



# Technical Advisory Committee Meeting

February 23, 2021 • 1:30 p.m.

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## TECHNICAL ADVISORY COMMITTEE

CHINO BASIN DESALTER AUTHORITY  
3550 E. Philadelphia Street, Suite 170, Ontario, CA 91761

February 23, 2021 • 1:30 p.m.

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### CALL TO ORDER

### ROLL CALL

### PUBLIC COMMENT

*Members of the public may address the Committee on any item that is within the jurisdiction of the Committee; 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 Committee on any matter, whether or not it appears on the agenda, are requested to submit their request to comment to the Executive Assistant no less than one hour prior to the start of the meeting at (909) 218-3230 or [ccosta@chinodesalter.org](mailto:ccosta@chinodesalter.org). Comments will be limited to five minutes per speaker.*

### 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. **MINUTES OF JANUARY 26, 2021 TECHNICAL ADVISORY COMMITTEE MEETING**
2. **CHINO I OPERATIONS REPORT**  
Report By: Chris Waggener/Inland Empire Utilities Agency
3. **CHINO II OPERATIONS REPORT**  
Report By: Bryan Smith/Jurupa Community Services District
4. **CHINO II CONCENTRATE REDUCTION FACILITY OPERATIONAL UPDATE**  
Report By: Thomas O'Neill, CDA General Manager/CEO
5. **ADOPTION OF CHINO BASIN DESALTER AUTHORITY'S REVISED RESERVE POLICY**  
Report By: Michael Chung, CDA CFO/Treasurer
6. **RECONCILIATION OF THE ALLOCATION OF COSTS FOR FISCAL YEAR 2019/20**  
Report By: Michael Chung, CDA CFO/Treasurer
7. **SOUTH ARCHIBALD PLUME UPDATE**  
Report By: Cindy Miller, South Archibald Plume Program Manager
8. **SOUTH ARCHIBALD PLUME UPDATE**  
Report By: Cindy Miller, South Archibald Plume Program Manager
9. **CHINO I GAC UPDATE**  
Report By: Cindy Miller, Hazen & Sawyer Program Manager
10. **BOARD MEETING AGENDA ITEMS REVIEW**  
Report By: Thomas O'Neill, CDA General Manager/CEO

**11. NEW BUSINESS/FUTURE TECHNICAL ADVISORY AGENDA ITEMS REVIEW**

Report By: Thomas O'Neill, CDA General Manager/CEO

**ADJOURN**

Any person with a disability who requires accommodations in order to participate in this meeting or for package materials in an alternative format should telephone Executive Assistant C. at (909) 218-3730, at least 48 hours prior to the meeting in order to make a request for a disability-related modification or accommodation. Copies of records provided to Board Members which relate to any agenda item to be discussed in open session may be obtained from Chino Basin Desalter Authority at 3550 E. Philadelphia Street, Suite 170, Ontario, CA 91761

***Declaration of Posting***

I, Casey Costa, Executive Assistant to the Chino Basin Desalter Authority, hereby certify that a copy of this agenda has been posted at the Chino Basin Desalter Authority's main office, 3550 E. Philadelphia Street, Suite 170, Ontario, CA 91761 by February 5, 2021 at 1:30 p.m.

  
\_\_\_\_\_  
Casey Costa, Executive Assistant



# **Technical Advisory Committee Meeting**

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## **Agenda Item**

### **No. 1**

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**CHINO BASIN DESALTER AUTHORITY  
TECHNICAL ADVISORY COMMITTEE**

**MINUTES**

**February 9, 2021 • 1:30 p.m.**

A meeting of the Chino Basin Desalter Authority Technical Advisory Committee was held via audio/teleconference. CDA General Manager O'Neill called the meeting to order at 1:30 p.m.

**Committee Members Present:**

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Mark Wiley, City of Chino Hills  
Chris Bonadurer, City of Ontario  
Chris Waggener, Inland Empire Utilities Agency  
Todd Minten, Santa Ana River Water Company  
John Lopez, Santa Ana River Water Company (Alternate)  
Derek Kawaii, Western Municipal Water District

**Others Present:**

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Thomas O'Neill, CDA General Manager/CEO  
Casey Costa, CDA Executive Assistant  
Michael Chung, CDA CFO/Treasurer  
Jose Garcia, CDA Principal Accountant  
Pete Vicario, City of Chino  
Robert Delgado, Inland Empire Utilities Agency  
Bryan Smith, Jurupa Community Services District  
Daniel Cardenas, Jurupa Community Services District  
Ben Armel, Jurupa Community Services District  
Steve Popelar, Jurupa Community Services District  
Courtney Jones, City of Ontario  
Cindy Miller, Hazen & Sawyer  
Nicole Blute, Hazen & Sawyer  
Bob Bowcock, Integrated Resources Management/SB County Airports

