$877	\$938	\$26,733	13.96%	
Granite Homes/ Rancho 2004 LLC	9/13/2005	86	\$215,400	\$10,523	\$7,402	\$5,103	\$1,849	\$858	\$917	\$26,652	13.92%	
CENTEX Homes	10/2/2005	149	\$373,250	\$17,288	\$12,160	\$8,383	\$3,201	\$1,486	\$1,588	\$44,106	23.03%	
Western Slope & Mineral Company	12/14/2010	5	<u>\$12,500</u>	\$0.00	\$0.00	\$0.00	\$110	<u>\$51</u>	<u>\$55</u>	<u>\$216</u>	0.11%	
Total Interest Earned				\$75,166	\$52,869	\$36,448	\$13,796	\$6,404	\$6,844	<u>\$191,526</u>	100.00%	
Total Non-Wasting En	dowment		\$1,606,750									
Interest for Unit #2				\$42,093	\$29,606	\$20,411						
Interest to be returned due to lack of work p					\$7,281	\$3,611	\$ 3,860	<u>\$14,752</u>				

The following chart outlines, there is no funding available to repay this amount due to the limitations of the revenue stream directly available to CSA 120. Outstanding questions remain: How will this situation be rectified? How will the SanBAG dedicated properties repay the other endowments or will reports for management and operation of the other properties be provided that show some of the funds used for the appropriate purpose? The Commission determines to impose the following conditions on this sphere of influence establishment to clarify this situation:

- Within six months of the approval of this sphere establishment County Service Area 120 shall have completed all reporting required by State law for the management of mitigation properties.
- Within six months of the approval of this sphere of influence establishment County Service Area 120 will have developed funding plans to restore endowment balances for those mitigation properties where mitigation work has not been performed but interest earnings used.

The question that needs to be answered in this consideration is whether or not the agency is financially sustainable. If an entity is consistently expending more than it receives, its long term viability is suspect. The chart which follows identifies the expenditures and revenues for the three accounts associated with CSA 120 – general, endowment, and capital projects. The data is taken from audits for the years 2006 through 2013 and budget data for years 2014 and 2015. The one major project within this time period was the development of the North Etiwanda Preserve trail system – design/environmental work in 2007 and 2008 and construction in 2009. This project entailed the construction of a trail system, kiosks, benches, and historic preservation. The maintenance of this system has become one of the primary operations of CSA 120 but comes without any source of funding for maintenance and operation. The following table includes the costs for the development of this facility:

					Сол	inty Sen	ic	e Area 1	20									
	County Service Area 120 Audit Data							9	Budget Data									
	2006	2007		2008		2009	L	2010		2011		2012		2013*		2014	LD	2015
GENERAL						2003									Т		Т	
EXPENDITURES	T T	†	\top								Т				T			
Salaries & Benefits	\$ 4,824	\$ 5,788	3 \$	4,826	\$	12,752	\$	13,277	\$	7,733	\$	7,037	\$	1,734				
Services & Supplies	\$ 63,172	\$ 58,100	5 \$	70,810	\$	35,052	\$	22,520	\$	14,095	\$	10,547	\$	13,066	\$	18,310	\$	47,4
Contingencies							7							**	\$	-	\$	23,3
Transfer Out	\$ 3,942	\$ 814,990	5		\$:	1,361,553									\$	3,515	\$	13,6
Total Expenditures	\$ 71,938	\$ 878,890) \$	75,636	\$1	L,409,357	\$	35,797	\$	21,828	\$	17,584	\$	14,800	\$	21,825	\$	84,5
REVENUES											_				Т			
State Assistance			1		\$	659,309					\$	1,082			\$	10,032	\$	25,0
Federal Assistance						,					\$	4,330		-	Ė	, , , , , , , , , , , , , , , , , , , ,	Ė	
Investment Earnings	\$ 17,954	\$ 42,323	3 \$	3,111	\$	4,828					\$	81	\$	399	\$	126	\$	
Intergovernmental				-	\$	700,000												
Other	\$ 839,342		\$	59,597	\$	23,060			\$	16,325			\$	3,339				
Operating Transfer In							\$	26,059	\$	19,664	\$	9,965	\$	5,635	\$	6,032	\$	8,0
County Transfer In	*												\$	30,000				
Total Revenues	\$857,296	\$ 42,323	\$ \$	62,708	\$1	L, 387, 197	\$	26,059	\$	35,989	\$	15,458	\$	39,373	\$	16,190	\$	33,1
			+						Ė				Ė					
Excess Revenues Over (Under) Expenditures	\$ 785,358	\$ (836,567	7) \$	(12,928)	\$	(22,160)	\$	(9,738)	\$	14,161	\$	(2,126)	\$	24,573	\$	(5,635)	\$	(51,3
Fund Balance														*				
Beginning	\$ 98,210	\$ 883,568	3 \$	47,001	\$	34,073	\$	11,913	\$	2,175	\$	16,336	\$	14,210	\$	38,783	\$	32,8
Ending	\$ 883,568	\$ 47,00	L \$	34,073	\$	11,913	\$	2,175	\$	16,336	\$	14,210	\$	38,783	\$	33,148		
ENDOWMENT FUND																	F	
EXPENDITURES	H	 	+		\vdash			-	-		\vdash			-	\vdash	_	\vdash	
Operating Transfer Out	-		+		_		Ś	26,059	Ś	17,914	Ś	7,234	Ś	5,635	Ś	6,032	Ś	8,0
Other			\$	159,598	Ś	20,715	Ş	20,039	Ş	17,914	3	7,234	Ş	3,033	۶	0,032	₽	٥,١
	-	_	—		÷		_	25.050	_	47.044	<u> </u>	7.004	_	F 60F	_	5 222	Ļ	
Total Expenditures	\$ -	\$ -	\$	159,598	\$	20,715	\$	26,059	\$	17,914	\$	7,234	\$	5,635	\$	6,032	\$	8,0
REVENUES	1																	
State Assistance			+		Ś	40,691					\vdash				\vdash		\vdash	
Investment Earnings	\$ 25,262	\$ 37,230) \$	75,166	Ś	52,868	Ś	36,448	Ś	13,797	Ś	6,405	Ś	6,844	Ś	5,184	ŝ	10,0
Net Increase in Fair Value	ψ 25,202	37,23	+	75,100	-	52,000	_	50,110	_	20,101	-	0,100	Ė		Ť	5,20	۲	10,1
of Investments	1												\$	10,673				
Special Assessment											Ś	12,500			T		Н	
Other												,		21	Т			
Operating Transfer In		\$ 737,550)												Т			
Total Revenues	\$ 25,262	\$ 774,780	-	75,166	Ś	93,559	\$	36,448	Ś	13,797	\$	18,905	\$	17,517	\$	5,184	\$	10,0
Excess Revenues Over (Under) Expenditures	\$ 25,262	\$ 774,780		(84,432)	\$	72,844	\$	10,389	\$	(4,117)	\$	11,671	\$	11,882	\$	(848)	\$	2,0
Fund Balance	—	+	+								\vdash				\vdash		\vdash	
Beginning	\$ 805,797	\$ 831,059	9 \$	1,605,839	ŝ.	1,521,407	Ś	1,594,251	\$ 1	L,604.640	Ś.	1,600.523	Ś	L,612,194	ŝ.	1,612,194	ŝ	1,612,0
Ending		\$ 1,605,839			_		_		_		_		_	•	_		Ť	, , .
		-,,	Ť	,	É	, ,	É	, ,	Ė	,,			Ĺ	, , ,	É	,		
CAPITAL PROJECTS			\perp		<u> </u>				<u> </u>		<u> </u>		-		\vdash		\vdash	
EXPENDITURES		 	+		_	1 201 5 15		100 505	<u> </u>		\vdash		\vdash		\vdash		\vdash	
Construction in Progress	-		+		\$:	1,391,548	\$	199,693	_	20:	\vdash		\vdash		\vdash		\vdash	
Services & Supplies	-	¢ 20.5-	1 ~	103.050	\vdash		\$	389	\$	204	_	10.000			\vdash		\vdash	
Improvement to Land		\$ 39,579	\$	183,868	\vdash				\$	297	\$	18,900	-		\vdash		\vdash	
Transfer Out		 	1		<u> </u>				\$	1,750	-	2,731	_		\vdash		\vdash	
Total Expenditures		\$ 39,579	\$ \$	183,868	<u> 51</u>	L,391,548	5	200,082	\$	2,251	\$	21,631			<u> </u>		\vdash	
REVENUES											l				l			
Investment Earnings	†	\$ 294	1 \$	4,251	\$	12,836					Ś	36			т		\vdash	
State Assistance	†	†	+	1,231	Ť	22,000	Ś	200,000			ť			-	Т		\vdash	
Transfer in		\$ 60,000			Ś.	1,361,553	7				\vdash				Т		\vdash	
Other		2 55,500	\$	200,000	<u> </u>	,,000		<u> </u>			\vdash				T	1	\vdash	
Total Revenues	 	\$ 60,294	_	204,251	\$1	L,374,389	Ś	200,000	\$	-	\$	36			\vdash		\vdash	
	 	+ 55,23	+ -		<u>ٽٽ</u>	,	Ť		Ť		 ~			, s	\vdash		\vdash	
		\$ 20,715	5 \$	20,383	\$	(17,159)	\$	(82)	\$	(2,251)	\$	(21,595)						
Excess Revenues Over (Under) Expenditures		+,:									ı							
(Under) Expenditures		,	\bot											,	┢		\vdash	
(Under) Expenditures Fund Balance			ć	20.715	¢	∆1 ∩ΩΩ	¢	23 030	¢	22 257	¢	21 606						
(Under) Expenditures		\$ -	\$	20,715 41,098	_		\$ \$	23,939 23,857	\$	23,857 21,606	\$	21,606						

The use of endowment funds for the purpose of maintenance and operation of these facilities is of concern to the Commission. The responsibility for the operation should come from some other general sources of funding, such as a share of the general property tax levy, not the restricted revenues associated with the endowment properties. Therefore, Commission adopts the following condition in the approval of the sphere of influence establishment:

 Within six months of the approval of the sphere of influence establishment for CSA 120, management of the County Special Districts Department shall develop a mechanism to provide for the maintenance and operation of the improvements constructed through the 2008-09 State Park grant without use of the endowment funds established for mitigation purposes only.

An additional ongoing concern for the Commission is that the County Auditor-Controller has not updated the chart of accounts to acknowledge the existence of CSA 120. Case in point, up until 2013 the audits were issued for CSA 70 OS-1 and the "Budget Prep" documents provided by the County Special Districts Department with information necessary for the review of the 2014 and 2015 budget detail are titled "CSA 70 OS-1". While this may appear on the surface as a trivial matter, this directly impacts the County's reporting to the State Controller on the operations of special districts since CSA 70 and its various zones are reported as a single unit. One of the questions asked in the application to the California Department of Fish and Wildlife is whether or not the special district is current in its reporting requirements to the State Controller. To answer this question is now problematic for CSA 120 and the County.

As to the question of sustainability under the audit information outlined above, out of the eight years shown, six have operated at a deficit between revenues and expenditures within the fiscal year. In addition, the budget detail also shows that the district operates in the red without the infusion of funds from other sources. While the Commission has imposed a condition of approval related to the repayment of the endowment funds, as the chart above outlines, there are no current revenues available to provide for this. The question then to be answered at the end of the six month period is whether or not CSA 120 is sustainable for the long term? And if not what then? It is the position of the Commission that the service review to be presented in the future needs to answer these questions.

The final point in this discussion is that the County amendment for exclusion of the City of Fontana MSHCP from the sphere of influence establishment is an indication of the Commission's direction that the area should ultimately be removed from the boundaries of CSA 120. Such a future detachment would take with it the \$330,000 in endowment funds on deposit with CSA 120, representing approximately 20% of the endowment. The ramification of this change will need to be carefully addressed.

4. The existence of any social or economic communities of interest in the area;

In a typical sphere of influence review the question of social or economic communities of interest relates to the future development of the area and its associated identification with a specific community. However, for an entity that provides for the management of mitigation lands its economic community of interest would be the area from which mitigation properties could be assembled. That community would be the territory running along the foothills of the San Gabriel Mountains which support the endangered species identified by the local, state and federal wildlife agencies. This sphere of influence determination addresses a portion of this area.

5. **OTHER FINDINGS**

- A. As required by State Law notice of the hearing was provided through publication in a newspaper of general circulation, *The Inland Valley Bulletin*. Individual notice was not provided as allowed under Government Code Section 56157 as such mailing would include more than 1,000 individual notices. As outlined in Commission policy, an eighth page legal ad was provided.
- B. As required by State Law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individual requesting mailed notice.
- C. Comments from landowners and any affected local agency have been reviewed and considered by the Commission in making its determination.

WHEREAS, pursuant to the provisions of Government Code Section 56425(i) the range of services provided by County Service Area 120 shall be limited to the following:

CSA 120

Open space and habitat conservation

Open space and habitat conservation including, but not limited to, the acquisition, preservation, maintenance, and operation of land to protect unique, sensitive, threatened, or endangered species, or historical or culturally significant properties. Any setback or buffer requirements to protect open-space or habitat lands shall be owned by a public agency and maintained by the county service area so as not to infringe on the customary husbandry practices of any neighboring commercially productive agricultural, timber or livestock operations.

