

**LOCAL AGENCY FORMATION COMMISSION
COUNTY OF SAN BERNARDINO**

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DATE: JULY 8, 2002
FROM: JAMES M. RODDY, Executive Officer
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #4: LAFCO #2891--Service Review and Sphere of Influence Update for the Inland Empire Utilities Agency

INITIATED BY:

San Bernardino Local Agency Formation Commission

RECOMMENDATION:

1. Determine that LAFCO #2891 is statutorily exempt from environmental review, and direct the Clerk to file a Notice of Exemption within five days;
2. Make findings related to a service review required by Government Code Section 56430, determine that the existing sphere of influence for the Inland Empire Utilities Agency should not be changed; and,
3. Adopt LAFCO Resolution #2739 setting forth the Commission's findings and determinations on this issue.

BACKGROUND INFORMATION:

The Inland Empire Utilities Agency has submitted information in response to Government Code Section 56430 (service review factors) and has indicated that it does not propose any sphere of influence changes pursuant to Government Code Section 56425. Staff has reviewed these service review factors and sphere of influence issues with the Agency, and supports the Agency's position. Staff will provide oral comments at the July hearing to more fully respond to the service review/sphere review issues, and recommends that the Commission adopt the attached

draft resolution setting forth the findings and determinations required by law.

Attachments:

1. Submittal from the Inland Empire Utilities Agency
2. Draft Resolution for the IEUA service review/sphere update
3. Response from Tom Dodson and Associates

**Submittal from the
Inland Empire Utilities Agency**

Attachment 1



IEUA's 50th Anniversary Logo

Executive Summary and Errata

ES

IEUA

EXECUTIVE SUMMARY AND ERRATA

Originally sent out under a separate cover, a draft of the Fiscal Period 2000/2001 through 2009/2010 Ten-Year Capital Improvement Plan (TYCIP) was distributed to the Inland Empire Utilities Agency's (IEUA) Board of Directors and Regional Technical and Policy Committees. This section summarizes the report that was sent out, points out clarifications in the text and summarizes responses to comments made during the presentation of the report to the Committees and Board. This section also highlights erratum that have been made to the text and tables of the Draft report dated March 5, 2001.

A summary of the minutes of the IEUA Board of Directors and Regional Committee's - related to the approval of this TYCIP - have been included in Appendix C. Likewise, the Resolution's adopting the TYCIP and establishing the Reimbursement Payment are included in Appendix D.

BACKGROUND

A TYCIP is prepared each year to identify capital spending requirements needed to meet IEUA's contracting agencies ten-year growth forecasts and compare the expected cost against the forecasted revenue. This allows projects to be prioritized and the capital connection fee (Reimbursement Payment) to be adjusted to meet the identified needs of the system by the Regional and Elected representatives who oversee IEUA.

New to the TYCIP this year is a preview of the proposed Five-Year Capital Plan/Budget (FYB). This expands on last year's two-year budgeting effort. The purpose of the five-year budget is to better identify projects that will need to be done and assess their effects on the capital connection fee. It also will allow the IEUA and its contracting agencies to prioritize work more efficiently through better coordination between the TYCIP and the Adopted Budget.

REGIONAL CAPITAL IMPROVEMENT PLAN

This year's TYCIP calls for \$252-million in expenditures, over the next ten-years, to maintain or upgrade the Regional Sewage System. This is a reduction of \$22-million from last year's capital program cost of \$275-million. This reduction in spending includes modest increases in "non-expansion" projects (\$9-million) and large reductions in "expansion" projects (\$31-million). Generally, this reduction is attributable to a lower growth forecast, which will require fewer

facilities and defer the need for additional treatment capacity.

This year's growth forecast is projected to result in a system-wide wastewater flow of 69.5 mgd, or a decrease of 8 mgd from last year's growth forecast of 77.5 mgd, at the end of the TYCIPs planning window. As a result, the need to complete an expansion of RP-1 has been delayed by one year (FY 2010/2011) and the initiation of additional expansions at RP-1 and RP-5 has been deferred. System-wide capacity will be 76.2 mgd, with the completion of the first phase of RP-5. This will provide ample capacity to treat the forecasted total system flow of 69.5 mgd, provided, accelerated growth in areas tributary to an individual regional plant does not necessitate a required expansion earlier than has been forecasted by the TYCIP.

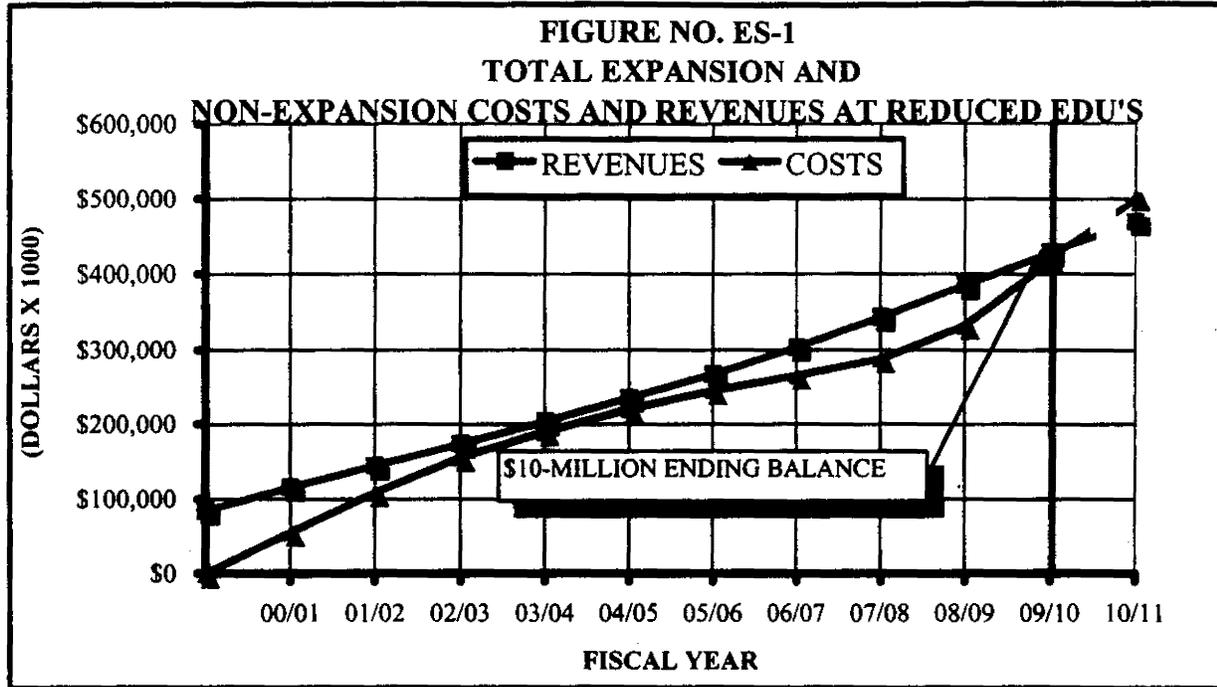
Generally, increases have been proposed for "non-expansion" projects that focus on treatment plant reliability and safety. Work on energy efficiency/reliability and digester improvements are estimated to increase program costs by \$9-million. Major non-expansion projects include:

RP-5/Chino Interceptor/Maintenance Building ("non-expansion" portion);
RP-1/RP-2 Digester Work;
Energy Efficiency and Reliability Work;
RP-1 Odor Control; and
TP-1 Chlorine Replacement.

Offsetting modest increases in the "non-expansion" projects are large reductions in the "expansion" program due to progress on continuing projects and a reduced growth forecast. Generally, net reductions on RP-5 ("expansion" portion of this project is 10 mgd) and the completion/elimination of pipeline conveyance projects, reduce costs by some \$16-million. Further, a reduced growth forecast (25,000 equivalent dwelling units (EDU) less than last year) delays the need for secondary expansions at RP-5, RP-1 and other miscellaneous expansion projects beyond the TYCIP. This results in a further net reduction of \$15-million. Major "expansion" projects include:

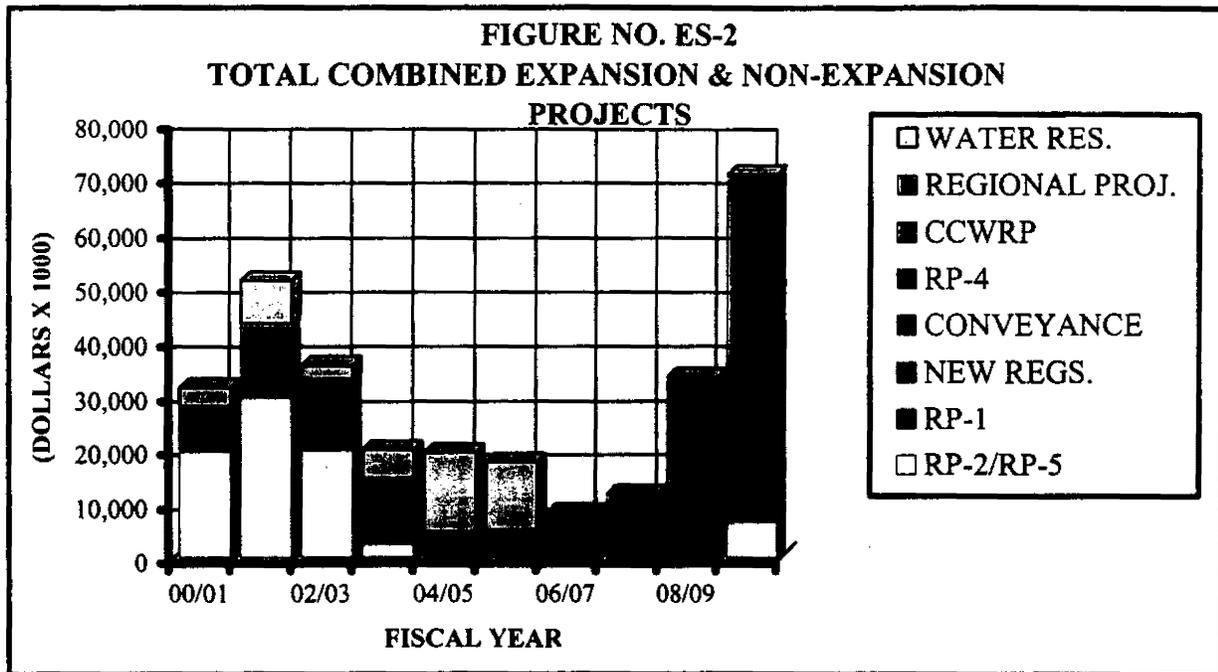
RP-5/Kimball Interceptor/RP-5 Maintenance and Operations Building ("expansion" portion);
RP-1 Expansion;
Pipeline Conveyance Facilities.

Overall, this year's growth forecast and spending plan results in a positive final balance of \$26-million, at the end of the TYCIP. However, if projected to year eleven, the fund balance drops below zero. To test the susceptibility of the TYCIP to a reduced level of growth, the growth forecast of 5,300 EDU's per year was reduced to 4,500 EDU's over the period of the FYB (Fiscal Period 2001/2002 through 2005/2006). The net result is a reduction in the programs ending balance from \$26-million to \$10-million with no single year's balance dropping below \$5-million (Figure No. ES-1). However, if EDU growth should drop below the reduced EDU yearly average of 4,500 EDU's, Water Resources projects would be delayed until sufficient revenues became available through increased growth, grants, or other financial increases/offsets. Likewise, if revenues are greater than forecasted, additional projects could be pursued.



Overall, “non-expansion” program, “expansion” program and transfers for Water Resource projects are estimated to cost \$286-million over the course of the Ten-Year Capital Improvement Plan (Figure No. ES-2). Project costs are generally dominated by the construction of RP-5 (Fiscal Period 2000/2001 through 2003/2004) and the start of the RP-1 expansion (Fiscal Period 2004/2005 through 2009/2010). Also shown (FY20009/2010), is the possible need for the RP-2 liquid side demolition. Overall transfers for Water Resource projects are dependent on sufficient revenues being available to fund required Regional Sewerage projects. As indicated, approximately \$46-million could be transferred to Water Resources between Fiscal Period 00/01 and 05/06. Not shown, however are expected reciprocal payments, starting in FY 2006/2007, that would return \$13-million to the Regional Capital Fund.