**PUBLIC COMMENT** - There were no public comments.

**ADDITIONS TO THE AGENDA** – There were no additions to the agenda.

**AGENDA ITEMS**

<b>1.</b>	<b>MINUTES OF JANUARY 12, 2021 TECHNICAL ADVISORY COMMITTEE MEETING</b> Minutes were approved as submitted.
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2.	<p><b>CHINO I OPERATIONS REPORT</b> Report By: Chris Waggener/Inland Empire Utilities Agency</p> <ul style="list-style-type: none"> <li>• Plant Production Average - 10.67 MGD</li> <li>• Plant production is lower because of reduction in SARI capacity due to flow being transferred to Chino II, as the CRF is down.</li> <li>• Bleach pump leak was repaired</li> <li>• Belts replaced on Decarb Tower 2</li> <li>• Decarb Towers 1 and 2 prefilters were changed out</li> <li>• Shutdown scheduled for March 1<sup>st</sup> and 2<sup>nd</sup> to finish programming of RO PLCs, replacement of NRV brine inlet piping, inspection of decarbonator 2, replacement of inhibitor flow meter and Train 2 inlet valve.</li> </ul>
3.	<p><b>CHINO II OPERATIONS REPORT</b> Report By: Bryan Smith/Jurupa Community Services District</p> <ul style="list-style-type: none"> <li>• Plant Production Average – 16.6 MGD</li> <li>• Lower production due to scheduled maintenance shutdown of CRF</li> <li>• Replaced contactor on chlorine generation unit</li> <li>• Flushed and reinstalling NRV-6 brine header</li> <li>• Flow adjustments were made due to CRF maintenance shutdown</li> <li>• CIP to remove calcium buildup has started</li> <li>• Cleaned out Clarifier 1 and Gravity Thickener 1</li> <li>• Flushed out chemical feed lines</li> <li>• Removed material from reactors for inspection and CIP</li> <li>• Completed CIP of pellet reactor 1</li> </ul>
4.	<p><b>CHINO II CONCENTRATE REDUCTION FACILITY OPERATIONAL UPDATE</b> Report By: Thomas O’Neill, CDA General Manager/CEO</p> <p>On target to be back online 2/24/2021.</p>
5.	<p><b>WATER DELIVERIES</b> Report By: Thomas O’Neill, CDA General Manager/CEO</p> <p>General Manager O’Neill reported water deliveries through January 2021 at 103.1% of entitlements. It is expected that the percentage will decrease due to reduced flows this month. There were no questions or comments.</p>
6.	<p><b>ADOPTION OF CHINO BASIN DESALTER AUTHORITY’S REVISED RESERVE POLICY</b> Report By: Thomas O’Neill, CDA General Manager/CEO</p> <p>Treasurer Chung reviewed the recommendation for the Board of Directors to adopt the revised Reserve Policy. Based on the adopted budget for 2020/21, it is being recommended to modify the Operating Contingency Reserve from \$3.82m to \$4.43m, bringing the total reserve level to \$7.22m. Since the amount of the increase is less than \$1m, no assessment is being proposed. Steve Popelar/JCSD questioned whether the</p>

	<p>\$.62m increase in the proposed Reserve Policy will be offset by the surplus indicated in the reserve analysis. Treasurer Chung confirmed that this is correct. There were no further questions or comments.</p>
7.	<p><b>RECONCILIATION OF THE ALLOCATION OF COSTS FOR FISCAL YEAR 2019/20</b> Report By: Thomas O’Neill, CDA General Manager/CEO</p> <p>Principal Garcia reviewed the recommendation for the Board of Directors to approve the Reconciliation of the Allocation of Costs. He reviewed the 2019/20 budgeted production of 35,200 AF and actual deliveries of 30,246 AF. He reviewed actual expenses and amount collected by CDA, resulting in an overage of \$4,743,987. He reviewed the analysis of unrestricted reserve, with an overage of \$629,366 which will be used to offset the proposed increase in the Reserve Policy. Concerning the \$4.7m overage, Principal Accountant Garcia stated that this item will be agendized at the next TAC Meeting, so a determination does not need to be made at this time. For the TAC’s consideration, he reported that the unfunded portion of CDA’s share of the upcoming GAC project is estimated to be about \$3m and that one option would be to retain part of this overage for that project. Alternatively, the GAC project may be funded from the reserves, as discussed in previous meetings, with a payback over the course of two years.</p>
8.	<p><b>UPDATE ON PFOS/PFAS SAMPLING ON CDA WELLS</b> Report By: Nicole Blute, Ph.D., PE, Hazen &amp; Sawyer</p> <p>Dr. Nicole Blute presented an update on PFOS/PFAS Sampling. She reviewed the different state regulatory approaches and response levels, as there are no federal regulations yet. The EPA does intend on initiating a national primary drinking water MCL process. She reviewed California’s regulatory path to MCL; current notification levels are 6.5ppt for PFOS and 5.1ppt for PFAS. A draft public health goal should be available from The Office of Environmental Health Hazard Assessment (OEHHA) in early 2021, with an MCL from DDW subsequently, based on that assessment. Additionally, other PFAS compounds are being considered for regulation in California.</p> <p>She reviewed sampling results of the Chino I and Chino II wells for PFOA, with wells I-16, II-6, II-7, and II-9 above the notification level of 5.1ppt and I-18 and II-8 above the response level of 10ppt. General Manager O’Neill noted that well I-18 is not in service.</p> <p>She reviewed sampling results for PFOA, with wells I-10, I-15, I-16, I-17, I-21, II-5, II-7, II-8, and II-9 above the notification level of 6.5ppt and II-6 above the response level of 40ppt.</p> <p>The compound PFBS was below the notifications levels for all CDA wells; she also reviewed levels of compounds – PFHxS, PFHxA, PFHpA, ADONA that currently have no regulatory limits.</p> <p>She concluded that the next steps are to continue the sampling analysis program, a planned treatment system, currently under design, for Chino I wells that will remove PFOA and PFOS compounds and plumbing of wells II-6, II-7, II-8, and II-9 into the VOC raw water pipeline to RO treatment.</p> <p>There were no questions or comments.</p>

