

# **NOTICE OF MEETING**

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A REGULAR MEETING

OF THE

BOARD OF DIRECTORS

OF THE

**INLAND EMPIRE REGIONAL  
COMPOSTING AUTHORITY**

WILL BE HELD ON

**MONDAY, MAY 7, 2018  
10:00 A.M.**

**AT THE INLAND EMPIRE REGIONAL  
COMPOSTING FACILITY  
12645 6<sup>th</sup> STREET  
RANCHO CUCAMONGA, CA 91739**



**REGULAR MEETING OF THE  
BOARD OF DIRECTORS  
MONDAY, MAY 7, 2018  
10:00 A.M.**

**INLAND EMPIRE REGIONAL COMPOSTING FACILITY  
12645 6<sup>TH</sup> STREET  
RANCHO CUCAMONGA, CA 91739**

[www.ierca.org/calendar](http://www.ierca.org/calendar)

**CALL TO ORDER  
OF THE INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY BOARD OF  
DIRECTORS MEETING**

**FLAG SALUTE**

**PUBLIC COMMENT**

Members of the public may address the Board on any item that is within the jurisdiction of the Board; however, no action may be taken on any item not appearing on the agenda unless the action is otherwise authorized by Subdivision (b) of Section 54954.2 of the Government Code. Those persons wishing to address the Board on any matter, whether or not it appears on the agenda, are requested to complete and submit to the Board Secretary a "Request to Speak" form which are available on the table in the Board Room. Comments will be limited to five minutes per speaker. Thank you.

**ADDITIONS TO THE AGENDA**

In accordance with Section 54954.2 of the Government Code (Brown Act), additions to the agenda require two-thirds vote of the legislative body, or, if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action came to the attention of the local agency subsequent to the agenda being posted.

**1. CONSENT CALENDAR**

**A. MINUTES**

The Board will be asked to approve the minutes from the February 5, 2018 regular meeting.

**B. INVESTMENT AND DISBURSEMENT REPORT**

It is recommended that the Board of Directors approve for the months of January 2018-March 2018:

1. Total disbursements in the amount of \$1,782,246.65
2. There were no new investments during January 1, 2018 – March 31, 2018.

**2. ACTION ITEMS**

**A. ADOPTION OF BUDGET FOR FISCAL YEAR 2018/19**

It is recommended that the Board of Directors;

1. Adopt the Inland Empire Regional Composting Authority (IERCA) budget for fiscal year 2018/19;
2. Maintain the tipping fee rate at \$56 per wet ton; and
3. Approve a capital call of \$1,000,000 to be shared equally by the Inland Empire Utilities Agency (IEUA) and the Sanitation District No. 2 of Los Angeles County (SDLAC) to support capital improvement project costs, as needed.

**B. ADOPTION OF THE INVESTMENT POLICY FOR FY 2018/19**

It is recommended that the Board of Directors adopt Resolution No. 2018-5-1 approving the Authority's Investment Policy for FY 2018/19.

**C. ANNUAL MANAGEMENT PLAN**

It is recommended that the Board of Directors approve the Fiscal Year 2018/19 Annual Management Plan.

**D. CORRODED COLUMN REPAIR PROJECT**

It is recommended that the Board of Directors:

1. Award a construction contract for the Corroded Column Repair, Project No. RA18101.03, to W.A. Rasic Construction Company in the amount of \$142,000;
2. Authorize the Project Manager to finalize and execute the Contract.

3. **INFORMATION ITEMS**

A. **PROJECT MANAGER'S REPORT**

B. **TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE QUARTER ENDED MARCH 31, 2018**

C. **CALIFORNIA ORGANICS**

D. **IERCA MISSION STATEMENT**

4. **DIRECTOR COMMENTS**

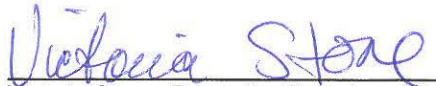
Next regular meeting is scheduled for Monday, August 6, 2018 at 10:00 a.m.

5. **ADJOURN**

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Recording Secretary (909-993-1744), 48 hours prior to the scheduled meeting so that the Authority can make reasonable arrangements.

**Declaration of Posting**

I, Victoria Stone, Recording Secretary to the Inland Empire Regional Composting Authority, hereby certify that a copy of this agenda has been posted by 5:30 p.m. at the County Sanitation Districts of Los Angeles 1955 Workman Mill Road, Whittier, CA and at the IERCA's Administrative Building, 12645 Sixth Street, Rancho Cucamonga, CA and at the IEUA's main office, 6075 Kimball Ave., Chino, CA on Tuesday, May 1, 2018



Victoria Stone, Recording Secretary



**CONSENT  
CALENDAR  
ITEM**

**1A**

**MINUTES OF A REGULAR MEETING OF  
THE BOARD OF DIRECTORS OF  
THE INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY (IERCA)  
FEBRUARY 5, 2018  
10:00 A.M.**

**DIRECTORS PRESENT:**

Jon Blickenstaff, Chairperson  
Jasmin A. Hall, Vice Chairperson  
Grace Hyde, Director  
Margaret Finlay, Director  
Kati Parker, Alternate Director

**DIRECTORS ABSENT:**

Paul Hofer, Director  
Halla Razak, Director

**OTHERS PRESENT:**

Jeffrey Ziegenbein, Project Manager, IERCA  
Ann Heil, Assistant Project Manager, IERCA  
Christina Valencia, Treasurer, IERCA  
Randy Lee, Executive Manager of Operations/Assistant General Manager, IEUA  
Connie Gibson, Executive Assistant, IEUA  
Michael Sullivan, Assistant Department Head, SDLAC  
Jean Cihigoyenette, General Counsel  
Teresa Velarde, Manager of Internal Auditor, IEUA  
Debbie Harper, LSL, CPA  
Jesse Pompa – Senior Engineer, IEUA  
Jeff King, Compost Facility Superintendent, IERCA  
Arin Boughan, Marketing Coordinator, IERCA  
Victoria Stone, Recording Secretary, IERCA

A regular meeting of the Board of Directors of the IERCA was held at the Inland Empire Regional Composting Facility (IERCF) administrative building located at 12645 Sixth Street, Rancho Cucamonga, CA, on the above date.

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

**INTRODUCTIONS**

Chairperson Blickenstaff stated that members of the public may address the Board. There were no persons desiring to address the Board of Directors.

Chairperson Blickenstaff asked if there were any changes, additions, and or deletions to the agenda. There were no changes/additions/deletions to the agenda.

Chairperson Blickenstaff introduced Katie Parker, Alternate Director filling in for Director Hofer who was unable to attend the meeting. Mr. Blickenstaff introduced Abel Hernandez, Electrical & Instrumentation Technician for the IERCA maintenance section.

**ELECTION OF OFFICERS**

Chairperson Blickenstaff stated that it's time to fill the positions Chairperson and Vice Chairperson for the IERCA Board. Mr. Blickenstaff opened the floor for nominations and Director Finlay stated she would like to re-elect Jon Blickenstaff to resume as Board Chairperson. Chairperson Blickenstaff accepted this nomination and thanked the board for their continued confidence in him. Director Finlay also nominated the re-election of Jasmin A. Hall as Vice Chairperson. Ms. Hall accepted this nomination and thanked the board for their continued confidence in her.

Upon motion by Director Finlay, seconded by Director Hyde the motion carried (4/0):

**M2018-2-1**  
The Board:  
  
Re-elect Jon Blickenstaff as Chairperson of the Board and  
  
Re-elect Jasmin A. Hall as Vice Chairperson of the Board.

With the following roll call vote:

Ayes: Finlay, Hyde, Hall, Parker  
Noes: None  
Absent: Razak, Hofer  
Abstain: None

**CONSENT CALENDAR**

Upon motion by Director Finlay seconded by Director Hall, the motion carried:

**M2018-2-2**  
The Board:  
  
Approved the Consent Calendar:  
  
A. Minutes from the November 6, 2017 regular meeting of the Board of Directors.  
  
B. Investment and Disbursement Report as submitted.

**ACTION ITEMS**

**A. ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Christina Valencia, IERCA Treasurer, introduced Ms. Debra Harper, LSL, CPA. Ms. Harper represents the CPA firm who audits both the IEUA and IERCA Financials. Ms. Valencia continued to present the Annual Financial report for Fiscal Year ended June 30, 2017. She reviewed the highlights stating that the facility continues to operate a full capacity as it reached its tenth year of operations in April 2017. Total revenue in FY 2016/17 reflects a slight decrease from \$8.6 million to \$8.5 million reported in the prior fiscal year. This decrease is primary due to a slight drop in compost sales revenues.

Total expenses of \$10 million reported an increase of \$0.5 million compared to last fiscal year. This increase is primarily due to higher operating expenses of \$0.4 million and depreciation of \$0.3 million.

The total ending net position decreased by \$1.5 million to \$89.0 million as of June 30, 2017, of which approximately \$84.4 million has been invested in capital assets. The remaining \$4.6 million is working capital designated to support operating contingencies, self-insurance liability costs, and capital replacement and construction investment. No call was made against the \$1 million capital call budgeted in FY 2016/17.

Upon motion by Director Hyde, seconded by Director Hall, the motion carried:

**M2018-2-3**

The Board:

1. Approved the Annual Financial Report for the Fiscal Year ended June 30, 2017, as presented; and
2. Direct staff to distribute the report as appropriate, to the various federal, state, and local agencies, financial institutions, and other interested parties.

**B. ADOPTION OF DEPOSITORY AGREEMENT AND INVESTMENT FUND SIGNATORY RESOLUTIONS**

Ms. Valencia presented three resolutions stating that they have been revised to reflect recent changes in the Authority's signatories due to the retirement of Mr. P. Joseph Grindstaff and the addition of Ms. Halla Razak as the new General Manager for the Inland Empire Utilities Agency and new Director for the Inland Empire Regional Composting Authority.

Upon motion by Director Finlay, seconded by Director Hyde, the motion carried:

**M2018-2-4**

The Board:

1. Adopted Resolution No. 2018-2-1, authorizing and designating signatories for depository agreement, depository cards, deposits, transfers, checks, and withdrawal of funds;
2. Adopted Resolution No. 2018-2-2, authorizing participation in the Local Agency Investment Fund and designating signatories for the deposit and withdrawal of funds; and
3. Adopted Resolution No. 2018-2-3, authorizing participation in the Los Angeles County Pooled Surplus Investment Fund and designating signatories for the deposit and withdrawal of funds.

**C. TROMMEL SCREEN REPLACEMENT**

Mr. Ziegenbein presented a request to award a contract for the procurement and replacement of one of the two trommel screens at the IERCF. He stated staff issued a request for proposal and the proposals were reviewed by a selection committee and it was determined that W.M. Lyles Co. has the technical experience and responsiveness to make this a project a success. Jeff reminded the Board that after 10 years of operations in a very challenging environment, both screens are nearing

the end of their useful life and require an investment. Screen No. 1 is much closer to requiring a major investment and is the first choice for replacement. The IERCF team of mechanics and operators have done exceptional work in keeping the screens running and maintaining throughput. Improvements in technology are expected to reduce downtime and maintenance requirements. The project is expected to take approximately one year to complete.

Upon motion by Director Finlay, seconded by Director Hall, the motion carried:

**M2018-2-5**

The Board:

1. Awarded a construction contract for the replacement of compost screening plant No. 1, Project No. RA19002, to W.M. Lyles Co. in the amount of \$1,269,700;
2. Approved a budget transfer in the amount of \$500,000 from the Transition Air Duct Improvements Project No. RA17001 to the Trommel Screen Improvements Project No. RA19002; and
3. Authorized the Project Manager to finalize and execute the Contract.

**IERCA FARM PLAN**

Mr. Ziegenbein presented a plan to evaluate starting a farm. He stated that controlling a local farm could mitigate compost market uncertainty as well as demonstrate the benefits of using compost in agriculture. The plan initially indicates that the farm should be approximately 200 acres to provide economies of scale and a fairly high-volume demand for compost. This project will likely include an agreement with a local university to quantify water conservation, carbon sequestration and profitability and create a case study to encourage more farmers to use compost. Mr. Ziegenbein added that the evaluation is in the early stages and that he will keep the Board informed of any updates. Board members asked if the farm was within the mission of the IERCA and Mr. Ziegenbein explained that the potential threats to the markets and the opportunity to expand compost use appeared to be acceptable but would continue to keep the Board updated.

**PROJECT MANAGER'S REPORT**

Mr. Ziegenbein stated the facility continues to operate a full capacity and staff has logged over 2,497 days without lost time incidents. Staff has reduced inventory to ZERO for the second consecutive year and that the facility is currently out of material. He further stated that the maintenance team continues to use dashboards to get work orders completed and data entered and is doing a great job completing work orders on time. Mr. Ziegenbein then introduced Mr. Jesse Pompa, IEUA Senior Engineer, who gave an energy storage update. Mr. Pompa stated that the solar portion of the project is at the 90% design review. IEUA and LACSD engineers are evaluating the structural calculations to ensure the IERCF's roof is acceptable to hold the additional load. The solar panels must be installed by December 15, 2018 or the project will be discontinued. At this time, it appears the project is within an acceptable time to be completed if the project team agrees on the technical and business evaluation. Mr. Ziegenbein continued with an update on outreach activities. He stated that staff continues to seek opportunities to speak about the project and the benefits of compost and has been active with the Garden in Every School program. IERCA sales staff continues to monitor market conditions to ensure the best value for our compost products.

**TREASURER'S REPORT OF FINANCIAL AFFAIRS FOR THE QUARTER ENDED DECEMBER 31, 2017**

Ms. Valencia presented the Treasurer's Report of Financial Affairs for the quarter ended December 31, 2017. She stated that the Authority's investment portfolio average rate of return for December 2017 was 1.141% reflecting an increase of 0.119% when compared to the September 2017 yield of 1.022%. The increase was due to the investment of \$500,000 from Citizens Business Bank Sweep account, with a yield of 0.70%, to the LA County Pooled Investment account, with a yield of 1.390%.

**DIRECTORS' COMMENTS**

None.

With no further business, Chairperson Blickenstaff adjourned the meeting at 10:48 a.m.

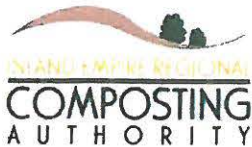
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Victoria Stone, Recording Secretary  
**APPROVED: MAY 7, 2018**

DRAFT



**CONSENT  
CALENDAR  
ITEM**

**1B**



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**Date:** May 7, 2018  
**To:** Honorable Board of Directors  
**From:** Christina Valencia *CV*  
Treasurer  
**Subject:** Investment and Disbursement Report

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**RECOMMENDATION**

It is recommended that the Board of Directors approve for the months of January 2018 – March 2018:

1. Total disbursements in the amount of \$1,782,246.65.
2. There were no new investments during January 1, 2018 - March 31, 2018.

**BACKGROUND**

The January - March 2018 disbursement activity includes check numbers 6802-6969 in the amount of \$501,499.07 for vendor payments. A detailed listing of the check register and electronic disbursements (ACH/Wire) is attached.

The total amount of ACH and Wire Transfer payments is \$1,280,747.58.

Payment Type	Checks From – To	Transactions	Total Amount
Check	6802-6969	168	\$ 501,499.07
ACH		33	\$1,280,185.58
Wire Transfer		1	\$ 562.00
<b>TOTAL</b>		<b>202</b>	<b>\$1,782,246.65</b>

**PRIOR BOARD ACTION**

None.

**IMPACT ON BUDGET**

The total cash and position of the Authority is reduced as a result of paying authorized expenditures.



Bank	CBB	CITIZENS BUSINESS BANK	ONTARIO CA	917610000
Bank Key	122234149			
Acct number	CHECK	231157042		

Check						
Check number from to	Payment	Pmnt date	Crcy	Amount paid (FC)	Recipient/void reason code	Enca./void
006802	2200008790	01/04/2018	USD	683.90	ALLIED UNIVERSAL SECURITY SERVPASADENA CA	01/08/2018
006803	2200008785	01/04/2018	USD	6,205.66	APPLIED INDUSTRIAL TECHNOLOGIEPASADENA CA	01/08/2018
006804	2200008794	01/04/2018	USD	418.20	BRIGHTVIEW LANDSCAPE SERVICES LOS ANGELES CA	01/08/2018
006805	2200008792	01/04/2018	USD	766.64	DAVID WHEELER'S PEST CONTROL, NORCO CA	01/16/2018
006806	2200008793	01/04/2018	USD	6,545.82	DOWNS ENERGY CORONA CA	01/09/2018
006807	2200008784	01/04/2018	USD	82.48	HOME DEPOT CREDIT SERVICES DES MOINES IA	01/18/2018
006808	2200008787	01/04/2018	USD	1,193.50	INTEGRATED DESIGN SERVICES INCIRVINE CA	01/08/2018
006809	2200008786	01/04/2018	USD	859.84	INTERSTATE BATTERY SYSTEM ALTA LOMA CA	01/25/2018
006810	2200008789	01/04/2018	USD	1,102.38	MARS ENVIRONMENTAL INC ANAHEIM CA	01/16/2018
006811	2200008788	01/04/2018	USD	493.95	MEE INDUSTRIES INC IRWINDALE CA	01/09/2018
006812	2200008791	01/04/2018	USD	1,128.56	RDO EQUIPMENT COMPANY LAKESIDE CA	01/10/2018
006813	2200008795	01/04/2018	USD	3,976.00	VIRAMONTES EXPRESS INC CORONA CA	01/09/2018
006814	2200008803	01/11/2018	USD	1,426.23	APPLIED INDUSTRIAL TECHNOLOGIEPASADENA CA	01/16/2018
006815	2200008809	01/11/2018	USD	62.00	DAVID WHEELER'S PEST CONTROL, NORCO CA	01/16/2018
006816	2200008806	01/11/2018	USD	298.45	DEPT OF FOOD AND AGRICULTURE SACRAMENTO CA	01/26/2018
006817	2200008802	01/11/2018	USD	179.55	HOME DEPOT CREDIT SERVICES DES MOINES IA	01/24/2018
006818	2200008804	01/11/2018	USD	211.85	INDUSTRIAL SUPPLY CO ONTARIO CA	01/17/2018
006819	2200008810	01/11/2018	USD	13,844.81	PREMIER PRINTING IMPRESSIONS RANCHO CUCAMONGA CA	01/17/2018
006820	2200008808	01/11/2018	USD	15,113.87	RDO EQUIPMENT COMPANY LAKESIDE CA	01/17/2018
006821	2200008811	01/11/2018	USD	24,367.26	SAITECH INC FREMONT CA	01/18/2018
006822	2200008805	01/11/2018	USD	601.26	VERIZON WIRELESS DALLAS TX	01/16/2018
006824	2200008818	01/18/2018	USD	6,706.41	APPLIED INDUSTRIAL TECHNOLOGIEPASADENA CA	01/22/2018
006825	2200008825	01/18/2018	USD	135.10	ARROWHEAD MOUNTAIN SPRING WATELOUISVILLE KY	01/26/2018
006826	2200008821	01/18/2018	USD	1,651.82	BERNELL HYDRAULICS RANCHO CUCAMONGA CA	01/23/2018
006827	2200008828	01/18/2018	USD	649.40	BURRTEC WASTE INDUSTRIES INC FONTANA CA	01/24/2018
006828	2200008823	01/18/2018	USD	4,915.00	COUNTY OF SAN BERNARDINO SAN BERNARDINO CA	01/26/2018
006829	2200008826	01/18/2018	USD	196.02	EGGLETON TRUCKING INC. TEMECULA CA	01/23/2018
006830	2200008820	01/18/2018	USD	376.86	GRAINGER PALATINE IL	01/23/2018
006831	2200008817	01/18/2018	USD	179.82	HOME DEPOT CREDIT SERVICES DES MOINES IA	01/29/2018
006832	2200008822	01/18/2018	USD	31.33	KONICA MINOLTA BUSINESS SOLUTIPASADENA CA	01/23/2018
006833	2200008819	01/18/2018	USD	747.71	PETE'S ROAD SERVICE FULLERTON CA	01/24/2018
006834	2200008824	01/18/2018	USD	113.34	U S BANK ST LOUIS MO	01/31/2018
006835	2200008827	01/18/2018	USD	6,278.80	VIRAMONTES EXPRESS INC CORONA CA	01/29/2018
006836	2200008837	01/25/2018	USD	2,316.80	APPLIED INDUSTRIAL TECHNOLOGIEPASADENA CA	01/29/2018
006837	2200008842	01/25/2018	USD	298.50	CINTAS FIRST AID & SAFETY LOCCINCINNATI OH	02/02/2018
006838	2200008846	01/25/2018	USD	8,638.17	DOWNS ENERGY CORONA CA	01/30/2018
006839	2200008847	01/25/2018	USD	490.05	EGGLETON TRUCKING INC. TEMECULA CA	02/01/2018
006840	2200008844	01/25/2018	USD	2,928.07	GENESIS CONSTRUCTION HEMET CA	01/30/2018
006841	2200008840	01/25/2018	USD	98.33	KONICA MINOLTA BUSINESS SOLUTIPASADENA CA	01/29/2018
006842	2200008849	01/25/2018	USD	415.00	LANCE SOLL & LUNGHARD LLP BREA CA	01/29/2018
006843	2200008843	01/25/2018	USD	444.00	PALM AUTO DETAIL INC COLTON CA	02/05/2018
006844	2200008838	01/25/2018	USD	2,459.96	PETE'S ROAD SERVICE FULLERTON CA	01/31/2018
006845	2200008839	01/25/2018	USD	106.12	PETTY CASH EXPENDITURES CHINO CA	01/30/2018
006846	2200008848	01/25/2018	USD	1,145.87	PRIORITY BUILDING SERVICES LLCBREA CA	02/01/2018



Bank CBB CITIZENS BUSINESS BANK  
 Bank Key 122234149  
 Acct number CHECK 231157042

ONTARIO CA 917610000

Check number from to	Payment	Pmnt date	Crey	Amount paid (FC)	Recipient/void reason code	Enca./void
006847	2200008845	01/25/2018	USD	1,194.41	RDO EQUIPMENT COMPANY LAKESIDE CA	01/30/2018
006848	2200008841	01/25/2018	USD	601.77	VERIZON WIRELESS DALLAS TX	01/30/2018
006849	2200008860	01/31/2018	USD	683.90	ALLIED UNIVERSAL SECURITY SERV PASADENA CA	02/05/2018
006850	2200008857	01/31/2018	USD	1,770.57	APPLIED INDUSTRIAL TECHNOLOGIE PASADENA CA	02/05/2018
006851	2200008863	01/31/2018	USD	678.86	ARTIC MECHANICAL INC RANCHO CUCAMONGA CA	02/06/2018
006852	2200008867	01/31/2018	USD	5,863.27	CUCAMONGA VALLEY WATER DISTRICT LOS ANGELES CA	02/06/2018
006853	2200008862	01/31/2018	USD	1,627.56	EGGLETON TRUCKING INC. TEMECULA CA	02/08/2018
006854	2200008858	01/31/2018	USD	506.08	GRAINGER PALATINE IL	02/06/2018
006855	2200008859	01/31/2018	USD	802.75	HERC RENTALS INC DALLAS TX	02/08/2018
006856	2200008856	01/31/2018	USD	672.42	HOME DEPOT CREDIT SERVICES DES MOINES IA	02/12/2018
006857	2200008865	01/31/2018	USD	574.31	MODULAR BUILDING CONCEPTS INC POWAY CA	02/06/2018
006858	2200008861	01/31/2018	USD	808.25	RDO EQUIPMENT COMPANY LAKESIDE CA	02/06/2018
006859	2200008866	01/31/2018	USD	31,103.59	ROMLA VENTILATOR COMPANY SAN DIEGO CA	02/06/2018
006860	2200008864	01/31/2018	USD	3,254.20	VIRAMONTES EXPRESS INC CORONA CA	02/13/2018
006861	2200008880	02/08/2018	USD	5,024.66	APPLIED INDUSTRIAL TECHNOLOGIE PASADENA CA	02/12/2018
006862	2200008882	02/08/2018	USD	2,190.84	BERNELL HYDRAULICS RANCHO CUCAMONGA CA	02/13/2018
006863	2200008887	02/08/2018	USD	649.40	BURRTEC WASTE INDUSTRIES INC FONTANA CA	02/14/2018
006864	2200008877	02/08/2018	USD	923.50	CITY RENTALS INC ONTARIO CA	02/16/2018
006865	2200008878	02/08/2018	USD	12,321.03	COUNTY SANITATION DISTRICTS OF WHITTIER CA	02/14/2018
006866	2200008879	02/08/2018	USD	88.14	HOME DEPOT CREDIT SERVICES DES MOINES IA	02/20/2018
006867	2200008883	02/08/2018	USD	15.88	KONICA MINOLTA BUSINESS SOLUTIONS PASADENA CA	02/12/2018
006868	2200008881	02/08/2018	USD	8,668.99	PETE'S ROAD SERVICE FULLERTON CA	02/14/2018
006869	2200008884	02/08/2018	USD	298.12	U.S. BANK ST LOUIS MO	02/15/2018
006870	2200008886	02/08/2018	USD	360.00	UNIV OF WISCONSIN OSHKOSH OSHKOSH WI	02/16/2018
006871	2200008885	02/08/2018	USD	855.42	VIRAMONTES EXPRESS INC CORONA CA	02/13/2018
006872	2200008899	02/15/2018	USD	2,947.01	APPLIED INDUSTRIAL TECHNOLOGIE PASADENA CA	02/20/2018
006873	2200008903	02/15/2018	USD	414.75	BERNELL HYDRAULICS RANCHO CUCAMONGA CA	02/20/2018
006874	2200008909	02/15/2018	USD	184.00	CUCAMONGA VALLEY WATER DISTRICT LOS ANGELES CA	02/21/2018
006875	2200008908	02/15/2018	USD	8,955.00	DOWNS ENERGY CORONA CA	02/21/2018
006876	2200008898	02/15/2018	USD	1,412.34	HOME DEPOT CREDIT SERVICES DES MOINES IA	02/26/2018
006877	2200008901	02/15/2018	USD	52.47	INTERSTATE BATTERY SYSTEM ALTA LOMA CA	03/12/2018
006878	2200008905	02/15/2018	USD	6,058.17	MEE INDUSTRIES INC IRVINDALE CA	02/21/2018
006879	2200008902	02/15/2018	USD	33,745.12	MOTION INDUSTRIES INC LOS ANGELES CA	02/20/2018
006880	2200008900	02/15/2018	USD	5,050.94	PETE'S ROAD SERVICE FULLERTON CA	02/22/2018
006881	2200008906	02/15/2018	USD	32.46	RDO EQUIPMENT COMPANY LAKESIDE CA	02/21/2018
006882	2200008907	02/15/2018	USD	20,364.75	SANDE EQUIPMENT COMPANY INC MONTEREY PARK CA	02/22/2018
006883	2200008904	02/15/2018	USD	17,240.00	SOUTHWEST TOYOTALIFT MIRA LOMA CA	02/21/2018
006884	2200008926	02/22/2018	USD	294.49	ALTA FOODCRAFT COFFEE LONG BEACH CA	02/27/2018
006885	2200008916	02/22/2018	USD	6,404.20	APPLIED INDUSTRIAL TECHNOLOGIE PASADENA CA	02/26/2018
006886	2200008919	02/22/2018	USD	2,286.08	BERNELL HYDRAULICS RANCHO CUCAMONGA CA	02/27/2018
006887	2200008927	02/22/2018	USD	418.20	BRIGHTVIEW LANDSCAPE SERVICES PASADENA CA	02/26/2018
006888	2200008930	02/22/2018	USD	4,272.64	BS&B PRESSURE SAFETY MANAGEMENT TULSA OK	02/27/2018
006889	2200008929	02/22/2018	USD	495.00	EGGLETON TRUCKING INC. TEMECULA CA	02/27/2018
006890	2200008918	02/22/2018	USD	981.82	GRAINGER PALATINE IL	02/27/2018