Finally, the identified financing for the Regional Program is adequate to fund the capital improvement program (CIP) outlined in the TYCIP with some future inflation adjusted increases in the reimbursement payment. Although no additional borrowing is indicated during the ten-year CIP time-frame, it is recommended that the reimbursement payment be increased to \$3,660 per EDU for FY 2001/2002 (included in the TYCIP), to match the rate of construction inflation noted over this past year (3.6 percent increase), to reduce the likelihood of borrowing in during the TYCIP.



OTHER IEUA PROGRAMS

Other IEUA programs contained in the CIP include the Non Reclaimable Wastewater System (NRW System), the Co-Composting Project and the Water Resources Program. The chapter dealing with the NRW System (Chapter 3) assumes that transfers from operating revenues will be sufficient to finance the program over the next ten years. As noted in last year's program, an evaluation of the programs financial viability was conducted over this past year. The findings of this study recommended that: (1) the NRW system should be regionalized; (2) The Regional System should bear the cost of maintenance of the NRW System; and, (3) Industrial customers should be encouraged to use less expensive recycled water to off-set the cost of using the NRW System. To begin implementing these recommendations, the IEUA Board of Directors approved a 10 percent rate reduction in both capacity and volumetric fees for the NRW system and is currently investigating implementing the pre-mentioned proposals to make connections to the NRW System more financially attractive.

The Chapter dealing with the Co-Composting project (Chapter 4) outlines a plan to continue operations at the existing site. At this time, no costs have been included for relocating or modifying this site. It has been assumed that any move to a new site(s) would be revenue neutral. However, upon completion and adoption of the Organics Management Center Business Plan - identifying future organics management facility needs - program modifications will be added to the plan.

Transfers of \$34-million (net Water Resource Transfers plus Administration Costs) will be provided to the Water Resources Program from the Regional Capital Improvement Fund (RC). In

addition, the RC will forgive the repayment of the Carbon Canyon Reclaimed Water Distribution System loan at an approximate cost of \$6-million. To help pay for the remaining Water Resources CIP costs of \$110-million, numerous grants and other funding programs have been identified as follows:

SAWPA/SWRCB Grants (Proposition 13)	15-25%
Federal (USBR Grants)	25%
MWP LPP Rebate	\$154/Acre-foot

Loan repayments from member agencies for local, lateral and customer retrofit financing, interest income, and other miscellaneous income are anticipated to provide the remaining \$6-million needed to balance the program's costs with revenues.

POINTS OF CLARIFICATION AND ERRATA

This section provides clarification, modifications to text and further explanation to questions/comments made at the IEUA Board Meeting of April 4, 2001, the Regional Technical Committee of April 5, 2001 and the Regional Policy Committee of April 12, 2001. A summary of the minutes of these meetings is presented in Appendix C, at the back of this report.

IEUA Board of Directors (April 4, 2001 Meeting)

The Board of Directors at IEUA indicated that their preference is to increase rates (Reimbursement Payment) gradually to account for construction inflation and to limit the need to borrow money in the future. This is easier to live with than one large rate increase. This idea is articulated within the TYCIP, which gradually increases the Reimbursement Payment by the rate of construction inflation.

When comparing IEUA's Reimbursement Payment with other regional wastewater agencies, it is noteworthy that the Payment tends to be lower than other similar agencies (to tertiary treatment). The reasons for this are many, however, other agencies may need to construct large collection systems whereas IEUA's contracting agencies cover this cost. It is also important to note that those agencies that are experiencing rapid growth – IEUA included – tend to increase this fee more rapidly and have higher connection Reimbursement fees than those whose growth has stabilized. This would appear to be due to the need to build new capital facilities to accommodate the new growth.

Currently IEUA is moving forward with a Northern Service area Master Plan. The purpose of this Plan is to: (1) identify facilities that will need to be replaced/upsized; (2) determine where the next treatment plant expansion will need to take place; (3) evaluate current wastewater site capacities;

and (4) determine if additional land will be needed for wastewater treatment in the future. As the findings of this study are reviewed/approved, any changes in the capital program will be incorporated into the TYCIP.

For the purpose of developing the TYCIP, facility sizing and cost have been based on current technology. It is quite possible, however, that future technology will be better, less intrusive, require a smaller footprint and cost less. As such, IEUA will continue to evaluate technology through the planning, engineering and construction phases of projects to provide the most cost effective and least intrusive projects for future needs. However, as a point of convention, the TYCIP is based on projected future incremental facility sizing needs at the most cost effective technology (based on identified future regulatory costs) available at the time of preparation of the TYCIP, each year. In the future, IEUA will continue to endeavor to identify technologies that will be evaluated as part of projects that are planned for the future in the TYCIP and will attempt to qualify/quantify technologies used today, which should be made a part of the planning management strategy for doing business differently at the end of the ten year planning period.

For the purpose of this TYCIP, the proposed Organics Management Center's costs benefits have not been included in this Plan. This is because probable costs and alternatives were not fully evaluated at the writing of this report. However, if implemented, it is assumed that going forward with the Organics Management Center will pay for itself and meet a benefit /cost evaluation. It will also benefit the Regional Program by providing a cost effective method for bio-solids disposal. When revenues and probable alternatives are identified, costs will be incorporated into the TYCIP for review and approval by the Board of Directors and the Regional Committee's.

With the need to dispose of the Agencies biosolids and the effects of manure and green waste products on the environment, it is critical that the value and relative costs of organics disposal be addressed in the Plan of the future. There are more than 350,000 dairy cows and calves in the Chino Basin dairy area – the largest concentration of cows in the state. These cows directly affect the water quality of the underlying groundwater basin through groundwater impacts associated with the leaching of salts into the groundwater and the unintended runoff of manure to the Santa Ana River during storms. Likewise, disposal of biosolids has become more difficult/expensive with many counties outlawing the direct land application of class B biosolids. Finally, with state regulations that require the reduction of green waste from the States landfills, solutions to this growing local problem need to be found.