9.	<p><b>SOUTH ARCHIBALD PLUME UPDATE</b> Report By: Cindy Miller, South Archibald Plume Program Manager</p> <p><b>Phase 1 Pipeline</b> – Complete</p> <p><b>Phase 2 Pipeline</b> – Gwinco continuing to make progress on pipeline in Bellegrave Avenue, moving westerly toward I-15 where the temporary construction easement was acquired from Lesso. Consideration is being given to add the tie-in of Wells II-6, II-7, II-8, and II-9 to Gwinco’s contract.</p> <p><b>Phase 3 Pipeline</b> – Complete</p> <p><b>Well II-12</b> – Cora Constructors is making progress on building and site improvements.</p> <p><b>Decarbonator Modifications</b> – First decarbonator tower is being erected today.</p> <p><b>Monitoring Wells</b> – Finalized MW II-5 well design with the Regional Board. Driller is moving forward.</p> <p>She added that a virtual site visit has been arranged this month with Regional Board and State Board.</p>
10.	<p><b>CHINO I GAC UPDATE</b> Report By: Cindy Miller, Hazen &amp; Sawyer Program Manager</p> <p>Completed 90% design submittal; in review by CDA. Design will be finished end of March and out to bid in April.</p>
11.	<p><b>BOARD MEETING AGENDA ITEMS REVIEW</b> Report By: Thomas O’Neill, CDA General Manager/CEO</p> <p>General Manager O’Neill reviewed upcoming Board Items.</p>
12.	<p><b>NEW BUSINESS/FUTURE TECHNICAL ADVISORY AGENDA ITEMS REVIEW</b> Report By: Thomas O’Neill, CDA General Manager/CEO</p> <p>General Manager O’Neill reviewed upcoming TAC Items.</p>

There being no further business, the meeting was adjourned at 2:25 p.m.

Submitted by Casey Costa, CDA Executive Assistant





# **Technical Advisory Committee Meeting**

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## **Agenda Item**

### **No. 2**

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**Chino I Desalter  
Treatment Plant Operations**

Summary of Activities

February 2nd, 2021 to February 17th, 2021

**Well Field**

Well Name	VFD Speed	Original Design Rate (gpm)	Current Production Rate (gpm)	Percent of Production	Operational (Yes/No)	Production Rate (gpm)	Status (Idle/Run)	Current Operation (gpm)
****I-1	0%	600	0	0%	No	0	Idle	0
****I-2	0%	300	0	0%	No	0	Idle	0
****I-3	0%	600	0	0%	No	0	Idle	0
I-4	0%	300	0	0%	Yes	0	Idle	0
I-5	100%	1,200	1,177	14%	Yes	1,177	Run	1,177
I-6	100%	350	370	4%	Yes	370	Run	370
*I-7	0%	1,200	0	0%	Yes	0	Run	0
I-8	100%	900	166	2%	Yes	166	Run	166
I-9	98%	1,200	1,168	14%	Yes	1,168	Run	1,168
I-10	0%	1,200	0	0%	No	0	Idle	0
I-11	100%	1,200	1,196	14%	Yes	1,196	Run	1,196
**I-13	74%	2,000	184	2%	Yes	184	Run	184
I-14	85%	2,200	1,552	18%	Yes	1,552	Run	1,552
****I-15	86%	2,000	1,822	22%	Yes	1,822	Run	1,822
I-16	100%	250	169	2%	Yes	169	Run	169
I-17	0%	200	0	0%	No	0	Idle	0
I-20	100%	400	386	5%	Yes	386	Run	386
I-21	100%	400	227	3%	Yes	227	Run	227
gpm	Total	16,500	8,417	100%	100%	8,417	100%	8,417
MGD		23.76	12.12			12.12		12.12