Bank CBB CITIZENS BUSINESS BANK ONTARIO CA 917610000  
 Bank Key 122234149  
 Acct number CHECK 231157042

Check number from to	Payment	Fmnt date	Crcy	Amount paid (FC)	Recipient/void reason code	Enca./void
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006896	2200008925	02/22/2018	USD	238.71	RDO EQUIPMENT COMPANY LAKESIDE CA	02/27/2018
006897	2200008923	02/22/2018	USD	349.00	SOIL CONTROL LAB WATSONVILLE CA	03/30/2018
006898	2200008921	02/22/2018	USD	906.26	VERIZON WIRELESS DALLAS TX	02/27/2018
006899	2200008931	02/22/2018	USD	10,830.02	VIRAMONTES EXPRESS INC CORONA CA	03/05/2018
006900	2200008944	03/01/2018	USD	683.90	ALLIED UNIVERSAL SECURITY SERVPASADENA CA	03/05/2018
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006902	2200008947	03/01/2018	USD	418.20	BRIGHTVIEW LANDSCAPE SERVICES PASADENA CA	03/05/2018
006903	2200008943	03/01/2018	USD	285.39	CINTAS FIRST AID & SAFETY LOCCINCINNATI OH	03/05/2018
006904	2200008939	03/01/2018	USD	3,691.98	COUNTY SANITATION DISTRICTS OFWHITTIER CA	03/07/2018
006905	2200008946	03/01/2018	USD	908.34	DOWNS ENERGY CORONA CA	03/06/2018
006906	2200008949	03/01/2018	USD	7,434.32	EGGLETON TRUCKING INC. TEMECULA CA	03/06/2018
006907	2200008942	03/01/2018	USD	172.18	INDUSTRIAL SUPPLY CO ONTARIO CA	03/06/2018
006908	2200008952	03/01/2018	USD	574.31	MODULAR BUILDING CONCEPTS INC POWAY CA	03/06/2018
006909	2200008941	03/01/2018	USD	1,082.17	PETE'S ROAD SERVICE FULLERTON CA	03/07/2018
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006911	2200008948	03/01/2018	USD	19,506.00	R & S INDUSTRIAL FIELD SERVICEVICTORVILLE CA	03/29/2018
006912	2200008945	03/01/2018	USD	1,995.74	RDO EQUIPMENT COMPANY LAKESIDE CA	03/06/2018
006913	2200008951	03/01/2018	USD	13,115.38	VIRAMONTES EXPRESS INC CORONA CA	03/12/2018
006914	2200008953	03/08/2018	USD	3,249.29	APPLIED INDUSTRIAL TECHNOLOGIEPASADENA CA	03/12/2018
006915	2200008959	03/08/2018	USD	649.40	BURRTEC WASTE INDUSTRIES INC FONTANA CA	03/14/2018
006916	2200008961	03/08/2018	USD	1,658.08	CITY RENTALS INC ONTARIO CA	03/14/2018
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006919	2200008962	03/08/2018	USD	548.28	HOME DEPOT CREDIT SERVICES DES MOINES IA	03/16/2018
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006921	2200008966	03/08/2018	USD	103.87	RDO EQUIPMENT COMPANY LAKESIDE CA	03/13/2018
006922	2200008968	03/08/2018	USD	366.76	VIRAMONTES EXPRESS INC CORONA CA	03/19/2018
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006924	2200008984	03/15/2018	USD	217.00	CITY OF RANCHO CUCAMONGA RANCHO CUCAMONGA CA	03/30/2018
006925	2200008979	03/15/2018	USD	994.28	CITY RENTALS INC ONTARIO CA	03/22/2018
006926	2200008980	03/15/2018	USD	499.04	COUNTY SANITATION DISTRICTS OFWHITTIER CA	03/23/2018
006927	2200008989	03/15/2018	USD	722.70	EGGLETON TRUCKING INC. TEMECULA CA	03/20/2018
006928	2200008981	03/15/2018	USD	307.22	HOME DEPOT CREDIT SERVICES DES MOINES IA	03/28/2018
006929	2200008988	03/15/2018	USD	723.60	RDO EQUIPMENT COMPANY LAKESIDE CA	03/21/2018
006930	2200008986	03/15/2018	USD	1,133.00	SAN BERNARDINO COUNTY SAN BERNARDINO CA	03/30/2018
006931	2200008983	03/15/2018	USD	2,530.67	SOUTH COAST AQMD DIAMOND BAR CA	03/26/2018
006932	2200008985	03/15/2018	USD	8,866.79	SOUTHWEST TOYOTALIFT MIRA LOMA CA	03/20/2018
006933	2200008987	03/15/2018	USD	509.67	U S BANK ST LOUIS MO	03/23/2018
006934	2200009007	03/22/2018	USD	118.07	ALTA FOODCRAFT COPFEE LONG BEACH CA	03/27/2018



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Bank Key	122234149		
Acct number	CHECK	231157042	

Check

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006937	2200008999	03/22/2018	USD	1,445.00	CITY RENTALS INC ONTARIO CA	03/28/2018
006938	2200009008	03/22/2018	USD	62.00	DAVID WHEELER'S PEST CONTROL, NORCO CA	03/26/2018
006939	2200009009	03/22/2018	USD	147.04	DOWNS ENERGY CORONA CA	03/27/2018
006940	2200009010	03/22/2018	USD	1,221.66	EGGLETON TRUCKING INC TEMECULA CA	03/28/2018
006941	2200009000	03/22/2018	USD	663.11	HOME DEPOT CREDIT SERVICES DES MOINES IA	03/28/2018
006942	2200009005	03/22/2018	USD	10,511.72	INTEGRATED DESIGN SERVICES INCIRVINE CA	03/26/2018
006943	2200009002	03/22/2018	USD	281.82	PATTON SALES CORP ONTARIO CA	03/27/2018
006944	2200009006	03/22/2018	USD	14,490.69	RDO EQUIPMENT COMPANY LAKESIDE CA	03/27/2018
006945	2200009004	03/22/2018	USD	397.00	SOIL CONTROL LAB WATSONVILLE CA	
006946	2200009011	03/22/2018	USD	7,711.46	SPIRAC USA INC NEWNAN GA	03/30/2018
006947	2200009003	03/22/2018	USD	603.41	VERIZON WIRELESS DALLAS TX	03/27/2018
006948	2200009013	03/22/2018	USD	2,223.88	VIRAMONTES EXPRESS INC CORONA CA	03/29/2018
006949	2200009032	03/29/2018	USD	683.90	ALLIED UNIVERSAL SECURITY SERVPASADENA CA	
006950	2200009022	03/29/2018	USD	6,212.70	APPLIED INDUSTRIAL TECHNOLOGIEPASADENA CA	
006951	2200009027	03/29/2018	USD	552.67	BERNELL HYDRAULICS RANCHO CUCAMONGA CA	
006952	2200009035	03/29/2018	USD	418.20	BRIGHTVIEW LANDSCAPE SERVICES PASADENA CA	
006953	2200009028	03/29/2018	USD	253.21	CINTAS FIRST AID & SAFETY LOCCINCINNATI OH	
006954	2200009020	03/29/2018	USD	1,710.46	CITY RENTALS INC ONTARIO CA	
006955	2200009033	03/29/2018	USD	31.00	DAVID WHEELER'S PEST CONTROL, NORCO CA	
006956	2200009034	03/29/2018	USD	7,502.42	DOWNS ENERGY CORONA CA	
006957	2200009036	03/29/2018	USD	4,070.88	EGGLETON TRUCKING INC TEMECULA CA	
006958	2200009031	03/29/2018	USD	6,000.00	ELECTRONIC INNOVATION INC CALGARY AB	
006959	2200009026	03/29/2018	USD	1,438.64	GRAINGER PALATINE IL	
006960	2200009021	03/29/2018	USD	261.49	HOME DEPOT CREDIT SERVICES DES MOINES IA	
006961	2200009024	03/29/2018	USD	237.92	INTERSTATE BATTERY SYSTEM ALTA LOMA CA	
006962	2200009039	03/29/2018	USD	574.31	MODULAR BUILDING CONCEPTS INC POWAY CA	
006963	2200009030	03/29/2018	USD	189.63	NESTLE WATERS NORTH AMERICA LOUISVILLE KY	
006964	2200009023	03/29/2018	USD	125.00	PETE'S ROAD SERVICE FULLERTON CA	
006965	2200009025	03/29/2018	USD	52.21	PETTY CASH EXPENDITURES CHINO CA	
006966	2200009037	03/29/2018	USD	1,145.87	PRIORITY BUILDING SERVICES LLCBREA CA	
006967	2200009029	03/29/2018	USD	349.00	SOIL CONTROL LAB WATSONVILLE CA	
006968	2200009040	03/29/2018	USD	410.00	UNIV OF WISCONSIN OSHKOSH OSHKOSH WI	
006969	2200009038	03/29/2018	USD	3,617.78	VIRAMONTES EXPRESS INC CORONA CA	
* Payment method Check			USD	501,474.07		

Regional Composting Auth  
 Rancho Cucamonga, CA  
 Company code 2000

Check Register

04/02/2018 / 15:53:24  
 User: PJACKSON  
 Page: 5

Bank	CBB	CITIZENS BUSINESS BANK				ONTARIO CA 917610000
Bank Key	122234149					
Acct number	CHECK	231157042				
Separate Check						
Check number from to	Payment	Pmnt date	Crcy	Amount paid (FC)	Recipient/void reason code	Enca./void
006823	2200008807	01/11/2018	USD	25.00	DEPT OF FOOD AND AGRICULTURE SACRAMENTO CA	01/26/2018
* Payment method Separate Check			USD	25.00		



Total of all entries

Check Register

04/02/2018 / 15:53:24

User: PJACKSON

Page: 6

Check number from to	Payment	Emnt date	Crcy	Amount paid (FC)	Recipient/void reason code	Enca./void
**			USD	501,499.07		

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ACH	BROFIL CLEAN AIR SOLUTIONS LLC Dust Filters	2172112	5,150.90
	BROFIL CLEAN AIR SOLUTIONS LLC\$		5,150.90
ACH	CONSOLIDATED STORAGE COMPANIES 20% Down Pymt-Storage Cabinets	CS109577 DWN	7,671.83
	CONSOLIDATED STORAGE COMPANIES\$		7,671.83
ACH	SOLAR STAR CALIFORNIA VI LLC 11/17 Solar 12811 Sixth St	M0612-1529451	12,678.02
	SOLAR STAR CALIFORNIA VI LLC \$		12,678.02
ACH	INLAND EMPIRE UTILITIES AGENCY 11/17 NRW Charges	90021366	3,215.30
	INLAND EMPIRE UTILITIES AGENCY\$		3,215.30
ACH	Inland Empire Utilities Agency 11/17 O&M Expenses 11/17 Labor Expenses	SAP1117-RCAO& SAP1117-RCAL&	63,277.54 335,707.08
	Inland Empire Utilities Agency\$		398,984.62
ACH	INLAND EMPIRE UTILITIES AGENCY 7/17-9/17 Chemical Oxygen Demand Charges	90021229	4,256.90
	INLAND EMPIRE UTILITIES AGENCY\$		4,256.90
ACH	PEST OPTIONS INC 12/17 Weed Control Svcs	290769	58.00
	PEST OPTIONS INC \$		58.00
ACH	TRIBOLOGIK CORPORATION 1/04/18 Oil Analysis	40640	240.00
	TRIBOLOGIK CORPORATION \$		240.00
ACH	AMAZON BUSINESS Articulating TV Wall Mount	11CT-KCDT-4RQ	39.99
	AMAZON BUSINESS \$		39.99
ACH	INLAND EMPIRE UTILITIES AGENCY 11/17 Bldg Lease Pymt 10/17 Bldg Lease Pymt	90021529 90021528	5,700.01 5,700.01
	INLAND EMPIRE UTILITIES AGENCY\$		11,400.02
ACH	AMAZON BUSINESS Self Dumping Hooper Vacuum Travel Mug	1LL3-RPF4-FR7 1LL3-RPF4-6NK	1,764.55 14.68
	AMAZON BUSINESS \$		1,779.23



Check	Payee / Description		Amount
ACH	SOLAR STAR CALIFORNIA VI LLC 12/17 Solar 12811 Sixth St	M0612-1575318	14,290.20
	SOLAR STAR CALIFORNIA VI LLC	\$	14,290.20
ACH	INLAND EMPIRE UTILITIES AGENCY 12/17 NRW Charges 12/17 Bldg Lease Pymt	90021495 90021530	3,772.35 5,700.01
	INLAND EMPIRE UTILITIES AGENCY	\$	9,472.36
ACH	PEST OPTIONS INC 1/18 Weed Control Svcs	292333	58.00
	PEST OPTIONS INC	\$	58.00
ACH	TRIBOLOGIK CORPORATION 1/18/18 Oil Analysis 1/19/18 Oil Analysis 1/22/18 Oil Analysis	41150 41216 41236	330.00 210.00 30.00
	TRIBOLOGIK CORPORATION	\$	570.00
ACH	AMAZON BUSINESS TV Wall Mount HDMI Cable	1NKH-WTVX-MCG 17KR-L749-NW9	44.44 13.59
	AMAZON BUSINESS	\$	58.03
ACH	Inland Empire Utilities Agency 12/17 O&M Expenses 12/17 Labor Expenses	SAP1217-RCAO& SAP1217-RCAL&	10,245.10 296,378.48
	Inland Empire Utilities Agency	\$	306,623.58
ACH	TRIBOLOGIK CORPORATION 02/1/18 Oil Analysis	41550	240.00
	TRIBOLOGIK CORPORATION	\$	240.00
ACH	AMAZON BUSINESS Replacement Holster f/IPhone Vacuum Travel Mugs	1FH9-1PNG-LJ3 1RCH-LYW3-XVN	17.04 144.05
	AMAZON BUSINESS	\$	161.09
ACH	SHI INTERNATIONAL CORP MS SQL Server/Windows Server 2016	B07436617	4,775.45
	SHI INTERNATIONAL CORP	\$	4,775.45
ACH	AMAZON BUSINESS Exofil Net Aluminum Back 6 FT Y Leg Lanyard	1D7D-C1JD-Y6W 1D7D-C1JD-6FR	450.81 124.68
	AMAZON BUSINESS	\$	575.49
ACH	AMAZON BUSINESS iPhone Case	1PCM-FFHN-RFG	21.06



Check	Payee / Description	Amount
	AMAZON BUSINESS	\$ 21.06
ACH	NEWPORT ENVIRONMENTAL TECHNOLO 9/17-11/17 Dust Suppression Rental      IEUA001	5,400.00
	NEWPORT ENVIRONMENTAL TECHNOLO\$	5,400.00
ACH	SOLAR STAR CALIFORNIA VI LLC 1/18 Solar 12811 Sixth St      M0612-1622034	14,480.61
	SOLAR STAR CALIFORNIA VI LLC \$	14,480.61
ACH	PALM AUTO DETAIL INC 2/18 Carwash for RCA Vehicles      18299-1	444.00
	PALM AUTO DETAIL INC \$	444.00
ACH	PEST OPTIONS INC 2/18 Weed Control Svcs      294198	58.00
	PEST OPTIONS INC \$	58.00
ACH	ADVANCED ENVIRONMENTAL COMPLIA 2/14/18 Biofilter Flow Balancing-1st Qtr 7394	1,802.50
	ADVANCED ENVIRONMENTAL COMPLIA\$	1,802.50
ACH	TRIBOLOGIK CORPORATION 2/16/18 Oil Analysis      42053	690.00
	TRIBOLOGIK CORPORATION \$	690.00
ACH	INLAND EMPIRE UTILITIES AGENCY 1/18 NRW Charges      90021673	3,783.80
	INLAND EMPIRE UTILITIES AGENCY\$	3,783.80
ACH	TRIBOLOGIK CORPORATION 2/27/18 Oil Analysis      42298	510.00
	TRIBOLOGIK CORPORATION \$	510.00
ACH	AMAZON BUSINESS Square Multi-Purpose Tables      14LP-YX4Q-QPC	469.16
	AMAZON BUSINESS \$	469.16
ACH	Inland Empire Utilities Agency 1/18 O&M Expenses      SAP0118-RCAO&	141,703.97
	1/18 Labor Expenses      SAP0118-RCAL&	328,013.47
	Inland Empire Utilities Agency\$	469,717.44
ACH	TRIBOLOGIK CORPORATION 3/6/18 Oil Analysis      42555	510.00
	TRIBOLOGIK CORPORATION \$	510.00



Check	Payee / Description	Amount
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Grand Total Payment Amount: \$      1,280,185.58




**ACTION  
ITEM**

**2A**



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**Date:** May 7, 2018  
**To:** Honorable Board of Directors  
**From:** Christina Valencia   
Treasurer  
**Subject:** Adoption of IERCA Budget for Fiscal Year 2018/19

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### **RECOMMENDATION**

It is recommended that the Board of Directors;

1. Adopt the Inland Empire Regional Composting Authority (IERCA) budget for fiscal year 2018/19;
2. Maintain the tipping fee rate at \$56 per wet ton; and
3. Approve a capital call of \$1,000,000 to be shared equally by the Inland Empire Utilities Agency (IEUA) and the Sanitation District No. 2 of Los Angeles County (SDLAC) to support capital improvement project costs, as needed.

### **BACKGROUND**

Pursuant to the Inland Empire Regional Composting Authority Joint Powers Agreement (JPA), an annual operating and capital budget is to be presented and adopted by the JPA Board prior to June 30 each year. The proposed FY 2018/19 budget is based on the following key assumptions:

#### **Revenues**

- Maintain tipping fee at \$56 per wet ton,
- Maintain the estimated biosolids receipts of 145,000 tons, and
- Carry forward \$1,000,000 capital call to support the proposed capital improvement plan (CIP).

#### **O&M Expenses**

- Maintain staffing at 25 full time equivalent (FTEs) positions and include one position for succession planning
- Assume \$0.115/kWh rate for electricity purchased from the grid and \$0.1409/kWh rate for solar power.

**Capital Improvement Plan (CIP)**

The proposed FY 2018/19 capital improvement plan of \$2.8 million is funded by a combination of reserves, capital call and tipping fees. A summary of the CIP is shown below in Table 1.

**Table 1: FY 2018/19 Proposed Capital Improvement Plan**

(\$ Thousands)	Actual 2016/17	Adopted Budget 2017/18	Amended Budget 2017/18	Projected Actual 2017/18	Proposed 2018/19
<b>Replacement &amp; Rehabilitation</b>	\$579	\$2,608	\$2,771	\$1,431	\$2,375
<b>Capital Expansion</b>	9	0	223	0	400
<b>Total</b>	<b>\$588</b>	<b>\$2,608</b>	<b>\$2,994</b>	<b>\$1,431</b>	<b>\$2,775</b>

The increase of \$386,000 between the FY 2017/18 adopted and amended budget is due to the carry forward of open encumbrances from the prior fiscal year approved by the Board on November 6, 2017. Projected Actual for FY 2017/18 are within the respective total project budget.

**FY 2018/19 Budget Summary**

The following section summarizes the proposed FY 2018/19 budget for total revenues, expenses, and capital expenditures.

Total revenues in FY 2018/19 of \$9.8 million, as shown in Table 2 below, are approximately \$1.1 million higher than projected actuals for FY 2017/18. The higher revenue is primarily due to the proposed capital call needed to support CIP.

**Table 2: FY 2018/19 Revenues**

<u>REVENUES</u>	<u>\$ 000's</u>	<u>\$/Ton</u>	<u>Assumptions</u>
<b>Tipping Fees</b>	\$8,120	\$56	Based on 145,000 wet tons per year @ a rate of \$56.00/ton.
<b>Contributed Capital</b>	1,000		Capital call equally shared by IEUA and SDLAC. The last capital call was made in FY 2012/13 for \$1,000,000 to support capital process improvements.
<b>Compost Sales/ Organics Waste Recycling/Compost Deliveries</b>	550		100% sales of compost products compost delivery service and green waste recycling.
<b>Biosolids Administration Fees</b>	25		Tipping fee surcharge paid by third party biosolids suppliers.
<b>Interest Income &amp; Other Revenues</b>	75		Assumes 1.75% annual interest rate.
<b>Total Revenues</b>	<b>\$9,770</b>		



Total operating expenses of \$7.8 million proposed for FY 2018/19 are approximately \$520,000 higher than current fiscal year projected actual of \$7.3 million. The higher O&M budget is primarily due to higher materials and supplies. A summary of the FY 2018/19 operating expenses is reported in Table 3.

**Table 3: FY 2018/19 Expenses**

<b>OPERATING EXPENSES</b>	<b>\$ 000's</b>	<b>Assumptions</b>
<b>Employment</b>	3,967	26 FTEs, including 1 FTE for succession planning, and operation support provided by IEUA/ SDLAC.
<b>Materials &amp; Supplies</b>	1,369	Includes facility maintenance supplies, fuel, and biofilter media replacement reserve.
<b>Utilities</b>	1,258	Includes power purchases from the grid and solar renewable energy.
<b>Professional Services</b>	765	Includes compost transport and contracted services.
<b>Office &amp; Administration</b>	49	Includes employee training, memberships and office supplies.
<b>Other Expenses</b>	416	Includes leases/rental and financial expenses, insurance, operating fees (Non-Reclaimable Wastewater charges, permits and licenses.)
<b>Total Expenses</b>	<b>\$7,824</b>	

The FY 2018/19 CIP budget of \$2.8 million represents an increase of approximately \$1.3 million compared to the FY 2017/18 projected actual. The additional amount is driven by higher replacement and rehabilitation (R&R) requirements and additional facility improvements. Details on the FY 2018/19 projects are available in Table 4.

**Table 4: FY 2018/19 Capital Improvement Plan**

<b>CAPITAL PROJECTS</b>	<b>\$ 000's</b>	<b>Project Description</b>
<b>Trommel Screen Improvements</b>	\$1,000	Replace trommel screen #1 with a new screening system.
<b>Capital Replacement</b>	500	Create work area to maintain loaders; create maintenance office space.
<b>Ventilation Improvements</b>	300	Replacement of corroded air supply fans.
<b>Building Improvements</b>	200	Improvements to create additional warehouse storage, office space for maintenance staff, and assess reconfiguration of conference room.
<b>Front End Loader Replacement</b>	150	Replacement or rehabilitation of one front end loader.
<b>Belt Conveyor Improvements</b>	150	Replacement and improvement of multiple sections of belt conveyors including channel replacement and protection and corrosion resistant coating.
<b>Transition Air Duct Improvements</b>	75	Modify transition air duct to ensure air is contained and the structure is sound.
<b>Total Capital R&amp;R Budget</b>	<b>\$2,375</b>	
<b>Baghouse Improvements</b>	\$400	Evaluate the baghouse and dust collection system and design and modify the system to address performance



CAPITAL PROJECTS	\$ 000's	Project Description
		enhancements, potential safety concerns, and compliance with current and upcoming codes.
<b>Total Capital Expansion Budget</b>	<b>\$400</b>	
<b>Total Capital Improvement Plan</b>	<b>\$2,775</b>	

### Fund Balance

Based on the proposed budget, the total ending fund balance is estimated to be \$3.9 million at the end of FY 2018/19 for a decrease of approximately \$0.8 million from the projected ending balance at June 30, 2018. The decrease is primarily due to higher capital R&R costs partially supported by the proposed capital call. The capital call will be exercised as needed to support execution of the proposed CIP.

### Designation of Fund Balance

Maintaining an adequate fund balance is essential in ensuring the JPA's ability to support day-to-day operations and near term operating and capital requirements. Table 5 below summarizes the proposed designation for the estimated fund balance of \$3.9 million at the end of FY 2018/19, along with the intended funding sources.

**Table 5: FY 2018/19 Fund Balance**

Fund Balance Category	Description	Estimated Ending Balance as of 6/30/2019 (\$Thousands)	Funding Source
<b>Operating Contingency</b>	Equal to three months of operating expenses to address unplanned events.	\$1,893	Tipping fees
<b>BioFilter Replacement</b>	Annual deposits build to support full replacement every 5 years.	973	
<b>Insurance Liability</b>	Self-insurance program.	200	
<b>Capital Replacement/Construction</b>	Projected R&R costs over the next 5 years averages about \$7.90 per wet ton. Approximately \$0.64 per wet ton is covered by the proposed tipping fee of \$57.	858	Reserves, Capital Call and Tipping Fees
<b>Total</b>		<b>\$3,924</b>	

### PRIOR BOARD ACTION

The Board adopted the FY 2017/18 budget on May 1, 2017.

### IMPACT ON BUDGET

None.

