S A W P A

SANTA ANA WATERSHED PROJECT AUTHORITY
11615 Sterling Avenue, Riverside, California 92503 • (951) 354-4220

COMMISSION WORKSHOP/MEETING

TUESDAY, JULY 5, 2011 – 9:30 A.M.

AGENDA

1. **CALL TO ORDER/PLEDGE OF ALLEGIANCE** **(Terry Catlin, Chair)**

2. **PUBLIC COMMENTS**

> Members of the public may address the Commission on any item that is within the jurisdiction of the Commission; however, no action may be taken on any item not appearing on the agenda unless the action is otherwise authorized by Subdivision (b) Section 54954.2 of the Government Code.

3. **WORKSHOP DISCUSSION AGENDA**

   A. **THE CALIFORNIA DELTA STEWARDSHIP COUNCIL'S DELTA PLAN**
   Presenter: Joe Grindstaff, CalFED Director/Executive Director, Delta Stewardship Council
   Recommendation: Receive and file.

   B. **INLAND EMPIRE BRINE LINE - MYTHS AND LEGENDS**
   Presenter: Jeff Beehler
   Recommendation: Receive and file.

4. **SPECIAL PRESENTATION – CAFR CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING**
   Presenter: Celeste Cantú
   Recommendation: Receive and file.

5. **NEW BUSINESS**

   A. **STATEMENT OF INVESTMENT POLICY (CM#8504)**.....3
   Presenter: Karen Williams
   Recommendation: Adopt Resolution No. 2011-09, approving the Statement of Investment Policy and delegating authority to the Chief Financial Officer to invest or reinvest funds consistent with the Statement of Investment Policy.

6. OLD BUSINESS

A. **INLAND EMPIRE BRINE LINE REACH IV-B – TEMESCAL SIPHON LEAK STATUS UPDATE (CM#8505)**……23

Presenter: Carlos Quintero

Recommendation:

1. Receive and file an update on the status of the Temescal Siphon; and
2. Continue recognition of the emergency status of the Temescal Siphon.

7. CONSENT CALENDAR

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

A. **APPROVAL OF THE MINUTES FROM THE MEETING HELD 6-21-11**……29

Recommendation: Approve as mailed.

8. ADJOURNMENT

Any person with a disability who requires accommodation in order to participate in this meeting should telephone Commission Secretary Patti Bonawitz at (951) 354-4230, at least 48 hours prior to the meeting in order to make a request for a disability-related modification or accommodation.

PLEASE NOTE:
Materials related to an item on this agenda submitted to the Commission after distribution of the agenda packet are available for public inspection in the Authority's office located at 11615 Sterling Avenue, Riverside, during normal business hours. Also, such documents are available on the Authority's Website at www.sawpa.org, subject to staff's ability to post documents before the meeting.

Declaration of Posting

I, Patti Bonawitz, Clerk of the Board of the Santa Ana Watershed Project Authority certify that a copy of this agenda has been posted in the Agency's office at 11615 Sterling Avenue, Riverside, California by 5:30 p.m. on Wednesday, June 29, 2011.

Patti Bonawitz

2011 - Upcoming Meetings/Events

(NOTE: All Commission workshops/meetings begin at **9:30 a.m.**, unless otherwise noted)

August
8-2-11 Commission Meeting

September
9-6-11 Commission Workshop
9-20-11 Commission Meeting

October
10-4-11 Commission Workshop
10-18-11 Commission Meeting

November
11-1-11 Commission Workshop
11-15-11 Commission Meeting

December
Dark

COMMISSION MEMORANDUM NO. 8504

DATE: July 5, 2011

TO: SAWPA Commission

SUBJECT: Statement of Investment Policy

PREPARED BY: Karen Williams, Chief Financial Officer

RECOMMENDATION
It is recommended that the Commission adopt Resolution No. 2011-09, approving the Statement of Investment Policy and delegating authority to the Chief Financial Officer to invest or reinvest funds consistent with the Statement of Investment Policy.

DISCUSSION
Investment policies and practices of SAWPA are based upon Federal and State laws and prudent money management. California law requires that the Commission annually adopt a Statement of Investment Policy. California law permits the Commission to delegate to the Chief Financial Officer, if it so desires, the authority to invest or reinvest SAWPA's funds, or to sell or exchange securities for a period of one year. Upon such delegation, the Chief Financial Officer assumes full responsibility for those transactions, and shall make monthly reports of those transactions to the Commission. All such investments made by the Chief Financial Officer shall strictly comply with the Statement of Investment Policy as annually adopted by the Commission.

The attached Statement of Investment Policy has been reviewed by staff and our Financial Advisor, Fieldman, Rolaap & Associates, and it was determined that no significant changes were needed from the policy that was approved by the Commission last year.

RESOURCE IMPACTS
No additional staff or costs are anticipated at this time.

KW:pb

Attachments:
1. Resolution No. 2011-09
2. Statement of Investment Policy

CM#8504 SOIP 7-5-11

RESOLUTION NO. 2011-09

A RESOLUTION OF THE COMMISSION OF THE SANTA ANA WATERSHED PROJECT AUTHORITY ANNUALLY APPROVING A STATEMENT OF INVESTMENT POLICY AND DELEGATING AUTHORITY TO THE CHIEF FINANCIAL OFFICER TO INVEST OR REINVEST FUNDS CONSISTENT WITH THE STATEMENT OF INVESTMENT POLICY

WHEREAS, the Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern (Government Code, Section 53600.6 and 53630.1);

WHEREAS, the Commission of the Santa Ana Watershed Project Authority ("SAWPA") may invest surplus monies not required for the immediate necessities of SAWPA in accordance with the provisions of Government Code, Sections 53600 et seq.;

WHEREAS, the Chief Fiscal Officer, hereby identified as the Chief Financial Officer, is required to annually prepare and submit a Statement of Investment Policy, and any changes thereto, which shall be reviewed and approved by the Commission (Government Code, Section 53646(a));

WHEREAS, Section 6505.6 of the Government Code permits a joint powers authority to delegate the duties and responsibilities of a treasurer to another SAWPA position;

WHEREAS, the Chief Financial Officer is the employee that has been designated by SAWPA to comply with the duties and responsibilities of the treasurer's office as set forth in Sections 6505 and 6505.5 of the Government Code;

WHEREAS, Section 53607 of the Government Code permits the Commission to delegate its authority to invest or reinvest SAWPA's funds to the Chief Financial Officer; and

WHEREAS, all such investments, whether authorized by the Commission or delegated to the Chief Financial Officer, must comply with the requirements of SAWPA's Statement of Investment Policy.

NOW, THEREFORE, the SAWPA Commission hereby resolves as follows:

1. The attached Statement of Investment Policy is hereby approved and shall govern the investment of SAWPA's funds.

2. The Chief Financial Officer shall comply with the duties and responsibilities of the office of the treasurer as set forth in Sections 6505 and 6505.5 of the Government Code.

3. As permitted under Section 53607 of the Government Code, the authority of the Commission to invest or reinvest SAWPA's funds, or to sell or exchange securities so purchased, is hereby delegated for a period of one year by the Commission to SAWPA's Chief Financial Officer who shall assume full responsibility for those transactions until the delegation of authority, and shall make a monthly report of those transactions to the Commission. Subject to review, the Commission may renew the delegation of authority each year pursuant to Section 53607 of the Government Code.