**Primary RO Treatment**

Train	Recovery Rate	Production (gpm)	(MGD)
1	79.0%	1,016	1.46
2	79.0%	1,016	1.46
3	79.0%	1,016	1.46
4	79.0%	1,016	1.46
5	79.0%	1,016	1.46
		5,080	7.32

**Ion Exchange Treatment**

Train	(gpm)	(MGD)
1	442	0.64
2	442	0.64
3	442	0.64
4	442	0.64
	1,769	2.55

**VOC Bypass**

Production (gpm)	(MGD)
0	0.00

**Brine Flow**

Production (gpm)	(MGD)
1,340	1.93

**Summary of Activities**

2/3/21 - Edison power blips shut down plant from 13:17 to 13:40.

2/4/21 - RO Train #4 dump valve replaced. RO Masterstation needed to be reset and line voltage increased.

2/6/21 - Decarbonator #1 filters changed out.

2/9/21 - End User Booster #7 installed, End User #1 pulled for repair.

2/9/21 - Annual Calibration of SARI Flow meter.

Chino I Desalter will need to schedule a 2 day shutdown on March 1st-2nd, 2021 to finish programming of RO PLC's, NRV Brine inlet piping replacement, Decarbonator 2

**Plant Efficiency**

	Flow in Vs. Flow Out (gpm)	(MGD)
Wells	8,417	12.12
Brine	-1340	-1.93
	7,077	10.19

**Plant Production**

	All Treatment Trains (gpm)	(MGD)
Primary RO	5,080	7.32
Ion Exchange	1,769	2.55
Raw Bypass	0	0.00
	6,849	9.86

\* Air Problem

\*\* Sand Problem

\*\*\*Cooling Problem

\*\*\*\*Out of Service



# **Technical Advisory Committee Meeting**

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## **Agenda Item**

### **No. 3**

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# Chino II Desalter Treatment Plant Operations

Summary of Activities  
February 3, 2021 to February 17, 2021

## Well Field

Well Name	VFD Speed	Original Design Rate (gpm)	Current Production Rate (gpm)	Percent of Production	Operational (Yes/No)	Production Rate (gpm)	Status (Idle/Run)	Current Operation (gpm)
II-1	100%	2,000	1,396	8%	Yes	1,396	Run	1,695
II-2	Fixed	2,000	1,435	8%	Yes	1,435	Run	1,736
II-3	Fixed	2,000	1,500	9%	Yes	1,500	Run	1,745
II-4	100%	2,000	1,576	9%	Yes	1,576	Run	1,719
II-6	100%	2,000	1,460	9%	No	0	Idle	0
II-7	100%	1,200	829	5%	Yes	829	Run	974
II-8	Fixed	1,500	1,045	6%	Yes	1,045	Run	1,125
II-9	Fixed	2,000	1,575	9%	Yes	1,575	Idle	0
II-10	100%	3,700	3,260	19%	No	0	Idle	0
II-11	100%	3,300	3,001	18%	Yes	3,001	Run	3,472
II-12								
gpm	Total	21,700	17,077	100%	72%	12,357	73%	12,466
MGD		31.25	24.59			17.79		17.95

## Primary RO Treatment

Train	Recovery Rate	Production (gpm)	(MGD)
1	83.5%	0	0.00
2	83.5%	1,390	2.00
3	83.5%	1,390	2.00
4	83.5%	2,000	2.88
5	83.5%	1,900	2.74
		6,680	9.62

## Ion Exchange Treatment

NRV (gpm) (MGD)			NRV (gpm) (MGD)		
1	623	0.90	5	0	0.00
2	643	0.93	6	0	0.00
3	0	0.00	7	0	0.00
4	650	0.94	8	620	0.89
			3,300	4.75	

## Raw Bypass

Production (gpm)	(MGD)
1,812	2.61

## Brine Flow

Production (gpm)	(MGD)
1,319	1.90

## Secondary RO Treatment

Train	Recovery Rate	Production (gpm)	(MGD)
1	70.0%	0	0.00
2	70.0%	0	0.00
3	70.0%	0	0.00
		0	0.00

## Plant Efficiency

	Flow in (gpm)	Flow Out (MGD)
Wells	12,466	17.95
Brine	-1319	-1.90
	11,147	16.05
	89.4%	

## Plant Production

All Treatment Trains	(gpm)	(MGD)
Primary RO	6,680	9.62
Ion Exchange	3,300	4.75
Raw Bypass	1,812	2.61
Secondary RO	0	0.00
	11,792	17.0