IEUA has developed an organics management plan to address these issues. Secondary benefits to addressing the pre-mentioned issues include: Better air quality from the removal of manure with reduced truck trips conveying this material out of the local water basin; Lower regional operations and maintenance cost of IEUA treatment facilities through the generation of clean, renewable biogas to run the Regional treatment plants while creating secondary markets for fertilizers; and reduced costs for the Desalter operation by limiting salts that go into the groundwater.

Regional Technical Committee (May 5, 2001 Meeting)

In the TYCIP, IEUA has assumed that it will operate its Regional Plant No. 4 (RP-4) and Carbon Canyon Wastewater Reclamation Facility (CCWRF) as scalping plants to minimize the amount of capital capacity that needs to be constructed in the future. This means that these facilities would be run at full capacity with additional flows, above their rated capacity, being by-passed to RP-1 and RP-2/RP-5. Additional capacity would then be added at these lower gradient plants until sufficient flow were available at the scalping plants to allow expansion and total utilization of these facilities. This methodology has been utilized since it requires the least amount of capital facilities while assuring that if growth does not materialize where it is projected (RP-4 and CCWRF), capacity for the Northern and Southern Service Areas is sufficient to provide for the growth forecast.

An alternative that will be looked at in the Northern Service Area Master Plan would divert more flow to RP-4 - to optimize recycled water distribution - and construct the next expansion at that site.

RP-1 would act as a scalping plant, which would necessitate the eventual construction of a by-pass to RP-2/RP-5 to optimize system capacity. Under this scenario, expansions would take place at RP-4 and RP-5 with expansions being constructed at RP-1 only when sufficient tributary flows were available to guarantee total utilization. Under either scenario, the money earmarked for treatment plant expansion is anticipated to remain the same; however, required conveyance additions to divert flows from RP-1 to RP-4 (RP-4 Interceptor and San Bernardino Interceptor and Pump Station) and from RP-1 to RP-5 could add additional cost to the TYCIP. Each alternative will be analyzed based on cost, the availability of recycled water were it is needed and redundancy. As noted previously, as the plan is reviewed and approved by the IEUA Board of Directors and the Regional Committee's, any capital facility expansion changes will be incorporated into the TYCIP.

Figure No. 2-12 (Total Non-Expansion Revenues) and Figure No. 2-13 (Total Expansion Revenues), begin Fiscal Year 2000/2001 with a starting balance of \$19-million and \$65-million, respectively. As noted in Figure No. 2-14, and its related text, the combined total of these two Programs is \$84-million.

Finally, it should be noted that to prepare the TYCIP each year, the Agency must lock on a set of numbers at a point in time sufficient to meet the contracted deadlines for submitting the Plan. From the point were the Agency locks into a set of costs and schedules, priorities may adjust the start or end of individual projects, which may differ slightly from the Plan. One such project is the West End Regional (Wineville) Pipeline. This project is shown in Table 5-2 commencing in FY 2001/2002. In point of fact, this project was approved and will actually commence in FY 2000/2001. This change will be noted in the mid-year report and is noted in the Errata sheet below.

Regional Policy Committee (May 10, 2001 Meeting)

It was questioned whether the proposed increase in the Reimbursement Payment from \$3,530 to \$3,660, was necessary. It was noted, that without the increase to reflect inflation, borrowing of up to \$5-million could be required in year ten of the Plan. It was also noted that the increases for inflation is consistent with the past TYCIP's assumptions and reflects only an adjustment for actual construction inflation, consistent with the 1993 adopted policy to utilize connection fee revenue rather than increasing the EDU monthly charge.

Numerous projects have been proposed in the TYCIP. Some of these projects respond to the contracting agencies growth forecasts, others are meant to respond to new regulations, while others are scheduled to replace facilities that will wear-out. Dependent upon the actual growth in member agencies service areas, new facility construction may need to be accelerated or may be delayed to reflect when the facilities are actually needed. Likewise, other "non-expansion" and regulatory project schedules are prioritized based upon the implementation requirements of new regulations and the life cycle and remaining utility of existing infrastructure. This is one reason the TYCIP is created each year. It creates accountability to the citizens of the Agency through the elected officials who oversee the TYCIP and who are responsible for prioritizing work, setting the direction of the Agency and adjusting the Capital Reimbursement Payment to meet the needs of the service area.

Errata

This section contains corrections that should be applied to the Text and that have were made a condition of approval of the TYCIP by the IEUA Board of Director's and Regional Committees. Changes outlined below are hereby made a part of this plan:

- The expanded second Page of Table No. 2-1 (pg 2-5) was inadvertently left out of Appendix A during reproduction – This summarized table is included in Chapter 2 and has been reinserted into Appendix A as part of this Final report.
- Page 5-4 – RP-4 Trunk Sewer. This project is not \$12-million (\$11.7-million), but rather \$6.4-million with the additional \$5.3-million needing to be reallocated to the Fourth Street and West End Regional Pipeline. This change does not effect cash flow with the net change to cash flow being zero.
- As noted previously, the West End Regional (Wineville) Pipeline will commence in FY 2000/ 2001 rather than in FY 2001/2002 as noted in the Plan.



1950's Board Members

Introduction

CHAPTER

1

IEUA

INTRODUCTION

As the Inland Empire Utilities Agency (IEUA) celebrates its 50th Anniversary this year, it is insightful to reflect on IEUA's first half century of service. The IEUA, originally named the Chino Basin Municipal Water District (CBMWD), was formed in 1950 to supply supplemental water to the region. Since its formation, the Agency has expanded its areas of responsibility from a supplemental water supplier to a regional wastewater treatment agency with domestic and industrial disposal systems and energy recovery/production facilities. In addition, the Agency has become a recycled water purveyor, biosolids/fertilizer treatment provider and continues as a leader in water supply salt management, for the purpose of protecting the regions vital groundwater supplies. On July 1, 1998, the CBMWD officially became the Inland Empire Utilities Agency. The name change was meant to reflect the changes in the District's mission. Today, the IEUA continues to work to ensure that reliable services, which protect the environment while fostering economic development, are readily available when needed.