4. All such investments made by the Chief Financial Officer shall strictly comply with SAWPA's Statement of Investment Policy adopted annually pursuant to Section 53646 of the Government Code.

Approved and adopted this 5th day of July, 2011.

SANTA ANA WATERSHED PROJECT AUTHORITY

By: _____
Terry Catlin, Chair

Attachment: Statement of Investment Policy

Santa Ana Watershed Project Authority (SAWPA)

STATEMENT OF INVESTMENT POLICY

I. POLICY

This Statement of Investment Policy is intended to provide guidelines for the prudent investment of SAWPA's temporary idle cash, and outline the policies for maximizing the effectiveness and efficiency of SAWPA's cash management system. The goal is twofold; one is to preserve SAWPA's capital resources while maximizing investment earnings pursuant to the "Prudent Investor Standard", the second is to provide guidelines for authorized investments.

II. SCOPE

All monies entrusted to SAWPA shall be pooled in an actively managed portfolio. In accordance with SAWPA Resolution No. 2011-09, the Chief Financial Officer is authorized to invest funds in accordance with California Government Code (CGC) Section 53600 et seq. This investment policy applies to all financial assets and investment activities of SAWPA.

This policy, however, specifically excludes the employees' retirement and deferred compensation funds and the retiree health benefit trust. Additionally, monies held by a trustee or fiscal agent pledged to the payment or security of bonds or other indebtedness, shall comply with CGC Section 53601 (L).

III. PRUDENCE

SAWPA shall follow the standards within the content of the Prudent Investor Standard as set forth in CGC Section 53600.3 that states in part:

"When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, a trustee shall act with care, skill and prudence and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims to safeguard the principal and maintain the liquidity needs of the agency."

IV. OBJECTIVE

SAWPA's cash management system is designed to monitor and forecast expenditures and revenues, thus enabling the agency to invest funds to the fullest extent possible. SAWPA attempts to obtain the highest yield available, while investments meet the criteria established for safety, liquidity, and yield, in that order of priority.

A. SAFETY

Safety of principal is the foremost objective of the agency. Each investment transaction shall seek to ensure that capital losses are avoided, whether from securities default, rating downgrades, broker-dealer defaults, or erosion of market value. SAWPA shall seek the preservation of capital by mitigating two types of risk: credit risk and market risk.

1. Credit risk - is the risk of loss due to failure of the issuer and is mitigated by investing in safe securities, and diversifying the investment portfolio so the failure of one issuer would not materially affect the cash flow of the agency.

2. Market risk - is the risk of market value fluctuations due to changes in the general level of interest rates, and shall be mitigated by limiting the average maturity of the agency's investment portfolio to three and one-half years, and the maximum maturity of any one security to five years. Market risk shall also be mitigated by structuring the portfolio so maturing securities match cash outflows, eliminating the need to sell securities prior to their maturity, and to avoid taking positions in securities for the purpose of selling those securities within a short period of time in order to realize a short term profit. It is recognized that within a diversified portfolio, occasional measured losses are inevitable, and must be considered within the context of the overall return on the investment.

B. LIQUIDITY

SAWPA's investment portfolio will remain satisfactorily liquid, enabling the agency to meet all anticipated and operating cash flow requirements.

C. RETURN ON INVESTMENTS

SAWPA's investment portfolio shall be designed to attain a market rate of return throughout economic cycles. Whenever possible with respect to budgetary and cash flow requirements, and consistent with risk limitations and prudent investment principles, the Chief Financial Officer shall seek to augment returns above the market rate of return.

V. MAXIMUM MATURITIES

SAWPA will match its investments with anticipated cash flow requirements. Per CGC Sections 53601 et seq., maximum maturities shall not exceed five (5) years, without specific approval of the SAWPA Commission. The average maturity of funds should not exceed 1,275 days (3.5 years), and the cash flow requirements shall prevail at all times.

VI. PERFORMANCE STANDARDS

SAWPA's investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the agency's investment risk constraints and cash flow requirements.

SAWPA will operate in an active capacity in the investment strategy. The basis of the strategy used by the Chief Financial Officer to determine whether market yields are achieved shall be the State of California Local Agency Investment Fund (L.A.I.F.).

VII. DELEGATION AND GRANTS OF AUTHORITY

Management responsibility for the investment program is delegated to the Chief Financial Officer (as provided by resolution annually adopted by the SAWPA Commission) who shall establish written procedures and policies for the operation of the investment program consistent with this investment policy.

No person shall engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Chief Financial Officer. The Chief Financial Officer shall

establish a series of internal accounting controls to regulate and/or restrict the activities of subordinate representatives within the agency.

In the absence of the Chief Financial Officer, the authority to direct investment transactions affecting SAWPA monies will be restricted to SAWPA's General Manager as to maturity, investment instrument, and dollar size of the investment.

VIII. INVESTMENT COMMITTEE

The SAWPA Commission shall act, or may appoint an AD Hoc or Standing Committee to act, as the investment committee to provide general oversight and guidance concerning the investment policy related to the management of SAWPA's investments. The Committee shall meet at least quarterly. Pursuant to an annual SAWPA Commission adopted resolution, the Chief Financial Officer shall be responsible for the day-to-day investments of the agency.

IX. ETHICS AND CONFLICT OF INTEREST

The Chief Financial Officer and all investment personnel shall refrain from personal business activity which could create a conflict with proper execution of the investment program, or which could impair the ability to execute impartial investment decisions. The Chief Financial Officer and all investment personnel shall disclose to SAWPA's legal counsel any material financial interests in financial institutions that conduct business within the jurisdiction, and shall disclose any material financial investment positions that could be related in a conflicting manner to the performance of the agency's investment portfolio.

The Chief Financial Officer shall complete on an annual basis, State of California Form 700, Statement of Economic Interests disclosure.

X. SAFEKEEPING AND CUSTODY AGREEMENTS

To protect against potential losses caused by collapse of individual securities dealers, all securities owned by SAWPA shall be kept in safekeeping by a third party bank trust department, acting as an agent for the agency under the terms of a custody agreement executed by the bank and the agency. All securities will be received and delivered using standard delivery versus payment procedures with the agency's custodial bank, and evidenced by safekeeping receipts. Custodial statements are reconciled against transaction schedules by the Chief Financial Officer on a monthly basis.

XI. INTERNAL CONTROLS

Separation of duties among employees involved in cash management activities is designed to provide an ongoing internal review to prevent the potential for converting assets or concealing transactions.

Proper documentation obtained from confirmation and cash disbursement wire transfers is required for each investment transaction. Timely bank reconciliation is conducted by the Finance Department to ensure proper handling of all transactions.

The investment portfolio and all related transactions are reviewed and balanced to appropriate general ledger accounts by the Finance Department on a monthly basis.
An independent analysis by an external auditor shall be conducted annually to review internal control, account activity, and compliance with policies and procedures.