Inland Empire Regional Composting Authority  
Schedule A Budget Summary

	Actual 2015/16	Actual 2016/17	Adopted 2017/18	Amended 2017/18	Proj. Actual 2017/18	Proposed 2018/19	2019/20	2020/21	2021/22	2022/23
<b>Rate Per Ton</b>	<b>\$54.00</b>	<b>\$55.00</b>	<b>\$56.00</b>	<b>\$56.00</b>	<b>\$56.00</b>	<b>\$56.00</b>	<b>\$57.00</b>	<b>\$58.00</b>	<b>\$59.00</b>	<b>\$60.00</b>
<b>Actual/Projected Tonnage</b>	<b>147,893</b>	<b>144,385</b>	<b>145,000</b>	<b>145,000</b>	<b>143,679</b>	<b>145,000</b>	<b>145,000</b>	<b>145,000</b>	<b>145,000</b>	<b>145,000</b>
<b>Revenues</b>										
Contributed Capital	\$0	\$0	(\$1,000,000)	(\$1,000,000)	\$0	(\$1,000,000)	(\$500,000)	\$0	\$0	\$0
Biosolids Recycling (Tipping Fees)	(8,045,513)	(7,999,964)	(8,120,000)	(8,120,000)	(8,046,039)	(8,120,000)	(8,265,000)	(8,410,000)	(8,555,000)	(8,700,000)
Biosolids Recycling Admin Fees	(5,516)	(22,841)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
Compost Delivery Svcs	(173,717)	(119,205)	(150,000)	(150,000)	(143,960)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
Compost Sales	(377,860)	(351,737)	(350,000)	(350,000)	(400,000)	(400,000)	(360,500)	(371,315)	(382,454)	(393,928)
Energy/Cap Rebates	(354)	(28,941)	-	-	-	-	-	-	-	-
Interest Income	(14,766)	(27,785)	(10,000)	(10,000)	(18,000)	(70,000)	(65,000)	(70,000)	(70,000)	(70,000)
Grants & Subsidies	(50,000)	(10,070)	-	-	-	-	-	-	-	-
Draw on Biofilter Reserve	-	-	-	-	-	-	-	(1,000,000)	-	-
Other Non Operating Revenues	(7,573)	(15,971)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
<b>Total Revenues Available for Expenses</b>	<b>(\$8,675,298)</b>	<b>(\$8,576,515)</b>	<b>(\$9,660,000)</b>	<b>(\$9,660,000)</b>	<b>(\$8,637,999)</b>	<b>(\$9,770,000)</b>	<b>(\$9,370,500)</b>	<b>(\$10,031,315)</b>	<b>(\$9,187,454)</b>	<b>(\$9,343,928)</b>
<b>Expenses</b>										
Labor	\$3,429,389	\$3,703,246	\$3,897,500	\$3,897,500	\$3,813,484	\$3,966,996	\$3,923,079	\$4,027,425	\$4,150,926	\$4,424,230
Office & Administration	39,385	36,575	54,654	54,654	59,540	49,169	55,787	56,225	56,676	57,140
Professional Fees & Services	881,913	998,176	973,500	973,500	812,000	765,330	1,023,351	1,043,318	1,063,684	1,084,458
Materials & Supplies/O&M Projects	861,276	808,398	1,124,600	1,124,600	850,000	1,118,500	1,143,470	1,153,957	1,164,336	1,175,026
Bio Filter Media Replacement	-	72,837	250,000	250,000	250,000	250,000	265,225	1,000,000	281,377	289,818
Insurance	153,073	145,583	157,500	157,500	139,009	237,225	167,092	172,104	177,268	182,586
Operating Fees	71,079	104,416	118,500	118,500	63,600	74,768	124,723	127,451	130,240	133,092
Utilities	1,387,050	1,115,460	1,250,680	1,250,680	1,218,084	1,258,475	1,273,985	1,289,195	1,304,608	1,320,227
Leases & Rentals	91,554	151,618	115,000	115,000	100,000	103,450	121,128	123,869	126,674	129,545
Financial Expenses	16,509	3,500	100	100	300	100	100	100	100	100
<b>Total Expenses</b>	<b>\$6,931,229</b>	<b>\$7,139,808</b>	<b>\$7,942,034</b>	<b>\$7,942,034</b>	<b>\$7,306,017</b>	<b>\$7,824,014</b>	<b>\$8,097,940</b>	<b>\$8,993,643</b>	<b>\$8,455,888</b>	<b>\$8,796,223</b>
<b>Capital Projects</b>										
Capital Replacement Project	\$829,376	\$579,019	\$2,608,000	\$2,770,697	\$1,430,841	\$2,375,000	\$950,000	\$1,100,000	\$500,000	\$800,000
Capital Expansion Projects	1,211	9,066	-	222,931	-	400,000	-	-	-	-
<b>Total Capital Projects</b>	<b>\$830,587</b>	<b>\$588,085</b>	<b>\$2,608,000</b>	<b>\$2,993,628</b>	<b>\$1,430,841</b>	<b>\$2,775,000</b>	<b>\$950,000</b>	<b>\$1,100,000</b>	<b>\$500,000</b>	<b>\$800,000</b>
<b>Net Profit/(Loss)</b>	<b>\$913,481</b>	<b>\$848,621</b>	<b>(\$890,034)</b>	<b>(\$1,275,662)</b>	<b>(\$98,859)</b>	<b>(\$829,014)</b>	<b>\$322,560</b>	<b>(\$62,328)</b>	<b>\$231,566</b>	<b>(\$252,294)</b>
<b>Reserves</b>										
Beginning Reserve Balance	\$3,090,074	\$4,003,555	\$4,276,794	\$4,852,177	\$4,852,177	\$4,753,318	\$3,924,304	\$4,246,864	\$4,184,536	\$4,416,102
<b>Ending Reserve Balance</b>	<b>\$4,003,555</b>	<b>\$4,852,177</b>	<b>\$3,386,760</b>	<b>\$3,576,514</b>	<b>\$4,753,318</b>	<b>\$3,924,304</b>	<b>\$4,246,864</b>	<b>\$4,184,536</b>	<b>\$4,416,102</b>	<b>\$4,163,808</b>
Operating Contingency (3mths Expenses)	\$1,732,807	\$1,766,743	\$1,923,009	\$1,923,009	\$1,764,004	\$1,893,503	\$1,958,179	\$1,998,411	\$2,043,628	\$2,126,601
Replacement Reserve - BioFilter	624,840	697,032	770,067	769,532	768,872	973,067	1,176,067	379,067	582,067	785,067
Insurance Liability (Risk Mgmt)	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Capital Replacement & Construction	1,445,908	2,188,402	493,685	683,973	2,020,442	857,734	912,619	1,607,058	1,590,408	1,052,140
<b>Total Reserve Balance</b>	<b>\$4,003,555</b>	<b>\$4,852,177</b>	<b>\$3,386,760</b>	<b>\$3,576,514</b>	<b>\$4,753,318</b>	<b>\$3,924,304</b>	<b>\$4,246,864</b>	<b>\$4,184,536</b>	<b>\$4,416,102</b>	<b>\$4,163,808</b>



Inland Empire Regional Composting Authority  
Schedule B Budget Detail

Cost Center	Cost Element	Actual 2015/16	Actual 2016/17	Adopted 2017/18	Amended 2017/18	Proj. Actual 2017/18	Proposed 2018/19	2019/20	2020/21	2021/22	2022/23
<b>Tonage/Rate</b>											
	<b>Tons</b>	<b>147,893</b>	<b>144,385</b>	<b>145,000</b>	<b>145,000</b>	<b>143,679</b>	<b>145,000</b>	<b>145,000</b>	<b>145,000</b>	<b>145,000</b>	<b>145,000</b>
	O&M Cost per ton	\$ 46.87	\$ 49.45	\$ 54.77	\$ 54.77	\$ 50.85	\$ 53.96	\$ 55.85	\$ 55.13	\$ 58.32	\$ 60.66
	Biofilter Media Replacement Reserve	\$ 1.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40
	Capital Expansion Cost per Ton		\$ 0.06	\$ -	\$ 1.54	\$ -	\$ 2.76	\$ -	\$ -	\$ -	\$ -
	Capital Replacement Cost per Ton	\$ 5.62	\$ 4.01	\$ 17.99	\$ 19.11	\$ 9.96	\$ 16.38	\$ 6.55	\$ 7.59	\$ 3.45	\$ 5.52
	<b>Total Cost Per Ton</b>	<b>\$ 53.98</b>	<b>\$ 54.02</b>	<b>\$ 73.26</b>	<b>\$ 75.92</b>	<b>\$ 61.31</b>	<b>\$ 74.50</b>	<b>\$ 63.80</b>	<b>\$ 64.11</b>	<b>\$ 63.16</b>	<b>\$ 67.58</b>
	Member Contributions	\$ -	\$ -	\$ 6.90	\$ 6.90	\$ -	\$ 6.90	\$ 3.45	\$ -	\$ -	\$ -
	CIP Funded by Reserves		\$ 4.07	\$ 11.09	\$ 13.75	\$ 9.96	\$ 12.24	\$ 3.10	\$ 7.59	\$ 3.45	\$ 5.52
	<b>Rate Per Ton</b>	<b>\$ 53.98</b>	<b>\$ 49.95</b>	<b>\$ 55.27</b>	<b>\$ 55.27</b>	<b>\$ 51.35</b>	<b>\$ 55.36</b>	<b>\$ 57.25</b>	<b>\$ 56.53</b>	<b>\$ 59.72</b>	<b>\$ 62.06</b>
	<b>Adopted Rate Per Ton</b>	<b>\$ 54.00</b>	<b>\$ 55.00</b>	<b>\$ 56.00</b>	<b>\$ 56.00</b>	<b>\$ 56.00</b>	<b>\$ 56.00</b>	<b>\$ 57.00</b>	<b>\$ 58.00</b>	<b>\$ 59.00</b>	<b>\$ 60.00</b>
<b>Revenues</b>											
211112	406000 Compost Delivery Svs	(173,717)	(119,205)	(150,000)	(150,000)	(143,960)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
211112	406200 Compost Sales	(377,860)	(351,737)	(350,000)	(350,000)	(400,000)	(400,000)	(360,500)	(371,315)	(382,454)	(393,928)
	<b>Service Charges</b>	<b>(551,576)</b>	<b>(470,942)</b>	<b>(500,000)</b>	<b>(500,000)</b>	<b>(543,960)</b>	<b>(550,000)</b>	<b>(510,500)</b>	<b>(521,315)</b>	<b>(532,454)</b>	<b>(543,928)</b>
200112	404010 Biosolids Recycling ( <i>Tipping Fees</i> )	(8,045,513)	(7,999,964)	(8,120,000)	(8,120,000)	(8,046,039)	(8,120,000)	(8,265,000)	(8,410,000)	(8,555,000)	(8,700,000)
200112	409920 Biosolids Recycling Admin Fees	(5,516)	(22,841)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
	<b>Sales</b>	<b>(8,051,029)</b>	<b>(8,022,805)</b>	<b>(8,145,000)</b>	<b>(8,145,000)</b>	<b>(8,071,039)</b>	<b>(8,145,000)</b>	<b>(8,290,000)</b>	<b>(8,435,000)</b>	<b>(8,580,000)</b>	<b>(8,725,000)</b>
211112	412030 Energy/Cap Rebates	(354)	(28,941)	-	-	-	-	-	-	-	-
	<b>Other Revenues</b>	<b>(354)</b>	<b>(28,941)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Operating Revenues</b>	<b>(8,602,959)</b>	<b>(8,522,688)</b>	<b>(8,645,000)</b>	<b>(8,645,000)</b>	<b>(8,614,999)</b>	<b>(8,695,000)</b>	<b>(8,800,500)</b>	<b>(8,956,315)</b>	<b>(9,112,454)</b>	<b>(9,268,928)</b>
211112	480110 Interest Income	(14,766)	(27,785)	(10,000)	(10,000)	(18,000)	(70,000)	(65,000)	(70,000)	(70,000)	(70,000)
211112	483010 Contributed Capital	-	-	(1,000,000)	(1,000,000)	-	(1,000,000)	(500,000)	-	-	-
211112	484030 Grants & Subsidies	(50,000)	(10,070)	-	-	-	-	-	-	-	-
211112	493110 Proceeds from Sale of Assets	-	-	-	-	-	-	-	-	-	-
	Draw on Reserves for Biofilter Reserve	-	-	-	-	-	-	-	(1,000,000)	-	-
211112	499010 Other Non Operating Revenues	(7,573)	(15,971)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
	<b>Non Operating Revenues</b>	<b>(72,339)</b>	<b>(53,826)</b>	<b>(1,015,000)</b>	<b>(1,015,000)</b>	<b>(23,000)</b>	<b>(1,075,000)</b>	<b>(570,000)</b>	<b>(1,075,000)</b>	<b>(75,000)</b>	<b>(75,000)</b>
	<b>TOTAL REVENUES</b>	<b>(8,675,298)</b>	<b>(8,576,515)</b>	<b>(9,660,000)</b>	<b>(9,660,000)</b>	<b>(8,637,999)</b>	<b>(9,770,000)</b>	<b>(9,370,500)</b>	<b>(10,031,315)</b>	<b>(9,187,454)</b>	<b>(9,343,928)</b>
<b>Expenses</b>											
<b>Office &amp; Administration</b>											
211112	511120 Employee Training and Seminars - Dept Sp	998	7,800	10,000	10,000	10,000	10,300	10,609	10,927	11,255	11,593
211112	511220 Travel Costs - Mileage Reimbursement	10,020	4,150	10,000	10,000	3,000	5,000	10,000	10,000	10,000	10,000
211112	511230 Travel Costs - Transportation	1,127	-	1,000	1,000	3,000	3,000	1,061	1,093	1,125	1,159
211112	511240 Travel Costs - Meals	353	204	300	300	-	309	318	328	338	348
211112	511250 Travel Costs - Lodging	1,279	920	2,000	2,000	-	2,060	2,122	2,185	2,251	2,318
211112	511290 Travel Costs - Other	179	235	200	200	200	200	200	200	200	200
211112	511330 Safety Awards	140	139	240	240	240	240	240	240	240	240
211112	512010 Office Supplies-General	10,227	6,856	8,000	8,000	10,000	8,000	8,000	8,000	8,000	8,000

**Inland Empire Regional Composting Authority  
Schedule B Budget Detail**

Cost Center	Cost Element	Actual 2015/16	Actual 2016/17	Adopted 2017/18	Amended 2017/18	Proj. Actual 2017/18	Proposed 2018/19	2019/20	2020/21	2021/22	2022/23
211112	512210 Forms, Printing and Copying costs	236	333	360	360	14,000	360	360	360	360	360
211112	512350 Postage and Delivery Charges	685	677	500	500	1,100	1,100	500	500	500	500
211112	513010 Meeting Expenses	2,552	2,238	3,000	3,000	1,000	1,000	3,000	3,000	3,000	3,000
211112	513020 Conference Expenses	-	-	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
211112	514010 Memberships - Agency Wide	11,125	11,145	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
211112	514110 Subscriptions and Publications	198	-	450	450	-	-	477	492	506	522
211112	514210 Registration-DMV, Title, Permit, Applic	266	20	500	500	500	500	500	500	500	500
211112	515030 Contributions-Sponsorships	-	1,250	1,504	1,504	500	500	1,800	1,800	1,800	1,800
211112	516010 Ad's-Newspaper/Mag Announce	-	-	-	-	-	-	-	-	-	-
211112	519510 Othr Admin Expense	-	600	200	200	-	200	200	200	200	200
211112	519530 Fines & Penalties	-	7	400	400	-	400	400	400	400	400
<b>Office &amp; Administration Expenses</b>		<b>39,385</b>	<b>36,575</b>	<b>54,654</b>	<b>54,654</b>	<b>59,540</b>	<b>49,169</b>	<b>55,787</b>	<b>56,225</b>	<b>56,676</b>	<b>57,140</b>
<b>Materials &amp; Supplies</b>											
211112	512110 Operating Supplies - General	27,528	21,759	12,000	12,000	10,000	12,000	12,000	12,000	12,000	12,000
211112	512140 Uniform / Throw Rugs	20,757	24,679	20,000	20,000	31,000	31,000	20,000	20,000	20,000	20,000
211112	512160 Laboratory Supplies	1,668	-	5,000	5,000	-	-	5,000	5,464	5,628	5,796
211112	512170 Operations & Maintenance Supplies	452,599	409,238	575,000	575,000	445,000	565,000	575,000	575,000	575,000	575,000
211112	512190 Disaster Preparedness Supplies	-	-	100	100	-	-	-	109	113	116
211112	512410 Fuel	97,131	105,328	200,000	200,000	100,000	160,000	200,000	200,000	200,000	200,000
211112	512440 Industrial Gases	50	-	-	-	-	-	-	-	-	-
211112	512450 Fleet Parts & Supplies	56	78	1,000	1,000	500	500	1,000	1,000	1,000	1,000
211112	512610 Equipment/Furniture - Office - Low Value	-	2,578	-	-	-	-	-	-	-	-
211112	512660 Equipment - Small Tools/Equip.< \$2000	846	671	1,500	1,500	-	-	1,591	1,639	1,688	1,739
211112	512710 Equipment Maintenance & Supplies	237,446	238,078	300,000	300,000	203,500	290,000	318,270	327,818	337,653	347,782
211112	512910 Other Materials & Supplies	23,195	5,989	10,000	10,000	60,000	60,000	10,609	10,927	11,255	11,593
211112	512920 Biofilter Media Replacement	-	72,837	250,000	250,000	250,000	250,000	265,225	1,000,000	281,377	289,818
211112	O&M Projects	-	-	-	-	-	-	-	-	-	-
<b>Materials &amp; Supplies</b>		<b>861,276</b>	<b>881,234</b>	<b>1,374,600</b>	<b>1,374,600</b>	<b>1,100,000</b>	<b>1,368,500</b>	<b>1,408,695</b>	<b>2,153,957</b>	<b>1,445,713</b>	<b>1,464,845</b>
<b>Insurance</b>											
211112	517010 Insurance Premiums - Liability	30,447	34,583	37,500	37,500	33,559	113,625	39,784	40,977	42,207	43,473
211112	517210 Insurance Premiums - Casualty	122,626	111,000	120,000	120,000	105,450	123,600	127,308	131,127	135,061	139,113
211112	517510 Insurance Deductions - Property Loss	-	-	-	-	-	-	-	-	-	-
<b>Insurance</b>		<b>153,073</b>	<b>145,583</b>	<b>157,500</b>	<b>157,500</b>	<b>139,009</b>	<b>237,225</b>	<b>167,092</b>	<b>172,104</b>	<b>177,268</b>	<b>182,586</b>
<b>Professional Fees &amp; Services</b>											
211112	520110 External Audit Services	-	-	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
211112	520210 Legal Fees - General	3,762	7,945	5,000	5,000	3,000	5,000	5,000	5,000	5,000	5,000
211112	520230 Legal Fees - Litigation	-	-	5,000	5,000	-	-	5,253	5,358	5,465	5,575
211112	520920 Professional Services - Engineering	1,000	976	-	-	-	-	-	-	-	-
211112	520960 Internet Services	-	-	-	-	-	-	-	-	-	-
211112	520980 Professional Services - Other	8,703	-	-	-	-	-	-	-	-	-
211112	521010 Contract Labor	11,563	14,438	35,000	35,000	10,000	36,050	36,771	37,506	38,257	39,022
211112	521015 Contract Labor_I EUA	3,378,754	3,649,452	3,825,000	3,825,000	3,756,484	3,892,321	3,846,910	3,949,733	4,071,680	4,343,400
212112	521018 Contract Labor-LACSD	21,237	17,419	25,000	25,000	25,000	25,750	26,265	26,790	27,326	27,873
211112	521030 Contract Burden	17,836	21,937	12,500	12,500	22,000	12,875	13,133	13,395	13,663	13,936



Inland Empire Regional Composting Authority  
Schedule B Budget Detail

Cost Center	Cost Element	Actual 2015/16	Actual 2016/17	Adopted 2017/18	Amended 2017/18	Proj. Actual 2017/18	Proposed 2018/19	2019/20	2020/21	2021/22	2022/23
211112	521050 Contract Materials	-	1,396	1,000	1,000		1,030	1,051	1,072	1,093	1,115
211112	521080 Other Contractual Services	831,014	944,080	900,000	900,000	750,000	700,000	945,540	964,451	983,740	1,003,415
211112	521110 Outside Svc's-Lndscaping/Weed/Pest Cntro	7,421	8,407	13,000	13,000	11,000	11,000	13,658	13,931	14,210	14,494
211112	521120 Outside Services - Security	13,646	14,829	21,000	21,000	19,000	19,000	15,000	15,000	15,000	15,000
211112	521130 Outside Services - Janitorial	12,081	12,787	13,500	13,500	12,000	12,000	14,183	14,467	14,756	15,051
211112	521220 Laboratory Services - Outside	4,286	5,505	10,000	10,000	10,000	10,300	10,506	10,716	10,930	11,149
211112	521310 Graphic Services		1,029								
211112	521410 Computer Systems Maintenance	-	1,222	-	-	2,000	2,000	8,160	8,323	8,490	8,659
	<b>Prof. fees &amp; Services</b>	<b>4,311,303</b>	<b>4,701,422</b>	<b>4,871,000</b>	<b>4,871,000</b>	<b>4,625,484</b>	<b>4,732,326</b>	<b>4,946,430</b>	<b>5,070,742</b>	<b>5,214,610</b>	<b>5,508,688</b>
<b>Operating Fees</b>											
211112	519310 Operating Permits, Licenses & Fees	15,911	21,830	22,000	22,000	22,000	22,660	23,340	24,040	24,761	25,504
211112	540110 Wastewater-Volumetric Fees	9,638	8,295	6,500	6,500	5,000	6,695	6,829	6,965	7,105	7,247
211112	540210 Strength Charges-BOD/COD	13,921	23,382	35,000	35,000	7,600	7,600	36,771	37,506	38,257	39,022
211112	540220 Strength Charges-TSS	3,209	9,107	10,000	10,000	2,000	4,159	10,506	10,716	10,930	11,149
211112	540223 Strength Charges-TSS Discrepancy Charge	3,805	7,658	10,000	10,000	2,000	4,504	10,506	10,716	10,930	11,149
211112	540320 Monthly Capacity Charge-Regional		2,296	5,000	5,000	2,000	5,150	5,253	5,358	5,465	5,575
211112	540330 Capital Improv Proj (CIP) Fees	24,595	31,848	30,000	30,000	23,000	24,000	31,518	32,148	32,791	33,447
	<b>Operating Fees</b>	<b>71,079</b>	<b>104,416</b>	<b>118,500</b>	<b>118,500</b>	<b>63,600</b>	<b>74,768</b>	<b>124,723</b>	<b>127,451</b>	<b>130,240</b>	<b>133,092</b>
<b>Utilities</b>											
211112	545110 Electricity	1,184,375	872,959	1,000,000	1,000,000	960,000	1,000,000	1,010,000	1,020,100	1,030,301	1,040,604
211112	545220 Solar Power	182,036	222,657	230,180	230,180	234,784	237,085	241,827	246,664	251,597	256,629
211112	545310 Cell Phone Accessories	-	-	200	200		206	210	214	219	223
211112	545311 Cell Phone Expenses	9,107	7,310	7,500	7,500	7,500	8,000	8,500	8,500	8,500	8,500
211112	545320 Telephone	187	255	300	300	300	309	315	322	328	335
211112	545360 Disposal Service	7,495	8,355	8,500	8,500	8,500	8,755	8,930	9,109	9,291	9,477
211112	545370 Water	3,850	3,925	4,000	4,000	7,000	4,120	4,202	4,286	4,372	4,460
	<b>Utilities</b>	<b>1,387,050</b>	<b>1,115,460</b>	<b>1,250,680</b>	<b>1,250,680</b>	<b>1,218,084</b>	<b>1,258,475</b>	<b>1,273,985</b>	<b>1,289,195</b>	<b>1,304,608</b>	<b>1,320,227</b>
<b>Leases / Rentals</b>											
211112	512730 Equipment Rental (Non Lease)	20,186	64,557	30,000	30,000	15,000	15,900	31,827	32,782	33,765	34,778
211112	547110 Building / Trailer Leases	71,368	87,061	85,000	85,000	85,000	87,550	89,301	91,087	92,909	94,767
211112	547220 Equipment Lease/Rental - Operations & Ma										
	<b>Lease/Rentals</b>	<b>91,554</b>	<b>151,618</b>	<b>115,000</b>	<b>115,000</b>	<b>100,000</b>	<b>103,450</b>	<b>121,128</b>	<b>123,869</b>	<b>126,674</b>	<b>129,545</b>
	<b>Operating Expenses</b>	<b>6,914,720</b>	<b>7,136,308</b>	<b>7,941,934</b>	<b>7,941,934</b>	<b>7,305,717</b>	<b>7,823,914</b>	<b>8,097,840</b>	<b>8,993,543</b>	<b>8,455,788</b>	<b>8,796,123</b>
<b>Financial Expenses</b>											
211112	551010 Bank Service Charges / Fees	1		100	100	300	100	100	100	100	100
211112	580020 Loss on Sale of Asset	12,508									
211112	580050 Bad Debt Expense	4,000	3,500								
	<b>Financial Expenses</b>	<b>16,509</b>	<b>3,500</b>	<b>100</b>	<b>100</b>	<b>300</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Interest Expenses</b>											
211112	555910 Interest Expense - Other	-	-	-	-	-	-	-	-	-	-
	<b>Interest Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Non-Operating Expenses</b>	<b>16,509</b>	<b>3,500</b>	<b>100</b>	<b>100</b>	<b>300</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Inland Empire Regional Composting Authority  
 Schedule B Budget Detail

Cost Center	Cost Element	Actual	Actual	Adopted	Amended	Proj. Actual	Proposed				
		2015/16	2016/17	2017/18	2017/18	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Capital Projects											
	Capital Replacement Projects	829,376	579,019	2,608,000	2,770,697	1,430,841	2,375,000	950,000	1,100,000	500,000	800,000
	Capital Expansion Projects	1,211	9,066	-	222,931	-	400,000	-	-	-	-
	<b>Capital Projects</b>	<b>830,587</b>	<b>588,085</b>	<b>2,608,000</b>	<b>2,993,628</b>	<b>1,430,841</b>	<b>2,775,000</b>	<b>950,000</b>	<b>1,100,000</b>	<b>500,000</b>	<b>800,000</b>
	<b>TOTAL EXPENSES</b>	<b>7,761,817</b>	<b>7,727,893</b>	<b>10,550,034</b>	<b>10,935,662</b>	<b>8,736,858</b>	<b>10,599,014</b>	<b>9,047,940</b>	<b>10,093,643</b>	<b>8,955,888</b>	<b>9,596,223</b>
	<b>Net Profit/(Loss)</b>	<b>913,481</b>	<b>848,621</b>	<b>(890,034)</b>	<b>(1,275,662)</b>	<b>(98,859)</b>	<b>(829,014)</b>	<b>322,560</b>	<b>(62,328)</b>	<b>231,566</b>	<b>(252,294)</b>