WHEREAS, having reviewed and considered the findings as outlined above, the Commission establishes the sphere of influence for County Service Area 120 as outlined on the Exhibits attached to this resolution subject to the following conditions:

- 1. Within six months of the approval of the sphere of influence establishment County Service Area 120 shall have completed the due diligence process with the California Department of Fish and Wildlife to be declared an available recipient of mitigation properties in the future. Failure to do so will require a further analysis of the sphere of influence assignment.
- 2. Within six months of the approval of the sphere establishment County Service Area 120 shall have completed all reporting required by State law for the management of mitigation properties.
- 3. Within six months of the approval of the sphere of influence establishment County Service Area 120 will have developed funding plans to restore endowment balances for those mitigation properties where mitigation work has not been performed but interest earnings used.
- 4. Within six months of the approval of the sphere of influence establishment for CSA 120, management of the County Special Districts Department shall develop a mechanism to provide

for the maintenance and operation of the improvements constructed through the 2008-09 State Park grant without use of the endowment funds established for mitigation purposes only.

5. LAFCO staff is to provide ongoing monitoring of the completion of the activities outlined in the preceding conditions with periodic updates provided to the Commission.

NOW, THEREFORE, BE IT RESOLVED by the Local Agency Formation Commission of the County of San Bernardino, State of California, that this Commission shall consider the territory described in Exhibits "A" and "A-1" as being within the sphere of influence of County Service Area 120, it being fully understood that establishment of such a sphere of influence is a policy declaration of this Commission based on existing facts and circumstances which, although not readily changed, may be subject to review and change in the event a future significant change of circumstances so warrants.

BE IT FURTHER RESOLVED that the Local Agency Formation Commission of the County of San Bernardino, State of California, does hereby determine that the County of San Bernardino shall indemnify, defend, and hold harmless the Local Agency Formation Commission of the County of San Bernardino from any legal expense, legal action, or judgment arising out of the Commission's approval of this sphere establishment, including any reimbursement of legal fees and costs incurred by the Commission.

THIS ACTION APPROVED AND ADOPTED by the Local Agency Formation Commission of the County of San Bernardino by the following vote:

AYES: COMMISSIONERS: Bagley, Cox, Farrell, Lovingood, McCallon, Ramos,

Williams

NOES: COMMISSIONERS: None

ABSENT: COMMISSIONERS: Curatalo (Mr. Farrell voting in his stead)

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

I, KATHLEEN ROLLINGS-McDONALD, Executive Officer of the Local Agency Formation Commission of the County of San Bernardino, California, do hereby certify this record to be a full, true, and correct copy of the action taken by said Commission, by vote of the members present, as the same appears in the Official Minutes of said Commission at its meeting of October 22, 2014.

DATED: October 22, 2014

KATHLEEN ROLLINGS-McDONALD Executive Officer

11

Excerpts from Minutes of September and October 2014 Commission hearings

Attachment 3

ITEM 11. CONSIDERATION OF: (1) ADOPTION OF MITIGATED NEGATIVE DECLARATION AND (2) LAFCO 3157 – SPHERE OF INFLUENCE ESTABLISHMENT FOR COUNTY SERVICE AREA 120 (HABITAT PRESERVATION AND HISTORICAL RESOURCES -- NORTH ETIWANDA)

Chairman Curatalo opens the public hearing.

Executive Officer Kathleen Rollings-McDonald presents the staff report for LAFCO 3157, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here.

Ms. McDonald reviews the history of the proposal. She says that in 2009, the Commission initiated the sphere of influence establishment for CSA 120 as required by law and notified the County of its intent to establish a coterminous sphere of influence as was the Commission/s practice. The County responded that it would be requesting an expanded sphere of influence and LAFCO staff agreed to work with the County to move forward with the expansion request. Over the next two years the County deliberated about the application – what territory would be proposed, the funding for payment of the mandatory LAFCO filing fees and such. She says that in March 2012 the County of San Bernardino Board of Supervisors initiated the application and the filing fees were submitted by the Lytle Development Company. The sphere of influence establishment submitted encompassed a total of 71 square miles.

Ms. McDonald says that in January 2014 the Commission held a workshop to review the requirements which would point toward the need for dedication of mitigation lands so that the Commission could understand the purpose of CSA 120 and in February 2014 the Commission was presented with the environmental documents prepared for LAFCO 3157. She says that a mitigated negative declaration was approved.

Ms. McDonald says that at the February hearing the Commission received a letter, dated February 13, 2014, from the Board of Supervisors Chair, proponent for the action, requesting amendment of the application to reflect the alternative #2 of the environmental assessment document that excludes the territory included within the City of Fontana's Multi-species Habitat Conservation Plan. She reminds the Commission that at this hearing, the Commission will evaluate and make determinations on the required factors outlined in Government Code Section 56425. These determinations will be guided by the Commission's stated mission statement which is "to ensure the establishment of an appropriate, sustainable and logical municipal level of government structure for the distribution of efficient and effective public services".

Ms. McDonald reviews the factors of determination. She provides a description of the County's land use designations noting that the City of Fontana General Plan assigns an open space designation to the territory within CSA 120 recognizing the future potential for habitat preservation.

Ms. McDonald says that the North Etiwanda Preserve Management Plan adopted in 2010 builds upon its predecessor Cooperative Management Agreement of 1998. The

mitigation lands now include approximately 1,207 acres and the management plan has divided the acreage into Unit 1 (original 762 acres of North Etiwanda Preserved) and Unit 2 (445 acres outside that boundary). The acquisition of additional lands for mitigation management are regulated by the California Department of Fish and Wildlife through its state mandated due diligence process to review the qualifications of entities to manage endowments and to perform the mitigation management activities designed in a mitigation agreement. This process is undertaken through the completion of an "Application for governmental entity, special district or nonprofit organization requesting to hold and manage mitigation lands." To date, CSA 120 has not submitted this report; therefore, it is not able to acquire additional mitigation properties for which an endowment is proposed. She says that without the authorization, no new service can be provided. In order to address the issue, LAFCO staff is proposing a condition that within six months of the approval of the sphere of influence establishment County Service Area 120 shall have completed the due diligence process with the California Department of Fish and Wildlife to be declared an available recipient of mitigation properties in the future. And that failure to do so will require a further analysis of the sphere of influence assignment.

She says that the funding for the operations of CSA 120 is limited to the interest earned on the endowment funds received at the time that the properties are transferred to its ownership for management. The statutes require that the funds be used for the purposes identified in managing the mitigation properties from which the endowment is derived. Based upon these factors the question of the solvency of the district and the need to return endowment funds not utilized in performing services on the properties from which they were derived. LAFCO staff has identified that approximately \$112,000 needs to be returned to the endowment fund.

Ms. McDonald says there will be no change to CSA 120's authorized powers.

Tom Dodson, Environmental Consultant for the Commission, presents the environmental element of the staff report. He says that for environmental review, the initial study evaluated will not have a significant adverse impact on the environment. He says that the findings were appropriate. He also responds to the information that was received from Metropolitan Water District of Southern California.

Ms. McDonald says that the staff is recommending that the Commission direct the Executive Officer to file the Notice of Determination within five days of the Commission's decision on the project. She says that such filing must be accompanied by the payment of California Department of Fish and Wildlife Fee in the amount of \$2,231.95 and that staff will not submit the required filing until such time as the County Special Districts Department transfers the required funds to LAFCO for processing. Failure to file within the required five days of action will lengthen the period for legal challenge to 180 days rather than the 30-day statute of limitations period for CEQA challenges when timely filed.

Ms. McDonald states that the determinations outlined in this report come with the acknowledgement that there are significant funding issues for CSA 120 to overcome to continue to operate, and failure to address them could result in a determination of insolvency. She reviews the recommendations and conditions for the project.

Commissioner Cox asks what the funding mechanism was when the District was formed. Ms. McDonald says that it was endowment funding.

Commissioner McCallon asks who is requesting the City of Fontana's MSHCP area be excluded from CSA 120, to which Ms. McDonald says that it is the City of Fontana who is requesting exclusion from the project.

Commissioner Williams asks what if the proponent does not complete the items of continuance within the six month timeline. Ms. McDonald says that LAFCO staff will continue to monitor and will report back to the Commission. She says that County Special Districts has indicated that they will work with staff to complete the conditions required.

Commissioner Cox asks if CSA 120 has the means to repay the monies to the endowment fund, to which Ms. McDonald responds in the negative noting that it would need an infusion of funds from another source.

Commissioner Williams asks if there are any legal parameters to recoup the funds; is the District legally entitled to look for other funding. Ms. McDonald says that the District is entitled to look for other funding and that they would need to be responsible for looking for other funding sources that may be available to possibly help the District repay the monies to the endowment fund.

Commissioner Farrell asks what distinguishes the CSA 120's powers from park district powers. Ms. McDonald says that not much, but that the attribute was to provide opportunities for educational pursuits for the community to understand the habitat that is being preserved and that LAFCO staff's concern is that the endowment funds are to be used to maintain the habitat not the maintenance of park benches, kiosks, trails and the like. There are other sources to fund those types of things. Commissioner Farrell asks if a review of the interest accumulated from 1994 has been conducted, which Ms. McDonald says that the endowment was \$700,000 and that at the time it was understood that the amount was insufficient for long term management but it was all that was available. Commissioner Farrell asks what type of oversight LAFCO has on CSA 120, to which Ms. McDonald says that LAFCO is charged with reviewing whether or not they are performing the service that they are authorized to perform and that they have adhered to the management plan through the advisory board, which reports to the County Board of Supervisors.

Tim Millington, Special Districts Representative, Interim Division Manager, says with regard to the condition to provide a mechanism for the maintenance and operation of the improvements constructed though the 2008-09 State Park grant without the use of established endowment funds, that the North Etiwanda Enhancement Project was born out of a need to address illegal activities taking place in the preserve and to control environmental damage. He says that to the lay person it would appear as a recreational project on the surface, but that the strategies gained support of all the environmental groups. He says that a full initial study was prepared and that the study indicated that the project was a better alternative than the destructive behaviors and uses within the

property. He says that the project educates and control use of the area in an environmentally responsible way.

Mr. Millington says that interest from the endowment is used to manage and control use and to support responsible stewardship. He says that it would not be in the best interest of the area to further deplete resources and that placing a financial constraint on CSA 120 would put a strain on what little funding resources are currently available. He says that CSA 120's management plan has support from various agencies. He says that there are many examples of mitigated land being used for public purpose. He says that California Fish and Game Code Section 2779.5 states that land set aside for conservation must allow responsible public access. He says that the enhancement project fulfills that requirement.

Mr. Millington says that with regard to the condition of developing funding plans to restore endowment balance for those mitigation properties where mitigation work has not been performed but interest earnings used, the endowment management plan has been constructed in a way that it allows for the acceptance of funding from multiple agencies. He says that Government Code Section 65968 which is referred to in the LAFCO staff report, was not enacted until January 1, 2012, so those properties accepted prior to that date would be potentially exempt.

Mr. Millington says that he does not feel that directing LAFCO staff and CSA 120 to continue to work together should be a condition. He also says that with regard to some items noted in the staff report, that he would like to clarify on page 10 for the 2012 report that it states that the interest earnings were \$17,516 and then on page 12 it shows the earnings at considerable less. He wants to make sure that there are no discrepancies within the staff report.

Chairman Curatalo asks LAFCO Counsel Holly Whatley with regard to the comments made by special districts, if there are any items that the Commission should consider.

Ms. Whatley says that CSA 120 has developed a way to use the funds and that there is room for a difference of opinion and interpretation of the law on the issue.

Executive Officer Kathleen Rollings-McDonald states that LAFCO staff stands behind the staff report.

(It is noted that Commissioner Cox leaves the dais.)

Steve Loe, member of the public, makes comments of understanding the issues from both views.

(It is noted that Commissioner Warren leaves the dais.)

Jane Hunt, member of the public, asks for clarification of the modification of the proposal and asks who will monitor the on-going mitigation lands if an expansion is proposed.

Executive Officer Kathleen Rollings-McDonald states that the North Etiwanda Advisory Board monitors the lands and that the modification of the proposal excludes Fontana's Multi-Species Habitat Conservation Plan. She says that no expansion is proposed.

(it is noted that Commissioner Cox returns to the dais.)

Ms. Hunt asks for clarification regarding the direction for County Special Districts to submit the necessary funds to pay the required California Fish and Wildlife Filing fee prior to the Executive Officer filing the Notice of Determination. Ms. McDonald says that staff is requesting approval for the directive from the Commission that the County Special Districts, like any other applicant, make or confirm payment of the \$2,231.95 California Fish and Wildlife Filing Fee before the Executive Officer files the Notice of Determination with the Clerk of the Board of San Bernardino County, as is adopted in the LAFCO fee schedule and Policies and Procedures.

Lynn Boshart, Save Lytle Creek Wash, thanks staff for the information received and for the clarification of the item. She says that she is glad that the financial concerns are being addressed.

Chairman Curatalo calls for further public testimony, there being none closes the public hearing.

Commissioner McCallon moves approval of staff recommendation, second by Commissioner Williams. There being no opposition, the motion passes unanimously with the following vote: Ayes: Cox, Curatalo, McCallon, Sethi, Williams. Noes: None. Abstain: None. Absent: Bagley (Mr. Sethi voting in his stead).

LAFCO Legal Counsel Clark Alsop returns to the dais.

ACTION MINUTES FOR OCTOBER 22, 2014 HEARING

ITEM 6. CONSENT ITEMS DEFERRED FOR DISCUSSION ADOPTION OF LAFCO RESOLUTION NO. 3190 FOR LAFCO 3157 – SPHERE OF INFLUENCE ESTABLISHMENT FOR COUNTY SERVICE AREA 120 (HABITAT PRESERVATION AND HISTORICAL RESOURCES – NORTH ETIWANDA)

Vice-Chair Cox opens the public hearing.