XII. FINANCIAL REPORTING

Under provision of Section 53646 of the CGC, the Chief Financial Officer shall render a quarterly report to the SAWPA Commission, providing the type of investment, financial institution from which the investment was purchased, the date of maturity, the date upon which the investment becomes subject to redemption provisions, amount (to include both par and book value) of the investment, and the current market value of all investments. The report shall also include the source of the market value. Additionally, the report shall include the rate of interest, accrued interest earned, the amortized portion of the investment purchased at a premium or discount, and other data so required by the SAWPA Commission or by amendment to the above section of CGC and its successors. The report shall include a statement denoting SAWPA's ability to meet its expenditure requirements for the following six-month period, or an explanation as to why sufficient monies will not be available. Additionally, the Chief Financial Officer shall state whether the agency is in compliance with its investment policy by signature required on the Treasurers' Report.

XIII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

SAWPA shall transact business only with banks, savings and loan institutions, and registered investment securities dealers. The dealers should either be primary dealers authorized to buy and sell government securities in direct dealings with the Federal Reserve Bank of New York, or regional dealers qualifying under the Securities and Exchange Commission Rule 15C3-1.

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- Audited financial statements
- Proof of National Association of Securities Dealers (NASD) certification
- Proof of California state registration
- Completed broker/dealer questionnaire
- Certification of having read and understood and agreeing to comply with the Santa Ana Watershed Project Authority's Investment Policy

An annual review of financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the Chief Financial Officer.

XIV. COLLATERAL REQUIREMENTS

Collateralization is required for investments of public deposits in Certificates of Deposits (in excess of the FDIC insured amount) and all Repurchase Agreements. In order to reduce market risk, the collateral level will be at least 110% of market value of principal and accrued interest of eligible securities for Certificate of Deposit. The percentage of collateralization on repurchase agreements shall adhere to CGC Section 53601 (i) (2).

In order to conform with provisions of the Federal Bankruptcy Code, which provides for the liquidation of securities held as collateral for Repurchase Agreements, the only securities acceptable as collateral shall be eligible Negotiable Certificates of Deposit, eligible Banker's Acceptances, or securities that are fully guaranteed as to principal and interest by the United States or by any agency of the United States government. All securities held as collateral shall have a maximum maturity of five (5) years.

XV. AUTHORIZED AND ACCEPTABLE INVESTMENTS

SAWPA is subject to CGC, Section 53601 et seq. Within the context of the governing language, the following investments are authorized and accepted as defined:

A. United States Treasury Bills, Notes and Bonds. There is no limitation as to the percentage of the portfolio that can be invested within this category.

B. Obligations issued by the Government National Mortgage Association (GNMA), the Federal Farm Credit Bank System (FFCB), the Federal Home Loan Bank Board (FHLB), the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), and the Student Loan Marketing Association (SLMA). Although there is no percentage limitation on "governmental agency" issues, the prudent investor standard shall apply for a single agency name.

C. Time drafts drawn on and accepted by a commercial bank, otherwise known as Banker's Acceptances (BAs). Banker's Acceptances purchased shall not exceed 180 days to maturity, or 40% of the market value of the portfolio. No more than 30% of the market value of the portfolio may be invested in Banker's Acceptances issued by any one commercial bank.

D. Commercial Paper rated "P1" by Moody's Investor Services and "A1" by Standard and Poor's and issued by a United States corporation having assets exceeding $500,000,000 and having an "A" or better rating on its long term debentures as rated by Moody's and Standard and Poor's. Commercial Paper purchases cannot exceed 15% of the market value of the portfolio (30% if the dollar weighted average maturity of all commercial paper does not exceed 31 days). Purchase of commercial paper may not exceed 10% of outstanding paper of an issuing corporation.

E. Negotiable Certificates of Deposit (NCD) issued by a nationally or state-chartered bank or a state or federal savings and loan association, provided that the issuing institution is rated "A" or better by a nationally recognized statistical ratings organization (NRSRO).

Purchases of negotiable certificates of deposits may not exceed 30% of the market value of the portfolio. A maturity limitation of five (5) years is applicable on NCDs. With federal deposit insurance limits up to $100,000, no more than $100,000 shall be invested in NCDs per financial institution.

F. Repurchase Agreements. The Agency may invest in Repurchase Agreements with banks and dealers with which the Agency has entered into a Master Repurchase Agreement which specifies terms and conditions of Repurchase Agreements. A signed copy of the Master Repurchase Agreement shall be required from the authorized financial dealer prior to the execution of any applicable transaction. The maturity of Repurchase Agreements shall not exceed one year. The market value of securities used as collateral for Repurchase Agreements shall be monitored daily, and will not be allowed to fall below 102% of the value of the Repurchase Agreement as set forth in CGC Section 53601 (i) (2).

G. Local Agency Investment Fund. The Agency may invest in the Local Agency Investment Fund (L.A.I.F.) established by the State Treasurer or Chief Financial Officer for the benefit of local agencies up to the maximum permitted by State law.

H. Investment Trust of California (CalTRUST). The Agency may invest in shares of beneficial interest issued by the Investment Trust of California (CalTRUST), a local government investment pool established by local entities as a joint powers authority pursuant to CGC Sections 6509.7 and 53601 (o), Provided:

1. CalTRUST investments are limited to the securities and obligations authorized for local agency investment pursuant to Subdivisions (a) to (n), inclusive, of CGC Section 53601; and

2. CalTRUST shall have retained an investment advisor that:

   a. Is registered or exempt from registering with the Securities and Exchange Commission;

   b. Has not less than five years experience investing in the securities and obligations authorized for local agency investment pursuant to subdivisions (a) to (n), inclusive, of CGC Section 53601; and

   c. Has assets under management in excess of $500 million.

3. The total invested shall not exceed 15 percent of the portfolio.

I. Medium-Term Notes of a maximum of five years maturity issued by corporations organized and operating within the United States or any state and operating within the United States. Notes eligible for investment shall be rated in a rating category of "A" or its equivalent or better by a nationally recognized rating service. No more than 30% of the market value of the portfolio may be invested in Medium-Term Notes.

J. Shares of beneficial interest issued by diversified management companies, otherwise known as Mutual Funds, as defined in Section 23701(m) of the Revenue and Taxation Code, investing in the securities and obligations as authorized by subdivisions (a) to (n), inclusive, of that section, and which comply with the investment restrictions (CGC, starting with Section 53601), companies shall either:

   1. Attain the highest ranking or the highest letter and numerical ranking provided by not less than two out of the three rating services: Moody's Investors Service, Standard and Poor's or Fitch Investors Service, Inc.

   2. Have an investment advisor registered with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations as authorized by subdivision (a) to (n), inclusive, and with assets under management in excess of five hundred million dollars ($500,000,000). The purchase price of shares of beneficial interest (Mutual Funds) purchased pursuant to this subdivision shall not include any commission that these companies may charge. No more than 15% of the portfolio may be invested in Mutual Funds. Further, the Agency may invest only in money market mutual funds that have an average maturity of 90 days or less per Securities & Exchange Commission regulations.

   3. All positions in government-sponsored investment pools and permitted Mutual Funds (per Sections G and J, above) shall be subject to periodic review by the Agency Treasurer or Chief Financial Officer, or a designee thereof, in order to ensure that the monies in question are managed in a manner consistent with the standards and objectives set forth elsewhere in this Policy.