Inland Empire Regional Composting Authority  
Schedule C Projects

Project No.	Project Title	Actual	Actual	Adopted	Amended	Proj. Actual	Proposed				
		2015/16	2016/17	2017/18	2017/18	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
<b>Capital Projects</b>											
<b>Capital Replacement</b>											
	<i>Completed &amp; Closed Projects</i>	173,969	-	-	-	-	-	-	-	-	-
RA11001	RCA Capital Replacement	439,415	9,314	-	-	-	-	-	-	-	-
RA14003	IERCF Receiving Pit	142,435	53,542	-	-	-	-	-	-	-	-
RA16001	Fire Sprinkler Improvements	-	50,053	-	149,947	150,728	-	-	-	-	-
RA16002	IERCA ControlNet Replacement	51,205	-	-	-	-	-	-	-	-	-
RA16005	IERCF Workstation Replacement	22,353	2,163	-	-	-	-	-	-	-	-
RA17001	IERCF Transition Air Duct Improvements	-	18,951	525,000	525,000	-	75,000	-	-	-	-
RA17002	IERCF Replace Printers	-	-	-	-	-	-	-	-	-	-
RA17003	IERCF Replace VM Host Servers	-	44,764	-	-	-	-	-	-	-	-
RA17004	IERCF Replace Network Switches	-	16,601	-	-	-	-	-	-	-	-
RA17005	IERCF UPS Replacement	-	2,993	-	-	-	-	-	-	-	-
RA17007	IERCF Building Improvements	-	-	150,000	150,000	140,000	200,000	-	-	-	-
RA17009	MCC HVAC Improvements	-	-	200,000	200,000	133,513	-	-	-	-	-
RA17101	RCA Capital Replacement	-	380,639	-	12,751	6,600	-	-	-	-	-
RA18001	IERCF Network Infrastructure Replacement	-	-	133,000	133,000	100,000	-	-	-	-	-
RA18003	IERCF Ventilation Improvements	-	-	100,000	100,000	100,000	300,000	-	-	-	-
RA18101	RCA Capital Replacement	-	-	500,000	500,000	300,000	500,000	500,000	500,000	500,000	500,000
RA19001	IERCF Pugmill Improvements	-	-	-	-	-	-	-	-	-	-
RA19002	IERCF Trommel Screen Improvements	-	-	1,000,000	1,000,000	500,000	1,000,000	-	-	-	-
RA19003	IERCF Front End Loader Replacement	-	-	-	-	-	150,000	-	-	-	-
RA20003	IERCF Belt Conveyor Improvements	-	-	-	-	-	150,000	150,000	300,000	-	-
RA20004	IERCF Misc Fan Improvements	-	-	-	-	-	-	300,000	300,000	-	-
RA23001	IERCF Inner Roof Lining Repair	-	-	-	-	-	-	-	-	-	300,000
RA26xxx	IERCF Projects AMP	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Replacement Projects</b>		<b>829,376</b>	<b>579,019</b>	<b>2,608,000</b>	<b>2,770,697</b>	<b>1,430,841</b>	<b>2,375,000</b>	<b>950,000</b>	<b>1,100,000</b>	<b>500,000</b>	<b>800,000</b>
<b>Capital Expansion</b>											
RA15001	IERCF Baghouse Improvements	1,211	9,066	-	222,931	-	400,000	-	-	-	-
<b>Total Capital Expansion Projects</b>		<b>1,211</b>	<b>9,066</b>	<b>-</b>	<b>222,931</b>	<b>-</b>	<b>400,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Projects</b>		<b>830,587</b>	<b>588,085</b>	<b>2,608,000</b>	<b>2,993,628</b>	<b>1,430,841</b>	<b>2,775,000</b>	<b>950,000</b>	<b>1,100,000</b>	<b>500,000</b>	<b>800,000</b>
<b>O&amp;M Projects</b>											
RA12009	IERCF Structure Protection	-	-	-	-	-	-	-	-	-	-
RA12011	IERCF Lighting Syste	-	-	-	-	-	-	-	-	-	-
<b>Total O&amp;M Projects (included in Materials &amp; Supplies)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Projects</b>		<b>830,587</b>	<b>588,085</b>	<b>2,608,000</b>	<b>2,993,628</b>	<b>1,430,841</b>	<b>2,775,000</b>	<b>950,000</b>	<b>1,100,000</b>	<b>500,000</b>	<b>800,000</b>





# **FY 2018/19 PROPOSED BUDGET**

**MAY 7, 2018**

# Key Assumptions

2

- Maintain tipping fee at \$56/ wet ton
- Carry forward \$1,000,000 capital call to support proposed capital improvement plan
- Maintain staffing level at 25 FTEs and 1 FTE position for succession planning
- Timely upkeep of assets to support level of service





# FY 2018/19 Proposed Budget



(\$ in Thousands)	FY 2016/17 Actuals	FY 2017/18 Projected	FY 2018/19 Proposed	FY 2019/20 Forecast
<b><i>Tipping fee per wet ton, based on 145,000 wet tons</i></b>	<b><i>\$55.00</i></b>	<b><i>\$56.00</i></b>	<b><i>\$56.00</i></b>	<b><i>\$57.00</i></b>
Operating Revenues	\$8,522	\$8,615	\$8,695	\$8,801
Operating Expenses	7,136	7,306	7,824	8,098
Net Operating Increase (Decrease)	1,386	1,309	871	703
Other Funding Sources	54	23	1,075	570
Other Uses of Funds	592	1,431	2,775	950
Net Non-Operating Increase (Decrease)	(538)	(1,408)	(1,700)	(380)
Total Net Change	848	(99)	(829)	323
Beginning Reserve Balance	4,004	4,852	4,753	3,924
<b>Ending Reserve Balance</b>	<b>\$4,852</b>	<b>\$4,753</b>	<b>\$3,924</b>	<b>\$4,247</b>



# Capital Improvement Plan



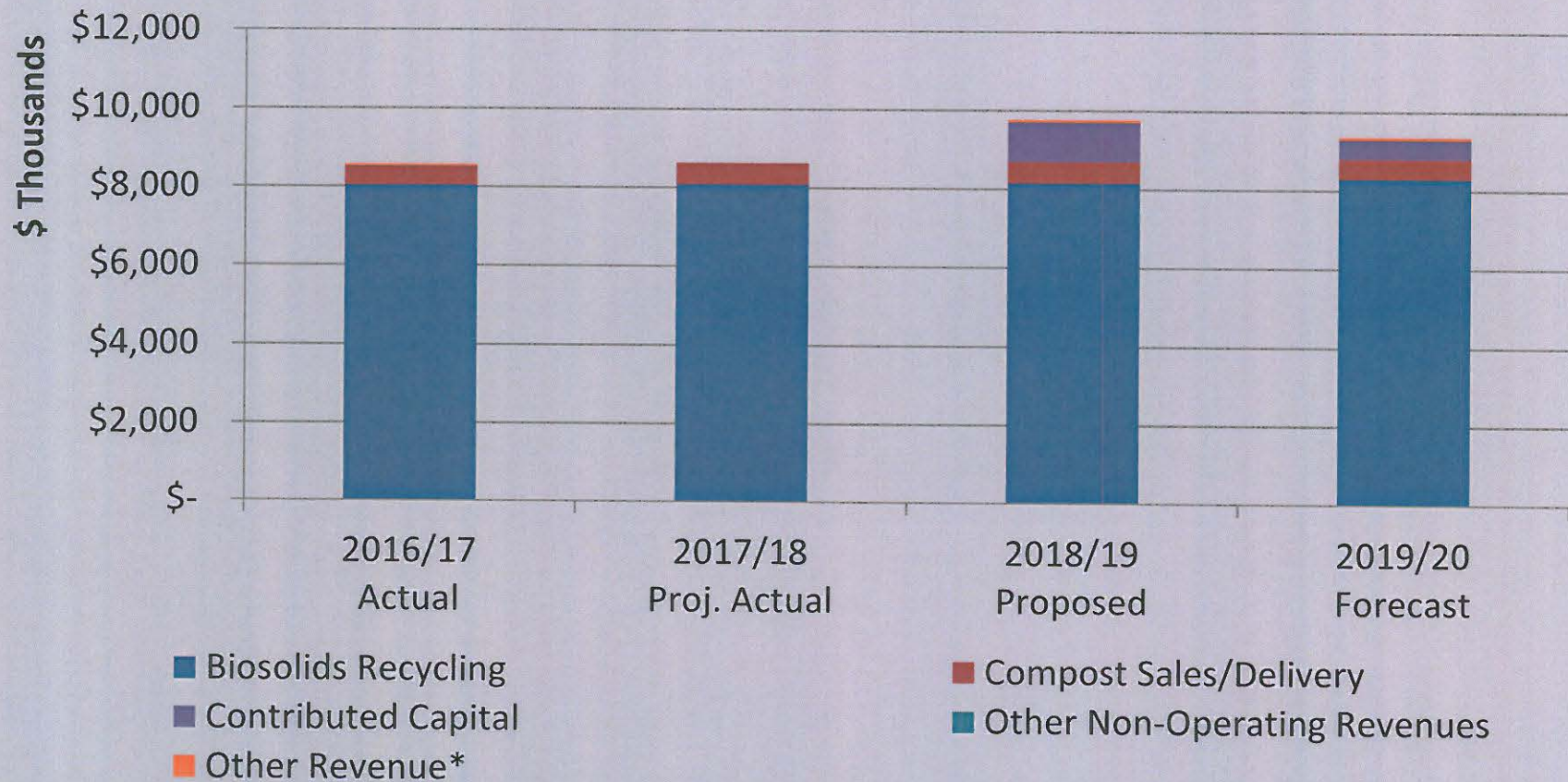
Project Description (\$ in Thousands)	FY 2016/17 Actuals	FY 2017/18 Projected	FY 2018/19 Proposed	FY 2019/20 Forecast
Trommel Screen Improvements	\$0	\$500	\$1,000	\$0
Capital Replacement & Rehabilitation (R&R)	381	307	500	500
Ventilation Improvements	0	100	300	0
Building Improvements	0	140	200	0
Front End Loader Replacement	0	0	150	0
Belt Conveyor Improvements	0	0	150	150
Transition Air Duct Improvements	19	0	75	0
Other Projects	179	384	0	300
<b>Total Capital Replacement</b>	<b>\$579</b>	<b>\$1,431</b>	<b>\$2,375</b>	<b>\$950</b>
Baghouse Improvements	9	0	400	0
<b>Total Capital Expansion</b>	<b>\$9</b>	<b>\$0</b>	<b>\$400</b>	<b>\$0</b>
<b>Total Capital</b>	<b>\$588</b>	<b>\$1,431</b>	<b>\$2,775</b>	<b>\$950</b>



# Revenue



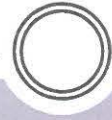
## Increase due to proposed \$1,000,000 capital call



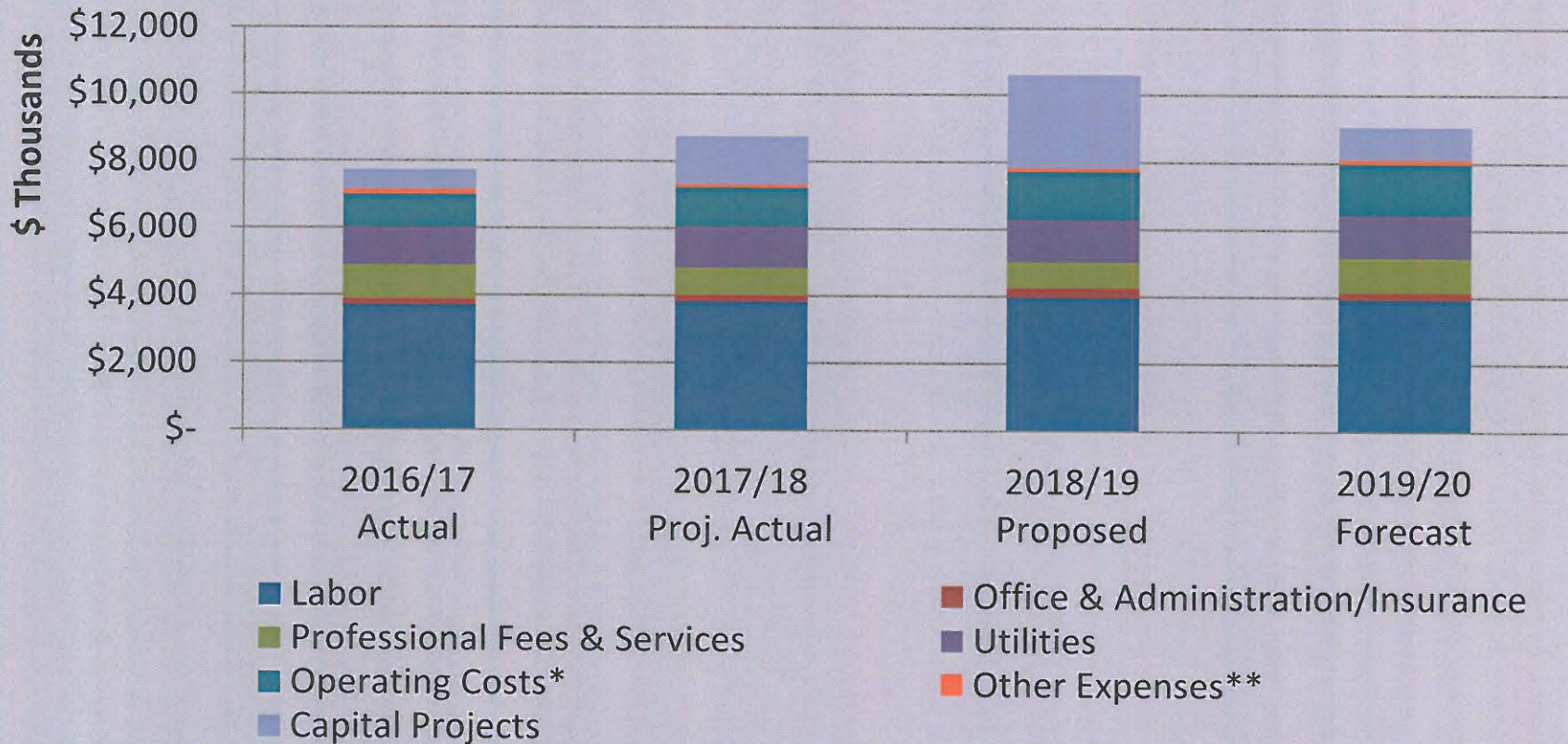
\* Other Revenues include: Interest Income; Energy Cap Rebate; Proceeds from Sales of Assets; Draw on Biofilter Reserve



# Expenses



## Increase in FY 2018/19 due to higher CIP



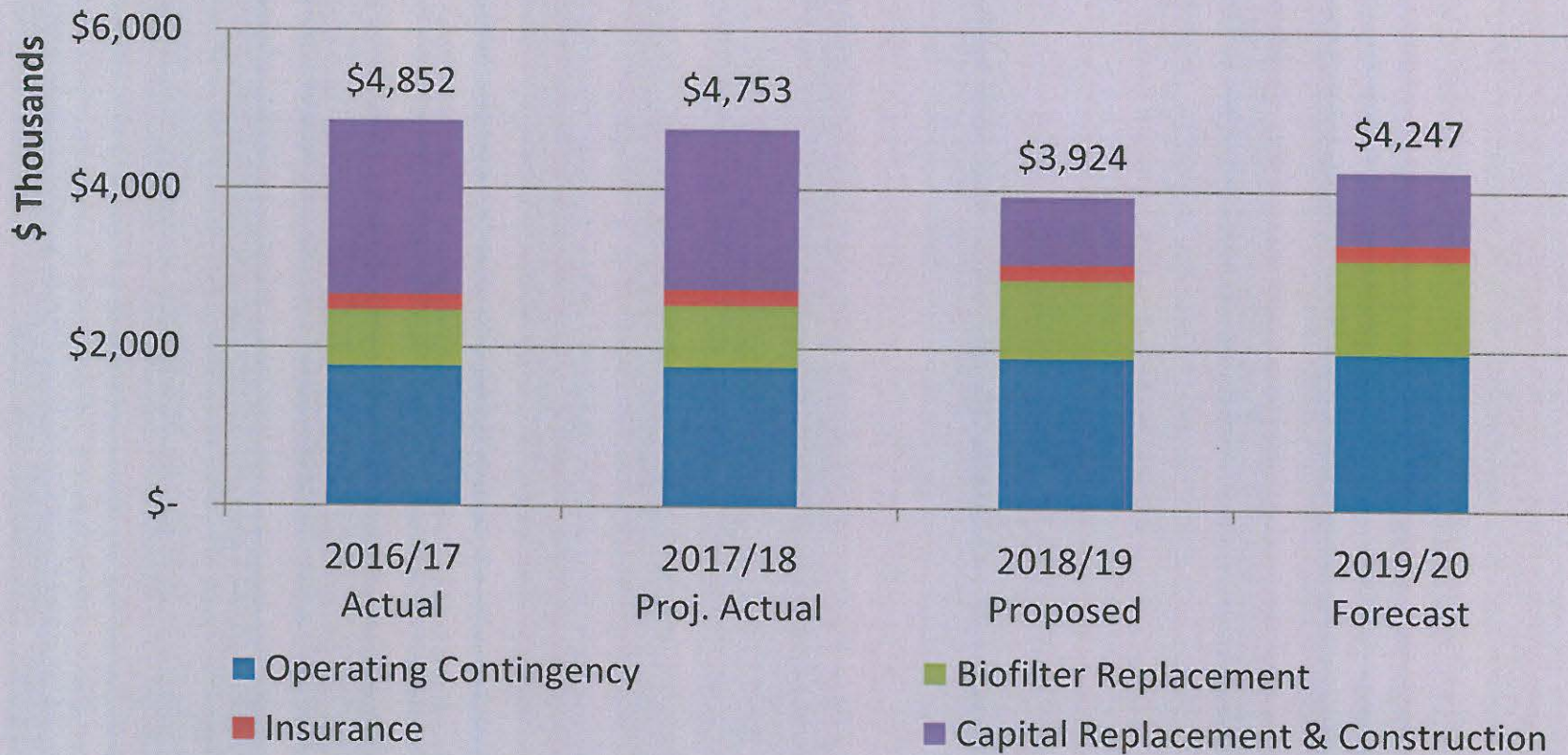
\*Operating Costs include: Operating Fees; Biofilter Reserve Funding; Biofilter Replacement; Materials & Supplies

\*\* Other Expenses include: Leases & Rentals; Financial Expenses

# Total Fund Balance



## Decrease in FY 2018/19 due to higher CIP







**QUESTIONS?**



**ACTION  
ITEM**


**2B**



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**Date:** May 7, 2018

**To:** Honorable Board of Directors

**From:** Christina Valencia   
Treasurer

**Subject:** Adoption of the Inland Empire Regional Composting Authority's Investment Policy for Fiscal Year (FY) 2018/19

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### **RECOMMENDATION**

It is recommended that the Board of Directors adopt Resolution No. 2018-5-1 approving the Authority's Investment Policy for FY 2018/19.

### **BACKGROUND**

The Investment Policy (Policy) establishes procedures and guidelines by which temporarily idle funds can be managed in a prudent and fiscally-sound manner. The Policy encompasses those funds over which the Inland Empire Regional Composting Authority (IERCA) exercises fiscal control, stipulates allowable and unallowable investment alternatives, and establishes parameters for selecting broker/dealers and financial institutions with which the IERCA may do business. The Policy also prioritizes the IERCA's public funds management objectives of safety, liquidity, and yield.

The Policy also mandates a review and approval by the Board be done annually, or whenever there are significant changes. The Policy was updated and approved in May 2017.

The IERCA Policy is based on the Inland Empire Utilities Agency Investment Policy which is reviewed annually by the Agency's financial advisor, PFM Asset Management LLC (PFM). PFM's review focuses on four key policy elements: compliance, comprehensiveness, balance, and clarity.

Overall, PFM found the Policy to be comprehensive, well written and in compliance with the California Government Code (CGC) Section 53600.

The recommended changes are summarized below, and detailed changes are shown under Attachment A and have been incorporated in the proposed FY 2018/19 Investment Policy.



- (1) *Section 4.0 Objectives* – delete the references as to when a security may be sold as this a process requirement that does not necessarily align with the state investment objective. In addition to the reasons listed in the Policy, there may be other reasons why a security may be sold while still remaining consistent with the Authority’s overall investment objectives.
- (2) *Section 5.0 Delegation of Authority* – incorporate the requirement from California Government Code Section 53607 that requires that the delegation of authority be completed annually to ensure that this requirement is not overlooked.
- (3) *Section 7.0 Authorized Financial Institutions, Brokers, and Dealers* – simplify the selection process by no longer requiring the financial institution, brokers/dealers to submit a signed “Certificate of Understanding” and “Questionnaires” which is redundant. Criteria, qualifications and requirements to select a financial institution are already explicitly enumerated at this section to help in the selection process. As a related change, the Authority has not executed trades therefore there is no need for the Authority to select and maintain lists of brokers and dealers.
- (4) *Section 8.0 G Authorized and Suitable Investments* – Negotiable Certificates of Deposits - as negotiable certificates of deposit are essentially another type of corporate security, add language to this section to bring the credit rating requirements for negotiable certificates of deposit in line with the Policy’s rating requirements for other types of corporate securities. However, credit ratings would not be required for negotiable certificates of deposit that are fully insured by federal deposit insurance, as they would be backed by a government guarantee to protect the Authority’s funds.
- (5) *Section 11.0 Diversification* – incorporate new provision that would limit the amount invested in any one issuer to 5% of the overall portfolio to encourage diversification and limit the Authority’s potential exposure to any one issuer. Investments in U.S. Treasuries, federal agencies, pooled investments such as LAIF, money market funds, and local government investment pools would be excluded from this limit as they are either government-backed securities or already represent pools of diversified investments.
- (6) *Section 12.0 Trading of Securities* – revise the method on how to obtain competitive bids from brokers based on investment analysis recommended by staff.
- (7) *Glossary* – For simplicity and to avoid potential inconsistencies, limited the terms listed in the glossary to the terms used in the Policy.

Attached for your consideration is a copy of the proposed IERCA Investment Policy for FY 2018/19.

**PRIOR BOARD ACTION**

On May 1, 2017, the Board of Directors adopted Resolution No. 2017-5-1 approving the Inland Empire Regional Composting Authority FY 2017/18 Investment Policy.

**IMPACT ON BUDGET**

There is no impact on the Authority's FY 2018/19 budget.

**Attachments:**

Attachment A- Blacklined Changes to the Investment Policy  
Resolution No. 2018-5-1  
Exhibit A – Investment Policy







# **FY 2018/19 INVESTMENT POLICY**

*12645 Sixth Street Rancho Cucamonga, CA 91739 ~ (909) 993-1500 ~ [www.ierca.org](http://www.ierca.org)*





*INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY*  
**FY 2018/19 INVESTMENT POLICY**

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# INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY INVESTMENT POLICY

## 1.0 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 (California Government Code (CGC) § 53600.6 and 53630.1 (CGC §53600.6 and §53630.1);

WHEREAS; the legislative body of a local agency may invest surplus monies, not required for the immediate necessities of the local agency, in accordance with the provisions of CGC §5922 and CGC §53601 et seq.; and

WHEREAS; the Treasurer of the Inland Empire Regional Composting Authority (IERCA) shall annually prepare and submit a statement of investment policy and such policy, and any changes thereto, shall be considered by the legislative body at a public meeting (CGC §53646[a]).

NOW, THEREFORE, BE IT RESOLVED that the policy of IERCA is to invest funds in a manner which will provide: (i) the maximum security; (ii) the funds necessary to meet the daily cash flow demands of the IERCA; and (iii) the highest investment return while conforming to all statutes governing the investment of IERCA funds within the constraints of this Investment Policy.

## 2.0 SCOPE

This Investment Policy applies to all surplus monies of IERCA.

### *Pooling of funds*

Except for cash in certain restricted and special funds, IERCA will consolidate cash and reserve balances from all funds to maximize investments earnings and to increase efficiencies regarding investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

## 3.0 PRUDENCE

The standard of prudence to be used by designated investment signatories shall be the "prudent investor" standard (CGC §53600.3) and shall be applied in the context of managing an overall portfolio. Investments shall be made with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of IERCA, 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 authority.



Designated investment signatories, acting in accordance with written procedures, this investment policy, and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

#### 4.0 OBJECTIVES

As specified in CGC §53600.5, when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds; the primary objectives, in priority order, of the investment activities shall be:

- A. *Safety*: Safety of principal is the foremost objective of the investment program. Investments made by IERCA shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required to prevent any potential loss on any individual security or depository from exceeding the income generated from the remainder of the portfolio.
- B. *Liquidity*: The investment portfolio will remain sufficiently liquid to enable IERCA to meet all operating requirements which might be reasonably anticipated.
- C. *Return on Investments (Yield)*: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, considering the investment risk constraints and the cash flow characteristics of the portfolio. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed.

#### 5.0 DELEGATION OF AUTHORITY

Authority to manage the investment program is derived from CGC §53600, et seq. Management's responsibility for the investment program is hereby delegated for a one-year period by the legislative body, to the Treasurer who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked by the Board of Directors. Subject to review, the Board of Directors may renew the delegation of the authority each year. The Treasurer shall establish written procedures for the operation of the investment program consistent with this Investment policy. Procedures should include reference to: safekeeping, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. Such procedures shall include explicit delegation of authority to persons/positions responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this Investment policy and the procedures established by the Treasurer and Administration. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinates.

## 6.0 ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the placement of investments shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

## 7.0 AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Treasurer shall maintain a list of approved and authorized financial institutions and brokers/dealers, selected on the basis of credit-worthiness, financial strength, experience, and capitalization.

In selecting the *financial institutions* for the deposit or investment of IERCA funds, the Treasurer's consideration shall include the depository's latest equity/asset ratio data and continue to monitor the financial institutions' credit characteristics and financial history throughout the period during which IERCA funds are deposited or invested.

The minimum qualifications for Agency approved depository/financial institutions include: (i) that they must be at least three (3) years old; have total assets in excess of ten (\$10) billion dollars; a core capital/asset ratio of 5 percent or better; or (ii) have total assets in excess of five hundred million dollars (\$500,000,000); and a core capital/asset ratio of 6 percent or better.

For the services of *banks, savings banks, and savings and loan associations, depository agreements* shall be prepared by the Treasurer and authorized representatives of the respective financial institutions for consideration and execution by the Treasurer.

For *broker/dealer* services utilized to invest in government securities and other investments, the Treasurer is designated to select only brokers/dealers who are licensed and in good standing with the California Department of Securities (CDS), the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), or other applicable self-regulatory organizations. A periodic review of authorized brokers/dealers is essential to serve the IERCA's investment needs.

In order to improve quality services, expertise, and credit worthiness, the Treasurer may, on a selective basis, revise the approved list of brokers/dealers to update qualified brokers/dealers under the requirements of this Investment Policy.