Executive Officer Kathleen Rollings-McDonald presents the staff report for LAFCO 3157, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here. She says that at the September 17, 2014 hearing, the Commission reviewed and considered the Sphere of Influence Establishment for CSA 120. She says that at that time the Commission made mandatory determinations required by Government Code Section 56425 and also approved the modification requested by the County of San Bernardino. She says that during the September Commission hearing, the manager of CSA120 expressed questions regarding the amount of interest earned to be returned to the endowment fund. Staff had identified that amount to be \$112,884.

(It is noted that Commissioner Warren arrives at the dais.)

Ms. McDonald states that County Special Districts staff identified their concerns that the statute specifing that the interest earned could not be consolidated for use did not take effect until January 2012 and its provisions should not be applied retroactively. LAFCO staff has been in consultation with Special Districts staff on this concern.

Ms. McDonald says that staff believes its position is legally defensible given the contractual nature of the endowment funds for use for maintenance and preservation of specific properties going back to the acquisition and agreement for conservation. She says that the adoption of the updated Cooperative Management Plan in October 2010 by the County Board of Supervisors clearly identifies the division of the areas into two units. She says that therefore, staff is modifying their determination to reflect the need to redeposit the interest earnings for Fiscal Years 2010-11, 2011-12, 2012-13 and the amount for 2013-14 now due.

(It is noted that Commissioner Ramos arrives at the dais.)

Ms. McDonald says that Special Districts staff also questioned the \$17,517 shown for Fiscal Year 2012-13 as interest earned and requested the amount be modified. She says that LAFCO staff received a revised version of the 2012-13 audit for CSA 120, a copy of which is included as attachment #3 to the staff report, and shows the interest earned during Fiscal Year 2012-13 as reduced to \$6,844. She says that staff is still concerned that even with the reduction on interest to be returned, it does not alleviate concern for the future operation of CSA 120 and that significant work still remains to address the conditions identified and approved by the Commission.

ACTION MINUTES FOR OCTOBER 22, 2014 HEARING

Ms. McDonald requests that the Commission take the actions outlined in page 1 of the staff report to amend the determination on interest to be returned to the endowment fund and adopt LAFCO Resolution No. 3190.

Commissioner Farrell questions where the net increase in fair value change came from and also notes an error in the chart versus the text in the staff report.

Executive Officer McDonald says that the fair value change was due to the auditor's acknowledgement of the large amount to be held on deposit, that it is a net fair value that needs to be assigned. She says that the text in the staff report will be corrected to reflect the correct amounts.

Tim Millington, County Special Districts, says that Net Fair Value relates to property value as well as the endowment fund and that as the property value increases, the net fair value is added to the audit report. He says that County Special Districts is also having County Counsel review Government Code Section 65968 with regard to the retroactive activity and if it is applicable to CSA 120.

Vice-Chair Cox closes the public hearing.

Commissioner Farrell moves approval of staff recommendations for LAFCO 3157, second by Commissioner Williams. There being no opposition, the motion passes unanimously with the following vote: Ayes: Bagley, Cox, Farrell, Lovingood, McCallon, Ramos, Williams. Noes: None. Abstain: None. Absent: Curatalo (Mr. Farrell voting in his stead).

LAFCO Legal Counsel Clark Alsop returns to the dais.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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DATE: MAY 13, 2015

FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer

SAMUEL MARTINEZ, Assistant Executive Officer

TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #12 - Discussion of Status of Potential Proposal to

Activate Latent Authority for East Valley Water District to Provide the

Services of Wastewater Treatment, Disposal, and Recycling

BACKGROUND:

At the April 15 hearing, staff was requested to provide information related to the status of a potential proposal to activate the wastewater treatment, disposal and recycling authority for the East Valley Water District (hereafter "District"). Staff has been working with the District to address the submission of a proposal to activate expanded services under its sewer function to include the operation of a regional wastewater treatment plant. In order to address this issue, it is important to understand the relationship of the Commission to the functions authorized a special district under its parent act. The following provides an historical outline to clarify this relationship.

LAFCO AUTHORITY OVER LATENT POWER:

At the inception of Local Agency Formation Commissions in 1963 they were fashioned with a governing board made up of members of the Board of Supervisors, City Councils and a public member in all counties of California except for San Francisco. They presided over public hearings on city annexations, detachments, district formations, annexations, detachments, and reorganizations which included those types of changes. In 1970, at the behest of special districts throughout the State, representation on Commissions to have a seat at the table for determinations on their boundaries and governance was granted to independent special districts. AB 1155 (Knox) was approved and enacted, Chapter 1249 of Statutes of 1970, which authorized a process to allow for the seating of special districts but that came with a price, the loss of the direct authority to activate latent power authorized in each districts principal act (a copy of the relevant portion included as Attachment #1 to this report).

In 1976, at the request of independent special districts in San Bernardino County, Special Districts were seated on the Commission, the Rules and Regulations affecting special districts were adopted and the listing of authorized functions and services was developed through a survey process for all special districts under LAFCO purview. From 1976 through 2001 this process remain effectively static, but with the update of LAFCO law through approval AB 2838 (Hertzberg) there was a fundamental shift, all members represented on the Commission were to fund its operations, and in every sphere of influence update or amendment the active functions and services of special districts are to be reviewed. San Bernardino LAFCO commenced its mandatory service review/sphere of influence amendment process in 2002 and complied with this requirement.

EAST VALLEY WATER DISTRICT:

In 1976 when requested for response, the District (then known as the East San Bernardino County Water District) identified its range of services to be water, sewer and park and recreation. The Exhibit A detailing the functions and services performed by all special districts within San Bernardino County under the procedures required by District Reorganization Act limited the District's services to those services and functions listed at the time. In 2003-04 the Commission undertook the mandatory service review/sphere of influence update process for the east valley region of the County. In August of 2004, the service review report for the District was presented to the Commission and its determinations outlined in LAFCO Resolution No. 2836 (copy included as Attachment #2 to this report). In compliance with Government Code Section 56425(i) the following information was included:

WHEREAS, the Local Agency Formation Commission of the County of San Bernardino is required to review and update the Exhibit "A" of the Rules and Regulations of Special Districts to outline the services provided. The Exhibit "A" of the Rules and Regulations is amended to read as follows:

SERVICE	FUNCTIONS
Water	Retail, agricultural, domestic,
	replenishment
Sewer	Sewage collection
Park and Recreation	Development, maintenance in
	conjunction with water facilities

WHEREAS, pursuant to the provisions of Government Code Section 56425(h), the range of services provided by the East Valley Water District is limited to those identified above, and such range of services shall not be changed unless approved by this Commission; and,

From 2004 through October 2014, no questions were raised regarding this determination. However, in October 2014, through discussions related to the water conservation study, LAFCO staff was made aware of the wastewater treatment plant project for the District. Specifically, on October 20, 2014 the District's manager and consultant outlined the wastewater treatment plant project and LAFCO staff outlined to the District that it did not

have authorization to provide for anything other than wastewater collection and would need to apply to LAFCO for activation of the latent services under its sewer function. Attachment #3 to this report provides a copy of the letter sent to the City of Highland that provides a general outline of the project and the District's purpose in pursuing it.

As staff understands the sequence of events related to this project from review of its website, the District has taken the following primary steps:

September 2013	District Board of Directors authorizes General Manager to retain the services of a Program
	Manager for the evaluation of possible sewer treatment plant; this is a direct outgrowth of the 2012 Sewer Master Plan upgrade
January 2014	District awarded a contract for professional services to RMC to conduct a feasibility study for a water reclamation plant
October 2014	In closed session negotiation of purchase of property north of 3 rd street, east of Sterling Avenue for water reclamation plant conducted
October 2014	Accept final Feasibility Study and direct General Manager/CEO to pursue the construction of Water Reclamation Plant on District owned property; Authorize General Manager/CEO to issue RFQ and RFP for the design, build, and operation of the Sterling Recharge Facility (aka Water Reclamation Plant); Issue RFP for environmental consulting on Sterling Recharge Facility.
February 2015	Award Program Management Services Contract to Kennedy/Jenks Consultants for the District's Recycled Water Center; Award legal services contract to Musick, Peeler & Grant LLP for preparation of EIR and related CEQA compliance matters for District's Recycled Water Center; Award Professional Services Contract to ESA to prepare EIR and related CEQA compliance documents for District's Recycled Water Center
March 2015	Accept the findings of the updated Recycled Water Feasibility Study by RMC; receive and file the Economic Impact of the East Valley Recycled Water Project by John Husing; receive responses from community survey conducted by Probolsky Research Inc.

ITEM #12 – DISCUSSION ITEM EAST VALLEY WATER DISTRICT AUTHORIZED POWERS MAY 13, 2015

At the March 18, 2015 Board of Directors meeting an item to initiate the activation process required by Government Code Section 56824.10 through 56824.14 was presented and the matter continued due to questions on noticing to the April 22, 2015 hearing. This item included a draft resolution of initiation and other background material. Ultimately the April 22 Board of Directors special meeting was canceled and staff is awaiting the rescheduling of this matter.

During this period LAFCO staff and Legal Counsel continued to meet with the staff of the District and its Special Counsel and Legal Counsel to review the options related to consideration of the activation proposal due to the complications of the progression of the project. LAFCO staff has provided to the District four options for consideration and are currently awaiting information as to the choice to move forward. Each of the options to address the question were reviewed and concerns outlined related how to move forward with the project. It appears that the choice will be to create some kind of Joint Powers Authority but the exact parameters of this effort are not clear at this time. LAFCO staff continues to work with all parties involved in this issue and seeks to be sure that the integrity of the process and the requirements of State law are complied with.

No action is required of the Commission other than to note receipt of the report and direct staff on any matters related to this discussion.

KRM

Attachments:

- 1 -- Excerpt from AB 1150 (Knox) Statutes of 1970
- 2 -- LAFCO Resolution No. 2836
- 3 -- East Valley Water District Letter to City of Highland Dated January 16, 2015 outlining the Project with attachments presented to City Council on January 27, 2015

Excerpt from AB 1150 (Knox) Statutes of 1970

Attachment 1

(c) The effect of the proposed action and of alternative actions, on adjacent areas, on mutual social and economic interests and on the local governmental structure of the county.

(d) The definiteness and certainty of the boundaries of the territory, the nonconformance of proposed boundaries with lines of assessment or ownership, the creation of islands or corridors of unincorporated territory, and other similar matters affecting the proposed boundaries.

(e) Conformity with appropriate city or county general and

specific plans.

SEC 45. Article 4 (commencing with Section 54850) is added to Chapter 66 of Part 1, Division 2, Title 5 of the Government Code, to read.

Article 4. Special Districts

54850. The commission may take proceedings pursuant to this article for the adoption, amendment or repeal of rules and regulations affecting the functions and services of special districts within the county and for representation of independent special districts upon the commission. Such proceedings may be initiated either by the commission or by independent special districts within the county. If any such rules and regulations are adopted and affect the functions or services provided or authorized to be provided by law by independent special districts within the county, then so long as such rules and regulations remain in effect independent special districts shall be represented by members appointed to the commission.

54851. The commission may adopt, amend or repeal rules and regulations affecting the functions and services of special districts within the county. The rules and regulations shall designate the special districts, by type and by principal act, to which they apply and the rules and regulations shall not apply to or affect the functions and services of any special districts not so designated. The rules and regulations may:

- (a) Classify the various types of service which customarily are or can be provided within a single function of a special district. A class may be based upon the type of service; the purpose or use of the service; the facilities used to provide service; the type of consumers or users of the service; the extent of territory provided with service; and any other factors which, in the opinion of the commission, are necessary or convenient to group persons, properties or activities into a class having common characteristics distinct from those of other classes
- (b) Require existing districts to file written statements with the commission specifying the functions or classes of service provided by such districts.

(e) Establish the nature, location and extent of any functions or classes of service provided by existing districts.

(d) Determine that, except as otherwise authorized by such rules and regulations, no new or different function or class of service shall be provided by any existing district.

The rules and regulations shall not apply to the extension or enlargement, within the boundaries of an existing special district, of any function or service which the commission, pursuant to this section, has established is currently being pro-

vided by such special district.

54852. In any county where rules and regulations have been adopted, an application for the formation of a special district shall set forth the functions and services proposed to be provided by the district. If, in the opinion of the commission, approval of such application will necessitate adoption of any new rules and regulations or the amendment or repeal of any existing rules and regulations, the commission may condition approval of such application upon the adoption, amendment or repeal of such rules and regulations. Thereupon the commission shall initiate and conduct proceedings pursuant to this article for the adoption, amendment or repeal of such rules and regulations

54853. Either the commission or the legislative body of any independent special district or districts within a county

may adopt a resolution initiating proceedings.

(a) If a resolution proposes representation of independent special districts upon the commission, it shall also request the adoption of rules and regulations, as designated in Section 54851, affecting the functions and services of special districts within the county.

(b) If a resolution proposes only the adoption, amendment or repeal of rules and regulations affecting the functions and services of special districts, it shall request either that the com-

mission:

(1) Consider the proposal without reference to a special district advisory committee, in which case the resolution shall contain the text of the rules and regulations proposed to be

adopted, amended or repealed; or,

(2) Refer the proposal to a special district advisory committee for study, report and recommendation, in which case the resolution shall generally describe the nature of the rules and regulations proposed to be amended, adopted or repealed and, if then available, shall refer to a text on file with the secretary of the district for a detailed description thereof.

54853.1 If the commission adopts a resolution pursuant to subdivision (a) of Section 54853, the executive officer shall immediately call a meeting of the independent special district selection committee referred to in Section 54782 6. The meeting shall be held not less than 15 nor more than 35 days from the adoption of the resolution by the commission. The independent special district selection committee shall meet at the time and place designated by the executive officer and shall consider the commission's resolution By majority vote of those district representatives voting on the issue, the selection committee shall either (i) approve or (ii) disapprove the commission's resolution. If the selection committee approves the commission's resolution, it shall immediately inform the executive officer of

such action, and the commission at its next meeting shall adopt a resolution of intention pursuant to Section 54855. If the selection committee disapproves the commission's resolution, it shall immediately inform the executive officer of this action and all further proceedings under this article shall cease.