K. Collateralized Bank Deposits. The Agency may invest in notes, bonds, or other obligations which are at all times secured by a valid first priority security interest. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or Federal regulations applicable to the types of securities in which the

security interest is placed. For purposes of Time Deposits issued by financial institutions, the Agency may not invest more than 25% of the market value of the portfolio in this category.

L. Municipal Bonds. The Agency may invest in bonds issued by a state or local government agency, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency.

XVI. PROHIBITED INVESTMENTS

In accordance with CGC Section 53601.6, SAWPA will not invest any funds in inverse floaters, range notes, or interest only strips that are derived from a pool of mortgages. The agency may hold previously permitted but currently prohibited investments until their maturity dates.

XVII. LEGISLATIVE CHANGES

Any State of California legislative action that further restricts allowable maturities, investment type, or percentage allocations will be incorporated into SAWPA's Investment Policy, and supersede any and all previous applicable language.

XVIII. INTEREST EARNINGS

All monies earned and collected from investments authorized in this policy shall be allocated on a quarterly basis to various fund accounts where required by law, or other agreement, based on the cash balance in each fund as a percentage of the respective pooled portfolio. However, fiduciary accounts requiring full liquidity will receive their proportional distribution of monies based on the lower of pooled or LAIF rates.

XIX. LIMITING MARKET VALUE EROSION

The longer the maturity of securities, the greater the market price volatility. Therefore, it is the general policy of SAWPA to limit the potential effects from erosion in market values by adhering to the following guidelines:

A. All immediate and anticipated liquidity requirements will be addressed prior to purchasing all investments.

B. Maturity dates for longer-term investments will coincide with significant cash flow requirements where possible, to assist with short-term cash requirements at maturity.

C. All longer-term securities will be purchased with the intent to hold all investments to maturity under then-prevailing economic conditions. However, economic or market conditions may change, making it in SAWPA's best interest to sell or trade a security prior to maturity.

XX. PORTFOLIO MANAGEMENT ACTIVITY

The investment program shall seek to augment returns consistent with the intent of this policy, identified risk limitations and prudent investment principles. The objectives will be achieved by use of the following strategies:

A. Active Portfolio Management. Through active fund and cash flow management taking advantage of current economic and interest rate trends, the portfolio yield may be enhanced

with limited and measurable increases in risk by extending the weighted maturity of the total portfolio (not to exceed 1,275 days).

B. Portfolio Maturity Management. When structuring the maturity composition of the portfolio, the agency shall evaluate current and expected interest rate yields and necessary cash flow requirements. It is recognized that in normal market conditions longer maturities produce higher yields. However, the securities with longer maturities also experience greater price fluctuations when the level of interest rates change.

C. Competitive Bidding. It is the policy of the agency to require competitive bidding for investment transactions that are not classified as "new issue" securities. For the purchase of non-"new issue" securities, and the sale of all securities, at least three bidders must be contacted.

XXI. INVESTMENT POLICY REVIEW

This Statement of Investment Policy is intended to conform to all applicable statutes at the time of adoption. The Investment Policy shall be reviewed and approved annually by the SAWPA Commission at a public meeting to ensure consistency with the overall objectives of the preservation of capital, liquidity, and return of the portfolio. The Investment Policy shall also be reviewed to ensure its compliance and relevance to the current law, financial and economic trends, and to meet the cash flow requirements of SAWPA. Investment operations are reviewed monthly during the reconciliation process of investment transactions to the third party statements, and by the Finance Department in the proof of cash process. SAWPA's independent auditors shall audit the investment portfolio annually. The audit shall include a review for compliance with SAWPA's Statement of Investment Policy.

_____ July 5, 2011

Karen L Williams Date
Chief Financial Officer
Santa Ana Watershed Project Authority

GLOSSARY OF INVESTMENT TERMS

AGENCIES: Securities issued by any of several U. S. Government Agencies including, but not limited to the Federal Home Loan Bank (FHLB), the Federal Farm Credit Bank (FFCB), and the Federal National Mortgage Association (FNMA or "Fannie Mae").

ASKED: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BASIS POINT: One-hundredth of one percent (i.e. 0.01%).

BID: The price offered for securities.

BROKER: A broker brings buyers and sellers together for a commission paid by the initiator of the transaction or by both sides.

CALLABLE BOND: A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

CALTRUST: A Joint Powers Agency Authority created by local public agencies to provide a convenient method for local public agencies to pool their assets for investment purposes. CalTRUST is governed by a Board of Trustees made up of experienced local agency treasurers and investment officers. The Board sets overall policies for the program and selects and supervises the activities of the investment manager and other agents.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Certificate of Deposit may be issued in either negotiable or nonnegotiable form. Nonnegotiable certificates cannot be resold on the secondary market and may face penalties for early redemption whereas a negotiable CD may be resold.

COLLATERAL: Securities, evidence of deposit or other property that a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMMERCIAL PAPER: Short-term, unsecured, negotiable promissory note with a fixed maturity of no more than 270 days. By statute, these issues are exempt from registration with the U.S. Securities and Exchange Commission.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

CREDIT RISK: The risk to an investor that an issuer will default in the payment of interest and/or principal on a security and a loss will result.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY OF SECURITIES: There are two methods of delivery of securities; Delivery versus Payment and Delivery versus Receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of signed receipt for the securities.

DERIVATIVE: A financial instrument created from, or whose value depends on (is derived from) the value of one or more underlying assets or indexes of asset values.

DISCOUNT: The difference between the cost price of a security and its value at maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g., U.S. Treasury bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

DURATION: A measure of the timing of the cash flows to be received from a given fixed income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

FACE VALUE: The principal amount owed on a debt instrument. It is the amount on which interest is computed and represents the amount that the issuer promises to pay at maturity.

FAIR VALUE: The amount at which a security could be exchanged between willing parties, other than in a forced of liquidation sale. If a market price is available, the fair value is equal to the market value.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S & L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to $100,000 per deposit.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): The institutions that regulate and lend to savings and loan associations. The Federal Home Loan Banks play a role analogous to that played by the Federal Reserve Banks vis-à-vis member commercial banks.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC or Freddie Mac): Established in 1970 to help maintain the availability of mortgage credit for residential housing. FHLMC finances these operations by marketing guaranteed mortgage certificates and mortgage participation certificates. Its discount notes and bonds do not carry direct U.S. Government guarantees.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae): FNMA was chartered under the Federal National Mortgage Association Act of 1938. FNMA is a Federal corporation working under the auspices of the Department of Housing and Urban Development

(HUD). It is the largest single provider of residential mortgage funds in the United States. FNMA is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA securities do not carry direct U.S. Government guarantees.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., twelve regional Banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by FHA, VA or FMHM mortgages. The term pass-through is often used to describe Ginnie Mae's.

INTEREST RATE RISK: The risk of gain or loss in market values of securities due to changes in interest-rate levels. For example, rising interest rates will cause the market value of a portfolio's securities to decline.