## Summary of Activities

- \* Daily Plant Rounds/Weekly Samples
- \* Weekly Calibrations
- \* P&L/Gwinco onsite for Air Stripper Project
- \* Chino 2 Loaded NRV-6 resin, began disinfection, flushing and sampling
- \* Chino 2 Replaced IX bag filters for maintenance
- \* CRF Continued plant CIP to remove Calcuim build up
- \* CRF Completed Waste Wash Basin and Storage Tank clean up with T.E Roberts
- \* CRF Rebuilt soda ash influent line into Clarifier # 2
- \* CRF Finished programming updates to new Concentrate Bypass Valve with Emerson Representative
- \* CRF J.C. Coatings on site to begin patch work on Clarifiers and Gravity Thickeners
- \* CRF Reinstalled influent nozzles at Pellet Reactor 1 and Pellet Reactor 2
- \* CRF Cleaned out Lime Tanks with United Pumping
- \* CRF Made repairs to both Clarifier Mixers for shaft realignment.



# **Technical Advisory Committee Meeting**

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## **Agenda Item**

### **No. 5**

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**SUBJECT: ADOPTION OF CHINO BASIN DESALTER AUTHORITY’S REVISED RESERVE POLICY**

**RECOMMENDATION:**

1. Approve the Chino Basin Desalter Authority’s Reserve Policy as submitted; and
2. Adopt Resolution 2021-03 approving the CDA’s Revised Reserve Policy.

**BACKGROUND:**

The current reserve policy was revised and adopted by the Board on September 6, 2019. According to the policy, staff is to periodically review each reserve item to determine if any modification is necessary.

**ISSUES AND ANALYSIS**

The purpose of having a reserve is to set aside financial resources for unplanned events. It serves as a contingency fund in case of emergency. The last adopted revised policy reflects a significant change in Operating Contingency Reserve where the Authority revised the calculation from 3 months of total operating revenue to two months. Now that the Authority is on track to produce water at the entitlement level, the adopted FY2020/21 adopted budget reflects a higher total operating revenue, resulting in a higher amount of operating reserve contingency amount.

Based on the adopted budget for FY2020/21, the level of reserves should be modified accordingly. The following table denotes the proposed level of each reserve addressed in the policy. Total Operations & Maintenance revenue per the adopted budget for FY2020/21 is \$26.6m. Therefore, the calculated reserve for this line item would be \$4.43 for two months. The overall summary reveals an increase of \$0.61m to the total reserve amount. This increase would be offset by the overage of reserve of \$.63m at the end of June 30, 2020.

(\$ in millions)

Reserve	Current Level	Proposed Level	Change
Infrastructure Maint/Replacement	\$2.38	\$2.38	\$0
Operating Contingency	\$3.82	\$4.43	\$0.61
Rate Stabilization	\$0	\$0	\$0
Membrane Reserve	\$ 0.41	\$0.41	\$0
Capital Construction	Per Project	Per Project	\$0
Total	\$6.61	\$7.22	\$0.61

**Prepared by:** Michael Chung, CDA CFO/Treasurer

Page 1 of 2

**Board of Directors:**     Approved         Continued         Denied

**CDA GM/CEO Acknowledgement:** \_\_\_\_\_ **Date:** \_\_\_\_\_

The proposed revisions have been reviewed by Finance Directors of CDA member agencies, reviewed/approved by the Technical Advisory Committee on February 9, 2021 and the Finance Committee on February 25, 2021.

**IMPACT ON BUDGET**

There is no impact on current fiscal year's budget.

**ATTACHMENTS:**

- Resolution 2021-03
- Proposed Reserve Policy

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**Prepared by:** Michael Chung, CDA CFO/Treasurer

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**Board of Directors:**     Approved         Continued         Denied

**CDA GM/CEO Acknowledgement:** \_\_\_\_\_ **Date:** \_\_\_\_\_

## RESOLUTION NO. 2021-03

### RESOLUTION OF THE BOARD OF DIRECTORS OF THE CHINO BASIN DESALTER AUTHORITY, ESTABLISHING THE ATTACHED RESERVE POLICY

WHEREAS, the Board of Directors of the Chino Basin Desalter Authority is authorized to adopt a reserve policy; and

WHEREAS, the existing policy has been reviewed in order to provide for operational flexibility without sacrificing internal controls or increasing financial risk to the Authority.

NOW, THEREFORE, BE IT RESOLVED, that the CDA Board of Directors, assembled this 4<sup>th</sup> day of March 2021, does hereby adopt Resolution No. 2021-03, establishing the "Reserve Policy" as set forth in the Attachment.

BE IT FURTHER RESOLVED, that the effective date of this Resolution No. 2021-03 is March 4, 2021.

ADOPTED AND APPROVED this 4<sup>th</sup> day of March 2021.