54853.2. If an independent special district adopts a resolution pursuant to subdivision (a) of Section 54853, it shall immediately forward a copy thereof to the executive officer of the commission. Upon receipt of such resolutions from a majority of independent special districts within a county, the commission, at its next regular meeting, shall, by majority vote of those present and voting on the issue, either (i) approve or (ii) disapprove special district representation on the commission. If the commission approves such representation, it shall immediately adopt a resolution of intention pursuant to Section 54855. If the commission disapproves such representation, all further proceedings under this article shall cease.

548535. A certified copy of any resolution which has been adopted by an independent special district, pursuant to subsection (b) of Section 54853, and a copy of the text, if any, of proposed rules and regulations referred to therein shall be filed with the executive officer. If a resolution, or substantially identical resolution, has been filed by a majority of independent special districts within the county, then not later than 35 days after the filing, the commission shall adopt a resolution of intention in accordance with the filed resolution or resolutions.

54854 Minor changes in any existing rule and regulation affecting independent special districts may be ordered by the commission, without adoption of a resolution of intention, notice and hearing, or reference to a special district advisory committee, provided, that the commission makes a determination that such changes will not substantially affect the functions and services of any independent special district subject to such rules and regulations and such determinations as concurred in by both commission members appointed to represent independent special districts.

54855. Whenever the commission, or the independent special districts, as the case may be, have complied with the applicable provisions of Sections 54853, 54853.1, 54853.2, and 54853.5, the commission shall adopt a resolution of intention pursuant to this section. The resolution of intention shall:

- (a) State whether the proceedings are initiated by the commission or by an independent special district or districts, in which case, the names of any such districts shall be set forth.
- (b) If the resolution of intention proposes only the adoption, amendment or repeal of rules and regulations affecting the functions and services of special districts, it shall state either that the commission proposes:
- (1) To consider the proposal without reference to a special district advisory committee, in which case the resolution shall contain the text of the rules and regulations proposed to be adopted, amended or repealed.

(2) To refer the proposal to a special district advisory committee for study, report and recommendation, in which case the resolution shall generally describe the nature of the rules and regulations proposed to be amended, adopted or repealed and, if then available, shall refer to a text on file with the executive officer for a detailed description thereof.

In addition, the resolution of intention adopted pursuant to this subsection shall also fix a time, not less than 15 nor more than 35 days after the adoption of the resolution of intention, and the place of hearing by the commission on the question of whether the proposal made by the resolution should be disapproved, approved and ordered without reference to a special district advisory committee, or referred to a special district advisory committee for study, report and recommendation to the commission.

(c) If the resolution of intention proposes representation of independent special districts on the commission, it shall state that the commission proposes to refer the proposal to a special district advisory committee and the commission shall immediately order the proposal referred thereto pursuant to Section 54858.

54856. If a hearing is called pursuant to subdivision (b) of Section 54855, the executive officer shall give notice of the hearing by publication, as provided in Sections 56083 and 56084, by posting, as provided in Sections 56085 and 56086, and by mailing to the clerk or secretary of the county and each local agency within the county, as provided in Sections 56087 and 56088.

54857. The hearing referred to in Section 54856 shall be held by the commission at the time and place specified or to which the hearing may be continued. After the conclusion of the hearing, the commission shall adopt a resolution disapproving the proposal made by the resolution of intention, approving and ordering the proposal without reference to a special district advisory committee, or ordering the proposal referred to a special district advisory committee for study, report and recommendation.

54858. If the commission orders a proposal referred to a special district advisory committee for study, report and recommendation, the appointment of and proceedings by the advisory committee shall be made and taken substantially in accordance with the provisions of Chapter 2 (commencing with Section 56220). Part 3, Division 1, Title 6 of the Government Code pertaining to reorganization committees, except that the advisory committee shall not be terminated until after the commission acts upon the report and recommendation of the advisory committee Various terms and phrases, as used in Chapter 2, shall have the following meanings when applied to proceedings taken pursuant to this article:

(a) "Plan of reorganization" means a plan containing the text of rules and regulations affecting the functions and serv-

ices of special districts.

(b) "Proposal of reorganization," "reorganization," or "change of organization" means a proposal made pursuant to this article.

(c) "Reorganization committee" means the special district

advisory committee.

(d) "Subject district" means an independent special district affected by a proposal made pursuant to this article.

If the commission is of the opinion that special districts other than independent special districts, may be affected by the proposal then in addition to the appointment of voting members to the advisory committee to represent independent special districts, the commission may authorize the legislative bodies of special districts, other than independent special districts, to appoint nonvoting members to the advisory committee Any nonvoting member shall have all of the rights of a

voting member excepting only the right to vote.

54859. Where special district advisory committee consists of voting members representing more than five independent special districts, the advisory committee in its discretion may appoint an executive committee to undertake all or part of the study and may authorize the executive committee to prepare a tentative report and recommendation for submission to and approval by the full advisory committee. The executive committee shall consist of such number of voting members as the advisory committee may determine. If the commission shall have authorized the appointment of nonvoting members to the advisory committee, such nonvoting members may appoint members to the executive committee in numbers not exceeding those appointed by the voting members; any nonvoting member appointed to the executive committee shall have all of the rights of a voting member thereon, excepting only the right to vote.

Upon completion of the studies of the executive committee, it shall report to the full advisory committee and submit any tentative report and recommendation prepared by it. Thereupon the advisory committee may reject any tentative report and recommendation submitted, may adopt any such report and recommendation, either as submitted by the executive committee or as changed by the full advisory committee, or the advisory committee may prepare its own report and recommendation.

54860 Not later than 35 days after the filing with the executive officer of the report and recommendation of a special district advisory committee, the commission shall take one of

the following actions:

(a) If the report concerns only the adoption, amendment or repeal of rules and regulations affecting the functions and services of special districts, the commission may either (i) disapprove the report without further notice and hearing or (ii) adopt a resolution of intention to hold a hearing on the report pursuant to subsection (b).

- (b) If the report concerns a request for special district representation on the commission and the adoption, in connection with such representation, of rules and regulations affecting the functions and services of special districts, the commission shall adopt a resolution declaring its intention to approve the report and recommendation, as filed or as such rules and regulations may be changed by the commission after notice and hearing thereon. A resolution of intention shall:
- (1) Refer to the report and recommendation of the special district advisory committee, generally describe the nature and contents of the report and recommendation and refer to the report and recommendation on file with the executive officer for a detailed description thereof.
- (2) Declare the intention of the commission to approve the recommendation and report, as filed or as such rules and regulations may be changed by the commission after notice and hearing.
- (3) Fix a time, not less than 15 nor more than 35 days after the adoption of the resolution of intention, and the place of hearing by the commission on the question of whether the report and recommendation filed by the special district advisory committee should be approved, either as filed or as ordered changed by the commission after notice and hearing.

54861 The executive officer shall give notice of the hearing by publication, as provided in Sections 56083 and 56084, by posting, as provided in Sections 56085 and 56086, and by mailing to the clerk or secretary of the county and each local agency within the county, as provided in Sections 56087 and 56088.

54862. The hearing shall be held by the commission at the time and place specified or to which the hearing may be continued. During the course of the hearing, the commission may propose changes in the report and recommendations. Any such changes shall be referred, for review, to the special district advisory committee, or if the advisory committee has appointed an executive committee, to such executive committee. The advisory committee, or the executive committee, shall have 60 days to report back to the commission. If no report is received by the commission within 60 days, the advisory committee shall be deemed to have approved the proposed changes in the report and recommendation.

Within 30 days after the conclusion of the hearing, the commission shall adopt a resolution approving the report and recommendation, either as filed or as such rules and regulations may be changed by the commission.

54863. Any resolution approving the report and recommendation of a special district advisory committee, either as filed or as changed by the commission, shall order

(a) The adoption, amendment or repeal of rules and regulations, in accordance with the recommendations of the approved report.

(b) The chairman of the commission to call and give notice of a meeting of the independent special district selection committee to be held within 15 days after the adoption of the resolution in order to select independent special district representations on the commission pursuant to Section 54782.6.

SEC. 5. Section 56068 of the Government Code is amended

to read:

56068. "Reorganization" means one or more changes of or-

ganization proposed for:

(a) Each of two or more subject districts, including cities, landowner-voter districts or resident-voter districts and may include the formation of one or more new districts consisting of all or any part of the territory of any of the subject districts; or

(b) Any single such subject district and shall include the formation of one or more new districts consisting of all or any

part of the territory of such subject district.

SEC. 6. Section 56132 of the Government Code is amended to read:

56132. Notwithstanding the provisions of Section 6103, a commission may establish a schedule of filing fees for checking the sufficiency of any petition filed with the executive officer. Such fees shall not exceed fifteen cents (\$0.15) for each signature affixed to the petition. A minimum filing fee of not to exceed ten dollars (\$10) may be established. Any fee so established shall be paid to the executive officer at the time of filing of the petition. No petition shall be deemed filed until such fees have been paid.

SEC. 7. Section 56133 of the Government Code is amended

to read:

- 56133. Notwithstanding the provisions of Section 6103, the commission also may establish a schedule of processing fees for the estimated expenses of the preliminary proceedings to be taken by the commission and any reorganization committee. Such fees shall not exceed five hundred dollars (\$500) for each separate change of organization contained in a proposal. Such processing fee shall be deposited with the executive officer after the filing with the executive officer of any application by a legislative body for a change of organization, or the certification by the executive officer of the sufficiency of a petition. Said deposit shall be made within such period as the commission may specify. No further action shall be taken upon any such application or petition until said processing fee is so deposited.
- SEC. 8. Section 56134 of the Government Code is repealed. SEC. 8.5. Section 56234 of the Government Code is amended to read:
- 56234. Upon completion of the study of a reorganization committee, said committee shall prepare and submit to the commission a report and recommendation containing:
- (a) A brief summary of the nature and extent of the study of the committee.

LAFCO Resolution No. 2836 Attachment 2

LOCAL AGENCY FORMATION COMMISSION COUNTY OF SAN BERNARDINO

175 West Fifth Street, Second Floor
San Bernardino, CA 92415-0490 • (909) 387-5866 • Fax (909) 387-5871
E-mail: lafco@lafco.sbcounty.gov
www.sbclafco.org

PROPOSAL NO.:

LAFCO 2926

HEARING DATE:

AUGUST 18, 2004

RESOLUTION NO. 2836

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 2926, A SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE EAST VALLEY WATER DISTRICT.

On motion of Commissioner Colven, duly seconded by Commissioner Smith and carried, the Local Agency Formation Commission adopts the following resolution:

WHEREAS, a service review mandated by Government Code Section 56430 and a sphere of influence update mandated by Government Code Section 56425 have been conducted by the Local Agency Formation Commission of the County of San Bernardino (hereinafter referred to as "the Commission") in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Sections 56000 et seq.); and,

WHEREAS, at the times and in the form and manner provided by law, the Executive Officer has given notice of the public hearing by this Commission on this matter; and,

WHEREAS, the Executive Officer has reviewed available information and prepared a report including her recommendations thereon, the filings and report and related information having been presented to and considered by this Commission; and,

WHEREAS, the public hearing by this Commission was held upon the date and at the time and place specified in the notice of public hearing and in an order or orders continuing the hearing; and,

WHEREAS, at the hearing, this Commission heard and received all oral and written protests; the Commission considered all objections and evidence which were made, presented, or filed; and all persons present were given an opportunity to hear and be heard in respect to any matter relating to the review, in evidence presented at the hearing; and,

WHEREAS, a statutory exemption has been issued pursuant to the provisions of the California Environmental Quality Act (CEQA) indicating that this service review and sphere of influence update are statutorily exempt from CEQA and such exemption is hereby

adopted by this Commission. The Clerk has been directed to file a Notice of Exemption within five working days of adoption of this resolution; and,

WHEREAS, based on presently existing evidence, facts, and circumstances filed with the Local Agency Formation Commission and considered by this Commission, it is determined that the sphere of influence for the East Valley Water District should be amended as follows: (a) reduced by approximately 3,000 acres within the northwest sphere territory, making the sphere designation coterminous with that proposed for the City of Highland; (b) expanded to include the territory within the City of Highland boundary and sphere of influence southerly of Third Street, easterly of Alabama Street; (c) expanded to include Parcel B-1C as requested by the IVDA for receipt water and sewer service; and (d) affirm the balance of the sphere of influence area as it currently exists, as more specifically described on the map attached to this resolution; and,

WHEREAS, the following findings are made in conformance with Government Code Section 56430 and local Commission policy:

- 1. Infrastructure Needs and Deficiencies. The District has an adopted Five-Year Capital Improvement Plan that identifies needed infrastructure for its water and wastewater collection systems. The plan includes a budget for water and wastewater capital infrastructure improvements and new projects. The Plan is based upon information obtained from the water master plan (last updated in 2002) and wastewater master plan (last updated in 1988). Copies of this information are available for review at the District's office and summaries are available in the LAFCO office. The District provides levels of water and sewer collection service that meet public health and safety standards. The system operates well with no major operational problems identified.
- 2. **Growth and Population.** The District's estimated population within its boundaries and sphere of influence is 66,000. Based upon the current growth rates experienced by the Southern California region as a whole, and the Southern California Association of Governments (SCAG) specifically, the District has an anticipated growth rate of 2.4% per year. This is slightly less than the City of Highland growth rate of 2.7%. This growth projection anticipates that the District's population will be 87,870 in 2015 and 98,933 in 2020. Most of the developable land of the District is within the City of Highland which has a current population estimated at 45,081. The City of Highland's current General Plan anticipates a build out of 62,343.
- 3. **Financing Opportunities and Constraints.** The District maintains sound financial procedures for planning and investment security. It maintains a safe investment portfolio based on the protection of the publicly invested funds. In 2001, the District issued \$12,000,000 in Certificates of Participation for the construction of a reservoir, pump station and to refinance a previously issued debt instrument. The Moody's Rating Committee assigned an A2 rating and Standard & Poor's bond rating of A, which reflects that the District has "good financial performance, a manageable capital plan with minimal future debt needs, and a stable, primarily residential customer base, with affordable rates, and ample water supply and treatment capacity".
- 4. **Cost Avoidance Opportunities.** The current domestic water providers within the boundaries of the East Valley consist of the East Valley Water District, Arroyo Verde

Mutual Water Company, Baseline Gardens Mutual Water Company, Eastwood Farms Mutual Water Company, and Tres Lagos Mutual Water Company. The District and the Water Companies work together to provide service to the community. The District is the sole agency that provides wastewater service within its boundaries. The District has been a part of a Joint Powers Agency (JPA) with the City of San Bernardino since 1957 to provide for the regional wastewater treatment plant operated by the City of San Bernardino Municipal Water Department. In 1995, the Cities of San Bernardino and Colton formed a JPA to operate the Rapid Infiltration/Extraction Tertiary Treatment System (RI/X) to provide treatment of up to 41.0 million gallons daily of secondary effluent received from the exiting plants of the City of San Bernardino and the City of Colton. The District is a member of this JPA through its preceding JPA with the City of San Bernardino for the sewage treatment plant.