INVESTMENT POLICY: A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

INVESTMENT PORTFOLIO: A collection of securities held by a bank, individual, institution or government agency for investment purposes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL AGENCY INVESTMENT FUND (LAIF): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET RISK: Systematic risk of a security that is common to all securities of the same general class (stocks, bonds, notes, money market instruments) and cannot be eliminated by diversification (which may be used to eliminate non-systematic risk).

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

MEDIUM-TERM NOTES (MTNs): Corporate notes, having any or all of the features of corporate bonds and ranging in maturity from nine months out to 30 years. The difference between corporate bonds and MTNs is that corporate bonds are underwritten.

MUNICIPAL BONDS: Offered by state and local governments, these bonds are primarily issued to finance infrastructure improvements, such as highways or sewers.

NATIONAL RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): A rating organization designated by the SEC as being nationally recognized, such as Moody's Investor Service, Inc. (Moody's), Standard & Poor's (S&P), and Fitch Ratings (Fitch).

NEGOTIABLE CERTIFICATE OF DEPOSIT: Large denomination certificates of deposit with a fixed maturity date, which can be sold in the money market. They are not collateralized.

PORTFOLIO: The collection of securities held by an individual or institution.

PRIMARY DEALER: A group of government securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) registered securities broker-dealers, banks, and a few regulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the state - the so-called legal list. In other states the trustee may invest in a security if it is one that would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES: Investment instruments such as notes, bonds, stocks, money markets instruments and other instruments of indebtedness of equity.

SECURITIES & EXCHANGE COMMISSION (SEC): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BOND: Long-term U.S. Treasury securities having initial maturities of more than ten years.

TREASURY NOTES: Intermediate term coupon bearing U.S. Treasury securities having initial maturities of from one to ten years.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

Attachment A

CERTIFICATION OF UNDERSTANDING

I hereby certify that I have personally read the Santa Ana Watershed Project Authority's (the Agency) Investment Policy and the California Government Code pertaining to the investments of the Agency.

I will disclose to the Agency any potential risks or conflicts with the Investment Policy that might arise out of business transactions between my firm and the Agency.

I will undertake reasonable efforts to prevent imprudent transactions involving funds of the Agency and will endeavor to keep familiar with the Agency's investment objectives and constraints, as they exist from time to time.

I will only offer investments for the Agency's consideration that are in conformity to the Agency's Investment Policy.

I attest to the accuracy of the responses to the Agency's questionnaire.

NOTE: Completion of the attached questionnaire is only part of the Santa Ana Watershed Project Authority's certification process and DOES NOT guarantee that the our financial institution will be guaranteed any portion of the investment business with the Santa Ana Watershed Project Authority.

FIRM NAME _____

SIGNED _____ DATE_____

Attachment B

SANTA ANA WATERSHED PROJECT AUTHORITY
BROKERS/DEALERS QUESTIONNAIRE AND CERTIFICATION

Please fill out form and return to the Santa Ana Watershed Project Authority

1. Name of Firm

2. Address_____

(Local) *(National Headquarters*)

_____

_____

3. Telephone No. _____ _____

4. Primary Representatives:
Name_____
Telephone_____
Years in institutional sales _____
Years with firm _____

Manager/Partner-In-Charge:
Name_____
Telephone_____
Years in institutional sales_____
Years with firm _____

5. Are you a Primary Dealer in U.S. Government Securities? ☐Yes ☐No

6. Are you a Regional Dealer in U.S. Government Securities? ☐Yes ☐No

7. Are you a Broker instead of a Dealer,
i.e., You DO NOT own positions of Securities? ☐Yes ☐No

8. What is the net capitalization of your firm? _____

9. What is the date of your fiscal year-end?_____

10. Is your firm owned by a holding company? If so, what is its name and net capitalization?

_____

_____

11. Please provide your wiring and delivery instructions._____

_____

12. Which of the following instruments are offered regularly by your local desk?

□T- Bills □ Treasury Notes/Bonds □Discount Notes □NCD's

□Agencies (specify)_____

13. Which of the above does your firm specialize in marketing?_____

_____

14. Please identify your most directly comparable Local Agency Clients in our geographical area:

Entity	Contact Person	Telephone	Client Since

15. What reports, transactions, confirmations and paper trail would we receive?
_____

16. Please include samples of research reports or market information that your firm regularly provides to local agency clients.

17. What precautions are taken by your Firm to protect the interest of the public when dealing with government agencies as investors?_____
_____
_____

18. Have you or your Firm been censored or punished by a regulatory State or Federal agency for improper or fraudulent activities, related to the sale of securities? ☐Yes ☐No

19. If yes, explain. _____

20. Attach certified documentation of your capital adequacy and financial solvency. In addition, an audited financial statement must be provided within 120 days of your fiscal year-end.

21. Attach proof of National Association of Securities Dealers (NASD) certification.

22. Attach proof of California Department of Securities Registration.

23. Attach proof of Securities and Exchange Commission registration.

24. Attach proof of adequate insurance coverage.

25. Are you listed under GFOA Yield Advantage? ☐Yes ☐No

COMMISSION MEMORANDUM NO. 8505

DATE: July 5, 2011

TO: SAWPA Commission

SUBJECT: Temescal Siphon Leak Update

PREPARED BY: Carlos Quintero, Project Manager

RECOMMENDATION
It is recommended that the Commission:

1. Receive and file an update on the status of the Temescal Siphon; and
2. Continue recognition of the emergency status of the Temescal Siphon.

DISCUSSION
On May 17, 2011, the Commission adopted Resolution No. 2011-08, recognizing the emergency status of the Temescal siphon, and directed the General Manager to take any necessary steps to resolve such emergency.

The Commission authorized awarding a contract to Trautwein Construction to expose the bottom of the siphon and allow staff to clean and assess the location of the leak. Innerline Engineering has completed cleaning of the section of the siphon under Temescal Creek. After CCTV inspection, no defects were observed. A second air pressure test was conducted and the results indicate that there is no leak in the siphon. Construction is expected to be completed during the week of June 27, 2011. Attachment No. 2 shows photographs of the construction activities. The flow bypass system will remain in place in order to minimize impacts to the discharge of the Arlington Desalter, a producer of potable water for the City of Norco.

Per Section 22050 of the Public Contracts Code, the Commission needs to review the emergency status at every scheduled meeting until the emergency is resolved. Another update will be provided to the Commission during the scheduled July 19, 2011 workshop meeting.

RESOURCE IMPACTS
Funds to cover the improvements to the Temescal siphon have been budgeted under the FY 2010-11 Budget Fund No. 240 (Brine Line Enterprise, Facility Repair and Maintenance).