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Ken McLaughlin, Chairperson  
Chino Basin Desalter Authority

ATTEST:

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Casey Costa, Secretary



STATE OF CALIFORNIA            )  
  ) SS  
COUNTY OF SAN BERNARDINO )

I, Casey Costa, Secretary of the Chino Basin Desalter Authority, DO HEREBY CERTIFY that the foregoing Resolution No. 2021-03 was duly adopted by the Board of Directors on the 4<sup>th</sup> day of March, 2021, by the following vote:

**AYES:**

**NOES:**

**ABSTAIN:**

**ABSENT:**

\_\_\_\_\_  
Casey Costa, Secretary



## **RESERVE POLICY**

Unforeseen events, emergencies, accelerated growth, supplemental budget requirements, are among the factors that can result in unplanned expenses. In addition to unplanned activities, the Authority has extensive investments in public infrastructure, operating plants, and other related facilities and equipment that require ongoing repair, maintenance, replacement, refurbishment, and expansion. The Authority must also be prepared for planning and implementation of new facilities if the need arises. The Authority is moving forward with formalizing past practice with establishment of appropriate reserves and associated target levels.

The establishment of the following reserves will prudently position the Authority to address current and future risks, as well as stabilize its rates. The reserves are categorized according to one of the following:

### **Reserved and Designated Fund Balances:**

*Reserved fund balance:* Reserves that are maintained based on externally-imposed restrictions from federal and state regulatory requirements, or conditions imposed by third parties (e.g., bondholders) through bond indentures or other legal documents.

*Designated fund balance:* Board imposed restrictions on funds for certain Authority purposes, such as infrastructure replacement or rate stabilization.

### **Unreserved and Undesignated Fund Balances:**

Funds available for spending with no legal, regulatory, or Board imposed restrictions.

For each of the reserves the Authority has identified a purpose, target levels, conditions under which they are to be used, and review dates for determining continued need for the reserve and appropriate levels.

**RESERVED AND DESIGNATED FUND BALANCES**

**Infrastructure Maintenance/Replacement Reserves                      \$2.38m**

Purpose: Maintaining infrastructure at an adequate level and in an acceptable condition requires that funds be continually and readily available to support replacement, refurbishment, and construction. The service provided by the Authority is critically important to the health and welfare of the citizens within the Authority’s service area. No service is more basic than meeting the need for clean water. Given the nature of the service, very few options exist, if any, for service reduction levels in the event of revenue shortfalls or other funding deficiencies.

Recognizing these realities, and consistent with best practices, the Authority has prudently established reserves to ensure that ongoing capital infrastructure needs will not be neglected.

Usage Requirements: The reserve will be accessed, as needed, to fund infrastructure replacement requirements based on the Authority’s Capital Improvement Program. Replacement is defined as an expense which will extend, as opposed to maintain, an asset’s useful life.

Target Balance: When needed, the Infrastructure Capital Maintenance and Replacement costs will be funded annually by CDA membership.

Review Date: The Infrastructure Maintenance/Replacement Reserve will be reviewed and adjusted, if needed, annually as part of the budget process.

<b>Operating Contingency Reserve</b>	<b>\$3.82m</b>
	<b>\$4.43m</b>

Purpose: Unexpected expenditures typically occur in the dynamic environment in which the Authority operates. To accommodate unanticipated expenses, while maintaining reasonable budgetary restraint, a budgetary contingency reserve will be established.

Usage Requirements: This contingency is available to the Board to approve unexpected operating expenses which arise in the course of business during the

final year. It can only be accessed with Board approval and is subject to replenishment during the annual budget approval process. This serves as a guiding budgetary constraint, but does not prohibit the Board from approving capital projects which exceed the available contingency budget.

Target Level: The Contingency Reserve will be set at a level equal to two months of operating revenues of the most recently adopted budget

Review Date: Annually during the budget development and review process.

### **Membrane and Resin Reserve**

**\$41m**

Purpose: To ensure adequate reserves in case of a complete failure of all trains in a Desalter facility.

Usage Requirements: The reserve is used to ensure periodic membrane replacement to sustain optimum operations of the desalters.

Target Level: The designated amount is set for total replacement of all four trains.

Review Date: The target level will be set and reviewed annually as part of the budget process.

### **Capital Construction Reserve**

**Per Project Award**

Purpose: This reserve essentially is the encumbrance for all outstanding capital commitments, particularly for major engineering and construction projects.

Usage Requirements: The reserve is depleted as capital projects are completed.

Target Level: The target level will vary from year to year, based on capital project needs as identified in the Authority's Fiscal Budget and annual capital plan.

Review Date: The target level will be set and reviewed annually subsequent to the adoption of the annual budget or as needed based on Board actions.

### Funding of Reserve

Funding: Any positive/negative changes of less than \$1.0m of the proposed total reserve will not be distributed/assessed to the members. In case of a need for funding of a deficiency in excess of \$1.0m, it will be incorporated in the next budget cycle.