- 5. **Rate Restructuring.** The District Board of Directors reviews its rate structure annually and adjustments are made as necessary to allow for the protection of the public health, maintain satisfactory customer service, and to recover system operating costs, debt service requirements and administrative costs. The District has evaluated the use of the consumer price index or rate comparisons, however, these do not allow for the variations in annual expenses to be addressed. A survey of local retailers was conducted in 2003 and the District is close to the average of the nine agencies with similar service levels.
- 6. **Opportunities for Shared Facilities.** The District continuously strives to identify ways to share facilities and resources with other local agencies to insure the most cost-effective, efficient service delivery to its customers. The District has emergency water supply interties with the City of San Bernardino and City of Riverside. The District and City of San Bernardino exchange water frequently, averaging between 767 to 1,227 acre feet per year, allowing the District to maintain source production and blend water when necessary to reduce nitrate levels.
- 7. **Government Structure Options.** The District has operated successfully as a single-purpose special district for 50 years, during which time the District's customer base and service area have expanded significantly. No other relevant issues concerning this factor have been identified.
- 8. **Management Efficiencies.** The District's employees required to maintain specific certifications are acknowledged within their job descriptions. These certifications require ongoing training such as supplemental education, training and college courses. The District provides, as part of the employee benefit package, an education reimbursement program. Updated standards for water quality through the Clean Water Act and the Safe Drinking Water Act require that the District must monitor and test water quality at all well sites, the treatment plant, in pipelines, and for some regulatory programs within the customer's homes. The District's response indicates that as laboratory testing has improved and State and Federal Drinking water standards become stricter, the District is required to test for and remove contaminants that were not previously known to exist in the groundwater. The District has become a leader in obtaining research funding and programs to determine the health and cost implications of a vast array of potential contaminants. The District has sponsored for the last two (2) years a conference bringing together professional representatives from across the nation to discuss perchlorate

research, effective water treatment technologies, health effect issues, case studies, economic impacts, public awareness and program funding.

9. **Local Accountability and Governance.** The District is governed by a five-member Board elected at-large. The District does a good job communicating with its customers through newsletters, information packets, website pages, participation in local schools in the Water Awareness Month activities and public meetings. The District has an operating website and conforms to provisions of the Brown Act requiring open meetings. No other relevant issues concerning this factor have been identified; and,

WHEREAS, the following findings are made in conformance with Government Code Section 56425 and local Commission policy:

1. PRESENT AND PLANNED LAND USES

The full range of urban, suburban, and rural land uses are included within the boundaries and current sphere of influence of the East Valley Water District. The sphere of influence update and service review have no potential to change present or planned land uses within the sphere, since the changes proposed would be to provide for contiguity with the City of Highland sphere of influence and include a single additional parcel within the City of San Bernardino. The EVWD endorses this approach by indicating that no other sphere of influence changes are contemplated within the next five years.

2. PRESENT AND PROBABLE NEED FOR PUBLIC FACILITIES AND SERVICES IN THE AREA

The District has adopted Master Plans for its services of water and wastewater, which address this issue. Copies of these documents are on file in the District office.

3. PRESENT CAPACITY OF PUBLIC FACILITIES AND ADEQUACY OF PUBLIC SERVICES PROVIDED

The change to the District sphere of influence proposed through this review relates to three areas of consideration to allow for contiguity with the City of Highland sphere of influence in compliance with the Commission's community-by-community approach to spheres of influence. In addition, the parcel proposed for inclusion currently within the City of San Bernardino boundaries has been requested by the Inland Valley Development Authority and landowner on the basis of proximity to the District's services. The District has adopted Master Plans for service which address the service issues for water and wastewater. These documents are on file in the District office.

4. COMMUNITIES OF INTEREST IN THE AREA

The changes proposed to the District's sphere of influence are in response to the community of interest for Highland and addresses a consolidation of the sphere of influence within this community of interest. The area of the District within the City

of San Bernardino and its unincorporated sphere is proposed for change only for the single parcel located at the southwest corner of Third and Alabama Streets.

5. **OTHER FINDINGS**

- A. Notice of the hearing was published as required by law in <u>The Sun</u>, and the <u>Highland Community News</u>, newspapers of general circulation in the area. As required by state law, individual notification was provided to affected and interested local agencies, County departments, and those individuals wishing mailed notice.
- B. Comments from landowners and any affected local agency have been reviewed and considered by the Commission in making its determination; and,

WHEREAS, the following functions and services are provided by the District, as outlined in the Rules and Regulations affecting the functions and services of Special Districts (originally adopted on November 10, 1976, as amended); and Exhibit "A" of the Rules and Regulations lists each special district and its services and functions pursuant to the requirements of Section 6 of the Rules and Regulations; and,

WHEREAS, the Local Agency Formation Commission of the County of San Bernardino is required to review and update the Exhibit "A" of the Rules and Regulations of Special Districts to outline the services provided. The Exhibit "A" of the Rules and Regulations is amended to read as follows:

SERVICE	FUNCTIONS
Water	Retail, agricultural, domestic, replenishment
Sewer	Sewage collection
Park and Recreation	Development, maintenance in conjunction with water facilities

WHEREAS, pursuant to the provisions of Government Code Section 56425(h), the range of services provided by the East Valley Water District is limited to those identified above, and such range of services shall not be changed unless approved by this Commission; and,

WHEREAS, having reviewed and considered the findings as outlined above, the Commission modifies the District sphere of influence as follows: (a) Reduction of the District's sphere by approximately 3,000 acres within the northwest sphere territory, making the sphere designation coterminous with that proposed for the City of Highland; (b) expansion to include the territory within the City of Highland boundary and sphere of influence southerly of Third Street, easterly of Alabama Street; (c) expansion to include Parcel B-1C as requested by the IVDA for receipt water and sewer service; and (d) uphold and affirm the balance of the sphere of influence for the East Valley Water District as it currently exists. The sphere of influence as modified is depicted on the map attached to this resolution.

NOW, THEREFORE, BE IT RESOLVED by the Local Agency Formation Commission of the County of San Bernardino, State of California, that this Commission shall consider the territory described on the attached map as being within the sphere of influence of the East Valley Water District, it being fully understood that establishment of such a sphere of influence is a policy declaration of this Commission based on existing facts and circumstances which, although not readily changed, may be subject to review and change in the event a future significant change of circumstances so warrants.

BE IT FURTHER RESOLVED that the Local Agency Formation Commission of the County of San Bernardino, State of California, does hereby determine that the East Valley Water District shall indemnify, defend, and hold harmless the Local Agency Formation Commission of the County of San Bernardino from any legal expense, legal action, or judgment arising out of the Commission's determination of this sphere of influence, including any reimbursement of legal fees and costs incurred by the Commission.

THIS ACTION APPROVED AND ADOPTED by the Local Agency Formation Commission of the County of San Bernardino by the following vote:

AYES: COMMISSIONERS: Bagley, Colven, Pearson, Smith, Williams

Young

NOES: COMMISSIONERS: None

ABSTAIN: COMMISSIONERS: Biane

ABSENT: COMMISSIONERS: None

STATE OF CALIFORNIA) ss.
COUNTY OF SAN BERNARDINO)

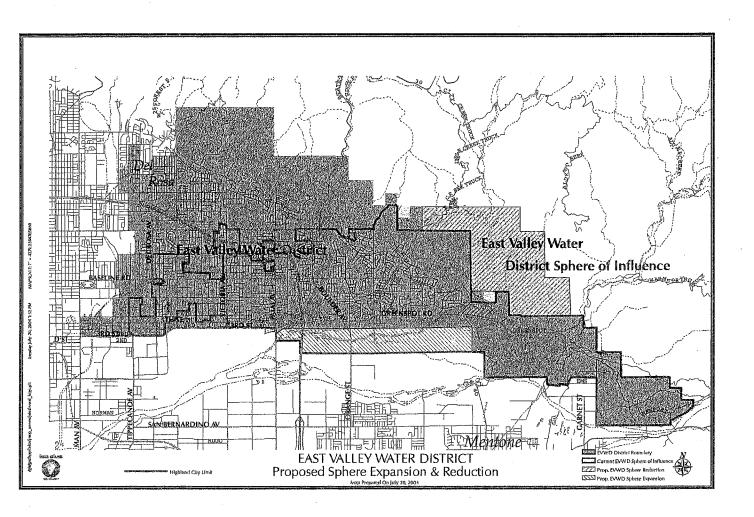
I, KATHLEEN ROLLINGS-McDONALD, Executive Officer of the Local Agency Formation Commission of the County of San Bernardino, California, do hereby certify this record to be a full, true, and correct copy of the action taken by said Commission, by vote of the members present, as the same appears in the Official Minutes of said Commission at its meeting of August 18, 2004

DATED: August 18, 2004

KATHLEEN ROLLINGS McDONALD

SAN BERNAHAMAN

Executive Officer



LEGAL DESCRIPTION "B-1C EAST"

In the City of San Bernardino, County of San Bernardino, State of California, being a portion of "IRP SITE 2" as shown on Record of Survey, filed in Book 113, at pages 15 through 22 of Records of Survey, in said County, described as follows:

Commencing at the northeast corner of Fractional Section 8 Township 1 South, Range 3 West, San Bernardino Meridian; thence South 00° 52′ 21″ East along the east line of said Fractional Section 8 a distance of 50.10 feet to a point on the easterly projection of the southerly line of East 3rd Street (100 feet wide); thence North 87°17′22″ West along said projection, 40.26 feet to the point of intersection of the west line of Alabama Avenue (80 feet wide) with said southerly line of East 3rd Street; thence continuing North 87°17′22″ West along said southerly line, 1074.87 feet to the TRUE POINT OF BEGINNING; thence South 00°34′38″ West, 539.29 feet; thence North 72°42′16″ East, 600.82 feet; thence North 84°56′48″ East, 510.52 feet to a point on said west line of Alabama Avenue; thence North 00° 39′ 59″ West along said west line, 264.86 feet to said point of intersection with the southerly line of East 3rd Street; thence North 87° 17′ 22″ West along said southerly line, 1074.87 feet to the TRUE POINT OF BEGINNING.

Subject to a Grant of Easement to the County of San Bernardino, per Book 4175, Page 390, Official Records of said County.

The land herein described contains approximately 9.20 acres.

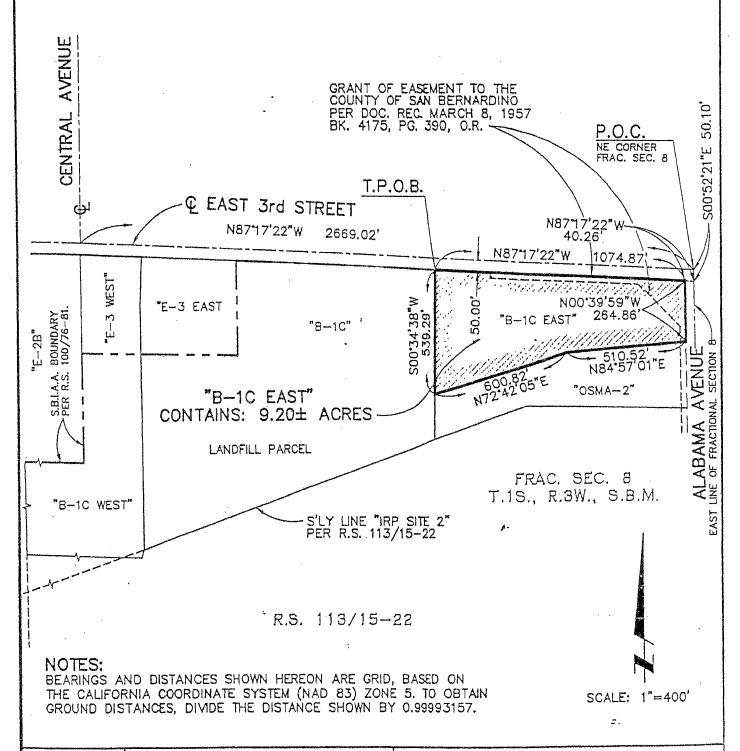
All bearings and distances in this description are grid, based on the California Coordinate System (NAD 83), Zone 5. To obtain ground distances, divide the grid distance shown herein by 0.99993157.