CQ:pb

Attachments:
1. Resolution No. 2011-08
2. Photographs

RESOLUTION NO. 2011-08

A RESOLUTION OF THE COMMISSION OF THE SANTA ANA WATERSHED PROJECT AUTHORITY RECOGNIZING THE EMERGENCY STATUS OF THE TEMESCAL SIPHON AND GRANTING THE GENERAL MANAGER THE AUTHORITY TO RESOLVE SUCH EMERGENCY

WHEREAS, as part of the maintenance of the Inland Empire Brine Line, Upper Reach IV-B, staff found that the Temescal siphon, a section of the Brine Line crossing under Temescal Creek has exfiltration which may be impacting groundwater quality and deliveries of potable water to the City of Norco;

WHEREAS, the existing leak can exacerbate any problems within the Temescal siphon and increase the rate of exfiltration of brine to the groundwater aquifer;

WHEREAS, the geometry of the Temescal siphon does not allow for traditional cleaning and CCTV assessment due to sharp 90-degree bends;

WHEREAS, this section of the Brine Line receives the concentrate from the Arlington Desalter, a main potable water supplier for the City of Norco;

WHEREAS, the Arlington Desalter needs to be in full production, to provide adequate water supplies to the City of Norco as the summer months approach;

WHEREAS, a flow bypass system has been installed to allow for repairs to the Temescal Siphon and to minimize the impacts to water deliveries to the City of Norco;

WHEREAS, an emergency is defined in Section 1102 of the Public Contracts Code as "a sudden, unexpected occurrence that poses a clear and imminent danger, requiring action to prevent or mitigate the loss or impairment of life, health, property or essential public service."

WHEREAS, SAWPA's Procurement Policy, Section 3.6, provides guidance for procurement of services under emergency situations;

WHEREAS, Section 22050 of the California Public Contract Code requires that the SAWPA Commission make a finding that the emergency condition will not permit a delay resulting from a competitive solicitation for bids, and that the action is necessary to respond to the emergency;

WHEREAS, there is an immediate need to repair the existing leak in the Temescal siphon to eliminate any brine leaks into groundwater, protect water resources, provide an adequate water supply to the City of Norco, and ensure a reliable disposal system for the Arlington Desalter.

NOW, THEREFORE, BE IT RESOLVED that the Commission of the Santa Ana Watershed Project Authority, pursuant to Section 22050 of the California Public Contract Code, hereby resolves that:

1. The current situation at the Temescal siphon is consistent with the definition of an emergency condition and requires immediate repair.

2. The General Manager has the authority to spend up to $250,000 on measures needed to respond to the emergency situation of Reach IV-B of the Inland Empire Brine Line.

3. The General Manager shall take any directly related and immediate action required by the emergency, and procure the necessary equipment, services, and supplies for this purpose, without giving notice for bids to award contracts.

ADOPTED THIS 17th day of May, 2011.

SANTA ANA WATERSHED PROJECT AUTHORITY

BY: _____
Terry Catlin, Chair

06/23/2011

RIGHT-WAY
06.23.2011 07:36

SAWPA Commission
Meeting Minutes June 21, 2011

COMMISSION MEMBERS PRESENT	REPRESENTING
Terry Catlin, Chair	Inland Empire Utilities Agency
Phil Anthony	Orange County Water District
Don Galleano	Western Municipal Water District
Ron Sullivan	Eastern Municipal Water District
George Aguilar	San Bernardino Valley MWD

OTHERS PRESENT	
Tom Evans	Western Municipal Water District
Angel Santiago	Inland Empire Utilities Agency
Doug Headrick	San Bernardino Valley MWD
Bill Houser	Innerline Engineering
Greg Woodside	Orange County Water District
Tony McAnally	Norco Ranch, Inc.
Errol Giuliano	Gene Belk
Curtis Belk	Gene Belk
Ben Strasshofer	Mission Linen Supply
Shawn Perumean	Cucamonga Valley Water District
Ted Ludford	Ludford's, Inc.
Russ Miller	EnerTech
Don Lee	TetraTech
Parivash Dezham	Inland Empire Utilities Agency
Gary Ethridge	G&G Environmental
Celeste Cantú	SAWPA, General Manager
Larry McKenney	SAWPA, Executive Counsel
Karen Williams	SAWPA, Chief Financial Officer
Rich Haller	SAWPA, Exec. Manager of Engineering and Operations
Mark Norton	SAWPA, Manager of Water Resources and Planning
Rick Whetsel	SAWPA, Senior Watershed Planner
David Ruhl	SAWPA, Program Manager
Jeff Beehler	SAWPA, Program Manager
Carlos Quintero	SAWPA, Project Manager
Jerry Oldenburg	SAWPA, GIS Analyst II/Network Administrator
Regina Patterson	SAWPA, Senior Administrative Assistant

The Commission Meeting of the Santa Ana Watershed Project Authority was called to order at 9:30 a.m. by Chair Terry Catlin at the Santa Ana Watershed Project Authority Office, 11615 Sterling Avenue, Riverside, CA 92503. Chair Catlin led the flag salute. Chair Catlin stated that public comments regarding Agenda Item 4.B., Inland Empire Brine Line Proposed Local Discharge Limits, will be received when that matter is considered on the agenda. He then called for all other public comments; however, there were no comments received.

SPECIAL PRESENTATIONS

BIG BEAR LAKE TMDL TASK FORCE (CM#8488)

Rick Whetsel stated that the Big Bear Lake TMDL Task Force addresses nutrients in Big Bear Lake and the surrounding watershed. He reported that one of their tasks is to implement a watershed-wide nutrient TMDL compliance monitoring program. He explained the benefits of Task Force participation and their strategic planning efforts. The report was received and filed.

MIDDLE SANTA ANA RIVER WATERSHED PATHOGEN TMDL TASK FORCE (CM#8487)
Rick Whetsel presented a brief overview of the Middle Santa Ana River Watershed Pathogen TMDL Task Force. He discussed stakeholder efforts and consultant and regulatory support. There is a regional monitoring program of five sites that are monitored on a bi-monthly basis for compliance. This provides a savings because the monitoring is not done independently. Source evaluation work is done annually. Strategies include corresponding with the Stormwater Quality Standards Task Force, and the counties have been tasked to do regional-wide comprehensive bacteria management plans under their MS4 permits, from which many of our implementation activities will result.

Commissioner Anthony inquired about which sites are out of compliance and how to correct that. Rick Whetsel said because our monitoring is focused on the larger downstream areas, in general, we are out of compliance everywhere for fecal coliform. Currently, the draft comprehensive bacteria reduction plans developed by San Bernardino and Riverside Counties have been reviewed and now are in the comment process with the Regional Board. Once finalized, there will be more of an indication of what their implementation projects will be. The report was received and filed.

NEW BUSINESS

MIDDLE SANTA ANA RIVER PATHOGEN TMDL TASK FORCE – BACTERIAL INDICATOR SOURCE EVALUATION ACTIVITIES (CM#8498)
This item required no discussion.

Upon motion by Commissioner Anthony, seconded by Commissioner Aguilar, the motion unanimously carried:

11-06-03
MOVED, approval and authorized Task Order No. CDM384-07 with Camp Dresser & McKee (CDM) for an amount not-to-exceed $77,550 to provide support services for the FY 2011-12 watershed-wide compliance monitoring program for the Middle Santa Ana River (MSAR) Bacterial Indicator Total Maximum Daily Load (TMDL).

INLAND EMPIRE BRINE LINE PROPOSED LOCAL DISCHARGE LIMITS (CM#8502)
Rich Haller discussed the issues associated with the proposed local discharge limits and explained the basis for the limits. Further work will be done to develope criteria for the Best Management Practice (BMP) Standards for Fats, Oils and Grease (FOG) and Dissolved Organic Carbon (DOC), and will be presented to the Commission on September 20. Photographs were displayed of accumulation of grease in the pipeline. He then listed the dischargers that would be impacted by the limits. Existing BMP standards will be used for guidance during this process.