# **Technical Advisory Committee Meeting**

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## **Agenda Item**

### **No. 6**

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**SUBJECT: RECONCILIATION OF THE ALLOCATION OF COSTS FOR FISCAL YEAR 2019/20**

**RECOMMENDATION:**

Staff recommends that the Board:

1. Approve the reconciliation of the allocation of costs for fiscal year 2019/20 per the attached Exhibit A.
2. Approve the analysis of reserve balance at June 30, 2020 per the attached Exhibit B

**BACKGROUND:**

Per the CDA Water Purchase Agreement, the CDA is to perform an annual reconciliation of the following cost components: 1) Fixed Project Costs; 2) Fixed Operations and Maintenance (O&M) Costs; 3) Variable O&M Costs; and 4) Administration Costs. Additionally, an analysis of reserve balance is to be performed.

**ISSUES AND ANALYSIS:**

The FY2019/20 budget was prepared using the expected delivery of 35,200 acre feet (af) of water among the CDA member agencies. The actual quantity of water delivered was 30,246.8 af.

The combined total audited costs for the fiscal year were \$25,656,793, detailed as follows:

<b>Fixed Project</b>	<b>Fixed O&amp;M</b>	<b>Variable O&amp;M</b>	<b>Administrative</b>	<b>Total</b>
\$7,032,641	\$7,469,496	\$9,901,426	\$1,253,233	\$25,656,793

Total received assessments of \$30,400,780 result in an overpayment of \$4,743,987.

The reserve analysis revealed a surplus of \$629,366 and the members agreed that no action is necessary for this fiscal year.

On June 4, 2020, the CDA Board of Directors authorized short-term financing of the Chino I Desalter GAC Capital Project borrowing \$2.1 million from the CDA’s current reserve. The repayment of the reserves is scheduled to occur in FY 2021/22 and FY 2022/23. Since the authorization, the project costs have increased and a total of \$3.1million is needed to complete the project.

Staff presented an additional option to the TAC for funding the Chino I Desalter GAC Project using the reconciliation funds instead of Reserves (see attached). Option 1 would allocate \$3,097,070 of the

**Prepared by:** Michael Chung, CFO/Treasurer

**Board of Directors:**     Approved         Continued         Denied

**CDA GM/CEO Acknowledgement:** \_\_\_\_\_ **Date:** \_\_\_\_\_

\$4,743,987 for the Chino I GAC Project and return \$1,646,917 to the members. Option 2 would return \$4,743,987 to the members with the Chino I GAC Project being funded with reserves.

This recommendation will be reviewed by the TAC on February 9, 2021 and the Finance Committee on February 25, 2021. An update will be provided to the Finance Committee on February 25, 2021, on the direction provided by the TAC.

**IMPACT ON BUDGET:**

The distribution of overage on allocated costs will decrease reserve balance.

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Prepared by: Michael Chung, CDA CFO/Treasurer