This description and plat predared under my direction:

James John Impiorski, L.S. 4430, Exp. 9-30-81

AE J.N. 92-89-18

₩ Exp. 09/30/05



REVISION	PREPARED BY:	PREPARED FOR:	
		. SAN BERNARDINO INTERNATIONAL AIRPORT AUTHORITY	
	Associated Engineers, Inc. 3311 EAST SHELBY-STREET ONTARIO, CALIFORNIA 91764 TEL: (909)980-1982 * FAX: (909)941-0891	"B-1C EAST"	
a l			

East Valley Water District Letter to
City of Highland Dated January 16, 2015
outlining the Project with
attachments presented to
City Council on January 27, 2015

Attachment 3



EAST VALLEY WATER DISTRICT

LEADERSHIP . PARTNERSHIP . STEWARDSHIP

January 16, 2015

Joe Hughes, City Manager City of Highland 27215 Baseline Highland, CA 92346

Mr. Hughes:

East Valley Water District strives to be a community-centered organization that is devoted to fostering relationships with the community in a manner that allows local businesses and residents to succeed and thrive. Over the last three years, the District has been working diligently to evaluate our community's water supply and sewer system needs, both now and in the future. As a result of our 2012 Master Plan, the District identified areas of significant need in order to address sewer conveyance capacity limitations. As an organization proud to service residents of Highland, in addition to other jurisdictions, we fully understand and appreciate the General Planning efforts of land management agencies, and our responsibility as the water and sewer provider to develop cost-effective solutions in conjunction with these efforts.

Over the past several months the District has completed a Recycled Water Feasibility Study that analyzed several opportunities that could potentially provide solutions to the long and short term challenges we are facing as it relates to water supply and sewer services. This effort considered several aspects of this issue and included an evaluation of various locations of a future Recycled Water Facility. Beyond the infrastructure needs of the community, the development of recycled water locally and regionally is a critical solution to the water supply emergency facing California.

The final feasibility report recommended that the District consider constructing a facility on the property owned by the District at Sterling Avenue between 5th and 6th Streets. This location has several advantages for this use because the elevation is ideal to maximize gravity for transporting the flows, the surrounding land uses are in line with this facility, and it is within proximity to reuse sites.

Recognizing that the goal of this proposed project is to better serve current and future residents of this region, the District understands the importance of collaborating with other agencies charged with serving the same constituents. This project has created opportunities for multiple public service organizations to demonstrate our ability to come together to achieve the missions that we have been



EAST VALLEY WATER DISTRICT

LEADERSHIP . PARTNERSHIP . STEWARDSHIP

entrusted. As a result of these discussions, the District is incorporating the input that we have received, and taking a look at potential improvements that could be considered to enhance the benefits of this effort, including reviewing other locations within East Valley Water District's service area.

An option the District would like the City of Highland and others to consider is an alternate location for the facility, west of the original recommendation. This location would be a combination of property owned by the District, and other parcels currently for sale on Del Rosa Avenue between 5th and 6th Streets, within the City of Highland. The District is confident that the benefits and advantages that were the foundation for recommendations made in the Feasibility Study would also apply to this alternate location. We also believe that there is opportunity for this new location to provide additional benefits to the community.

The District understands that the most successful programs are those that are developed with multiple partners using a cooperative process. With collaboration in mind, we would like to reach out to the City of Highland to invite you to have an increased level of coordination and communication in order to allow our organizations the opportunity to work together to develop solutions to the challenges the region faces.

Attached you will find a map with the current and alternate locations, copies of the Recycled Water Feasibility Study Executive Summary, and the presentation that was presented to the Board of Directors on September 24, 2014. I would request that you review this information and contact me with any suggestions as to how you would like to proceed.

I look forward to your feedback and working closer with you and your staff in the future.

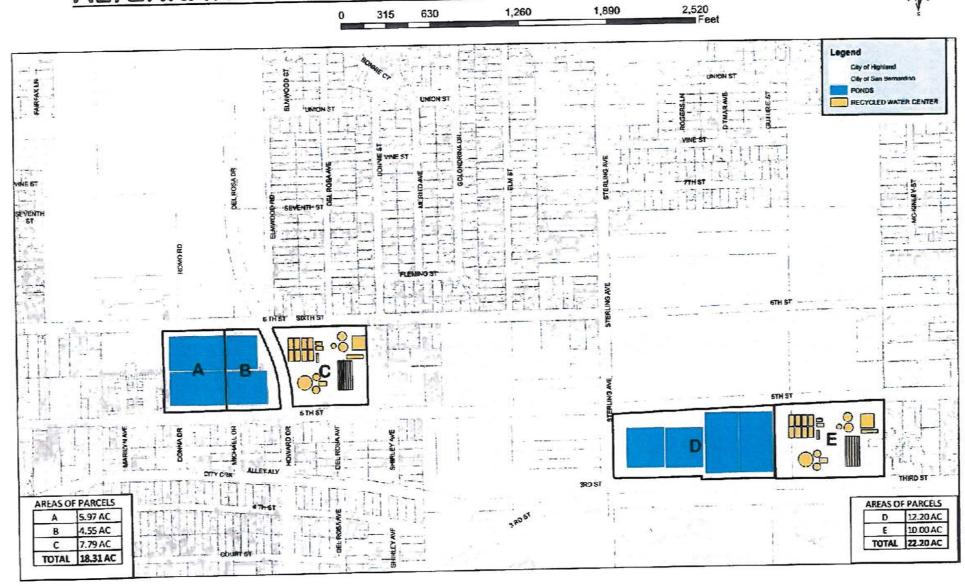
Sincerely,

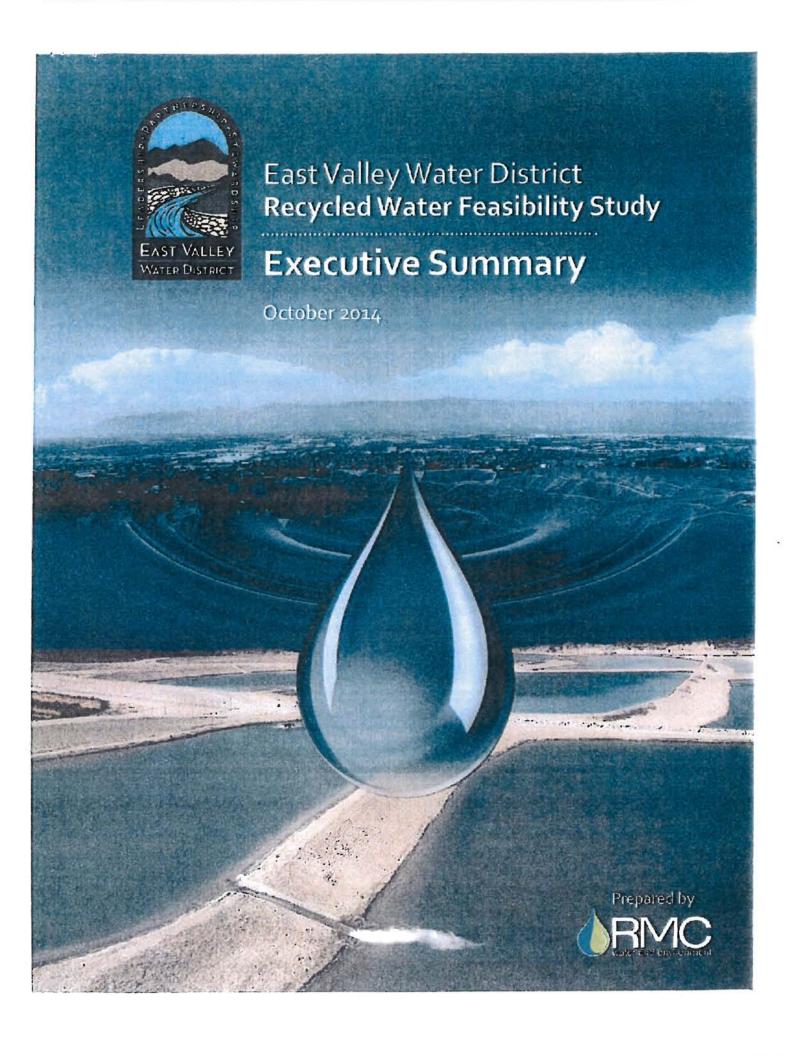
John Mura

General Manager/CEO

ALTERNATE LOCATION FOR RECYCLED WATER CENTER









Executive Summary

The East Valley Water District (District) has a historic opportunity to provide an increased level of service to its customers through implementation of a recycled water program. A recycled water program will provide the District's customers with the following benefits:

- A new, locally controlled, highly reliable source of water to help meet the District's and the region's water supply needs;
- Greater control over the cost of wastewater treatment by bringing that component of service completely under the control of the District; and
- Reduced costs associated with providing long-term service to the existing customer base and reduced cost of connection and service for new customers.

It is recommended that the District initiate a recycled water program to treat all flows collected by the District by constructing the Sterling Recharge Facility. It is recommended that the Sterling Recharge Facility be a Membrane BioReactor (MBR) facility, with the treated flows used for groundwater recharge, providing the greatest benefit to the District's customers. This approach makes the District self-reliant rather than relying on the City of San Bernardino for treatment and disposal.



Unique Opportunity

The timing could not be better for the East Valley Water District to implement the Sterling Recharge Facility. Some of the factors creating the unique timing of this opportunity include:

- California is currently in the third year of severe drought, bringing to light the availability and
 reliability of the District's water supplies. Implementing projects to protect against the impacts
 of future droughts is critical to providing a long-term reliable water supply. The most
 appropriate response for the District is to develop a locally-controlled, sustainable recycled
 water supply.
- California is facing continued challenges and costs associated with importing water through the Sacramento-San Joaquin Delta, including water deliveries to the District's service area. The most appropriate response for the District is to develop a locally-controlled, sustainable recycled water supply that can augment imported water supplies.
- 3. The California legislature has passed historic groundwater management legislation that will bring a greater focus on groundwater management throughout California, including the Bunker Hill Groundwater Basin underlying the District. The most appropriate response for the District is to develop a locally-controlled, sustainable recycled water supply to assist in managing the local groundwater basin.
- 4. The California State Water Resources Control Board has an objective of creating over 1 million acre-feet of recycled water use by the year 2020, and over 2 million acre-feet per year by the year 2030. The State is providing incentivized funding to assist in meeting this goal. The most appropriate response for the District is to develop a locally-controlled, sustainable recycled water supply in support of the State's objective.

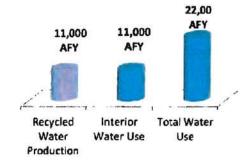




 The California legislature has placed a bond measure on the November, 2014 ballot to provide \$7.5 billion of funding for water development in California. The most appropriate response for the District is to access potentially available funding to develop a locally-controlled, sustainable recycled water supply.

Need for Recycled Water

The District currently relies on the City of San Bernardino to treat its wastewater, which is then discharged to the Santa Ana River. The treated water from the San Bernardino treatment plant is a valuable resource that is not presently available to serve the water supply needs of the District's customers. The Bunker Hill Groundwater Basin, which lies beneath all of the District's service area, has seen declining water levels over the past several years as local runoff has diminished and imported water deliveries have been reduced. In fact, the Bunker Hill Groundwater Basin is at historic lows in terms of the amount of water in the basin.



Recycled water will provide a drought-proof supply equal to the interior water use of the District's customers providing assurance of critical water supply in future droughts

Using recycled water to help recharge the groundwater basin would be a significant local water supply to use to assist in managing the Bunker Hill Groundwater Basin levels and providing a long-term reliable water supply. Further, the recycled water production will be approximately equal to the indoor use of treated water delivered by the District to its customers, providing its water customers with a drought-proof supply for indoor water use.

Avoided Costs

The District's recently completed water and wastewater master plans identified the need for additional water supply and the need for increased wastewater conveyance capacity. Implementing the proposed Sterling Recharge Facility will provide additional water supply and will reduce the level of required investment in wastewater system conveyance improvements. The estimated savings to the District's customers in the required level of wastewater infrastructure improvements is estimated to be approximately \$20 million.

Why Groundwater Recharge?

Groundwater recharge was found to be the most appropriate use due to a number of factors, including lower cost, increased local water supply, and long-term benefits to the District's customers. Other uses of recycled water were evaluated, but were found to be less advantageous.

The use of recycled water to replenish groundwater basins has been successfully implemented throughout Southern California since the early 1950s. The use of recycled water for groundwater recharge is regulated by the State of California, who earlier this year adopted a new set of regulations





for increased recycled water use, paving the way for increasing the use of recycled water for recharging groundwater basins and improving water supply reliability.

Implementing the Sterling Recharge Facility would provide a reliable local water supply for the region and help offset the need for increased amounts of imported water. Some of the key benefits that would result from using recycled water for groundwater recharge are summarized in the table below.

Key Benefits of a Groundwater Recharge Program

Benefit Category	Benefit Description
Water Supply Reliability	Provides new source of water supply that is reliable, "drought-proof," and locally- controlled Diversifies regional water supply portfolio
Resource Management	Provides year-round beneficial use for recycled water Promotes highest and greatest beneficial use of recycled water
Integration/Synergies with Other Practices	Augments current groundwater recharge practices employed by the San Bernardino Valley Municipal Water District
Consistency with State Goals and Objectives	Embraces State guidelines and policies relative to recycled water, groundwater management, and diversification of water supplies

What are the Options?