Public Hearing
Chair Catlin opened the Public Hearing at 10:02 a.m.

Tony McAnally of Norco Ranch, Inc. addressed the Commission stating that he operates E&M Ranch in Fontana, California. The business is a USDA-inspected egg processing plant processing on average 1.5 million eggs per day seven days per week. The company's wastewater is brought into the IEUA dump station and because it is high in TDS, it exceeds local limits and forces discharge to the Inland Empire Brine Line. In 2008, Proposition 2 was passed, which directly affects the way they house their animals. Their current method of housing will be illegal as of January 1, 2015. There are no plans at this time to remodel the facility in Fontana to accommodate these new standards. The plan is to cease operation before the January 1, 2015 deadline. He requested a three-year phase-in of the new local discharge limits.

Chair Catlin invited Tony McAnally to provide in writing any additional information he may have.

Ted Ludford of Ludford's, Inc. stated that they manufacture and bottle canned fruit juice. He explained that it only takes a miniscule amount of fruit juice to raise the BOD limits causing non-compliance. Their volume is 5,000 gallons per week. The new local limits will force them out of the area or out of business. He expressed disappointment in the direction SAWPA is headed with the local limits. He indicated that he sees no support for local businesses with these regulations.

Commissioner Galleano said he would like staff to discuss this further. Commissioner Sullivan requested a letter itemizing the issues that are forcing these businesses out of California.

Chair Catlin stated that staff would be open to receive additional written comments prior to the September 20, 2011 meeting. The Public Hearing was closed at 10:11 a.m.

Upon motion by Commissioner Anthony, seconded by Commissioner Aguilar, the motion unanimously carried:

11-06-04
MOVED, approval to:
1. Conduct a public hearing on proposed local limits to receive further input;
2. Direct staff to continue work prior to preparing Best Management Practice (BMP) Standards for Fats, Oils and Grease (FOG) and Dissolved Organic Carbon (DOC); and
3. Continue the Public Hearing to September 20, 2011 to allow time for the BMP Standards to be prepared and distributed for public review and comment.

INLAND EMPIRE BRINE LINE RATE RESOLUTION (CM#8485)

Rich Haller detailed the FY 2011-12 proposed rates, reported that a new rate model was developed, and that FCS Group has recommended a transition from almost all revenue being based on a flow charge when we have a lot of fixed costs. They recommended we look at a ratio of variable costs versus the variable on our fixed costs and the corresponding on the variable and fixed revenues. They also recommended a transition to a higher percentage of fixed revenue. The rates presented reflect a change with a three-year transition proposing the current flow component of 57 percent changed to 40 percent after the three-year period, and the same with fixed pipeline and fixed treatment. The fixed revenue would go to 60 percent and the variable revenue would go to 40 percent, making them more in line with our actual costs. He provided various components used to determine the rate, including the pass-through BOD and TSS costs from OCSD. The OCSD notified us of an eight percent rate reduction, which made a significant change in the proposed rates for the July 1, 2011 start date.

Upon motion by Chair Catlin, seconded by Commissioner Sullivan, the motion unanimously carried:

11-06-05
MOVED, approval and adopted Resolution No. 2011-10, establishing new Inland Empire Brine Line rates to be effective July 1, 2011.

RESOLUTION NO. 2011-10
A RESOLUTION OF THE COMMISSION OF THE SANTA ANA WATERSHED PROJECT AUTHORITY ESTABLISHING THE RATES (FOR THE TREATMENT AND DISPOSAL OF NON-RECLAIMABLE WASTEWATER, TEMPORARY DOMESTIC WASTEWATER, TRUCK DUMP STATION DISCHARGES, AND CHARGES FOR THE SUSPENDED SOLIDS AND BIOCHEMICAL OXYGEN DEMAND) IN THE SANTA ANA REGIONAL INTERCEPTOR SYSTEM. (For full text, see Resolution Book).

IEUA'S REQUEST TO CHANGE BILLING PROCEDURES FOR MASTER METER "S-05" (CM#8496)

Rich Haller reported that as presented to the Project Agreement 21 Committee, a modification of billing procedures is recommended for IEUA to bill based on data from individual dischargers upstream of Master Meter S-05, and to document those as part of their master permit for Master Meter S-05. For consistency with other agencies, we will confirm that current billing procedures will continue with the other member agencies. There are four upstream dischargers from Master Meter S-05, with a combined flow measured by SAWPA at Master Meter S-05. The dischargers and IEUA do their individual measurements at those four locations, and every month those numbers do not match exactly to what is measured at Master Meter S-05. This has created a problem as to how to distribute the imbalance. It is proposed that SAWPA would bill based on the individual flow and water quality measurements at the four locations. This is the current procedure with all the other member agencies. This change will not affect the imbalance issue with OCSD.

Parivash Dezham said that this will eliminate the discrepancy that has existed between S-05 and the individual dischargers.

Upon motion by Commissioner Anthony, seconded by Commissioner Sullivan, the motion unanimously carried:

11-06-06
MOVED, approval to:

1. Modify billing procedures for IEUA, billing based on data from individual dischargers rather than Master Meter S-05;
2. Document this procedural change by modifying the IEUA master permit for Master Meter S-05; and
3. Continue current billing practices with EMWD, SBVMWD, and WMWD.

GIULIANO CAPACITY RIGHT OWNERSHIP IN THE INLAND EMPIRE BRINE LINE (CM#8489)

Rich Haller provided a brief presentation reporting the results of an extensive review of past documents that indicate Curtis Belk and Errol Giuliano own capacity with no existing capacity agreement. In the process to rectify the surrounding issues, staff recommends preparation of agreements documenting capacity ownership, confirming continued use of the WMWD truck disposal station, and assign/transfer 10,000 gpd of pipeline, treatment, and disposal capacity rights to WMWD. The most important issues to recognize are that they own capacity and the need to clean up the record and the finances. Rich Haller reported three key documents were introduced to the Project Agreement 21 Committee as evidence that the agreement existed between SAWPA and Belk at that time.

Upon motion by Commissioner Aguilar, seconded by Commissioner Sullivan, the motion unanimously carried:

11-06-07
MOVED, approval to:

1. Draft agreements between SAWPA and WMWD, and WMWD and Giuliano for approval by Giuliano and the respective agency Boards. The agreements shall recognize 10,000 gpd of capacity ownership based upon 250 mg/l BOD and TSS strength.
2. Confirm the continued use of the WMWD truck disposal station by Giuliano. Establish that WMWD should be billed by SAWPA for Giuliano discharges based upon direct connect discharge rates rather than the trucked waste disposal charges. The direct connect rates, except those in SAWPA Resolution 2010-007 paragraph 10, would apply for FY 2011 and thereafter. The capacity lease charge in paragraph 10 will apply effective 7/1/11.
3. Transfer 10,000 gpd of pipeline capacity and treatment and disposal capacity assigned to SBVMWD on Giuliano's behalf to WMWD. Refund the fixed pipeline and fixed treatment charges billed to SBVMWD. These costs in turn will be billed to WMWD as part of Recommendation No. 2.