The Treasurer shall maintain a list of approved brokers/dealers and submit the list to the Board of Directors as part of the periodic Investment Policy review process, or more frequently as requested by the Board.



## 8.o AUTHORIZED AND SUITABLE INVESTMENTS

IERCA's investments are governed by Government Code. Within the investments permitted by the Government Code, IERCA seeks to further restrict eligible investments to the investments listed below. In the event an apparent discrepancy is found between this Investment policy and the Government Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the date an investment is purchased. Credit ratings, as shown, specify the minimum credit rating category required at the point of purchase.

- A. United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.
- B. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
- C. State Municipal Securities – Registered treasury notes or bonds issued by any of the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by a state or by a department, board, agency, or authority of any of the 50 states. Securities eligible for investment under this paragraph shall be rated in a rating category of "A" or its equivalent or better by a Nationally Recognized Statistical Rating Organization (NRSRO). Short-term municipal securities eligible for investment shall be rated at or above the following credit agencies investment grade ratings; Sp-1 by Standard & Poor's, F-1 by Fitch, and MIG-1 by Moody's. These ratings for short term municipal securities signify the issuer's strong capacity to pay principal and interest.
- D. California Local Agency Municipal Securities – Bonds, notes, warrants or other evidence of indebtedness of a local agency or municipality located within the State of California, including debt securities issued by the IERCA. Securities eligible for investment under this paragraph shall be rated in a rating category of "A" or its equivalent or better by a NRSRO.
- E. Bank deposits, including demand deposit accounts, savings account, and market rate accounts, time deposits, and certificates of deposit in financial institutions located in California. Bank deposits are required to be collateralized as specified under Government Code § 53630 et. seq. Agreements allowing for the waiver of the collateral requirement for that amount of deposit covered by the Federal Deposit Insurance Corporation may be implemented provided the remainder of the deposit is secured by collateral as required by the Government Code.
- F. Negotiable Certificates of Deposit. Negotiable certificates of deposit (NCDs) issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a



federally licensed or state-licensed branch of a foreign bank. Purchases are limited to securities rated in a rating category of "A" (long-term) and/or "A-1" (short-term) or their equivalents or better by a NRSRO. NCD for which the full amount of the principal and the interest may be accrued during the maximum term of each certificate is insured by federal deposit insurance are exempt from the rating requirements. A maximum of 30 percent of the portfolio may be invested in Negotiable Certificates of Deposit.

- G. Placement Service Deposits (PSD). Funds may be placed with a private sector entity that assists in the placement of deposit with eligible financial institutions located in the United States (CGC § 53601.8). The full amount of the principal and the interest that may be accrued during the maximum term of each PSD shall at all times be insured by federal deposit insurance. The maximum portfolio exposure to Placement Service Deposits is limited to 30 percent. The maximum investment maturity will be restricted to five years.
- H. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):

(1) The entity meets the following criteria:

- (a) Is organized and operating in the United States as a general corporation;
- (b) Has total assets in excess of five hundred million dollars (\$500,000,000);
- (c) Has debt other than commercial paper, if any, that is rated in rating of "A" or its equivalent or better by a NRSRO.

(2) The entity meets the following criteria:

- (a) Is organized within the United States as a special purpose corporation, trust, or limited liability company;
- (b) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond;
- (c) Has commercial paper that is rated in a rating category of "A-1" or its equivalent or better by a NRSRO.

Eligible commercial paper shall have a maximum maturity of 270 days or less. Local agencies, other than counties or a city county, may invest no more than 25 percent of their moneys in eligible commercial paper. Local agencies, other than counties or a city and county may purchase no more than 10 percent of the outstanding commercial paper of any single issuer.

- I. Local Agency Investment Fund (LAIF) investment pool is a voluntary program created by statute as an investment alternative for California's local governments and special districts and is under the administration of the State Governor of California. All securities purchased by LAIF are under the authority of Government Code § 16429 and 16480.4. As part of the Pooled Money Investment Account (PMIA), LAIF has oversight by the Pooled Money Investment Board (PMIB), and an in-house Investment Committee. LAIF also has oversight by the Local Agency Investment Advisory Board and is audited by the Bureau of State Audits on an annual basis.

Investment in California LAIF cannot exceed the maximum deposit per agency limit as set by the Local Agency Investment Fund.

- J. Local Government Investment Pools (LGIP). Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code § 6509.7. To be eligible for purchase, the pool must meet the requirements of CGC § 53601(p).

Whenever the IERCA has any funds invested in a LGIP, the Treasurer shall maintain on file a copy of the pools' current information statement to be reviewed on a periodic basis.

- K. Money Market Funds - Investing solely in U.S. treasury securities and U.S. Government Agency securities, and repurchase agreements relating to the above obligations. To be eligible, these Money Market Funds must have met either of the following criteria: (A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs. (B) Retained an investment advisor with not less than five years' experience and registered or exempt from registration with the SEC, with assets under management in excess of five hundred million dollars (\$500,000,000).

- L. Repurchase Agreements - IERCA may invest in repurchase agreements with banks and dealers with which IERCA has entered into a master repurchase agreement which specifies terms and conditions of repurchase agreements.

1) Transactions shall be limited to the primary dealers and banking institutions rated in a rating category of "A" or its equivalent or better by a NRSRO, or with a financially stable banking institution which the Agency has substantial banking relationship. The maturity of repurchase agreements shall not exceed 90 days. The market value of securities used as collateral for repurchase agreements shall be monitored daily by the Treasurer and will not be allowed to fall below 102 percent of the value of the repurchase agreement plus the value of collateral in excess of the value of the repurchase agreement. To conform with 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 securities that are direct obligations of, or that are fully guaranteed as to principal and interest by the United States or any agency of the United States.

- M.** Medium Term Notes (MTN): MTNs defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Purchases in this category shall not exceed 30 percent of the portfolio and must be rated in a rating category of "A" or its equivalent or better by a NRSRO.

**Ineligible Investments:** Investments not described herein, including but not limited to, reverse repurchase agreements and common stocks are prohibited from use in this portfolio. This Investment Policy further specifically disallows investments in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or any security that could result in zero interest accrual if held to maturity.

## **9.0 AUTHORIZED INVESTMENTS FOR BOND FUNDS**

Bond funds shall be invested in the securities permitted pursuant to Board approved bond documents. If the bond documents are silent as to the permitted investments, bond funds will be invested in the securities permitted by this policy. Notwithstanding the other provisions of this Investment Policy, the dollar portfolio, percentage, and term limitations listed elsewhere in the Investment Policy do not apply to bond funds. In addition to the securities listed in Section 8.0 above, bond funds may be invested in a structured investment product if approved by the Treasurer.

## **10.0 SAFEKEEPING AND CUSTODY**

As required by CGC §53601 all security transactions entered by IERCA shall be conducted on Deliver versus Payment basis. Delivery versus Payment or DVP basis means all securities purchased or acquired shall be delivered to IERCA by book entry, physical delivery, or third party custodial agreement. Investments in the state pool, local government investment pools, or money market funds are undeliverable, and therefore, not subject to the delivery or third-party safe keeping requirements.

## **11.0 DIVERSIFICATION**

The Board of Directors recognize that investment risks can result from issuer defaults, market price changes, or various technical complications leading to temporary illiquidity. Portfolio diversification is employed to minimize these risks. Investment signatories are expected to display prudence in the selection and/or approval of securities, to minimize the risks present in the investment portfolio. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. To promote diversification, no more than 5% of the portfolio may be invested in the securities of any one issuer, regardless of security type; except for U.S. Treasuries, federal agencies, and pooled investments such as LAIF, federal agencies, money market funds, and local government investment pools.



The Board of Directors acknowledges that from time to time certain situations may arise during which strict adherence to an inflexible investment policy may be overly restrictive. On a case by case basis, the Board of Directors may consider any pertinent information of such situations and may, by minute action, modify or waive, within the constraints of CGC §53601 et seq., any of the provisions and/or restrictions of this Investment Policy.

The Treasurer shall periodically establish diversification guidelines, within the context of this policy, and strategies to control any risks of default, market price changes, and illiquidity.

## **12.0 TRADING OF SECURITIES**

A trade is the movement from one security to another and may be done for a variety of reasons, such as to increase yield, lengthen or shorten maturities, to take a profit, or to increase investment quality. The purchase and sale transaction and the sale transaction must each be recorded separately and any losses or gains on the sale must be recorded.

The Treasurer may obtain competitive bids from at least two brokers or financial institutions on all purchases of investment instruments based on investment analysis recommended by staff in adhering to the Investment Policy guidelines. Competitive bids can be also obtained by any communication channels when necessary.

## **13.0 MAXIMUM MATURITIES**

Where no maturity limit is stated for an investment under Section 8.0, no investment shall be made in any security that at the time of the investment, has a term remaining to maturity in excess of five years unless the Board has granted express authority to make that investment either specifically or as part of a previous investment program no less than three (3) months prior to the investment. Any investment currently held at the time the investment policy is adopted which does not meet the new policy guidelines will be held until maturity, and shall be exempt from the current policy. At the time of the investment's maturity or liquidation such funds shall be reinvested only as provided in the most current policy.

## **14.0 PORTFOLIO DURATION LIMITATION**

The weighted average duration of the entire portfolio shall not exceed three (3) years.

## **15.0 MONITORING CREDIT RATINGS**

The Treasurer shall monitor the ratings of all investments in their portfolios on a continuous basis. If an existing investment's rating drops below the minimum allowed for new investments made pursuant to this policy, the Treasurer shall make a written recommendation to the Board as to whether this security should be held or sold prior to maturity.

## 16.0 REPORTING

The Treasurer shall submit to each member of the Board of Directors a monthly investment report. This report will include the elements of the quarterly report as recommended by CGC §53646, to include:

- a. Type of investment
- b. Name of institution
- c. Date of maturity
- d. Amount of deposit or cost of the security and the par value
- e. Current market value of all securities
- f. Rate of interest/earnings (yield)
- g. A monthly list of transactions

CGC §53646(b) (2), (3) recommends that the investment report must include a statement that (i) all investment actions executed since the last investment report have been made in full compliance with the Investment Policy or a Board of Directors' minute action (wavier) and, that (ii) IERCA will meet its expenditure obligations for the next six months. The Treasurer shall maintain a complete and timely record of all investment transactions in support of the above statement.

## 17.0 INTERNAL CONTROLS

The Treasurer is responsible for establishing and maintaining a control structure designed to ensure that the assets of the IERCA are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation and benefits require estimates and judgments by management.

An annual independent review by an external auditor to assure compliance with policies and procedures will be performed as part of the IERCA's annual audit.

## 18.0 PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. To determine whether market yields are being achieved, the Treasurer shall identify comparable benchmarks to the portfolio investment duration, (e.g. 90-day US Treasury Bill, 6-month US Treasury Bill, average LAIF yield rate). This comparative analysis is included in investment report presented to the Board of Directors on a monthly basis.

## 19.0 POLICY REVIEW

This investment policy shall be reviewed regularly to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return and its relevance to current law and financial and economic trends. The Board shall be responsible for maintaining guidance over this investment policy to ensure that IERCA can adapt readily to changing market conditions, and approve any modification to the investment policy prior to implementation.

## 20.0 STATE LAW

The legislated authority of the IERCA's investments is covered in Section 53601, 53607, 53635, 53638, 53646, 53652, and 53653 of the Government Code. It is the policy of the IERCA to comply with the State laws governing its investments.

## 21.0 INVESTMENT POLICY ADOPTION

The Investment Policy shall be adopted by resolution of the Board of Directors of IERCA. Moreover, the Policy shall be reviewed whenever there are recommended changes or annually, whichever occurs first, and modifications must be approved by the Board of Directors.

### ADOPTED AND APPROVED:

**Name:**

**Title:**

**Date:**



## APPENDIX 1: GLOSSARY OF CASH MANAGEMENT TERMS

### **BOND PROCEEDS:**

The money paid to the issuer by the purchaser or underwriter of a new issue of municipal securities. These moneys are used to finance the project or purpose for which the securities were issued and to pay certain costs of issuance as may be provided in the bond contract.

### **BROKER:**

A broker acts as an intermediary between a buyer and seller for a commission and does not trade for his/her own risk and account or inventory.

### **CERTIFICATE OF DEPOSIT (CD):**

A time deposit with a specific maturity evidenced by a certificate.

### **CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SYSTEM (CDARS):**

A private CD placement service that allows local agencies to purchase more than \$250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than \$250,000 each, so that FDIC coverage is maintained.

### **COLLATERAL:**

Securities, evidence of deposit or other property, which 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:**

A short-term, unsecured, 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.

### **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.

### **CUSTODIAN:**

A bank or other financial institution that keeps custody of stock certificates and other assets.

### **DEALER:**

A dealer, as opposed to a broker, acts as a principal in all transaction, buying and selling for his own risk and account or inventory.

### **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.

### **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.

### **FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC):**

A federal agency that insures bank deposits.

### **FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA):**

The Financial Industry Regulatory Authority (FINRA) is the largest independent regulator for all securities firms doing business in the United States. All told, FINRA oversees nearly 4,750 brokerage firms, about 167,000 branch offices and approximately 634,000 registered securities representatives.

### **INTEREST ONLY STRIPS:**

The interest portion of a Treasury note or bond that has been stripped of its principal component through the commercial book-entry system.

**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 portfolio securities to decline.

**INVERSE FLOATER:**

Fixed income instruments whose coupon or interest rate is periodically reset according to a short-term rate index such as LIBOR, or prime rate. Unlike the traditional floating rate instrument, however, the inverse floater's rate is set equal to a fixed rate minus the short-term rate index.

**INVESTMENT POLICY:**

A clear and concise 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:**

An asset that can be converted easily and rapidly into cash with minimum risk on principal.

**LOCAL AGENCY INVESTMENT FUND (LAIF):**

An investment pool managed by the California State Treasurer. Local government units, with consent of the governing body of that agency, may voluntarily deposit surplus funds for the purpose of investment. Interest earned is distributed by the State Controller to the participating governmental agencies on a quarterly basis.

**MARKET VALUE:**

The price at which a security is currently being sold in the market. See FAIR VALUE.

**MASTER REPURCHASE AGREEMENT:**

A written contract covering all future transactions between the parties to repurchase agreements and reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

**MATURITY:**

The date that the principal or stated value of a debt instrument becomes due and payable.

**MEDIUM-TERM NOTES (MTNs):**

Corporate notes, having any or all the features of corporate bonds and ranging in maturity from nine months out to thirty years. The difference between corporate bonds and MTNs is that corporate bonds are underwritten.

**NATIONALLY 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 CERTIFICATES OF DEPOSIT:**

Time deposits issued by Federal Deposit Insurance Corporation (FDIC) insured banks and are underwritten by the Financial Industry Regulatory Authority (FINRA) registered Broker/Dealers. Also known as "DTC Eligible CDs" or "Brokered Deposits", this type of deposit is offered to investors by issuing institutions looking to raise liquidity and funding through the wholesale and institutional markets.

**PAR VALUE:**

The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in increments of \$1,000 per bond.

**PORTFOLIO:**

The collection of securities held by an individual or institution.

**PRIMARY DEALER:**

A group of government securities dealers who 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 unregulated firms.

**PRINCIPAL:**

The face or par value of a debt instrument or the amount of capital invested in a given security.

**PRUDENT PERSON RULE:**

An investment standard: The way a prudent person of discretion and intelligence would be expected to manage the investment program in seeking a reasonable income and preservation of capital.

**RATE OF RETURN:**

- 1) The yield which can be attained on a security based on its purchase price or its current market price.
- 2) Income earned on an investment, expressed as a percentage of the cost of the investment.

**REPURCHASE AGREEMENT (RP OR REPO):**

A holder of securities (e.g. investment dealer) sells these securities to an investor (e.g. the Agency) with an agreement to repurchase them at a fixed date. The security "buyer" (e.g. the Agency) in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate the "buyer" for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is increasing bank reserves.

**REVERSE REPURCHASE AGREEMENT (REVERSE REPO):**

A counter party (e.g. investment dealer) buys the securities from the holder of securities (e.g. the Agency) with an agreement to sell them back at a fixed date. The counter party in effect lends the seller (e.g. the Agency) money for the period of the agreement with terms of the agreement structured to compensate buyer.

**SAFEKEEPING:**

A service banks offer to clients for a fee, where physical securities are held in the bank's vault for protection and book-entry securities are on record with the Federal Reserve Bank or Depository Trust Company in the bank's name for the benefit of the client. As agent for the client, the safekeeping bank settles securities transactions, collects coupon payments, and redeems securities at maturity or, if called, on the call date.

**SECURITIES:**

Investment instruments such as notes, bonds, stocks, money market instruments and other instruments of indebtedness of equity.

**WEIGHTED AVERAGE MATURITY (WAM):**

The average maturity of all the securities that comprise a portfolio, typically expressed in days of years.

**YIELD:**

The annual rate of return on an investment expressed as a percentage of the investment. Income yield is obtained by dividing the current dollar income by the current market price for the security.



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**FY 2017/18**

# **INVESTMENT POLICY**

**BLACKLINED**

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# INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY

## FY 2017/18 INVESTMENT POLICY

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# INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY

## FY 2017/18 INVESTMENT POLICY

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# INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY INVESTMENT POLICY

## 1.0 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 (California Government Code (CGC) § 53600.6 and 53630.1 (CGC §53600.6 and §53630.1);

WHEREAS; the legislative body of a local agency may invest surplus monies, not required for the immediate necessities of the local agency, in accordance with the provisions of CGC §5922 and CGC §53601 et seq.; and

WHEREAS; the Treasurer of the Inland Empire Regional Composting Authority (IERCA) shall annually prepare and submit a statement of investment policy and such policy, and any changes thereto, shall be considered by the legislative body at a public meeting (CGC §53646[a]).

NOW, THEREFORE, BE IT RESOLVED that the policy of IERCA is to invest funds in a manner which will provide: (i) the maximum security; (ii) the funds necessary to meet the daily cash flow demands of the IERCA; and (iii) the highest investment return while conforming to all statutes governing the investment of IERCA funds within the constraints of this Investment Policy.

## 2.0 SCOPE

This Investment Policy applies to all surplus monies of IERCA.

### *Pooling of funds*

Except for cash in certain restricted and special funds, IERCA will consolidate cash and reserve balances from all funds to maximize investments earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

## 3.0 PRUDENCE

The standard of prudence to be used by designated investment signatories shall be the "prudent investor" standard (CGC §53600.3) and shall be applied in the context of managing an overall portfolio. Investments shall be made with care, skill, prudence, and

diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of IERCA, 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 authority.

Designated investment signatories, acting in accordance with written procedures, this investment policy, and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

#### 4.0 OBJECTIVES

As specified in CGC §53600.5, when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds; the primary objectives, in priority order, of the investment activities shall be:

- A. *Safety*: Safety of principal is the foremost objective of the investment program. Investments made by IERCA shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required to prevent any potential loss on any individual security or depository from exceeding the income generated from the remainder of the portfolio.
- B. *Liquidity*: The investment portfolio will remain sufficiently liquid to enable IERCA to meet all operating requirements which might be reasonably anticipated.
- C. *Return on Investments (Yield)*: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, considering the investment risk constraints and the cash flow characteristics of the portfolio. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed. ~~Securities shall not be sold prior to maturity with the following exceptions:~~
  - ~~1. A security with declining credit may be sold to minimize loss of principal.~~
  - ~~2. A security swap would improve quality, yield, or target duration in the portfolio.~~
  - ~~3. Liquidity needs of the portfolio that requires the security to be sold.~~



## 5.0 DELEGATION OF AUTHORITY

Authority to manage the investment program is derived from CGC §53600, et seq. Management's responsibility for the investment program is hereby delegated for a one-year period by the legislative body, to the Treasurer who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked by the Board of Directors. **Subject to review, the Board of Directors may renew the delegation of authority each year.** The Treasurer shall establish written procedures for the operation of the investment program consistent with this Investment policy. Procedures should include reference to: safekeeping, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. Such procedures shall include explicit delegation of authority to persons/positions responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this Investment policy and the procedures established by the Treasurer and Administration. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinates.

## 6.0 ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the placement of investments shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

## 7.0 AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Treasurer shall maintain a list of approved and authorized financial institutions and brokers/dealers, selected on the basis of credit-worthiness, financial strength, experience, and capitalization.

In selecting the *financial institutions* for the deposit or investment of IERCA funds, the Treasurer's consideration shall include the depository's latest equity/asset ratio data and continue to monitor the financial institutions' credit characteristics and financial history throughout the period during which IERCA funds are deposited or invested.

The minimum qualifications for Agency approved depository/financial institutions include: (i) that they must be at least three (3) years old; have total assets in excess of ten (\$10) billion dollars; a core capital/asset ratio of 5 percent or better; or (ii) have total assets in excess of five hundred million dollars (\$500,000,000); and a core capital/asset ratio of 6 percent or better.

For the services of *banks, savings banks, and savings and loan associations, depository agreements* shall be prepared by the Treasurer and authorized representatives of the respective financial institutions for consideration and execution by the Treasurer.

For *broker/dealer* services utilized to invest in government securities and other investments, the Treasurer is designated to select only brokers/dealers who are licensed and in good standing with the California Department of Securities (CDS), the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), or other applicable self-regulatory organizations. A periodic review of authorized brokers/dealers is essential to serve the IERCA's investment needs.

In order to improve quality services, expertise, and credit worthiness, the Treasurer may, on a selective basis, revise the approved list of brokers/dealers to update qualified brokers/dealers under the requirements of this Investment Policy.

The Treasurer shall maintain a list of approved brokers/dealers and submit the list to the Board of Directors as part of the periodic Investment Policy review process, or more frequently as requested by the Board.

~~Financial institutions/depositories, brokers/dealers and external investment managers, who do investment related business with IERCA shall sign a Certificate of Understanding (see Attachment "A"). The Certification of Understanding states that the entity:~~

- ~~A. — Has read and is familiar with the IERCA's Investment Policy as well as applicable Federal and State law;~~
- ~~— B. — Agrees to notify IERCA in writing of any potential conflicts of interest;~~
- ~~— C. — Meets the requirements as outlined in this Policy;~~
- ~~— D. — Agrees to make every reasonable effort to protect the assets of IERCA from loss.~~

~~Annually, banks, savings bank, savings and loans associations, and authorized brokers/dealers will be requested to update information about their financial institutions. The required information will be supplied by responses to the attached questionnaires (see Attachment "B" for broker/dealers and Attachment "C" for banks and savings and loans), and provide IERCA with copies of published financial statements.~~

## 8.0 AUTHORIZED AND SUITABLE INVESTMENTS

IERCA's investments are governed by Government Code. Within the investments permitted by the Government Code, IERCA seeks to further restrict eligible investments



to the investments listed below. In the event an apparent discrepancy is found between this Investment policy and the Government Code, the more restrictive parameters will take precedence. Percentage holding limits listed in this section apply at the date an investment is purchased. Credit ratings, as shown, specify the minimum credit rating category required at the point of purchase.

- A. United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.
- B. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
- C. State Municipal Securities – Registered treasury notes or bonds issued by any of the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by a state or by a department, board, agency, or authority of any of the 50 states. Securities eligible for investment under this paragraph shall be rated in a rating category of “A” or its equivalent or better by a Nationally Recognized Statistical Rating Organization (NRSRO). Short-term municipal securities eligible for investment shall be rated at or above the following credit agencies investment grade ratings; Sp-1 by Standard & Poor’s, F-1 by Fitch, and MIG-1 by Moody’s. These ratings for short term municipal securities signify the issuer’s strong capacity to pay principal and interest.
- D. California Local Agency Municipal Securities – Bonds, notes, warrants or other evidence of indebtedness of a local agency or municipality located within the State of California, including debt securities issued by the IERCA. Securities eligible for investment under this paragraph shall be rated in a rating category of “A” or its equivalent or better by a NRSRO.
- E. Bank deposits, including demand deposit accounts, savings account, and market rate accounts, time deposits, and certificates of deposit in financial institutions located in California. Bank deposits are required to be collateralized as specified under Government Code § 53630 et. seq. Agreements allowing for the waiver of the collateral requirement for that amount of deposit covered by the Federal Deposit Insurance Corporation may be implemented provided the remainder of the deposit is secured by collateral as required by the Government Code.
- F. Negotiable Certificates of Deposit. Negotiable certificates of deposit (NCDs) issued by a nationally or state-chartered bank, a savings association or a federal



association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases are limited to securities rated in a rating category of "A" (long-term) and/or "A-1" (short-term) or their equivalents or better by a NRSRO. NCD for which the full amount of the principal and the interest may be accrued during the maximum term of each certificate is insured by federal deposit insurance are exempt from the rating requirements. A maximum of 30 percent of the portfolio may be invested in Negotiable Certificates of Deposit.

- G. Placement Service Deposits (PSD). Funds may be placed with a private sector entity that assists in the placement of deposit with eligible financial institutions located in the United States (CGC § 53601.8). The full amount of the principal and the interest that may be accrued during the maximum term of each PSD shall at all times be insured by federal deposit insurance. The maximum portfolio exposure to Placement Service Deposits is limited to 30 percent. The maximum investment maturity will be restricted to five years.
- H. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):

(1) The entity meets the following criteria:

- (a) Is organized and operating in the United States as a general corporation;
- (b) Has total assets in excess of five hundred million dollars (\$500,000,000);
- (c) Has debt other than commercial paper, if any, that is rated in rating of "A" or its equivalent or better by a NRSRO.

(2) The entity meets the following criteria:

- (a) Is organized within the United States as a special purpose corporation, trust, or limited liability company;
- (b) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond;
- (c) Has commercial paper that is rated in a rating category of "A-1" or its equivalent or better by a NRSRO.

Eligible commercial paper shall have a maximum maturity of 270 days or less.

Local agencies, other than counties or a city county, may invest no more than 25 percent of their moneys in eligible commercial paper. Local agencies, other than counties or a city and county may purchase no more than 10 percent of the outstanding commercial paper of any single issuer.

- I. Local Agency Investment Fund (LAIF) investment pool is a voluntary program created by statute as an investment alternative for California's local governments and special districts and is under the administration of the State Governor of California. All securities purchased by LAIF are under the authority of Government Code § 16429 and 16480.4. As part of the Pooled Money Investment Account (PMIA), LAIF has oversight by the Pooled Money Investment Board (PMIB), and an in-house Investment Committee. LAIF also has oversight by the Local Agency Investment Advisory Board and is audited by the Bureau of State Audits on an annual basis.

Investment in California LAIF cannot exceed the maximum deposit per agency limit as set by the Local Agency Investment Fund.