Three fundamental approaches for meeting the District's wastewater treatment needs were evaluated:

- Continue to send all of the District's flows to the City of San Bernardino
- Treat 60 percent of the District's flows at a new plant located on Sterling Avenue
- Treat all of the District's flows at a new plant located on Sterling Avenue

These three fundamental approaches were evaluated on a comparative cost basis over a 20-year planning period. The results showed that there is a clear advantage to the District's customers if the

District the Sterling Recharge Facility and treats all flows.

If the District were to continue to send flows to San Bernardino, costs would increase approximately 24% over the next 20 years, as compared to increasing only 7% over the same period of time if the District constructs a plant and treats all flows. Furthermore, there is a similar advantage to the cost per EDU (Equivalent Dwelling Unit) for future connections if the District treats all flows.

Project Option	Comparative 20-Year Cost Increase
All Flow Treated by City of San Bernardino	24%
60% of Flow Treated by District	19%
All Flow Treated by District	7%

Treating all flows provides the least increase in cost of the three options available to East Valley Water District

clear

This relative comparison of costs has assumed the cost of treatment by the City of San Bernardino does not increase over the next 20 years, and that the value of the recycled water similarly does not increase over the next 20 years. Both of these assumptions are conservative in their nature and therefore reinforce the conclusion that the least cost option is for the District to implement a recycled water program.





Value of the Created Resource

Recycled water will constitute a new water resource for the District. The value of this resource is best established by comparing it to the existing cost of California State Project Water. The current cost of State Project Water (2014) is \$662 per acre-foot, delivered to the East Branch turnout near Highland, California. The cost of State Project Water will increase in the future due to a number of factors, including the cost of the Delta fix, currently known as the Bay Delta Conservation Plan (BDCP). A 10 MGD plant flow will generate approximately 11,200 acre-feet per year of water with a relative current annual value of approximately \$7.4 million.

Proposed Project

The proposed project consists of constructing an MBR-based recycled water treatment plant, associated pipelines and pumping stations, with recharge to the groundwater basin. Several facility sites were evaluated for use and ranked based on specific criteria. The District-owned property located at Sterling and 5th Avenues, adjacent to the San Bernardino Airport, has been selected as the most appropriate site for the proposed facility. The site lends itself well to potential multi-beneficial development options, which will be explored during project implementation.

The Sterling Recharge Facility would be constructed on a District-owned parcel of land, located at Sterling Avenue between East 5th Street and East 3rd Street. Approximately half of the service area flows would be intercepted at the intersection of East 6th Street and diverted to the new treatment plant. The remaining portion of the service area flows would be captured at the low end of the collection system and pumped east along East 5th Street to the new treatment plant.

Recycled water is a valuable resource.

- A 10 MGD plant will produce 11,200 acre-feet per year
- An acre-foot of State Project Water costs \$662
- The value of 10 MGD of water is \$7.4 million per year



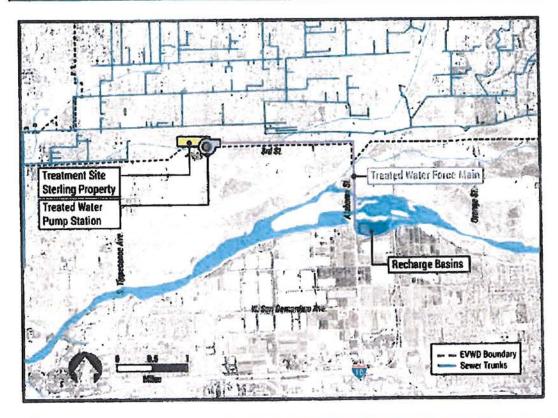
The proposed site is owned by the District and is located adjacent to the San Bernardino Airport.

The treatment plant would utilize the most advanced technology – Membrane BioReactors (MBR) - to produce

disinfected tertiary Title 22 recycled water that would meet all applicable requirements for recharge into the Bunker Hill Groundwater Basin. Recharge is proposed to be through existing recharge basins, facilitated by cooperating agreements between the District and the owners of the existing basins.





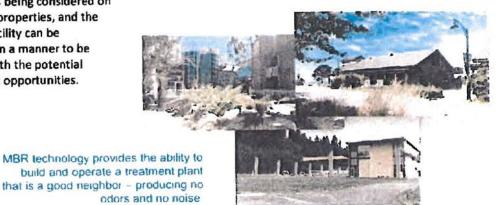


The proposed project includes a new treatment plant located near Sterling Avenue on District property

Consistency with the Community

An MBR treatment facility utilizes the most up-to date technology available. Use of this technology lends itself to making the treatment facility a good neighbor in any neighborhood due to the smaller foot-print of the treatment process, which provides the ability to enclose the treatment facility to eliminate odors and noise impacts to the surrounding community. The proposed plant location is adjacent to the San Bernardino Airport. There are numerous commercial/industrial development apportunities being considered on

surrounding properties, and the treatment facility can be constructed in a manner to be consistent with the potential development opportunities.





Similar treatment plants have been constructed and are in use in communities throughout the country. District officials visited three similar facilities — a demonstration facility in Anaheim, California, and two treatment plants near Seattle, Washington—the Lighthouse Plant and the Brightwater Plant. All three of these facilities produce high-quality recycled water with no odor or noise impacts to the surrounding community.

A similar approach can be utilized for the East Valley facility. The Sterling Recharge Facility can be designed to:

- · Be consistent with developments surrounding or near the proposed facility site;
- Be a multi-use site, where other development could be made on the District's existing land in concert with a new treatment plant;
- Be designed to produce no odors or noise;
- · Be aesthetically pleasing; and
- Provide opportunities for community uses such as meetings, training, classrooms, and similar uses.

Community Involvement

The District has conducted and will continue to conduct an extensive community outreach program for the Sterling Recharge Facility project. Monthly workshops were conducted to Inform the Board and the public about the project, the project issues, opportunities, and recommendations.

The District conducted community forums, provided information in the newspaper, in mailers, and on its website to assist in informing the public about the challenges facing the District and the opportunity that can be afforded by implementing a recycled water program.

The District conducted a public tour of the Anaheim Water Recycling Demonstration Facility. The City of Anahelm facility is located adjacent to City Hall and employs the same MBR technology that is being recommended for East Valley Water District.



Economic Benefits

Investment in the Sterling Recharge Facility recycled water program will result in additional benefits to the local economy. According to estimates provided by SRRI, a group associated with the Sacramento Area Commerce and Trade Organization, a \$1 million investment in infrastructure and public works projects generates an additional \$825,858 of output through indirect and induced activities. Constructing the Sterling

The District conducted an extensive outreach program to inform the community and to receive input to the planning process.

The financial benefit to the local economy from construction of a recycled water treatment plant is estimated to be \$215 million.

Recharge Facility, with a capital cost of approximately \$118 million, would have an added local economic benefit of \$97 million, providing a net financial benefit of \$215 million to the local economy. Further,





according to the SRRI estimates, construction of a new facility would generate over 800 direct construction jobs, and over 1,400 total new jobs.

Budgetary Cost Estimate

The following table summarizes the estimated costs for each major component for the proposed project. These estimates are budgetary cost estimates and should be refined as project planning progresses. Costs presented below are based on the ultimate plant capacity of 10 MGD.

10 MGD Project Budgetary Cost Estimate

Project Components	Estimated 10 MGD Project Cost	
Water Reclamation Plant	\$103.3 M	
Treated Water Conveyance System	\$15.2 M	
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Implementation of the Sterling Recharge Facility will be phased. The existing flows from the entire District are approximately 6 MGD, necessitating a minimum initial plant capacity of 6 MGD. Projected flows will require increases in the treatment plant to a future capacity 10 MGD. The initial treatment plant capacity and associated phasing will be refined during the next phase of the project. Presented below are the budgetary cost estimates of an initial 6 MGD treatment plant that can be expanded to a future 10 MGD capacity. Under this scenario, the treated water conveyance system is constructed to accommodate the full projected flow of 10 MGD.

6 MGD Project Budgetary Cost Estimate

Project Components	Estimated 6 MGD Project Cost	
Water Reclamation Plant	\$61.4 M	
Treated Water Conveyance System	\$15.2 M	
Total Second Control	V6 4 0	

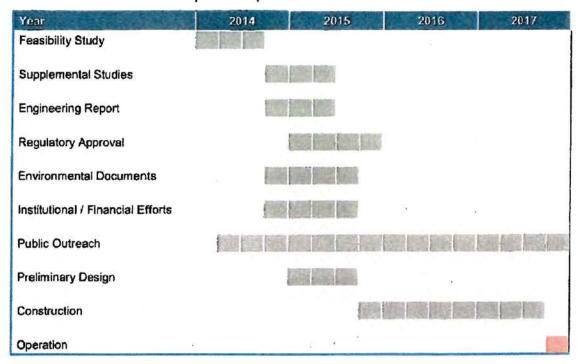
Implementation Plan

Implementation of Sterling Recharge Facility will require numerous activities – permitting, environmental reviews, financial evaluations, engineering development, and ultimately construction and initiation of operations. The timeline requires a focused, parallel approach to permitting, environmental compliance, and preliminary design.





Proposed Implementation Timeline



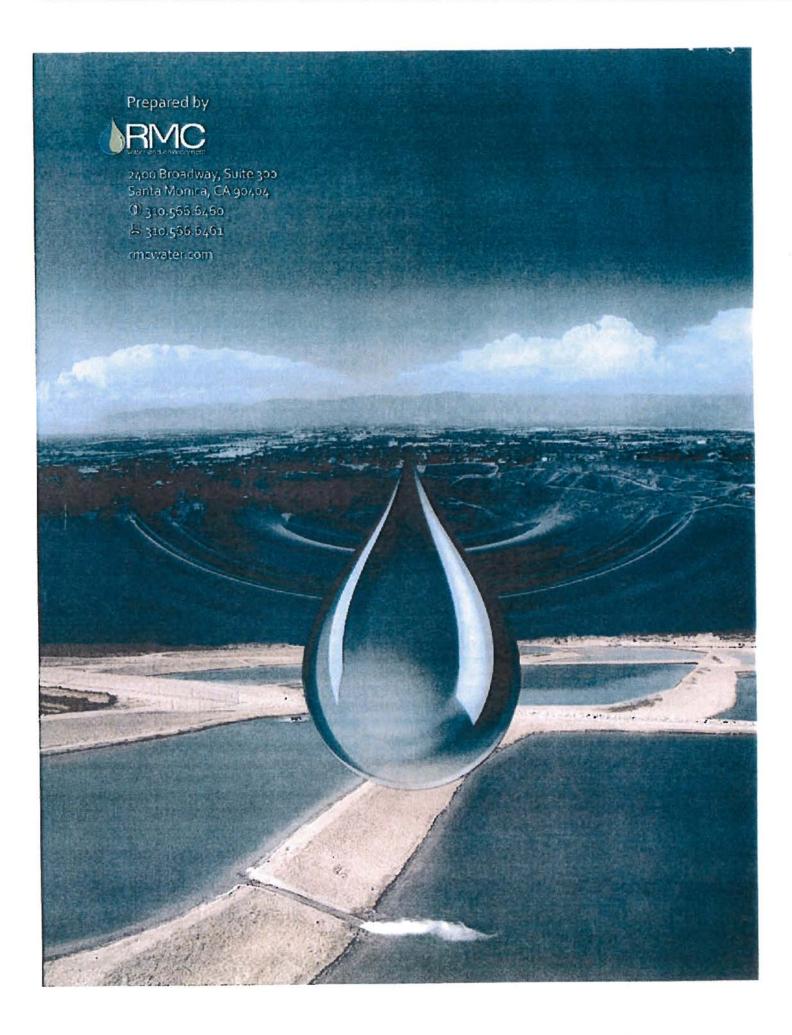
Conclusions

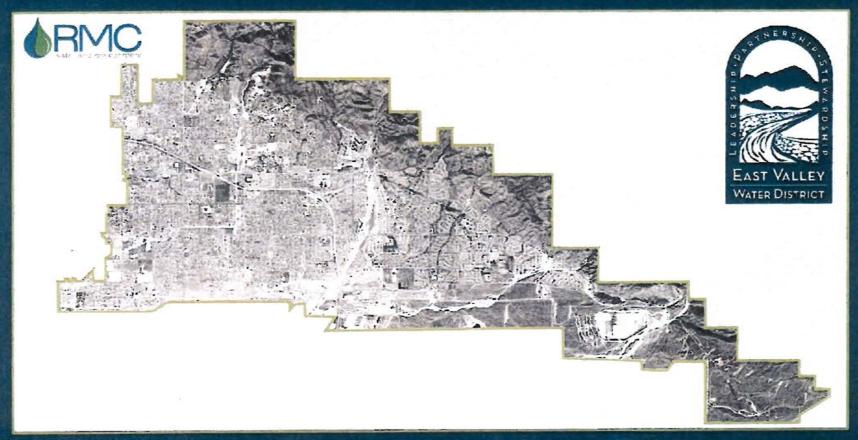
Implementing Sterling Recharge Facility recycled water program will provide the District a valuable water resource benefitting all District customers and the region overlying the Bunker Hill Groundwater Basin. Utilizing recycled water for groundwater recharge will augment current recharge activities in the basin and will avoid costs associated with the City of San Bernardino continuing to providing wastewater treatment. Cost savings associated with upgrades to the District's wastewater collection system will partially offset capital and annual operations and maintenance costs associated with implementation of the proposed project.

Implementing the Sterling Recharge Facility will result in the lowest cost for wastewater treatment to existing District customers and the lowest incremental cost for new customers connecting to the District's system. Further, during construction, the proposed project would provide an estimated \$185 million economic benefit to the local economy and would generate over 1,400 new jobs.