The IEUA's 242 square mile service mile area is located in the southwest corner of San Bernardino County, approximately 35 miles east of Los Angeles, and provides regional wastewater service and imported water deliveries to seven contracting agencies. These contracting agencies include the:

- City of Chino;
- City of Chino Hills;
- Cucamonga County Water District (CCWD);
- City of Fontana;
- City of Montclair;
- City of Ontario; and
- City of Upland.

Figure No. 1-1 illustrates the IEUA's current boundaries and those of the pre-mentioned contracting agencies

Pursuant to the terms and conditions of the Regional Sewage Service Contract, the IEUA prepares a ten-year capital improvement (TYCIP) program annually, to identify the capital projects needed for the Regional Sewage System (Chapter 2). Beginning in Fiscal Year (FY) 1996/97, chapters were added which included the IEUA Non-Reclaimable Wastewater (NRW)

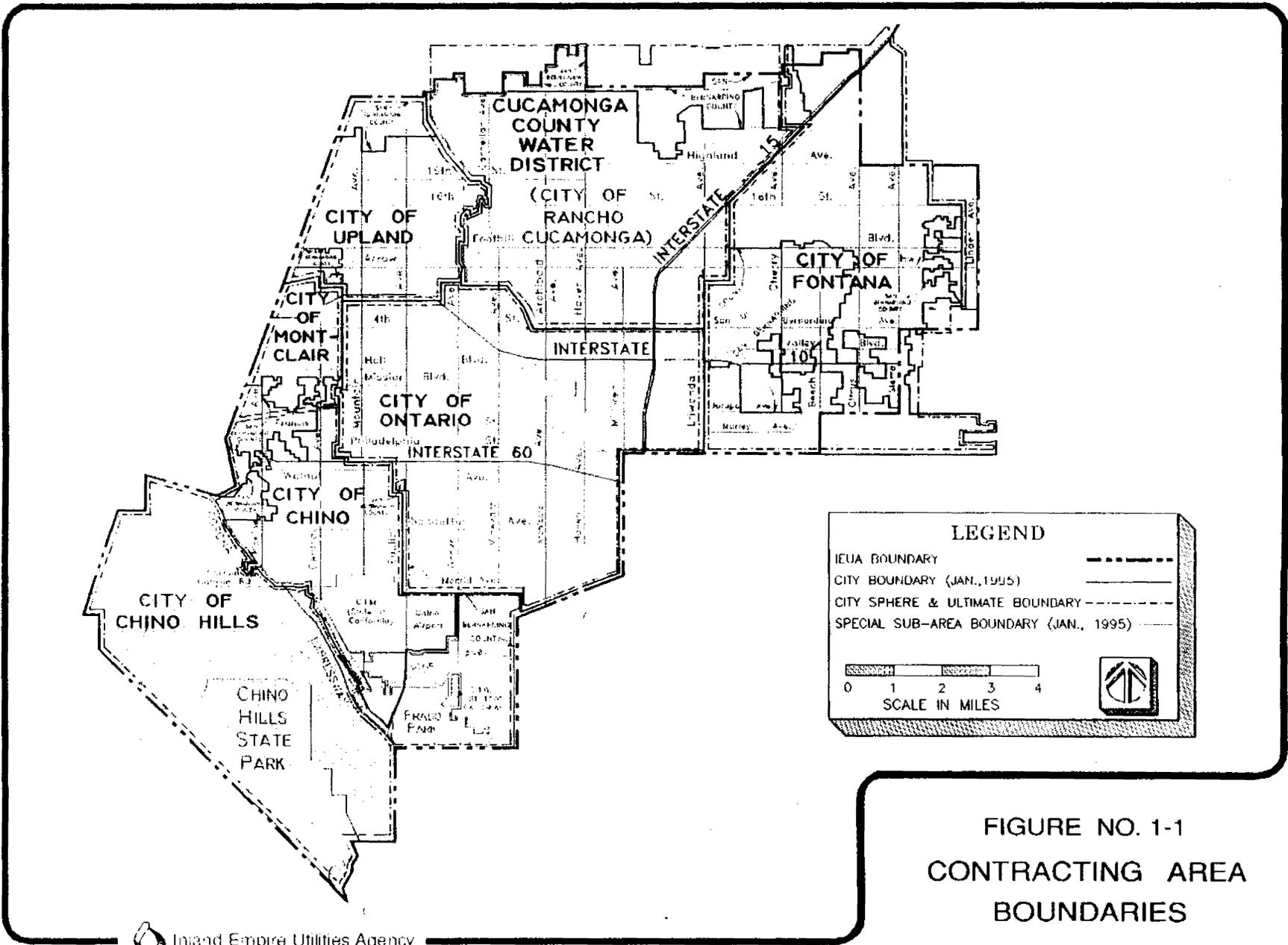


FIGURE NO. 1-1
CONTRACTING AREA
BOUNDARIES

(Chapter 5). These programs serve IEUA's Contracting Agencies; however, each is discussed separately because the programs are funded differently.

New to IEUA this year is a preview of the proposed Five-Year Capital Plan/Budget (FYB). The purpose of going to a five-year budget is to better identify projects that will need to be done and assess their effects on the capital connection fee. It will also allow the IEUA and its contracting agencies to prioritize work more readily.

The results of this budgeting process are summarized in the TYCIP, however, the FYB and TYCIP will not be exactly the same, since their purposes are somewhat different. The Budget includes only projects that have been authorized by the Agencies Board of Director's and its Regional Committees. Project budgets stay the same unless amendments are approved to increase or decrease the cost of the individual projects. The TYCIP, by contrast, is meant as a tool to identify capital projects that will need to be constructed to meet the contracting agencies growth forecasts and to review their impacts on anticipated revenues. As such, projects may be included which have not been budgeted, but are expected to be needed. Likewise, the expected cost and time period to complete approved projects is reviewed to reflect revised project schedules and any cost revisions (up/down), to better assess the overall impacts to the Budget and expected revenues.