- J. Local Government Investment Pools (LGIP). Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code § 6509.7. To be eligible for purchase, the pool must meet the requirements of CGC § 53601(p).

Whenever the IERCA has any funds invested in a LGIP, the Treasurer shall maintain on file a copy of the pools' current information statement to be reviewed on a periodic basis.

- K. Money Market Funds - Investing solely in U.S. treasury securities and U.S. Government Agency securities, and repurchase agreements relating to the above obligations. To be eligible, these Money Market Funds must have met either of the following criteria: (A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs. (B) Retained an investment advisor with not less than five years' experience and registered or exempt from registration with the SEC, with assets under management in excess of five hundred million dollars (\$500,000,000).

- L. Repurchase Agreements - IERCA may invest in repurchase agreements with banks and dealers with which IERCA has entered into a master repurchase agreement which specifies terms and conditions of repurchase agreements.

1) Transactions shall be limited to the primary dealers and banking institutions rated in a rating category of "A" or its equivalent or better by a NRSRO, or with a financially stable banking institution which the Agency has substantial banking relationship. The maturity of repurchase agreements shall not exceed 90 days. The market value of securities used

as collateral for repurchase agreements shall be monitored daily by the Treasurer and will not be allowed to fall below 102 percent of the value of the repurchase agreement plus the value of collateral in excess of the value of the repurchase agreement. In order to conform with 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 securities that are direct obligations of, or that are fully guaranteed as to principal and interest by the United States or any agency of the United States.

- M. Medium Term Notes (MTN): MTNs defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Purchases in this category shall not exceed 10 percent of the portfolio and must be rated in a rating category of "A" or its equivalent or better by a NRSRO.

***Ineligible Investments:*** Investments not described herein, including but not limited to, reverse repurchase agreements and common stocks are prohibited from use in this portfolio. This Investment Policy further specifically disallows investments in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or any security that could result in zero interest accrual if held to maturity.

## 9.0 AUTHORIZED INVESTMENTS FOR BOND FUNDS

Bond funds shall be invested in the securities permitted pursuant to Board approved bond documents. If the bond documents are silent as to the permitted investments, bond funds will be invested in the securities permitted by this policy. Notwithstanding the other provisions of this Investment Policy, the dollar portfolio, percentage, and term limitations listed elsewhere in the Investment Policy do not apply to bond funds. In addition to the securities listed in Section 8.0 above, bond funds may be invested in a structured investment product if approved by the Treasurer.

## 10.0 SAFEKEEPING AND CUSTODY

As required by CGC §53601 all security transactions entered into by IERCA shall be conducted on Deliver versus Payment basis. Delivery versus Payment or DVP basis means all securities purchased or acquired shall be delivered to IERCA by book entry, physical delivery, or third party custodial agreement. Investments in the state pool, local government investment pools, or money market funds are undeliverable, and therefore, not subject to the delivery or third party safe keeping requirements.



## 11.0 DIVERSIFICATION

The Board of Directors recognize that investment risks can result from issuer defaults, market price changes, or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to minimize these risks. Investment signatories are expected to display prudence in the selection and/or approval of securities, as a way to minimize the risks present in the investment portfolio. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. To promote diversification, no more than 5% of the portfolio may be invested in the securities of any one issuer, regardless of security type; except for U.S. Treasuries, federal agencies, and pooled investments such as LAIF, federal agencies, money market funds, and local government investment pools. ~~Further, financial institutions which hold funds, deposited as investments, shall be subject to an investment limitation.~~

The Board of Directors acknowledges that from time to time certain situations may arise during which strict adherence to an inflexible investment policy may be overly restrictive. On a case by case basis, the Board of Directors may consider any pertinent information of such situations and may, by minute action, modify or waive, within the constraints of CGC §53601 et seq., any of the provisions and/or restrictions of this Investment Policy.

The Treasurer shall periodically establish diversification guidelines, within the context of this policy, and strategies to control any risks of default, market price changes, and illiquidity.

## 12.0 TRADING OF SECURITIES

A trade is the movement from one security to another and may be done for a variety of reasons, such as to increase yield, lengthen or shorten maturities, to take a profit, or to increase investment quality. The purchase and sale transaction and the sale transaction must each be recorded separately and any losses or gains on the sale must be recorded.

The Treasurer may obtain competitive bids from at least two brokers or financial institutions on all purchases of investment instruments based on investment analysis recommended by staff in adhering to the Investment Policy guidelines. ~~primarily using "GFOA Yield Advantage" software when available.~~ Competitive bids can be also obtained by any ~~other~~ communication channels when necessary.

## 13.0 MAXIMUM MATURITIES

Where no maturity limit is stated for an investment under Section 8.o, no investment shall be made in any security that at the time of the investment, has a term remaining to

maturity in excess of five years unless the Board has granted express authority to make that investment either specifically or as part of a previous investment program no less than three (3) months prior to the investment. Any investment currently held at the time the investment policy is adopted which does not meet the new policy guidelines will be held until maturity, and shall be exempt from the current policy. At the time of the investment's maturity or liquidation such funds shall be reinvested only as provided in the most current policy.

#### **14.0 PORTFOLIO DURATION LIMITATION**

The weighted average duration of the entire portfolio shall not exceed three (3) years.

#### **15.0 MONITORING CREDIT RATINGS**

The Treasurer shall monitor the ratings of all investments in their portfolios on a continuous basis. ~~and report all credit downgrades of portfolio securities to the Board in writing within 24 hours of knowledge of the event.~~ If an existing investment's rating drops below the minimum allowed for new investments made pursuant to this policy, the Treasurer shall ~~also~~ make a written recommendation to the Board as to whether this security should be held or sold prior to maturity.

#### **16.0 REPORTING**

The Treasurer shall submit to each member of the Board of Directors a monthly investment report. This report will include the elements of the quarterly report as recommended by CGC §53646, to include:

- a. Type of investment
- b. Name of institution
- c. Date of maturity
- d. Amount of deposit or cost of the security and the par value
- e. Current market value of all securities
- f. Rate of interest/earnings (yield)
- g. A monthly list of transactions

CGC §53646(b)(2),(3) recommends that the investment report must include a statement that (i) all investment actions executed since the last investment report have been made in full compliance with the Investment Policy or a Board of Directors' minute action (wavier) and, that (ii) IERCA will meet its expenditure obligations for the next six months. The Treasurer shall maintain a complete and timely record of all investment transactions in support of the above statement.



## **17.0 INTERNAL CONTROLS**

The Treasurer is responsible for establishing and maintaining a control structure designed to ensure that the assets of the IERCA are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation and benefits require estimates and judgments by management.

An annual independent review by an external auditor to assure compliance with policies and procedures will be performed as part of the IERCA's annual audit.

## **18.0 PERFORMANCE STANDARDS**

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. To determine whether market yields are being achieved, the Treasurer shall identify comparable benchmarks to the portfolio investment duration, (e.g. 90-day US Treasury Bill, 6-month US Treasury Bill, average LAIF yield rate). This comparative analysis is included in investment report presented to the Board of Directors on a monthly basis.

## **19.0 POLICY REVIEW**

This investment policy shall be reviewed regularly to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return and its relevance to current law and financial and economic trends. The Board shall be responsible for maintaining guidance over this investment policy to ensure that IERCA can adapt readily to changing market conditions, and approve any modification to the investment policy prior to implementation.

## **20.0 STATE LAW**

The legislated authority of the IERCA's investments is covered in Section 53601, 53607, 53635, 53638, 53646, 53652, and 53653 of the Government Code. It is the policy of the IERCA to comply with the State laws governing its investments.



**21.0 INVESTMENT POLICY ADOPTION**

The Investment Policy shall be adopted by resolution of the Board of Directors of IERCA. Moreover, the Policy shall be reviewed whenever there are recommended changes or annually, whichever occurs first, and modifications must be approved by the Board of Directors.

**ADOPTED AND APPROVED:**

**Name:**

**Title:**

**Date:**

## APPENDIX 1: GLOSSARY OF CASH MANAGEMENT TERMS

### **ASK PRICE:**

~~The price at which securities are offered for sale; also known as offering price.~~

### **BASIS POINT:**

~~One hundredth of one percent (i.e. 0.01 percent).~~

### **BOND PROCEEDS:**

The money paid to the issuer by the purchaser or underwriter of a new issue of municipal securities. These moneys are used to finance the project or purpose for which the securities were issued and to pay certain costs of issuance as may be provided in the bond contract.

### **BOOK VALUE:**

~~The value at which a debt security is shown on the holder's balance sheet. Book value is often acquisition cost plus/minus amortization and accretion, which may differ significantly from the security's current value in the market.~~

### **BROKER:**

A broker acts as an intermediary between a buyer and seller for a commission and does not trade for his/her own risk and account or inventory.

### **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 ACCOUNT REGISTRY SYSTEM (CDARS):**

A private CD placement service that allows local agencies to purchase more than \$250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than \$250,000 each, so that FDIC coverage is maintained.

### **COLLATERAL:**

Securities, evidence of deposit or other property, which 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:**

A short-term, unsecured, 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.

### **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.

### **CUSTODIAN:**

A bank or other financial institution that keeps custody of stock certificates and other assets.



**DEALER:**

A dealer, as opposed to a broker, acts as a principal in all transaction, buying and selling for his own risk and account or inventory.

**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.

**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 or liquidation sale. If a market price is available, the fair value is equal to the market value.

**FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC):**

A federal agency that insures bank deposits.

**FEDERAL FARM CREDIT BANK (FFCB):**

Government-sponsored institution that consolidates the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks and the Banks for Cooperatives. Its securities do not carry direct U.S. Government guarantees.

**FEDERAL FUNDS RATE:**

The rate of interest at which Federal funds are traded. This rate is considered to be the most sensitive indicator of the direction of interest rates, as it 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 Bank vis à vis member commercial banks. Although the banks operate under federal charter with government supervision, the securities are not guaranteed by the U.S. Government.

**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 in 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 U.S. which consists of seven member Board of Governors, 12 regional banks, and about 5,700 commercial banks that are members.~~

**FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA):**

The Financial Industry Regulatory Authority (FINRA) is the largest independent regulator for all securities firms doing business in the United States. All told, FINRA oversees nearly 4,750 brokerage firms, about 167,000 branch offices and approximately 634,000 registered securities representatives.

**INTEREST ONLY STRIPS:**

The interest portion of a Treasury note or bond that has been stripped of its principal component through the commercial book-entry system.

**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 portfolio securities to decline.

**INVERSE FLOATER:**

Fixed income instrument whose coupon or interest rate is periodically reset according to a short term rate index such as LIBOR, or prime rate. Unlike the traditional floating rate instrument, however, the inverse floater's rate is set equal to a fixed rate minus the short-term rate index.

**INVESTMENT POLICY:**

A clear and concise 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:**

An asset that can be converted easily and rapidly into cash with minimum risk on principal.

**LOCAL AGENCY INVESTMENT FUND (LAIF):**

An investment pool managed by the California State Treasurer. Local government units, with consent of the governing body of that agency, may voluntarily deposit surplus funds for the purpose of investment. Interest earned is distributed by the State Controller to the participating governmental agencies on a quarterly basis.

**~~MARKET TO MARKET:~~**

~~Current market price of a security.~~

**~~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 currently being sold in the market. See FAIR VALUE.

**MASTER REPURCHASE AGREEMENT:**

A written contract covering all future transactions between the parties to repurchase agreements and reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

**MATURITY:**

The date that the principal or stated value of a

debt instrument becomes due and payable.

**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 thirty years. The difference between corporate bonds and MTNs is that corporate bonds are underwritten.

**MODIFIERS:**

~~Credit rating agencies use modifiers to denote major rating categories. Moody's append modifiers 1, 2, and 3 to each generic rating. The modifier 1 indicates that the obligation ranks in the higher end; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Standard & Poor's append modifiers with (+) or minus (-) sign to show relative standing within the major rating categories.~~

**NATIONALLY 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 CERTIFICATES OF DEPOSIT:**

Time deposits issued by Federal Deposit Insurance Corporation (FDIC) insured banks and are underwritten by the Financial Industry Regulatory Authority (FINRA) registered Broker/Dealers. Also known as "DTC Eligible CDs" or "Brokered Deposits", this type of deposit is offered to investors by issuing institutions looking to raise liquidity and funding through the wholesale and institutional markets.

**OPEN MARKET OPERATIONS:**

~~Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the~~

~~Federal Open Market Committee, (FOMC), in order to influence the volume of money and credit in the economy. Purchases inject reserves into the banking system and stimulate growth of money and credit. Sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.~~

**PAR VALUE:**

The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in increments of \$1,000 per bond.

**PORTFOLIO:**

The collection of securities held by an individual or institution.

**PRIMARY DEALER:**

A group of government securities dealers who 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 unregulated firms.

**PRINCIPAL:**

The face or par value of a debt instrument or the amount of capital invested in a given security.

**PRUDENT PERSON RULE:**

An investment standard: The way a prudent person of discretion and intelligence would be expected to manage the investment program in seeking a reasonable income and preservation of capital.

**RANGE BONDS:**

~~Bonds that accrue interest during a particular Interest Period at a fixed or variable rate if a specified index is within a specified range during a designated period of time or at a particular point in time. A Range Bond may not bear~~



~~interest if the specified index is outside the specified range.~~

**RATE OF RETURN:**

- 1) The yield which can be attained on a security based on its purchase price or its current market price.
- 2) Income earned on an investment, expressed as a percentage of the cost of the investment.

**REPURCHASE AGREEMENT (RP OR REPO):**

A holder of securities (e.g. investment dealer) sells these securities to an investor (e.g. the Agency) with an agreement to repurchase them at a fixed date. The security "buyer" (e.g. the Agency) in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate the "buyer" for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is increasing bank reserves.

**REVERSE REPURCHASE AGREEMENT (REVERSE REPO):**

A counter party (e.g. investment dealer) buys the securities from the holder of securities (e.g. the Agency) with an agreement to sell them back at a fixed date. The counter party in effect lends the seller (e.g. the Agency) money for the period of the agreement with terms of the agreement structured to compensate buyer.

**SAFEKEEPING:**

A service banks offer to clients for a fee, where physical securities are held in the bank's vault for protection and book-entry securities are on record with the Federal Reserve Bank or Depository Trust Company in the bank's name for the benefit of the client. As agent for the client, the safekeeping bank settles securities transactions, collects coupon payments, and redeems securities at maturity or, if called, on the call date.

**SWAP:**

~~An agreement between two parties (known~~

~~as counterparties) where one stream of future interest payments is exchanged for another based on a specified principal amount.~~

**SECURITIES AND EXCHANGE COMMISSION (SEC):**

~~Agency created by Congress to protect investors in securities transactions by administering securities legislation.~~

**SECONDARY MARKET:**

~~A market for the repurchase and resale of outstanding issues following the initial distribution.~~

**SECURITIES:**

Investment instruments such as notes, bonds, stocks, money market instruments and other instruments of indebtedness of equity.

**SPREAD:**

~~The difference between two figures or percentages. It may be the difference between the bid (price at which a prospective buyer offers to pay) and asked (price at which an owner offers to sell) prices of a quote, or between the amount paid when bought and the amount received when sold.~~

**UNDERWRITER:**

~~A dealer that purchased a new issue of municipal securities for resale.~~

**U.S. TREASURY OBLIGATIONS:**

~~Debt obligations of the U.S. Government sold by the Treasury Department in the forms of bills, notes, and bonds. Bills are short-term obligations that mature in one year or less and are sold at a discount. Notes are obligations that mature between one year and ten years. Bonds are long-term obligations that generally mature in ten years or more.~~

**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 BONDS:**

Long-term U. S. Treasury securities.

**TREASURY NOTES:**

Intermediate-term—coupon-bearing—U.S. Treasury securities having initial maturities from one year to ten years.

**WEIGHTED AVERAGE MATURITY (WAM):**

The average maturity of all the securities that comprise a portfolio, typically expressed in days of years.

**YIELD:**

The annual rate of return on an investment expressed as a percentage of the investment. Income yield is obtained by dividing the current dollar income by the current market price for the security.

**YIELD CURVE:**

Yield calculations of various maturities of instruments of the same quality at a given time to observe spread differences.

**ZERO-INTEREST BOND**

A bond on which interest is not payable until maturity (or early redemption), but compounds periodically to accumulate to a state maturity amount. Zero interest bonds are typically issued at a discount and repaid at par upon maturity.

**CERTIFICATION OF UNDERSTANDING**

~~\_\_\_\_\_ I hereby certify that I have personally read Inland Empire Regional Composting Authority's (IERCA) Investment Policy and the California Government Code pertaining to the investments of the IERCA.~~

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

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

~~\_\_\_\_\_ I will only offer investments for the IERCA's consideration that are in conformity to the IERCA's Investment Policy.~~

~~\_\_\_\_\_ I attest to the accuracy of the responses to the IERCA's questionnaire.~~

NOTE: \_\_\_\_\_ Completion of the attached questionnaire is only part of Inland Empire Regional Composting Authority's certification process and DOES NOT guarantee that the our financial institution will be guaranteed any portion of the investment business with Inland Empire Regional Composting Authority.

FIRM NAME \_\_\_\_\_

PRINTED NAME: \_\_\_\_\_

SIGNATURE: \_\_\_\_\_ DATE \_\_\_\_\_

**INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY  
OFFICE OF THE TREASURER  
BROKERS/DEALERS QUESTIONNAIRE AND CERTIFICATION**

*Please fill out form and return to Inland Empire Regional Composting Authority*

1. Name of Firm \_\_\_\_\_

2. Address \_\_\_\_\_

\_\_\_\_\_ (Local) \_\_\_\_\_ (National Headquarters)

3. Telephone No. \_\_\_\_\_

4. Primary Representatives:	Manager/Partner In Charge:
Name _____	Name _____
Telephone _____	Telephone _____
Years in institutional sales _____	Years in institutional sales _____
Years with firm _____	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. (Copy of a Published Financial Statement)

21. Attach proof of Financial Industry Regulatory Authority (FINRA) 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~~

**INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY  
OFFICE OF THE TREASURER  
BANK QUESTIONNAIRE AND CERTIFICATION**

*Please fill out form and return to Inland Empire Regional Composting Authority*

1. Name of Firm \_\_\_\_\_
  
2. Address \_\_\_\_\_  
\_\_\_\_\_ (Local) \_\_\_\_\_ (National Headquarters)  
\_\_\_\_\_  
\_\_\_\_\_
  
3. Telephone No. \_\_\_\_\_
  
4. Primary Representatives: \_\_\_\_\_ Manager/Partner In Charge:  
Name \_\_\_\_\_ Name \_\_\_\_\_  
Title \_\_\_\_\_ Title \_\_\_\_\_  
Telephone \_\_\_\_\_ Telephone \_\_\_\_\_
  
5. What are the total assets of the Bank/Savings and Loan? \_\_\_\_\_
6. What is the current net worth ratio? \_\_\_\_\_
  
7. What is the net worth ratio for the previous years? \_\_\_\_\_
  
8. What are your required capital ratios? \_\_\_\_\_  
A. Tangible capital ratios? \_\_\_\_\_  
B. Core capital ratio? \_\_\_\_\_  
C. Risk-based capital ratio? \_\_\_\_\_
  
9. What is the date of your fiscal year end? \_\_\_\_\_  
A. Has there been a year during the past three years in which the Bank/Savings and loan did not make a profit? \_\_\_\_\_
  
10. Have you read the California Government Code §53630 through §53686 pertaining to all of the State's requirements governing the deposit of monies by local agencies?  
 Yes  No
  
11. Amounts above the FDIC insurance coverage must be collateralized with Government Securities. Where is the collateral for time deposits of the Bank/Savings and Loan held?



- 
- 
12. Has there been a period during the past five years when time deposits of the Bank/Savings and Loan have not been fully collateralized? If yes, explain.  

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  13. What is the education level of the primary contact(s)?  

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  14. How many years of related experience does the primary contact(s) have?  

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  15. What other banking services would you be interested in providing Inland Empire Regional Composting Authority?  

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  16. What transaction documents and reports would we receive?  

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  17. What information would you provide to our Treasurer?  

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  18. Describe the precautions taken by your Bank/Savings and Loan to protect the interest of the public when dealing with government agencies as depositors of investors.  

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  19. Please provide your Contract of Deposit of Monies pre-signed and sealed by your institution, as well as any signature cards that you may require.
  20. Please provide your wiring instructions.  

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  21. Please provide your Bank/Savings and Loan most current audited financial statements. (Copy of Published Financial Statement).
  22. Please attach biographical information for your representative.  

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**INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY (IERCA)**

**Authorized Brokers/Dealers**

**The following brokers/dealers are authorized to provide investment services to the IERCA, in accordance with the IERCA's Investment Policy:**

1. ~~Higgins Capital Management, Inc.~~
2. ~~Ladenburg Thalmann & Co., Inc.~~
3. ~~Multi Bank Securities, Inc.~~
4. ~~Oppenheimer & Co. Inc.~~
5. ~~UBS Financial Services, Inc.~~
6. ~~Wedbush Morgan Securities, Inc.~~

**RESOLUTION NO. 2018-5-1**

**RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE INLAND EMPIRE REGIONAL COMPOSTING  
AUTHORITY, ADOPTING AN ANNUAL UPDATE OF  
THE AUTHORITY'S INVESTMENT POLICY FOR  
PUBLIC FUNDS**

**WHEREAS**, the Inland Empire Regional Composting Authority (IERCA) cash management system is designated to monitor and forecast expenditures and revenues accurately, thus enabling the IERCA to invest funds to the fullest extent possible; and

**WHEREAS**, the IERCA operates its cash investments pursuant to the "prudent person rule" under California Government Code Section 53600.3; and

**WHEREAS**, the Board of Directors of the IERCA adopted Resolution No. 2017-5-1 on May 1, 2017, a "Statement of Investment Policy" was rendered to the Board of Directors on an annual basis; and

**WHEREAS**, the investment policy for public funds has been reviewed and revised in accordance with Government Code Section 53646 (a)(2), on an annual basis or whenever there are recommended changes, whichever occurs first.

**NOW, THEREFORE, BE IT RESOLVED**, by the Board of Directors that:

Section 1. The revisions to the Inland Empire Regional Composting Authority Investment Policy dated May 7, 2018 will be adopted for FY 2018/19.

Section 2. This resolution shall take effect from and after its date of adoption.

Section 3: Upon adoption of this resolution, Resolution No. 2017-5-1 is hereby rescinded in its entirety.

**ADOPTED AND APPROVED** this 7<sup>th</sup> day of May, 2018.

ATTEST:

\_\_\_\_\_  
Jon Blickenstaff  
Chairperson

\_\_\_\_\_  
Jasmin A. Hall  
Vice Chairperson





**ACTION  
ITEM**


**2C**

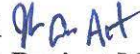


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**Date:** May 7, 2018

**To:** Honorable Board of Directors

**From:** Jeffrey Ziegenbein   
Project Manager

Ann Heil   
Assistant Project Manager

**Subject:** Annual Management Plan

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### **RECOMMENDATION**

It is recommended that the Board of Directors approve the Fiscal Year 2018/19 Annual Management Plan.

### **BACKGROUND**

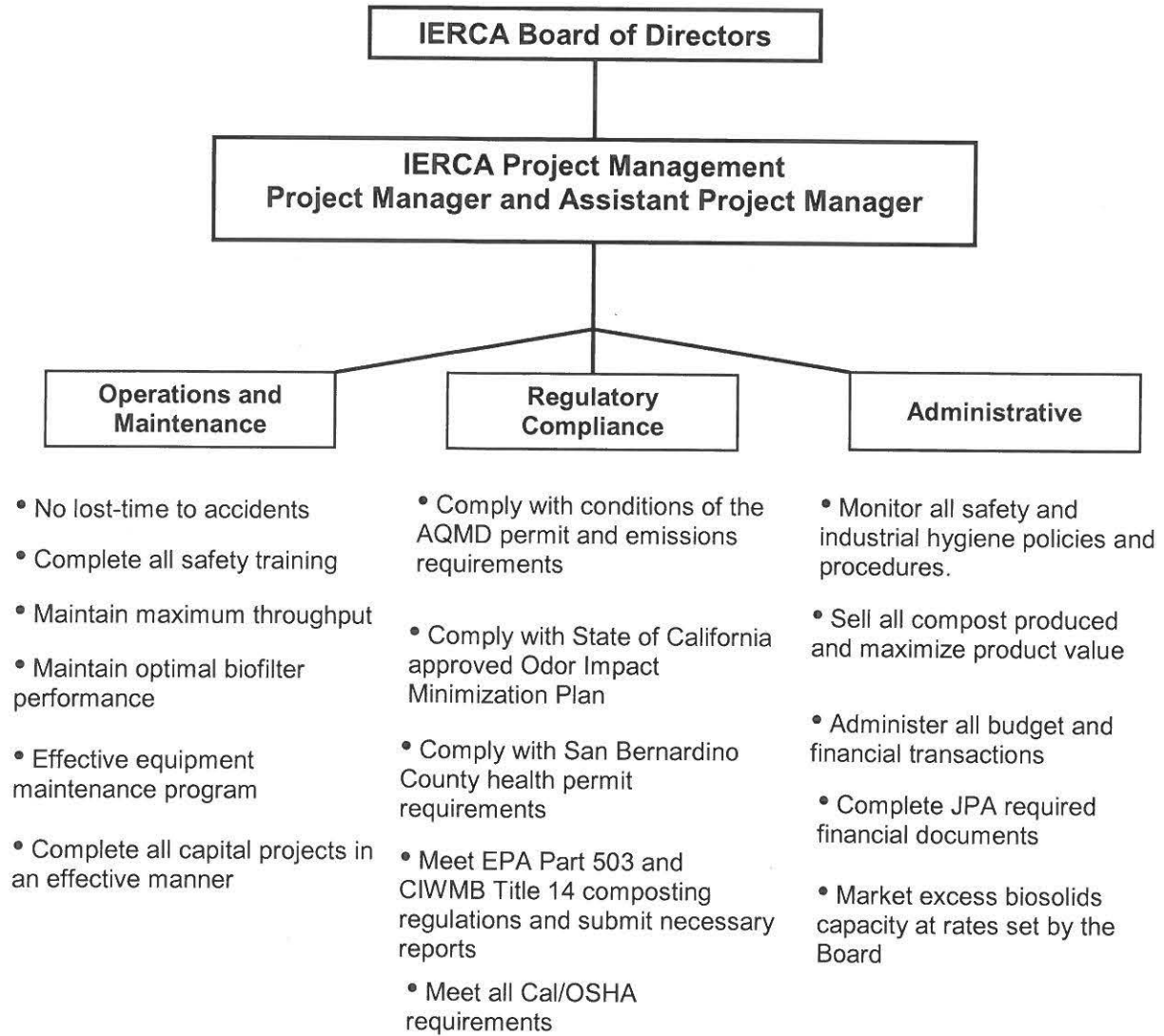
The Joint Powers Agreement (JPA) between the Inland Empire Utilities Agency (IEUA) and the Sanitation Districts of Los Angeles County (SDLAC) requires the development of an Annual Management Plan for the Inland Empire Regional Composting Facility (IERCF). The Plan is to be submitted for Board approval by June of each year. The Project Manager and Assistant Project Manager are responsible for development and implementation of the plan.