Finally, the addition of a new, locally-controlled and highly reliable water supply will have an annual economic value of up to \$7.4 million.







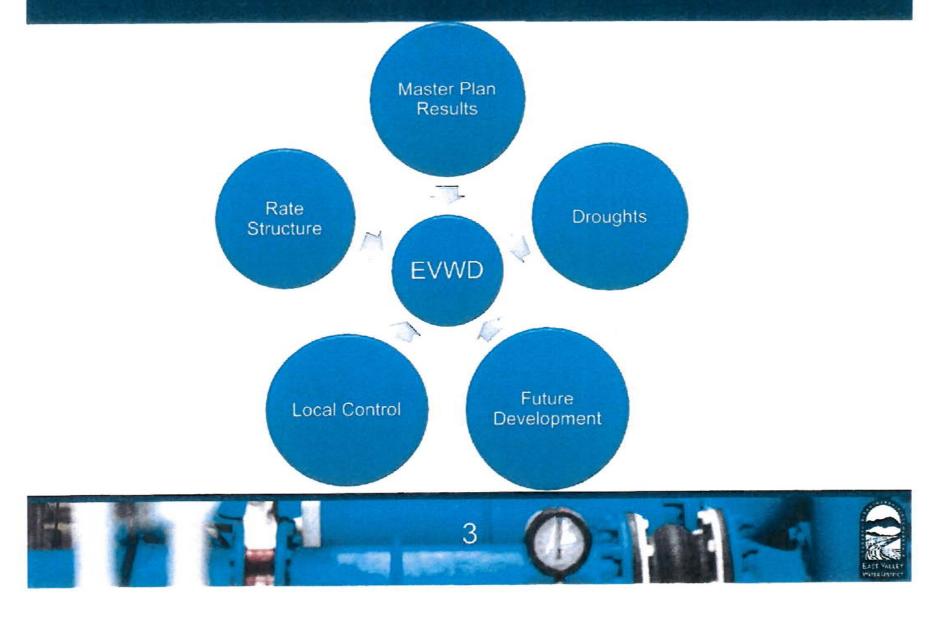
Water Reclamation Plant Feasibility Study Executive Summary

Current Capacity vs. Long-term Needs **Current System Capacity** ■ Current Usage: 26,530 Units Remaining: 220 Units

Approximately 6,000 units have been included in approved Land Use Agency Master Plan documents.



Challenges We Face Today



Weighing the Policy Considerations



CONTINUE WITH TREATMENT AT SAN BERNARDINO

No new water supply

Reliance on City of San Bernardino

Higher CIP pipeline costs

TREATMENT BY EAST VALLEY

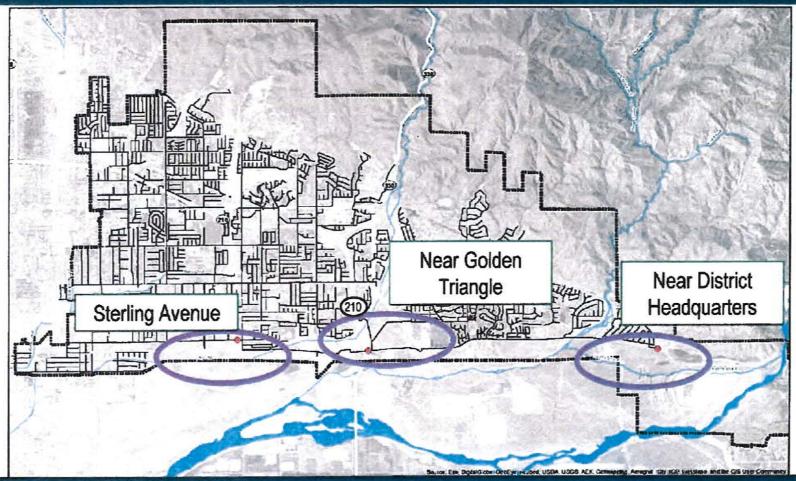
New water supply

Improved local control

Reduced CIP pipeline costs



Evaluated Three Potential Plant Locations



Evaluation Lead to Selection of Sterling Avenue Site

	Near Headquarters	Near Golden Triangle Area	Sterling Between 3 rd and 5 th
Available Flow	0	0	
Land Uses	0	0	
Impacts to Community	0	0	
Energy Impacts	0	0	
Site Availability		0	
Proximity to Reuse Sites	0	0	0
Proximity to Recharge Sites			

Relative Lower Ranking
 Relative Higher Ranking



Evaluation of Potential Recycled Water Uses

	Urban Irrigation	Commercial/ Industrial	Groundwater Recharge
Infrastructure Requirements	0		
Full Use of Available RW	0	0	
Ease of Implementation	0	0	
Cost to Implement	0	0	

- O Relative Lower Ranking
- Relative Higher Ranking



Evaluation Focused on Three Options

Make System Improvements,
All flow continues to San Bernardino

1.

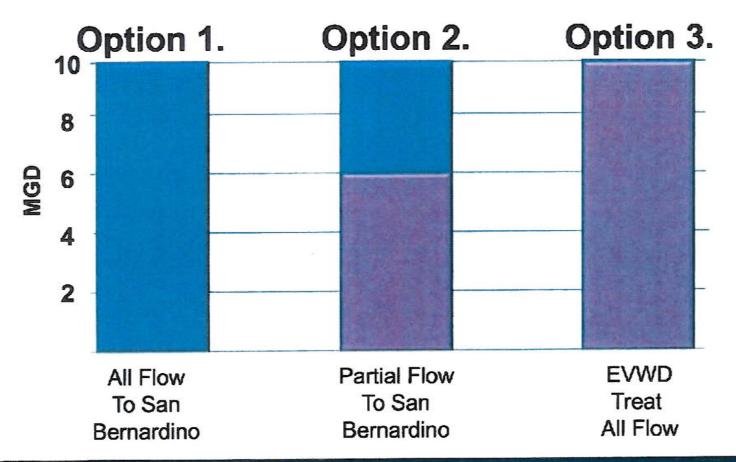
New Plant at Sterling, treat flows from East of Sterling only Remaining flow continues to San Bernardino



3. New Plant at Sterling, treat all District flows



The Treatment Options Require Different Plant Capacities





Comparing the Options

- Capital Cost
- Annual Operations and Maintenance Cost
- Value of Water Produced
- 20-year total cost analysis
- Cost must be allocated between existing and new connections

Relative Comparison of Available Options Indicates Treatment of All District Flows is Best Option

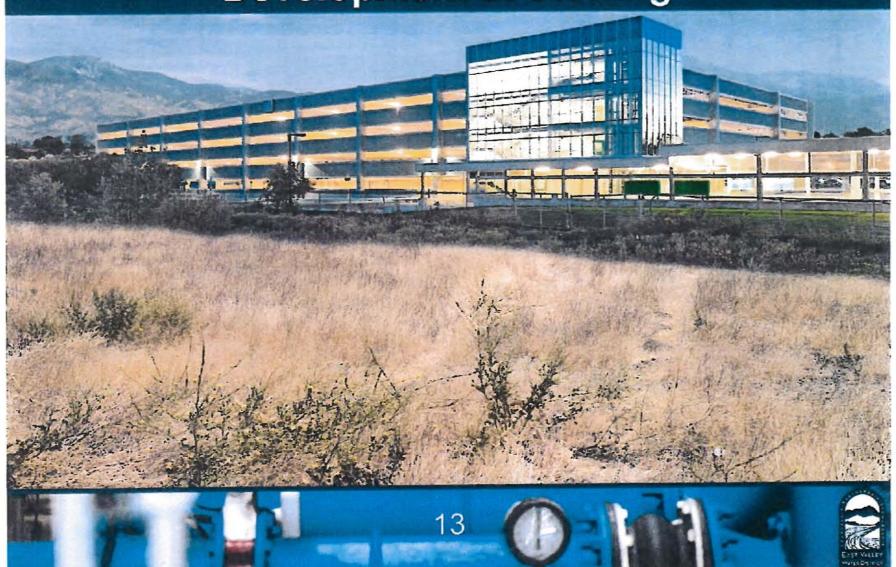
	1. All Flow to San Bernardino	2. Partial Treatment at Sterling	3. Treatment at Sterling for Entire District
20-yr Cost to EVWD for Treatment at San Bernardino	\$221 Million	\$136 Million	æ
20-yr Cost for Treatment by East Valley		\$120 Million	\$200 Million
20-yr Cost of New Treatment Facility		\$61 Million	\$103 Million
20-yr Cost of Infrastructure to EVWD	\$34 Million	\$29 Million	\$45 Million
20-yr Value of Water to East Valley	-	(\$89 Million)	(\$148 Million)
Percent Increase to Existing Cost	24%	19%	7%

Costs represent total costs over 20 - years of operation

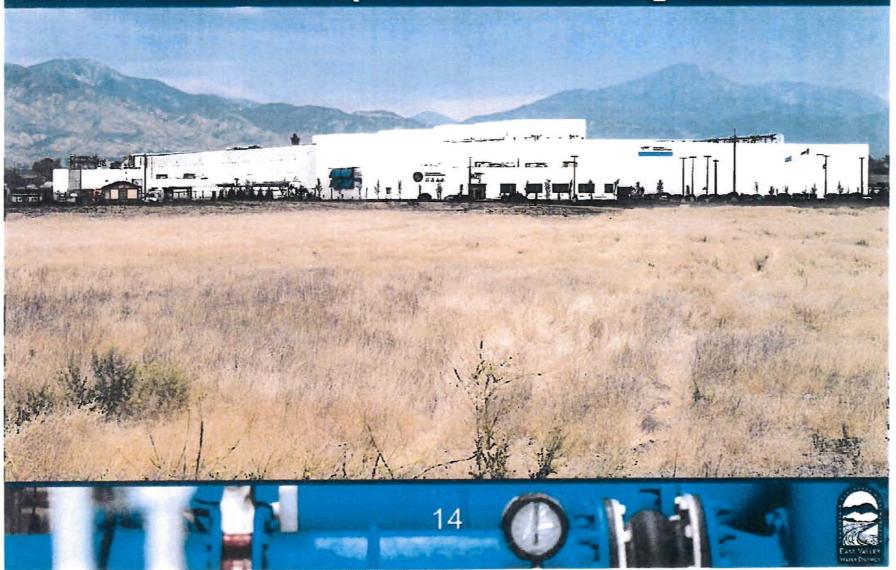
Impacts to New Development -Relative Comparison

New Development Costs	1. All Flow to San Bernardino	2. Partial Treatment at Sterling	Treatment at Sterling for Entire District
Capacity Cost for 4 MGD Treatment at San Bernardino	\$30.1 Million		
Treatment Impact of Future Demands		\$34.4 Million	\$41.3 Million
Collection System Impact of Future Demands	\$34.6 Million	\$17.5 Million	\$8.9 Million
Estimated Cost per EDU	\$7,525	\$6,800 -\$725	\$5,840 -\$1,685

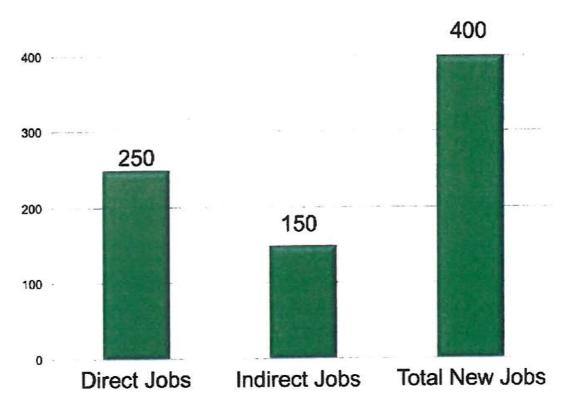
There are Opportunities for Multi-Use Development at Sterling



There are Opportunities for Multi-Use Development at Sterling

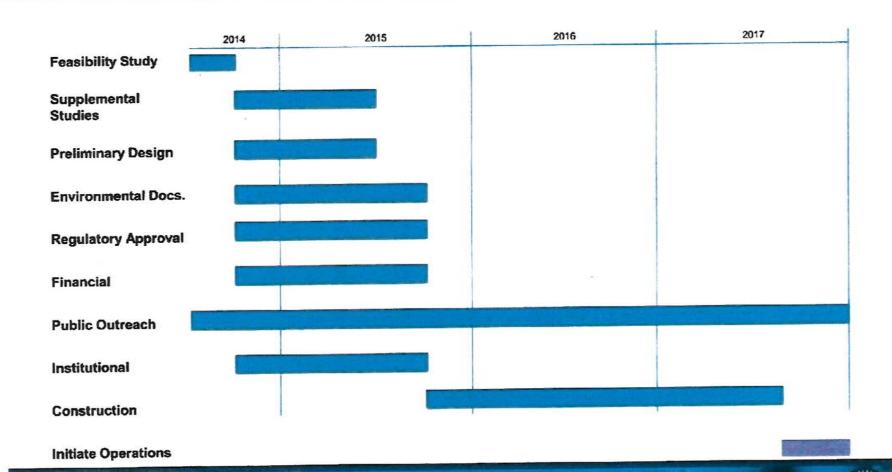


Potential Job Creation from 10 MGD Facility and \$100 to \$120 Million Capital Investment



Job creation estimates based on information from the Judicial Council of California

Implementation Will Require Numerous Concurrent Tasks



Reaching Out to the Community

- 6 Public Workshops/Meetings
- 5 Monthly Print Advertisements
 - Ran a total of 11 times
- 5 Monthly Bill Inserts
 - +110,000 pieces
- 7 Newspaper Articles
- Website Content
- Neighborhood Meetings by Request
- Tours