INLAND EMPIRE BRINE LINE ON-CALL LINE CLEANING SERVICES (CM#8501)

Carlos Quintero reported that Innerline Engineering has been providing on-call line cleaning services during FY2010-11. The cleaning of upper Reach IV-B and the regularly scheduled siphon cleaning have depleted the budget originally approved for a two-year period through June 30, 2012. It is anticipated that significant line cleaning services will be required during the upcoming FY2011-12 along upper Reach IV-B, the Agua Mansa Siphon in Reach IV-E, and Brine Line siphons and sections of lower Reach IV-B. To cover the costs, it is proposed to issue Change Order No. 2 for $150,000 with Innerline Engineering so the FY2011-2012 line cleaning program can be completed as part of the Innerline contract. The amount of Change Order No. 2 is expected to cover the line cleaning needs for the next fiscal year.

Commissioner Anthony asked what the future plan is for long-term line cleaning. Celeste Cantú said because this work has been contracted for a two-year period, bids will be requested again in 2013.

Upon motion by Chair Catlin, seconded by Commissioner Sullivan, the motion unanimously carried:

11-06-08
MOVED, approval of Change Order No. 2 to Task Order No. INN240-01 with Innerline Engineering for an amount not-to-exceed $150,000, increasing the total contract amount to $288,750 (includes the cost of Change Order No. 1 for $25,000).

INLAND EMPIRE BRINE LINE FINANCIAL ADVISORY SERVICES (CM#8481)
Karen Williams reported that on June 7, SAWPA's financial advisor Fieldman, Rolapp & Associates presented a debt service policy that they created for SAWPA. They also updated a reserve policy and added new definitions. Memorandums have been prepared and circulated to SAWPA member agencies' financial staffs without any questions/comments.

Commissioner Sullivan asked if the policy maintains SAWPA as an AA rating, or is there a policy on how to get to an AA+ rating and then AAA. Karen Williams said if SAWPA ever went out for bond issuance, there are several things that would help support that rating, like policies, but also the amount of funds in reserves, and other things. Celeste Cantú said these policies do not contain a strategy to improve a rating at this time.

Upon motion by Commissioner Sullivan, seconded by Commissioner Aguilar, the motion unanimously carried:

11-06-09
MOVED, approval of the Debt Management and Reserve Funds policies, and received and filed the "Analysis of Financing Options" and "Evaluation of Outstanding and Future Debt" memorandums prepared by Fieldman, Rolapp & Associates.

FOURTH ANNUAL OWOW CONFERENCE – 2012; WATER EDUCATION FOUNDATION (CM#8493)
On April 27, SAWPA and the Water Education Foundation (WEF) held the 2011 OWOW Conference at the Riverside Convention Center. Jeff Beehler said that this year, SAWPA intends to start early in the preparation for a San Bernardino County conference location. Commissioner Aguilar offered to assist in discussions to consider the event being held at a facility operated by the San Manuel Band of Serrano Mission Indians. Commissioner Aguilar reported that discussions have begun with the Chairman and Celeste Cantú.

Jeff Beehler said the terms with WEF would remain the same for the new fiscal year.

Upon motion by Commissioner Anthony, seconded by Commissioner Sullivan, the motion unanimously carried:

11-06-10
MOVED, approval of Amendment No. 1 to the Agreement with Water Education Foundation (WEF) to coordinate the Fourth Annual One Water One Watershed (OWOW) Conference 2012.

STATE LEGISLATIVE REPORT(CM#8503)
Celeste Cantú reported that the Governor vetoed the State budget so it is back to the legislature. The current positions adopted on legislation are being tracked and no new positions are being requested. Everything is moving into its second house so amendments are settling down. There may be several more positions to take at the next meeting when things need to be in final form. The report was received and filed.

COMMENTS ON US EPA CLEAN WATER ACT DRAFT GUIDANCE ON JURISDICTION CM#8500)
Larry McKenney reported that in the wake of the *Rapanos v. US* (2006) Supreme Court decision, there was an effort in Congress over the last several years to legislatively amend the Clean Water Act to reinstate the U.S. Army Corps of Engineers' expansive view of their jurisdiction. None of those efforts succeeded. Through the U.S. EPA, the administration has proposed guidance to regulators on how to determine jurisdiction. A draft guidance document has been published and currently is being reviewed and commented upon by EMWD. Comments are due to the U.S. EPA by July 1, 2011.

Upon motion by Chair Catlin seconded by Commissioner Aguilar, the motion unanimously carried:

11-06-11
MOVED, approval and authorized the Chair to sign a letter submitting comments to US EPA regarding the subject guidance supporting the importance of water quality and of the watershed approach, but noting that the draft guidance creates new, unnecessary regulatory burdens on some water agency activities, and that it seeks to implement an interpretation of the law that should at least be the subject of formal rulemaking procedures and may overreach the authority of the Clean Water Act.

OLD BUSINESS

INLAND EMPIRE BRINE LINE REACH IV-B – TEMESCAL SIPHON LEAK (CM#8490)

Carlos Quintero reviewed photos and provided details of the procedure used and the findings. There is approximately six to eight inches of hard scale with some areas nearly plugged. Once the obstruction was clear, a hard hat was located in the pipeline. The scale found was mostly calcium carbonate with some silica. Staff is now confident that the line is 98% clean. Per Section 22050 of the Public Contracts Code, an update will be provided to the Commission at the July 5, 2011 workshop.

Upon motion by Commissioner Anthony, seconded by Commissioner Aguilar, the motion unanimously carried:

11-06-12
MOVED, approval to:
1. Receive and file an update on the status of the Temescal Siphon; and
2. Continue recognition of the emergency status of the Temescal Siphon.

CONSENT CALENDAR

Upon motion by Commissioner Aguilar, seconded by Chair Catlin, the motion unanimously carried:

11-06-13
MOVED, approval of the Consent Calendar.

A. The Commission approved the Minutes from the meeting held 6-7-11.

B. The Commission received and filed the May 2011 Treasurer's Report.

C. The Commission authorized the General Manager to execute Task Order No. TDGI1000-14 with The Dolphin Group for continued legislative services for State legislative and government relations for FY 2011-12. (CM#8492)

INFORMATIONAL REPORTS

The Commission received and filed the following oral/written reports/updates. It was the consensus of the Commission to table the CAFR presentation to next month.

A. OWOW Update
B. Cash Transactions Report – April 2011 (CM#8497)
C. Inter-Fund Borrowing – April 2011 (CM#8491)
D. Performance Indicators and Financial Reporting – April 2011 (CM#8495)
E. FYE 2011 Third Quarter Budget vs Actual Variance Report (CM#8494)
F. Financial Report for the Third Quarter Ending March 31, 2011
G. General Manager's Report – It was the consensus of the Commission to have only one business meeting on the first Tuesday in August.
H. Chair's Comments/Report - None
I. Commissioners' Comments - None

There being no further business for review, Chair Catlin adjourned the meeting at 10:50 a.m.

APPROVED:
July 5, 2011

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Terry Catlin, Chair

2011-6-21 Com Min