The key focus areas of the Annual Management Plan are:

- Maximizing facility throughput
- Maintaining 100% regulatory compliance
- Maintaining optimal staffing
- Maintaining a safe work environment
- Expanding compost markets and selling all compost at optimum pricing



**Fiscal Year 2018/19 Annual Management Plan For the  
Inland Empire Regional Composting Facility**



### Throughput

The IERCF team will continue to focus on maintaining maximum throughput at the composting facility. IERCF's operating permit through the South Coast Air Quality Management District allows a maximum of 17,715 tons per month of biosolids and amendments to be accepted at the facility. The project is expected to meet or exceed budget projections of 145,000 tons of biosolids for the fiscal year. IERCF is currently receiving 250 tons each week from Orange County Sanitation Districts. The project team will continue to monitor regional biosolids recycling rates and look for opportunities to market IERCF capacity at best value to other biosolids generators. The diversified supply of biosolids will enable the team to ensure that the IERCF remains at maximum throughput.

### Compliance

The IERCF team will ensure that the facility remains in compliance with all applicable rules and conditions. The facility has met all permit conditions and completed all regulator inspections without any compliance issues or areas of concern. The compost produced meets EPA standards for Class A Exceptional Quality which is verified through operational documentation and monthly testing at a nationally certified laboratory.

### Staffing

The IERCF is staffed by 26 full-time positions required to cover the operations and maintenance of the facility as shown in Table 1. There is an additional Electrical and Instrumentation Technician that was brought on in preparing for an upcoming retirement of an existing technician.

Table 1: IERCF Staffing

Title	18/19
Mgr. of Regional Compost Operations	1
Administrative Assistant II	1
Compost Sales Reps	1
Office Assistant – Sales	1
Facility Superintendents	2
Compost Operators	9
Compost Workers	2
Maintenance	9
IERCF Total	26*

\*Includes 1 E&I Tech brought in for succession planning.

In addition to the IERCF staff, SDLAC staff may work part time in several key areas including, but not limited to, safety and industrial hygiene, regulatory compliance, operations, and management support. IEUA staff provides support in key areas including finance, engineering, human resources, technical support, maintenance, and information technologies.

### **Compost Sales and Marketing**

The IERCF sales team will continue to focus on the expansion of compost sales into the agricultural sector. The agricultural market sector currently represents approximately 35% of the IERCF sales and has the potential to purchase and use all of the compost produced at the IERCF. To boost agricultural markets and to develop metrics to quantify environmental benefits, the sales team is exploring the establishment of a local farm project. The project would include an agreement with a local university to monitor and report key parameters such as water savings, carbon sequestration, yield and soil health.

The Project Manager is authorized to enter into pricing agreements based on market conditions. A tiered pricing system was initiated offering incentives to customers to purchase larger volumes of compost in exchange for pricing discounts. The system successfully increased sales and several new and existing customers have purchased volumes that qualified them for these discounts. Additionally, some customers qualify for further pricing incentives in exchange for high-volume commitments. All prices are listed as will called at the IERCF and do not include transportation. Transportation is often provided by the customers, but in the event that IERCA provides the transportation service, a line item is typically added to the sales invoice detailing the reimbursable hauling charges. Compost prices are shown in table 1.

Table 1: IERCF Tiered Pricing Structure

Tier	CYDs/Month	Premium (CYD)
1	<499	\$5.00
2	500-999	\$4.00
3	≥1,000	\$3.50

The management team will continue to evaluate market conditions and adjust prices accordingly. The compost storage facility will continue to be used to buffer market and weather fluctuations.

### **PRIOR BOARD ACTION**

The Fiscal Year 2017/18 Annual Management Plan was approved by the Board of Directors on May 1, 2017.

### **IMPACT ON BUDGET**

None



**ACTION  
ITEM**



**2D**



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**Date:** May 7, 2018

**To:** Honorable Board of Directors

**From:** Jeffrey Ziegenbein  
Project Manager   
James Spears, P.E.  
Associate Engineer 

**Subject:** Corroded Column Repair Project

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### RECOMMENDATION

It is recommended that the Board of Directors:

1. Award a construction contract for the Corroded Column Repair, Project No. RA18101.03, to W.A. Rasic Construction Company in the amount of \$142,000;
2. Authorize the Project Manager to finalize and execute the Contract.

### BACKGROUND

When the IERCF was purchased from Ikea, substantial modifications were made to retrofit the building to function as a composting facility. Some of these modifications included raising the floor slab to provide space for new ducting and conduit, installing a false ceiling, constructing new walls, and strengthening the roof support columns. Most of the steel roof support columns also received a concrete encasement on the lower 15-feet. Originally, this encasement was intended to protect the columns from damage from the front-end loaders to be operated in the facility. However, a secondary benefit now realized is the corrosion protection the concrete has provided for the steel columns. This secondary benefit was recently realized when a row of columns against a concrete/masonry wall were found to have significant metal loss due to corrosion near the base. These columns were not concrete encased since they were against a wall and possible damage from a front-end loader was considered unlikely.

Staff investigated the deterioration in this row of non-encased columns and determined they are structurally deficient. This project will structurally retrofit the columns to return them to their original strength.

Corroded Column Repair Project

May 7, 2018

Page 2 of 3

On March 15, 2018, IEUA sent an invitation for bids to forty-six prequalified contractors on the under \$2-million contractor list. Two contractors participated in the job walk on March 28, 2018.

On April 10, 2018, the following proposals were received:

<b>Contractor's Name</b>	<b>Total Price</b>
W.A. Rasic Construction Company	\$142,000
Ferreria Construction Company	\$177,348
<b>Engineer's Estimate</b>	<b>\$107,000</b>

W.A. Rasic Construction Company was the lowest responsive and responsible bidder with a bid price of \$142,000. W.A. Rasic has performed many projects for IEUA and are equipped to complete this project. We reached out to W.A. Rasic and discussed the variance between their bid and the engineers estimate. With no prior history on a project like this to compare to, we believe their bid is fair.

The following table is the anticipated project cost:

<b>Description</b>	<b>Estimated Cost</b>
<b>Design Services</b>	<b>\$ 16,000</b>
Design Contract	\$ 13,000
IEUA Design Services	\$ 3,000
<b>Construction Services</b>	<b>\$ 16,500</b>
Design Consultant Construction Services	\$ 6,500
IEUA Construction Services	\$ 10,000
<b>Construction</b>	<b>\$ 150,000</b>
Construction Contract	\$ 142,000
Contingency (~5%)	\$ 8,000
<b>Total Project Cost:</b>	<b>\$182,500</b>
<b>Total Project Budget:</b>	<b>\$200,000</b>

The following is the project schedule:

<b>Project Milestone</b>	<b>Date</b>
Construction Contract Award	May 2018
Construction Completion	September 2018

**PRIOR BOARD ACTION**

None



Corroded Column Repair Project

May 7, 2018

Page 3 of 3

**IMPACT ON BUDGET**

If approved, the construction contract award for the Corroded Column Repair, Project No. RA18101.03 in the amount of \$142,000 is within the total project budget of \$200,000 funds are available in the approved 17/18 budget under RA18101.

INFORMATION  
ITEM

**3A**



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**Date:** May 7, 2018

**To:** Honorable Board of Directors

**From:** Jeffrey Ziegenbein  
Project Manager *JZ*  
Ann Heil *AH*  
Assistant Project Manager

**Subject:** Project Manager's Report

---

**RECOMMENDATION**

This is an information item for the Board to receive and file.

**BACKGROUND**

**Operations**

The Inland Empire Regional Composting Facility (IERCF) continues to operate at maximum capacity processing 700 to 800 wet tons of biosolids and amendments daily. IERCF continues to improve its safety and compliance history throughout this reporting period setting a record every day.

Since the last update, the IERCF staff has:

- Logged over 2,600 days without a lost time incident
- Zeroed out the storage facility inventory in December 2017 and has kept it empty since
- Maintained 100% compliance with permit regulations

Table 1 lists materials processed for fiscal year 2017/18 and since start up in April 2007, through March 31, 2018.

Table 1: Process summary

	FY 2017/18	2007-2018
Biosolids Processed (wet tons)	108,875	1,423,975
Amendments Processed (wet tons)	30,610	596,123
Compost Sold (cubic yards)	178,083	2,293,461



## **Safety**

The crew at the IERCF has completed over 7 years with no loss-time incidents. Working in a heavy industrial job site with loaders, trucks, conveyors, pugmills, welding etc. and maintaining an awesome compliance and safety record is no accident. This team thinks about safety and the results are in the record. The group celebrated with a copper mug reward and a nice lunch.



The compost crew with their copper mugs

## **Maintenance**

IERCF Maintenance team continued to maintain and improve the facility's equipment. Below are some before and after pictures of recent projects. Staff determined that the process fan piping system was plugged and not draining properly initiating a project to excavate the buried drain pipes. The existing configuration did not allow any access to clean out debris caught in the drain pipes, so a new system was installed to allow for easy cleaning. A floor drain was included to allow for housekeeping washdowns of the corridor in that section. Staff plans to move through the other drains with similar improvements.



Active fan cleanout



Active fan drain

Some roof supply fans were disabled due to corrosion. Staff received quotes to replace the entire assembly using large cranes or helicopters at a high cost. The Maintenance team found a method to repair and replace the corroded portions in place for a fraction of the cost. The rebuilt roof supply fans now operate as designed with their proper airflow and low vibrations. More will be overhauled during the next quarter.



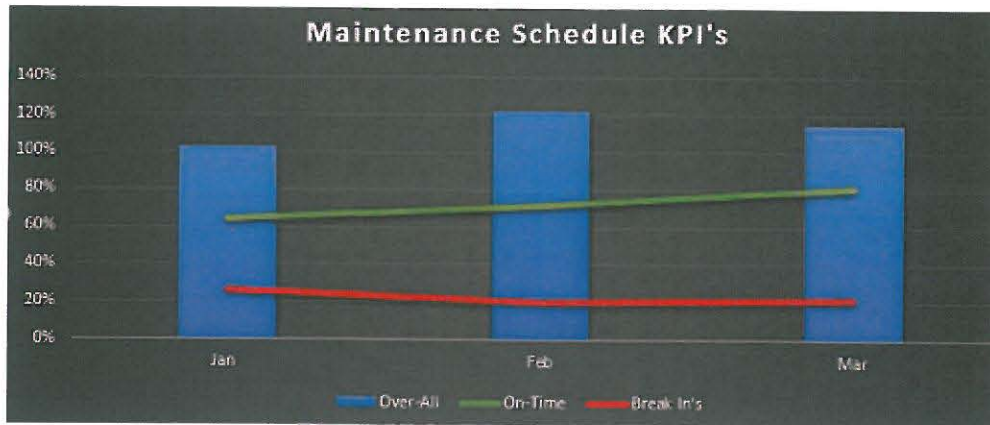
Corroded supply fan



Repaired supply fan

IERCF Maintenance continues to focus on a high schedule completion. This is only accomplished by Operations, Maintenance, Scheduling, Planning, and Execution communicating and working together.





### Energy Update

The 1.5MW battery storage project is currently under construction at RP-4 and is expected to be completed in mid-to-late May 2018. The design phase of the additional 1.5MW of solar panels to be installed on the IERCF roof is expected to be completed in May 2018. A condition assessment of the roof is underway to ensure the integrity of the roof will not be compromised through the life of the project.

### Outreach

The project team continues to communicate the benefits of compost and to promote the IERCF. Staff participated in a compost markets workshop at the BioCycle conference in San Diego and presented a talk about the importance of market expansion. Staff also published an article in the March BioCycle magazine discussing the State of California Organics which summarized the state of California organics recycling infrastructure and the need to create more markets. The market expansion priorities are largely focused on the southland as recycled organics volumes from the Los Angeles and Orange County areas are expected to triple over the next 7 years due to upcoming landfill diversion laws. IERCF staff presented the paper in a talk at the BioCycle conference. Staff also presented at a workshop for Project Water Education for Teachers (WET) held on February 27, 2018 at IEUA Headquarters. There were several tours including CalRecycle staff and students from local colleges.



Two talks at BioCycle in March



Presenting for Water Education for Teachers



Earth Day – Celebrations



Earth Day at IEUA



Earth Day at LACSD

The following table lists a summary of IERCA outreach activities for the quarter:

Item	Number
IERCF Tours (groups)	4
IERCF Tours (people)	28
Presentations	4
Garden in Every School	0
Site visitors (for the qtr)	236

**Sales and Marketing Report**

The sales staff is currently servicing over 130 active customers. Over the last quarter, we have added three new customers. In comparison, IERCA revenues for Q1 2018 are up 20% with volumes increasing 12%. The team's focus over this last quarter has been on increasing revenue and finding the greatest value for our Premium Compost. Sales have continued to outpace production and we have maintained a zero-inventory balance throughout the entire quarter. IERCA's customer base is currently holding at 65% landscape markets and 30% agriculture with 5% going to our give-back program. This market diversification has allowed IERCA to maintain a more even sales distribution annually and balance our sales/production seasonally. We plan to continue building our customer base but will begin focusing on lower volume/higher profit markets to increase the value of our product and grow our brand.

Despite diversifying our customer base, SoilPro has remained the leading supplier of Premium Compost throughout the landscape and bulk material yard market segment. IERCA continues to see positive results from the give-back program and continues to promote this opportunity to the many cities affiliated with IEUA and SDLAC. The marketing team remains committed to promoting the many advantages of SoilPro and compost in general, including the water savings potential, ability to sequester carbon, and the use in correcting unproductive soils through healthy and natural processes. IERCA sales staff continues to monitor market conditions to ensure the best value for our compost.





SoilPro being spread onto a farm in Riverside County



SoilPro applied to sod farm in Thermal, CA

Table 2 lists a summary of monthly sales and revenue for the fiscal year

MONTH	TOTAL YARDS 2017/2018	TOTAL YARDS 2016/2017	TOTAL REVENUE 2017/2018	TOTAL REVENUE 2016/2017
July	21,518.61	14,898.82	\$31,737.00	\$27,554.05
August	19,226.62	13,973.73	\$37,071.78	\$32,185.36
September	16,170.64	28,277.42	\$35,038.33	\$25,161.07
October	25,631.94	33,118.70	\$34,569.24	\$30,402.44
November	24,481.44	36,746.25	\$30,053.63	\$26,452.12
December	16,420.31	27,866.97	\$34,860.10	\$26,088.79
January	18,881.17	7,965.39	\$31,911.26	\$11,934.94
February	17,041.52	14,371.47	\$30,291.21	\$20,070.21
March	18,773.56	22,580.72	\$27,869.46	\$36,895.88
April		14,887.63		\$36,561.10
May		19,121.35		\$39,387.11
June		17,893.20		\$38,379.99
<b>TOTAL</b>	<b>178,145.81</b>	<b>251,701.65</b>	<b>\$293,402.01</b>	<b>\$351,073.06</b>
<b>AVERAGE</b>	<b>19,793.98</b>	<b>20,975.14</b>	<b>\$32,600.22</b>	<b>\$29,256.09</b>

The following tables summarize the Authority's ageing reports and sales write off history.

Monthly Accounts Receivable Ageing Report of IERCA (Sales only to third parties)								
	Description	Current	1-30 Days	31-60 days	61-90 days	91-120 days	>121 days	Total
1	Amount \$	76,215.08	6,872.80	7,121.84	2,022.54	1,168.05	2,636.92	96,037.23
2	# of Invoices	71	5	9	2	2	8	97
3	# of Customers	47	5	9	2	2	4	69

<b>Quarterly Accounts Receivable Ageing Report of IERCA (Sales only to third parties)</b>				
<b>Sr. #</b>	<b>Description</b>	<b>From FY 2007/08 to FY 2016/17</b>	<b>FY 2017/18 (July thru Mar.)</b>	<b>Total</b>
1	Sales	5,554,623.94	401,608.96	5,956,232.90
2	Write off	33,701.60		33,7001.60
3	Percentage of Write Off Sales	0.6067%		0.5658%

**PRIOR BOARD ACTION**

None.

**IMPACT ON BUDGET**

None.



INFORMATION  
ITEM

**3B**



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**Date:** May 7, 2018  
**To:** Honorable Board of Directors  
**From:** Christina Valencia  
Treasurer   
**Subject:** Treasurer's Report of Financial Affairs for the Quarter Ended  
March 31, 2018

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### **RECOMMENDATION**

The Treasurer's Report of Financial Affairs for the quarter ended March 31, 2018 is an informational item for the Board's review.

### **BACKGROUND**

In accordance with State Code, Section 53646(b) (1), and the Authority's Investment Policy (Resolution No. 2017-5-1), a periodic investment report shall be submitted to members of the Board for review. This report includes in part, the investment types, investment institutions, maturity dates, investment amount, current market value, and rate of interest/earnings yield.

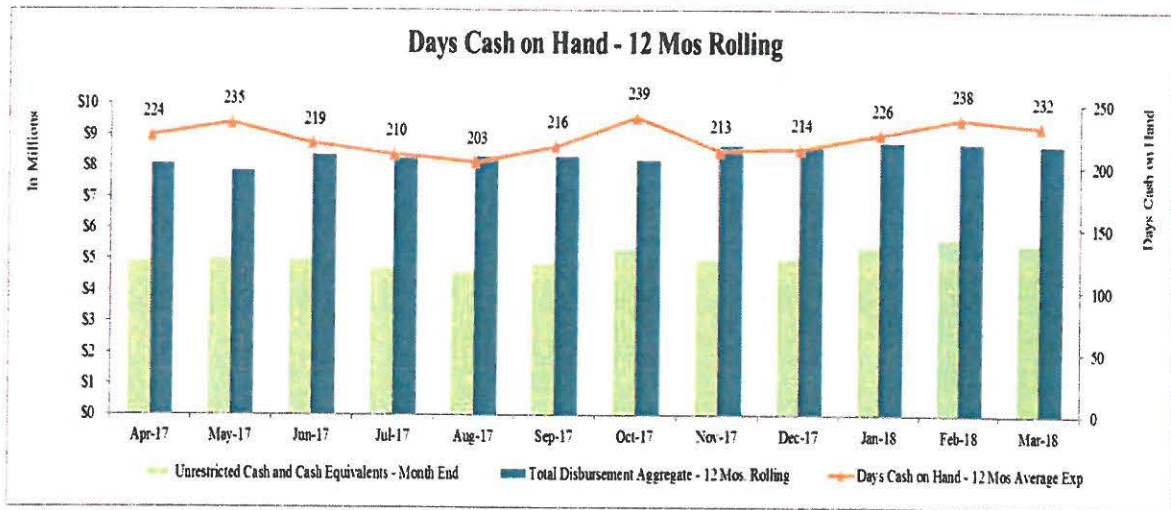
The Treasurer's Report of Financial Affairs for the quarter ended March 31, 2018 is hereby submitted in a format consistent with State requirements. As shown in the table below, March's total cash, investments, and restricted deposits equaled \$5,552,138 showing an increase of \$476,754 when compared to the December balance of \$5,045,384. The increase was mainly due to lower spending for operating and administrative expenses.

The Authority's investment portfolio average rate of return in March 2018<sup>(1)</sup> was 1.279% reflecting an increase of 0.138% when compared to the December 2017 yield of 1.141%. The increase was mainly due to the increase in the LA County Pooled Investment earnings yield from 1.39% in December 2017 to 1.63% in March 2018.

<sup>(1)</sup>Information from LA County Pooled Investment and Local Agency Investment Fund is as of February 28, 2018.

	December 31, 2018	March 31, 2018	Changes from Prior Quarter
Total Cash, Investments, Restricted Deposits	\$5,045,384	\$5,552,138	\$476,754
Investment Portfolio Average Rate of Return	1.141 %	1.279 %	.138%

Cash on hand (COH) for the month ended March 31, 2018 was 232 days compared to December 31, 2017 COH of 214 days, as a result of lower cash disbursements from prior quarter. The COH is a financial ratio used to measure cash readily available to pay expenses. Average days of cash on hand is calculated using the monthly ending balance of unrestricted cash and cash equivalents divided by disbursements associated with operating expense, and capital expense as recorded in the Authority's cash flow.



**PRIOR BOARD ACTION**

None.

**IMPACT ON BUDGET**

The interest earned on the Authority's investment portfolio increases the Authority's reserves.

Attachment: Treasurer's Report of Financial Affairs for quarter ended March 31, 2018.



# TREASURER'S REPORT OF FINANCIAL AFFAIRS

For the Quarter Ended March 31, 2018



All investment transactions have been executed in accordance with the criteria stated in the Authority's Investment Policy (Resolution No. 2017-5-1), adopted by the Inland Empire Regional Composting Authority's Board of Directors during its regular meeting held on May 1, 2017. The funds anticipated to be available during the next six-month period are expected to be sufficient to meet all foreseen expenditures during the period.

*\* A Joint Powers Authority*

**INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY**  
**Cash and Investment Summary**

*Quarter Ended*  
*March 31, 2018*

<b><u>Unrestricted Accounts</u></b>	<b>March</b>	<b>December</b>
<b><u>Cash, Bank Deposits, and Bank Investment Accounts</u></b>	\$563,103	\$620,507
<b><u>Investments</u></b>		
Citizens Business Bank (CBB) Repurchase (Sweep)	\$1,094,802	\$571,565
LA County Pooled Investment <sup>(1)</sup>	\$3,864,228	\$3,853,306
Local Agency Investment Fund (LAIF)	\$6	\$6
<b>Total Investments</b>	\$4,959,036	\$4,424,877
 <b>Total Unrestricted Cash and Investments Available to the Authority</b>	 \$5,522,138	 \$5,045,384
 <b><i>Total Cash, Investments and Restricted Deposits</i></b>	 <b>\$5,522,138</b>	 <b>\$5,045,384</b>
 <b><i>Net Change from previous Quarter</i></b>	 <b>\$476,754</b>	

(1) Information from LA County Pooled Investment is as of February 18, 2018

**INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY**  
**Cash and Investment Summary**

*Quarter Ended*  
*March 31, 2018*

**Unrestricted Accounts**

**Cash, Bank Deposits, and Bank Investment Accounts**

Demand (Checking) Accounts	\$563,103
Subtotal Demand Deposits	\$563,103
<i><b>Total Cash and Bank Investment Accounts</b></i>	<b>\$563,103</b>

**Investments**

Citizens Business Bank (CBB) Repurchase (Sweep)	\$1,094,802
Local Agency Investment Fund (LAIF)	\$6
LA County Pooled Investment <sup>(1)</sup>	\$3,864,228
	\$4,959,036
<i><b>Total Investments</b></i>	<b>\$4,959,036</b>

<i><b>Total Cash, Investments and Restricted Deposits as of March 31, 2018</b></i>	<b>\$5,522,138</b>
--	--------------------

Total Cash, Investments and Restricted Deposits as of 3/31/2018	\$5,522,138
Less: Total Unrestricted Cash and Investments as of 12/31/2017	\$5,045,384
<i><b>Total Quarterly Increase (Decrease)</b></i>	<b>\$476,754</b>

<sup>(1)</sup>Information from LA County Pooled Investment is as of February 18, 2018



**INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY**  
**Cash and Investment Summary**

*Quarter Ended*  
*March 31, 2018*

Investments	Purchased	Par Amount	Principal Amount	Term (Days)	March Amortization	March Value	% Yield	Maturity Date	Market Value
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**Unrestricted Accounts**

**Cash, Bank Deposits, and Bank Investment Accounts**

**Citizens Business Bank**

Checking Account		\$563,103	\$563,103	N/A	N/A	\$563,103	N/A	N/A	\$563,103
Subtotal CBB		\$563,103	\$563,103			\$563,103	N/A		\$563,103

<b>Total Cash and Bank Deposits</b>		<b>\$563,103</b>	<b>\$563,103</b>			<b>\$563,103</b>			<b>\$563,103</b>
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**Investments**

Citizens Business Bank Sweep <sup>(1)</sup>		\$1,094,802	\$1,094,802			\$1,094,802	0.700%		\$1,094,802
LA County Pooled Investment <sup>(2)</sup>		\$3,864,228	\$3,864,228			\$3,864,228	1.630%		\$3,864,228
Local Agency Investment Fund <sup>(2)</sup>		\$6	\$6	N/A	N/A	\$6	1.412%	N/A	\$6
Subtotal Investments		\$4,959,036	\$4,959,036			\$4,959,036	1.425%		\$4,959,036

<b>Total Investments</b>		<b>\$4,959,036</b>	<b>\$4,959,036</b>			<b>\$4,959,036</b>			<b>\$4,959,036</b>
--------------------------	--	--------------------	--------------------	--	--	--------------------	--	--	--------------------

**Total Cash, Investments and Restricted  
Deposits as of March 31, 2018**

		<b>\$5,522,138</b>	<b>\$5,522,138</b>			<b>\$5,522,138</b>			<b>\$5,522,138</b>
--	--	--------------------	--------------------	--	--	--------------------	--	--	--------------------

<sup>(1)</sup>Citizens Business Bank Sweep rate increased from 0.5% to 0.7% as of September 01, 2017

<sup>(2)</sup>Information from LA County Pooled Investment and Local Agency Investment Fund is as of February 28, 2018

**INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY**  
**Cash and Investment Summary**

*Quarter Ended*  
*March 31, 2018*

**Unrestricted Accounts**

**Cash, Bank Deposits, and Bank Investment Accounts**

Citizens Business Bank - Sweep Account<sup>(1)</sup>

LA County Pooled Investment<sup>(2)</sup>

Local Agency Investment Fund<sup>(2)</sup>

**Bank Accounts**

Citizens Business Bank -Demand Account

***Total Portfolio***

***Investment Portfolio Rate of Return***

**Restricted/Transitory/Other Demand Accounts**

***Total Other Accounts***

**Total Authority Directed Deposits**

<u>Amount Invested</u>	<u>Yield</u>
\$1,094,802	0.700%
\$3,864,228	1.630%
\$6	1.412%
<b>\$4,959,036</b>	<b>1.425%</b>
\$563,103	N/A
<b>\$563,103</b>	
<b>\$5,522,138</b>	
	<b>1.279%</b>
<u>Amount Invested</u>	<u>Yield</u>
\$0	0.000%
<b>\$5,522,138</b>	