PROLOGUE

Formation. Originally formed in 1950 for importing Colorado River Water to the area, IEUA (CBMWD) was originally named after the underlying Chino Groundwater Basin. The principal function of IEUA (CBMWD) was to provide its constituent areas with a supplemental source of water in an effort to stop groundwater depletion.

Nonreclaimable Wastewater Disposal. In the early 1960's, the IEUA (CBMWD) became involved in wastewater disposal through the purchase, operation and expansion of a nonreclaimable industrial waste disposal system. Known as the Non-Reclaimable Wastewater (NRW) System today, it was originally acquired and expanded to export highly saline industrial wastewater out of the area to an ocean disposal location. The intent of the system was to encourage industrial development while protecting the local groundwater quality.

Regional Wastewater Disposal. At about the same time as the acquisition of the NRW System, IEUA became involved in a lawsuit filed by the Orange County Water District (OCWD) against the City of Chino, and other Upper Santa River water agencies to establish water rights of the parties situated in the Lower Santa Ana River Basin – downstream of Prado Dam. The stipulated decree (Orange County Judgment), entered into on April 17, 1969, between IEUA (CBMWD), Western Municipal Water District (WMWD), and San Bernardino Valley Municipal Water District (SBVMWD), required the agencies to collectively deliver an average annual adjusted water supply of 42,000 acre-feet to the Prado Basin (17,000 acre-feet per year – IEUA's obligation).

Initially, IEUA (CBMWD) met its obligation to Orange County by utilizing State Project Water. However, because of the expense of utilizing imported water supplies, it was decided that building a tertiary treatment plant at the city (Ontario and Upland) owned RP-1 secondary plant, with an outfall to Mill Creek in the Prado Basin, would be a more economical method of meeting the Agency obligation. As such, IEUA (CBMWD) became involved in tertiary wastewater treatment through this process.

Subsequently, as part of an ongoing San Bernardino Planning Department study of the West Valley, to identify methods to consolidate management of the area's water resources, it was recommended that wastewater treatment and disposal facilities be placed under a single authority -IEUA (CBMWD). The proposed consolidation of wastewater treatment called for IEUA (CBMWD) to acquire existing treatment facilities from the individual cities that had been providing their own wastewater treatment up to that time. This resulted in the establishment of the Regional Sewage Program.

In January 1973, authority over regional collection and treatment of the domestic wastewater was transferred to IEUA (CBMWD), with the completion and ratification of the Regional Sewage Service Contract. This contract provides that IEUA (CBMWD) will collect and treat domestic wastewater generated from within each contracting agency and that these agencies will deliver their wastewater to the regional system's facilities at designated connection points. Each contracting agency, however, retains the responsibility to maintain it's own individual collection system.

Recycled Water. From before the inception of the Regional Program, recycled water was provided, by the city owned RP-1, to the adjacent Whispering Lakes Golf Course. However, in the mid 1970's, with the construction of the RP-1 Mill Creek Outfall, and the formation of the Regional Program, recycled water availability was expanded to provide Prado Park and Golf Course with this alternative supply of water. In the 1980's and 1990's, Carbon Canyon Wastewater Reclamation Facility (CCWRF) and Regional Plant Number 4 (RP-4) were sited and designed to provide convenient access to recycled water supplies for a growing population. With the construction of these two facilities, and their recycled water distribution systems, the Agency continues to work with its contracting agencies to identify and connect new users to this system (Recycled Water Feasibility Study).

At this time, the IEUA is working on revising the Regional Sewage Service Contract. One of the purposes of this revision is to incorporate decisions that have been made by the IEUA Board of Directors and Regional Committees on provisions that will regionalize the recycled water system to make recycled water less costly to the contracting agencies with the goal of increasing the number of users in the system. Concurrently, plans are underway to: further expand the recycled water distribution system, as demand and economic cost effectiveness dictate; expand the number of recycled percolation basins utilized by the Agency; manage and reduce salt impacts to the groundwater basin; and continue to evaluate and provide new sources of water for the regions growing population.

Co-Composting Project. In the late 1980's, the IEUA (CBMWD) became involved in a project to construct a facility to process manure with biosolids. The manure was produced by the Dairy Industry in the large Agricultural Preserve, located within the Agency, and the biosolids were generated by the Regional Programs wastewater treatment facilities. The purpose of the project was to produce a marketable soil amendment that would be sold outside of the Agencies groundwater boundaries, for the purposes of exporting salt and addressing the growing problem of biosolids disposal. The project was dedicated in 1995 and is responsible for exporting between 100,000 and 200,000 tons a year of manure (8,000 to 15,000 tons of salt), which if left in place could impact the groundwater basin.

Currently, IEUA is evaluating technologies to make this site more compatible with the expected changing land uses in and around its current location. This might include an enclosed odor controlled facility. It might also result in the relocation of this facility to a location in/out of the Agency's boundary where digesters could be utilized to capture gas for powering co-generators to produce electricity.

Energy Recovery and Production. IEUA is in energy production as a means of offsetting the cost of electricity in treating wastewater. To meet redundancy and safety requirements at IEUA's wastewater treatment plants, IEUA has standby generators for emergencies only. Since RP-1 and Regional Plant Number 2 (RP-2) produce burnable gas, from the breakdown of organic materials in their digester processes, IEUA also has co-generators (permitted for full time use) which can be run off of this byproduct gas to help offset the cost of electrical power. At this time, IEUA can produce about half of the energy required to run these two facilities with its co-generators. The standby generators are available during emergencies to provide the remaining power. Due to the uncertainties of reliable and cost effective electrical power, work is underway to make these plants more energy reliant.



**H.R. Clark, First General Manager of
CBMWD.**

WASTEWATER SERVICE AREAS

Figure No. 1-2 illustrates IEUA's service area boundaries for its wastewater treatment plants. The IEUA's total service area is generally divided into two inter-related service areas. The Northern Service Area provides wastewater treatment at two wastewater treatment plants – Regional Plant No. 1 (RP-1) and Regional Plant No. 4 (RP-4), with RP-4 having the ability to bypass flows to RP-1. The Southern Service Area provides wastewater treatment at two additional wastewater treatment plants – Regional Plant No. 2 (RP-2) and Carbon Canyon Wastewater Reclamation Facility (CCWRF), with CCWRF also having the ability to bypass flows, to RP-2. As shown, a portion of the City of Upland and Montclair can be diverted to

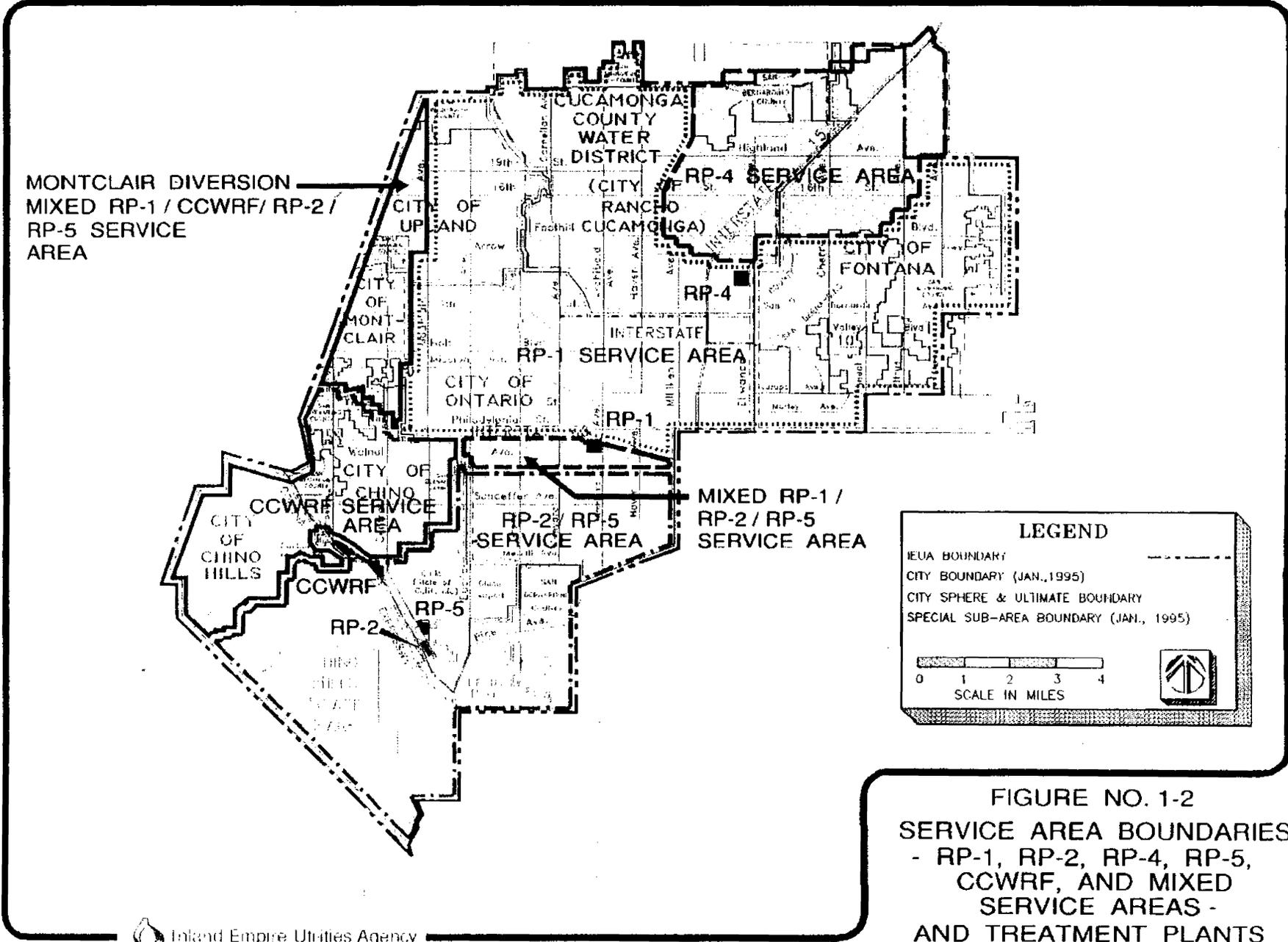


FIGURE NO. 1-2
SERVICE AREA BOUNDARIES
 - RP-1, RP-2, RP-4, RP-5,
 CCWRF, AND MIXED
 SERVICE AREAS -
 AND TREATMENT PLANTS

either the Northern (RP-1) Service Area, through the Montclair Interceptor, or Southern (CCWRF) Service Area through the Westside Interceptor Relief. Limitations of this diversion are those imposed by conveyance facility size. In addition, a small area in the City of Ontario, that is currently pumped up to RP-1 for wastewater treatment, is anticipated to become tributary to RP-2/RP-5 upon the completion of the City of Ontario's Eastern Trunk Sewer.

Currently IEUA is developing a third wastewater treatment plant for the Southern Service Area. This Regional Plant No. 5 (RP-5) is meant to replace the flood-prone RP-2 liquid processes and provide additional capacity for development of the converting Agricultural Preserve. This facility will also be located in the City of Chino, and resides about a mile north of the current RP-2 site - just above the proposed Prado Dam 566-foot take line. Digestion at RP-2 - for the CCWRF and the new RP-5 - is anticipated to continue into the future, for the useful life of the existing digesters (2030).



Three, of first four, CBMWD Employees.

**Draft Resolution for the
Inland Empire Utilities Agency
Service Review/Sphere Update**

Attachment 2

**LOCAL AGENCY FORMATION COMMISSION
COUNTY OF SAN BERNARDINO**

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PROPOSAL NO.: LAFCO 2891

HEARING DATE: JULY 17, 2002

RESOLUTION NO. 2739

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 2893, A SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE INLAND EMPIRE UTILITIES AGENCY.