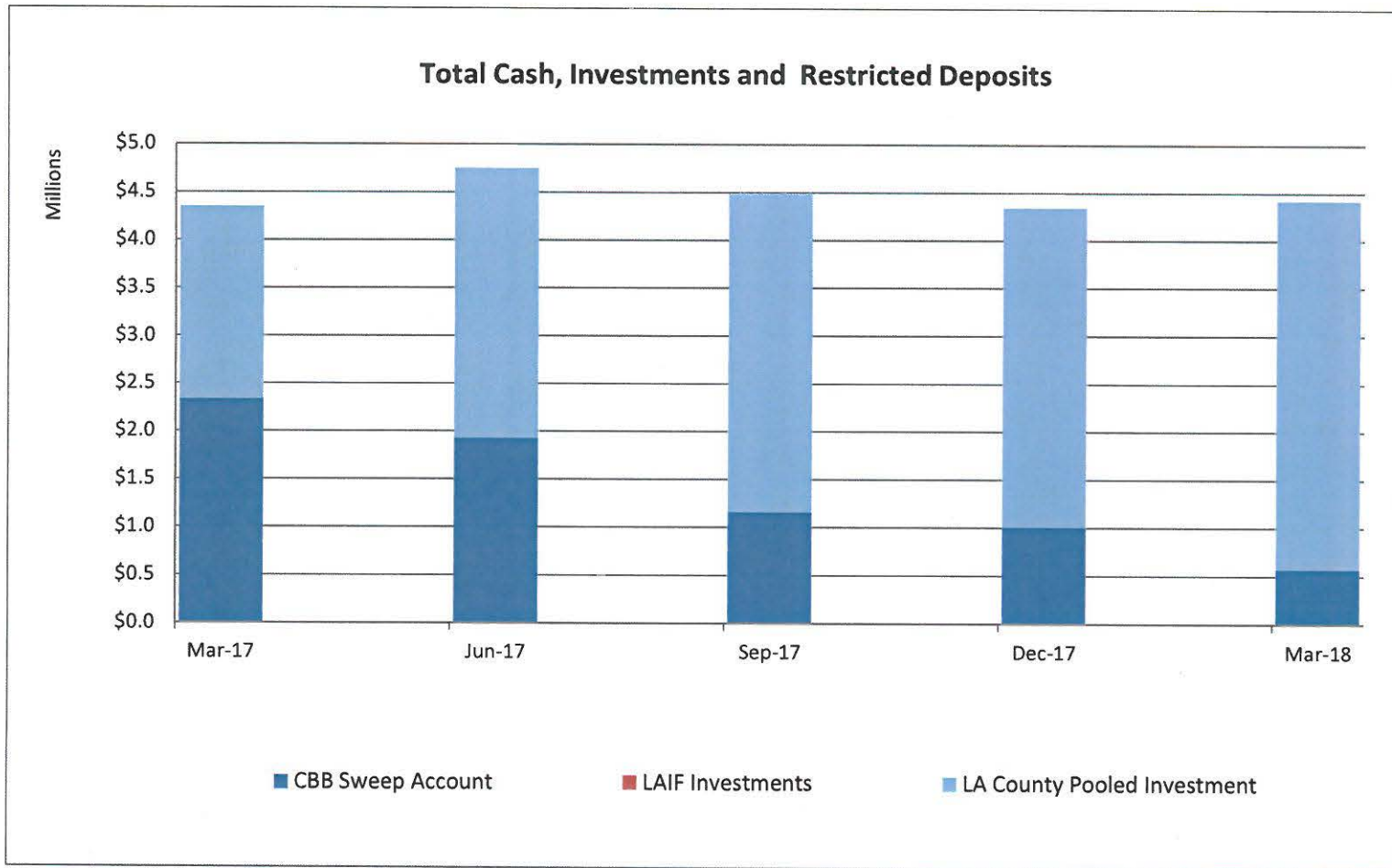
<sup>(1)</sup>Citizens Business Bank Sweep rate increased from 0.5% to 0.7% as of September 01, 2017

<sup>(2)</sup>Information from LA County Pooled Investment and Local Agency Investment Fund is as of November 30, 2017

# INLAND EMPIRE REGIONAL COMPOSTING AUTHORITY

## Cash Position

Quarter Ended  
March 31, 2018





INFORMATION  
ITEM

**3C**

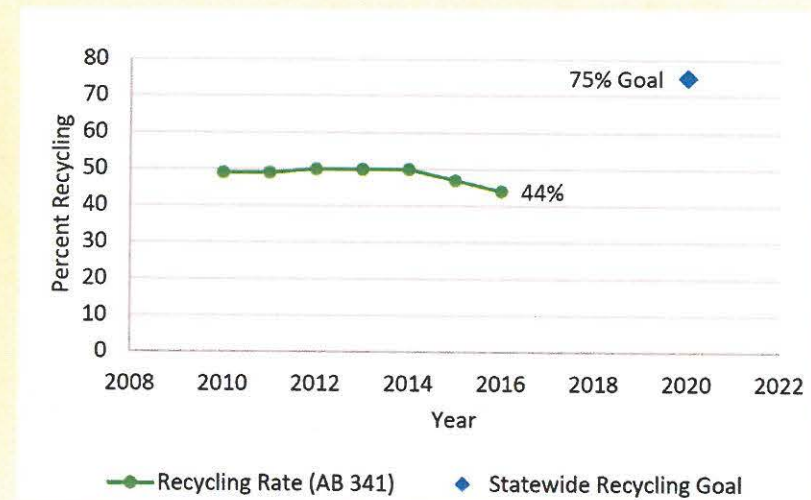
# California Organics



Jeff Ziegenbein

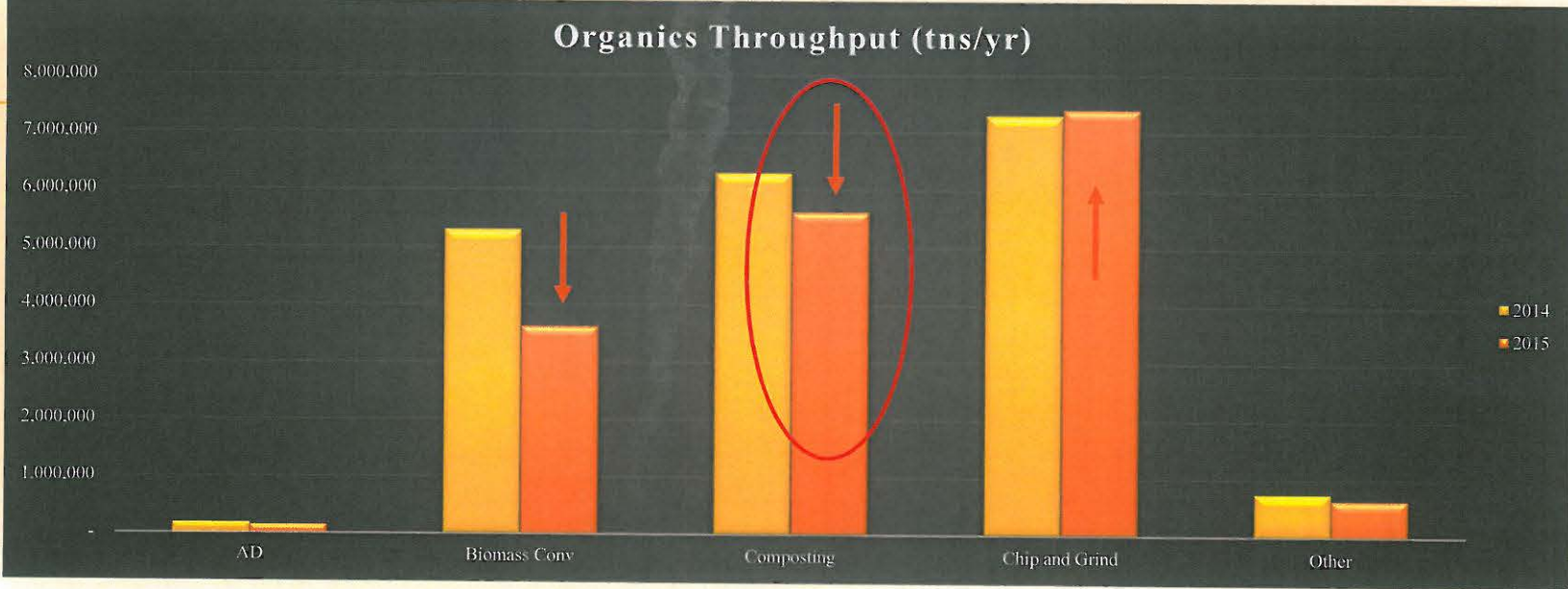
# California

- 6<sup>th</sup> largest economy in the world - \$2.75 trillion
  - Closing in on the UK
- 39.5 million people
- 76.5 million tons of solid waste
- 56% to landfill
  - Nearly 1 ton per person in the state/yr!
    - Target – about half that
  - 44% recycling rate (using AB341)
    - **10 million tons of organics recycled**





# Organics Recycling



Source – CalRecycle



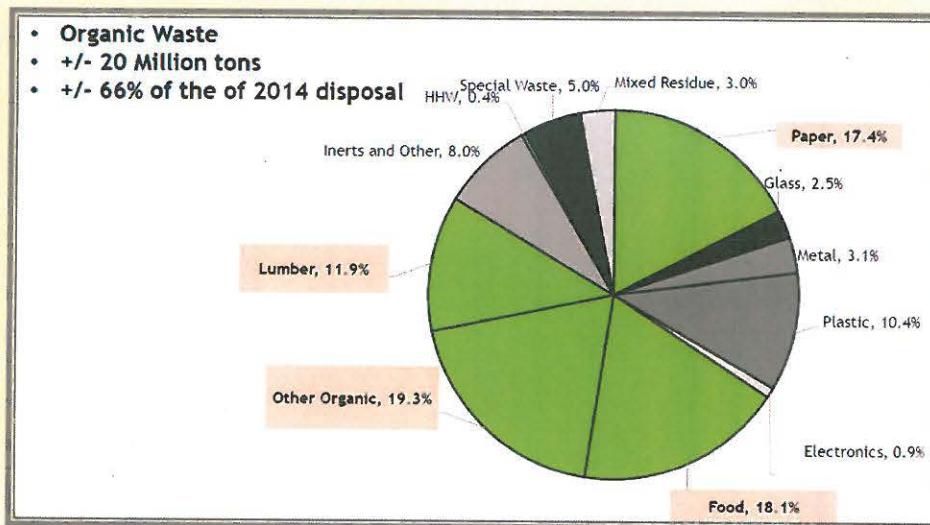
## CA Mandates

- AB 32/SB 32
- AB 341– 75% recycling by 2020
  - More than half SW needs to be reduced or recycled
- AB 1826 – Mandatory Commercial Recycling
- SB 1383 – SLCP, Organic Waste Methane Reductions
  - 50% organic waste reduction by 2020
  - 75% organic waste reduction by 2025

75% organic waste reduction by 2025!

## 75% reduction=

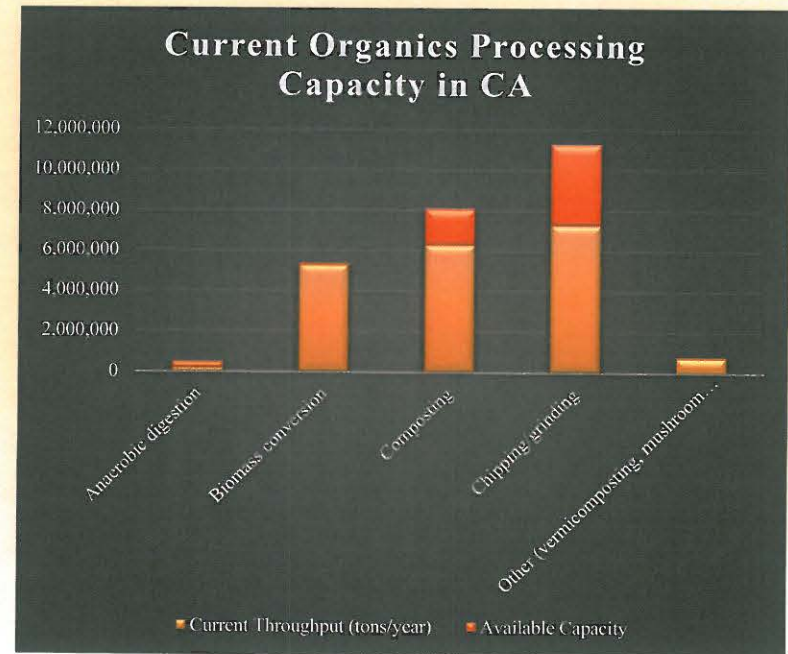
- 15 million new tons of organics
- Triple the state's AD and composting throughput





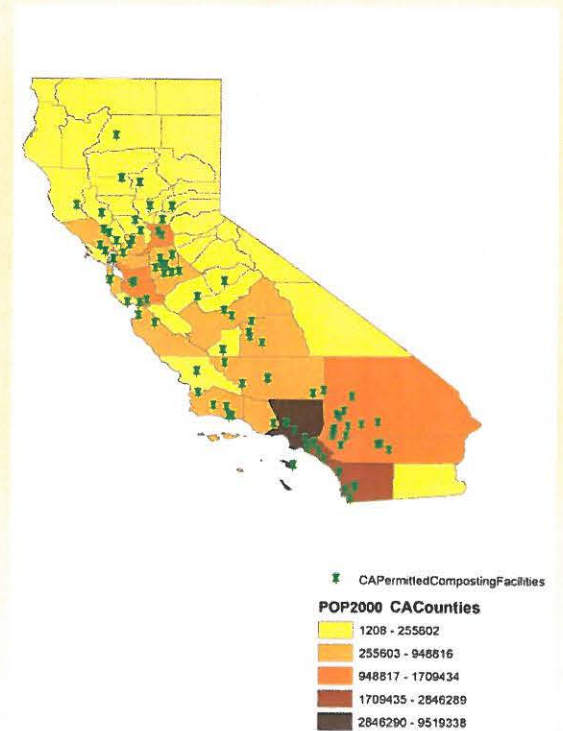
# Capacity

- Available now:
  - >1 million tons composting/ AD
  - Little to none in biomass conversion
    - 20 facilities in CA
    - 6 facilities closed since 2012



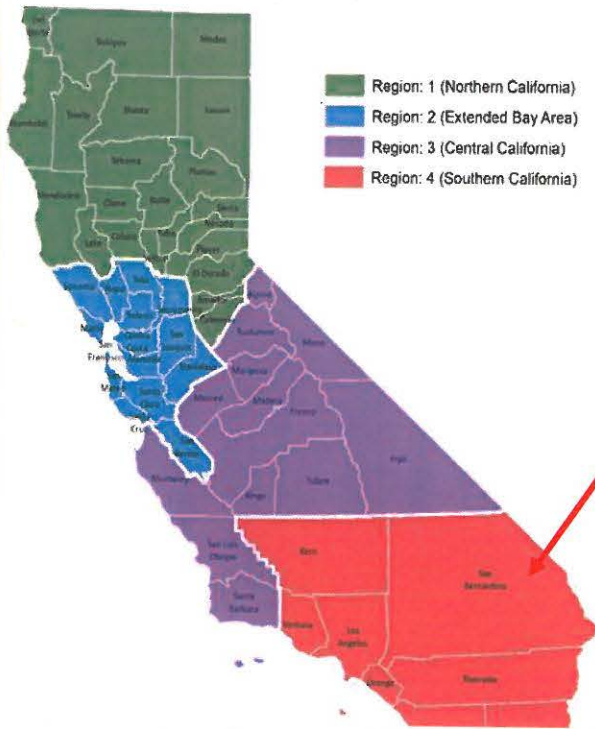
# California Compost Industry

- ~ 200 facilities
- 6 million tons composted
- 15-20 million cubic yards compost produced
- Diverse:
  - Community to industrial facilities throughout the state



# CalRecycle's Regions

Region Map

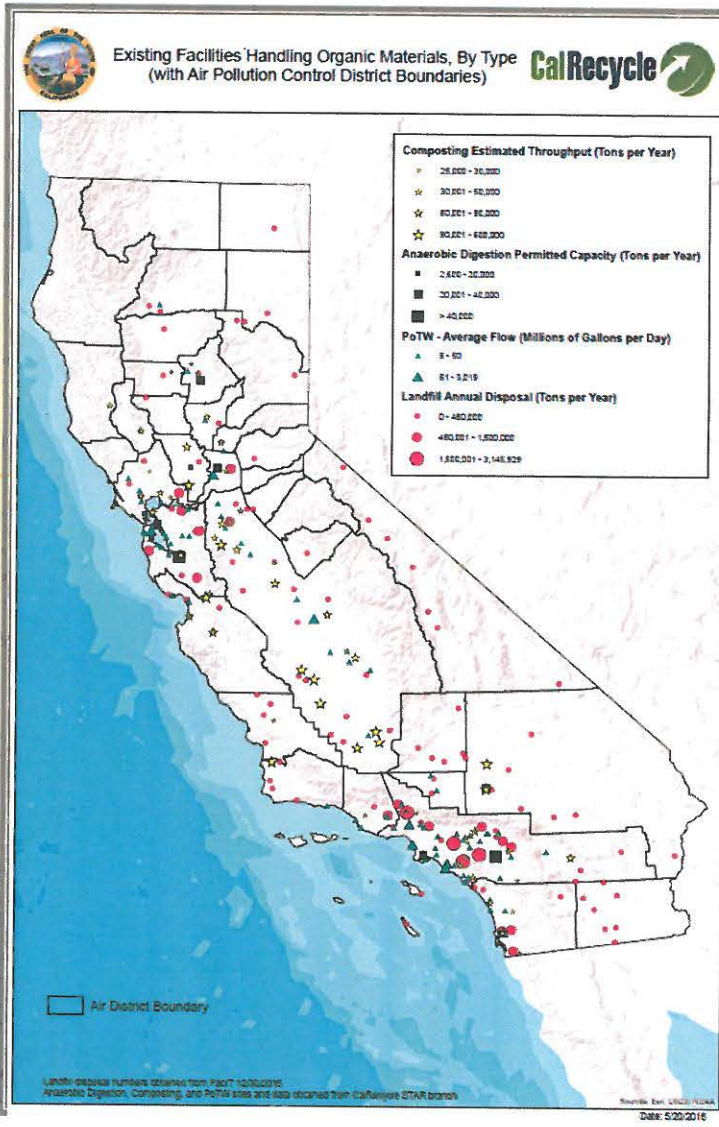


Compost Permit Status			
Region	Permit Capacity	Actual Throughput	Available Capacity
Bay	2,300,000	1,800,000	500,000
Central	1,400,000	1,100,000	300,000
Northern	500,000	400,000	100,000
Southern	4,000,000	3,000,000	1,000,000
<b>Total</b>	<b>8,200,000</b>	<b>6,300,000</b>	<b>1,900,000</b>

Source – CalRecycle SWIS

- Each region has unique challenges
- Southern doing half the state's composting
- Need infrastructure and Markets
- CalRecycle estimates 15m new tons by 2025





## What's needed?

- Facilities. CalRecycle estimates:
  - 100 new or expanded composting and AD facilities
  - \$2 billion in capital
- Market expansion

# Field in Temecula

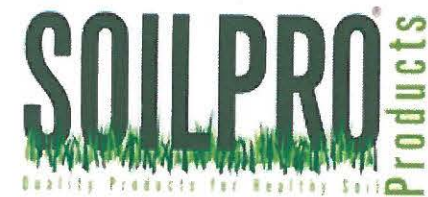




# Inland Empire Regional Composting Facility



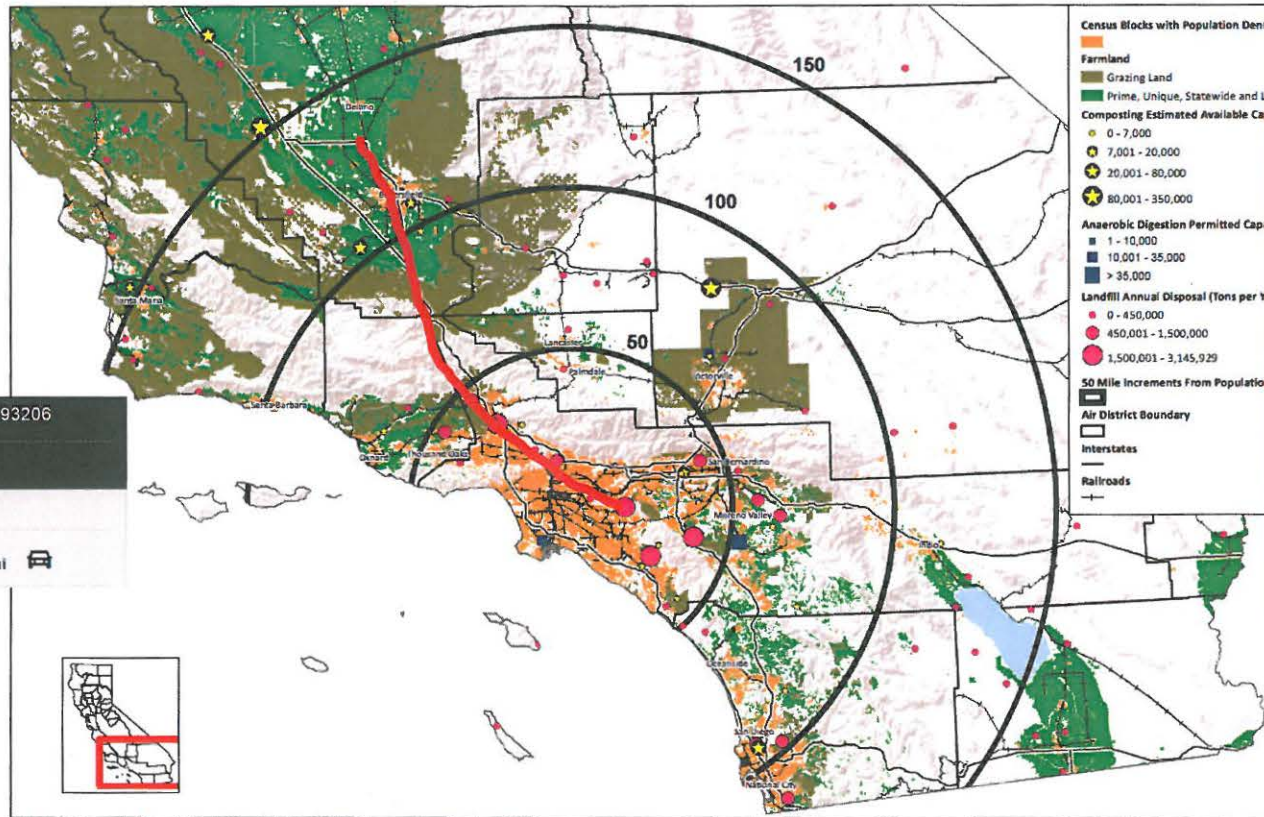
- *Largest enclosed composting facility in North America*
- *>205,000 wet tons/year*
  - *Started operations April 2007*
- *Total cost \$95m*
- *Produces 230,000cy compost/yr*







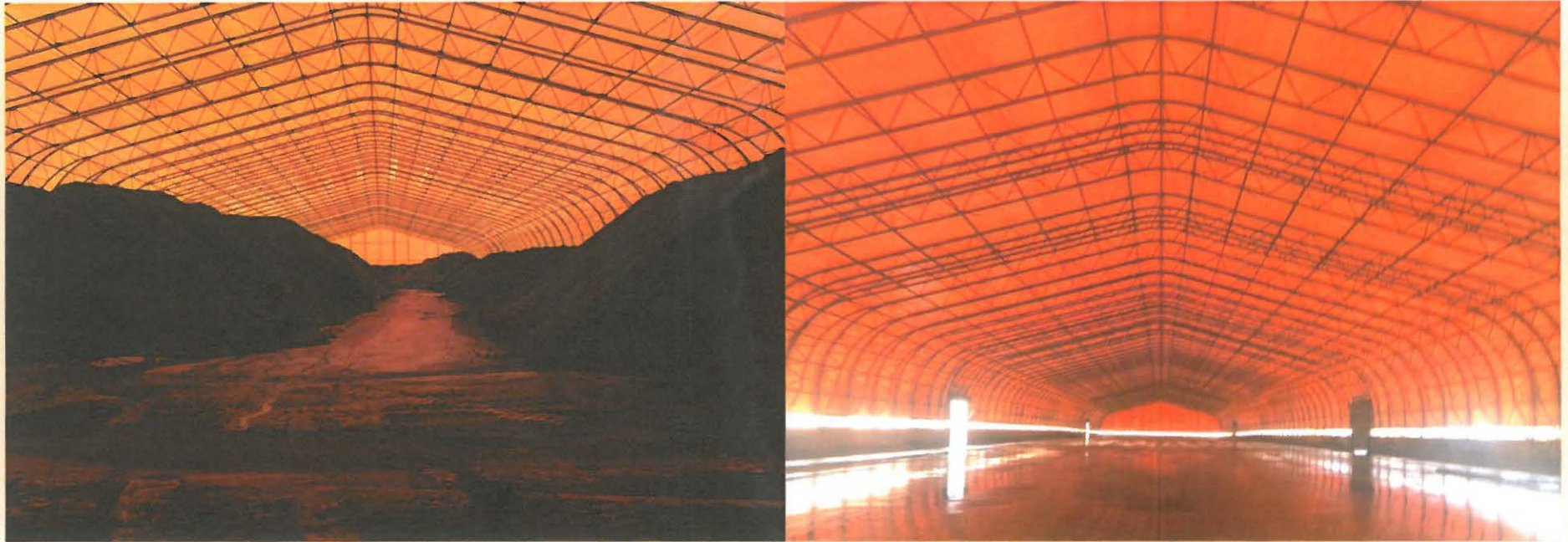
### Sources and Potential End-Use Locations for Organic Materials in Southern California



FROM: 33.997125, -117.93206  
 TO: Wasco, CA  
 via I-5 N to CA-43  
 3 hr 53 min 153 mi

Farmland data acquired from California Farmland Mapping <http://www.conservation.ca.gov/dlr/frmp>  
 Population data obtained from 2010 census blocks <https://www.census.gov/geo/maps-data/>





**Compost completely sold out**



## What to do?

- Explore WWTP capacity
- Enforce existing requirements
  - Title 14 – trash and pathogen requirements
  - MWELO
  - Buy Recycled
- Work with permitting agencies via AB 1045 to remove barriers and expand markets
- Healthy Soil Initiative -CDFA, NRCS, UCE, etc.