On motion of Commissioner _____, duly seconded by Commissioner _____, 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 his 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 has been 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,

RESOLUTION NO. 2739

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 Inland Empire Utilities Agency (IEUA) should be affirmed as it currently exists, as more specifically described in maps and legal descriptions on file in the LAFCO staff office; and,

WHEREAS, the following findings are made in conformance with Government Code Section 56430 and local Commission policy:

1. **Infrastructure Needs and Deficiencies.** The Agency has adopted a 10-year Capital Improvement Plan, along with Agency Wastewater, Recycled Water, and Organics Management Master Plans. These plans address the infrastructure needs and deficiencies within Agency boundaries and are available for public review in Agency offices. No specific issues relevant to this factor were identified by the Agency.
2. **Growth and Population.** The IEUA provides service to approximately 242 square miles and includes areas within the Cities of Chino, Chino Hills, Montclair, Upland, Ontario, and Fontana, and areas within the Cucamonga County Water District. Growth and population figures are separately provided by each of the member agencies of the IEUA.
3. **Financing Opportunities and Constraints.** The Agency is primarily funded through fees for service which are annually reviewed. Copies of the Agency's rate structure have been provided and are on file in Agency Offices. No specific financing opportunities or constraints were identified by the Agency.
4. **Cost Avoidance Opportunities.** The Agency did not identify any specific cost avoidance opportunities that are relevant to this review or come under LAFCO jurisdiction. There is no duplication of the Agency's services within Agency boundaries.
5. **Rate Restructuring.** The Agency conducts an annual rate review and adjusts its connection fees based on Engineering News Record construction cost index for inflation. The Agency's rate structure is on file in Agency offices and is available for review. No rate restructuring opportunities relevant to this review were identified by the Agency.
6. **Opportunities for Shared Facilities.** No opportunities for shared facilities were identified by the Agency or its member local agencies.
7. **Government Structure Options.** Because the Agency overlays multiple cities and other local agencies, it is a regional agency and is deemed to be more efficient than multiple, limited service agencies, and therefore the regional service government approach is appropriate.
8. **Management Efficiencies.** The Agency has long-range personnel plan to ensure that the growth and development of the Agency's organizational structure are effectively matched to the needs of the communities it serves and service level demands.
9. **Local Accountability and Governance.** The Agency is governed by a seven-member Board elected by districts. The Agency maintains a web site, and conforms with provisions of the Brown Act requiring open meetings. No other relevant issues concerning this factor have been identified.

WHEREAS, the following findings are made in conformance with Government Code Section 56425 and local Commission policy:

RESOLUTION NO. 2739

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 Inland Empire Utilities Agency. This sphere of influence update and service review have no potential whatsoever to change present or planned land uses within the Agency's sphere, since no changes to the sphere of influence are contemplated.

2. **PRESENT AND PROBABLE NEED FOR PUBLIC FACILITIES AND SERVICES IN THE AREA**

No changes to the Agency's sphere of influence are proposed or contemplated through this review. The Agency has adopted a master plan for service which addresses this issue, and is on file in the Agency offices.

3. **PRESENT CAPACITY OF PUBLIC FACILITIES AND ADEQUACY OF PUBLIC SERVICES PROVIDED**

No changes to the Agency's sphere of influence are proposed or contemplated through this review. The Agency has adopted a master plan for service which addresses this issue, and is on file in the Agency's offices.

4. **COMMUNITIES OF INTEREST IN THE AREA**

No changes to the Agency's sphere of influence are proposed or contemplated through this review. The Commission therefore determines that this factor of determination is not relevant to this review, as permitted by Government Code Section 56425.

5. **OTHER FINDINGS**

- A. Notice of this hearing has been published as required by law in The Sun and the Inland Valley Daily Bulletin, 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, if any, have been reviewed and considered by the Commission in making its determination.

WHEREAS, pursuant to the provisions of Government Code Section 56425(h) the range of services provided by the Inland Empire Utilities Agency shall be limited to wholesale (supplemental) water service, sewage treatment, co-composting, non-reclaimable wastewater disposal, non-reclaimable wastewater disposal, and energy recovery and production, 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 affirms and upholds the sphere of influence for the Inland Empire Utilities Agency as it currently exists, and is depicted on maps and legal descriptions on file in the office of the San Bernardino Local Agency Formation 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 on maps and legal descriptions on file in the LAFCO office, as being within the sphere of influence of the Inland Empire

**Response From
Tom Dodson and Associates**

Attachment 3

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



July 5, 2002

Mr. James M. Roddy, Executive Officer
Local Agency Formation Commission
175 West Fifth Street, Second Floor
San Bernardino, CA 92415-0490

Dear Jim:

LAFCO 2891 consists of a service review for the Inland Empire Utilities Agency (IEUA) pursuant to Government Code Section 56430 and Sphere of Influence Study Pursuant to Government Code 56425. If approved by the Commission, the service and Sphere review would not result in any change to the services or the Sphere of Influence for IEUA. Based on the above proposal, it appears that LAFCO 2891 can be implemented without causing any physical changes to the environment or any adverse environmental impacts. The service and Sphere review does not appear to have any potential to alter the existing physical environment in any manner. Since no projects are pending or will occur as a result of approving this review, no physical changes in the environment are forecast to result from approving the action before the Commission.

Without a potential for causing physical changes in the environment, I recommend that the Commission find that a Statutory Exemption applies to LAFCO 2891 under the Section 15061 (b) (3) 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 2891.

Based on a review of LAFCO 2891 and the pertinent sections of CEQA and the State CEQA Guidelines, I conclude that LAFCO 2891 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 the CEQA process for this action. The Commission can approve the review and findings for this action and I recommend that you notice LAFCO 2891 as statutorily exempt from CEQA for the reasons outlined in the State CEQA Guideline sections cited above. The Commission needs to file a Notice of Exemption with the County Clerk to the Board for this action once the hearing is completed.

A copy of this exemption should be retained in LAFCO's 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,

A handwritten signature in black ink that reads "Tom Dodson". The signature is written in a cursive, slightly slanted style.

Tom Dodson