Page 2 of 2

Board of Directors:  Approved       Continued       Denied

CDA GM/CEO Acknowledgement: \_\_\_\_\_ Date: \_\_\_\_\_



	A	B	C	D	E	F	G	H	I	J	L	M	N	O	P	Q	R	U	V	
1	CHINO BASIN DESALTER AUTHORITY																	Exhibit A		
2	Reconciliation of Allocated Costs																			
3	Fiscal Year 2019/20																			
4							(G)	(H)	(I)	(J)	(L)			(O)	(P)	(Q)	(O) - (Q)			
5						Actual			Fixed Project	Fixed Project				Allocation						
6						Water		Administrative	Cost -	Cost -	Fixed O&M	Variable O&M		per	Total	Amount				
7						Delivered	%	Cost	Debt Service	Capital	Cost	Cost		Actual Exp	Per Budget	Collected by CDA	Shortage/(over)		Cost/AF	
8		Entitlement	Entitlement	Budgeted	Allocation															
9		PER WPA	%	Commitment	%														b-4 MWD Sub	
10																				
11	JCSD	11,733.0	33.332%	11,733.0	33.332%	10,206.9	33.745%	417,728	2,070,762	694,438	2,520,610	3,341,236	9,044,774	10,555,204	10,555,204	(1,510,430)			886	
12	Chino	5,000.0	14.205%	5,000.0	14.205%	4,340.9	14.352%	178,022	1,262,552	295,947	1,071,992	1,421,053	4,229,565	4,879,188	4,879,192	(649,627)			974	
13	Ontario	8,533.0	24.241%	8,533.0	24.241%	7,405.3	24.483%	303,796	-	505,037	1,828,751	2,424,166	5,061,750	6,167,035	6,167,036	(1,105,286)			684	
14	Chino Hills	4,200.0	11.932%	4,200.0	11.932%	3,669.3	12.131%	149,536	1,060,623	248,591	906,140	1,201,142	3,566,031	4,098,545	4,098,548	(532,517)			972	
15	Santa Ana River Water Co	1,200.0	3.409%	1,200.0	3.409%	1,089.2	3.601%	42,723	302,894	71,023	268,980	356,550	1,042,169	1,170,834	1,170,836	(128,667)			957	
16	Norco	1,000.0	2.841%	1,000.0	2.841%	896.4	2.964%	35,604	252,411	59,189	221,367	293,478	862,050	975,738	975,736	(113,686)			962	
17	Western MWD	3,534.0	10.040%	3,534.0	10.040%	2,638.8	8.724%	125,824	-	209,173	651,656	863,801	1,850,454	2,554,228	2,554,228	(703,774)			701	
18	Total	35,200.0	100.000%	35,200.0	100.000%	30,246.8	100.0%	1,253,233	4,949,242	2,083,399	7,469,496	9,901,426	25,656,793	30,400,772	30,400,780	(4,743,987)				
19	Actual Expenses																			
20																				
21																				
22																				
23																				
24																				
25																				
26																				
27																				
28																				
29																				
30							(2)		(I) Fixed Project Cost - Debt Service - Based on debt service schedule					(J) Fixed Project Cost - Capital - Based on Entitlement (w/ Ph 3 Expansion)						
31		Entitlement	Entitlement	Allocated					Debt Obligation	Debt Service				Entitlement	Adopted	Allocation				
32		Per WPA	%	Admin Costs					%	2016A Bonds				%	Fixed Proj Cost	Cost				
33	JCSD	11,733	33.332%	417,728			JCSD	41.84%	2,070,762		JCSD	33.332%	694,438	694,438						
34	Chino	5,000	14.205%	178,022			Chino	25.51%	1,262,552		Chino	14.205%	295,947	295,947						
35	Ontario (a)	8,533	24.241%	303,796			Ontario (1)	0.00%	-		Ontario	24.241%	505,037	505,037						
36	Chino Hills	4,200	11.932%	149,536			Chino Hills	21.43%	1,060,623		Chino Hills	11.932%	248,591	248,591						
37	Santa Ana	1,200	3.409%	42,723			Santa Ana	6.12%	302,894		Santa Ana	3.409%	71,023	71,023						
38	Norco	1,000	2.841%	35,604			Norco	5.10%	252,411		Norco	2.841%	59,189	59,189						
39	WMWD	3,534	10.040%	125,825			WMWD	0.00%	-		WMWD	10.040%	209,173	209,173						
40	Total	35,200	100.000%	1,253,233			Total	100.00%	4,949,242		Total	100.000%	2,083,398	2,083,398						
41																				
42																				
43																				
44																				
45																				
46																				
47		Entitlement	Fixed O&M	Allocated																
48		Per WPA	%	Fixed O&M	Expenses															
49	JCSD	10,206.9	33.745%	2,520,610																
50	Chino	4,340.9	14.352%	1,071,992																
51	Ontario	7,405.3	24.483%	1,828,751																
52	Chino Hills	3,669.3	12.131%	906,140																
53	Santa Ana	1,089.2	3.601%	268,980																
54	Norco	896.4	2.964%	221,367																
55	WMWD	2,638.8	8.724%	651,656																
56	Total	30,246.8	100.000%	7,469,496																
57																				
58																				

(2) For consistency purpose, CDA will round the % of allocation to 3 digits after the decimal under entitlement of 35,200 acre feet

Actual expenses per annual financials	
Fixed and Variable O&M	17,370,921
Administration Costs	1,253,233
	<hr/>
	18,624,154
Budgeted non-debt related CIPs	
CIP	2,083,398
CIP Special Assessment	-
	<hr/>
	2,083,398

	X	Y	Z	AA	AB	AC	AD
28		<b>Chino Basin Desalter Authority</b>					<b>Exhibit B</b>
29		<b>Analysis of Unrestricted Reserve</b>					
30		<b>FY2019/20</b>					
31							
32		Current Reserve Policy:					
33		Infrastructure		2,380,000			
34		Operating Contingency		3,820,000			
35		Rate Stabilization		-			
36		Membranes/Resin		410,000			
37		Total Required Reserve		<u>6,610,000</u>			
38							
39		Restricted Reserves:					
40		For Capital Projects:					
41		Non-debt related CIPs Commitments		2,722,595			
42		Capital Replacement/Emergency Reserve		250,000			
43							
44				<u>2,972,595</u>			
45							
46							
47		Total Reserve per Audited Financials 6/30/2020		14,955,948			
48		Less: reconciliation costs refund - FY2019/20		(4,743,987)			
49		restricted reserves		<u>(2,972,595)</u>			
50		Adjusted Unrestricted at June 30, 2020		7,239,366			
51		Required Unrestricted Reserve		<u>6,610,000</u>			
52		Unrestricted Reserve Overage		<u><u>629,366</u></u>			
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**Option to Finance Chino I GAC Project with FY 2019/20 using Reconciliation Funds**

Chino I GAC Project Cost	
Design	\$ 488,070.00
Construction/CM	\$ 3,459,000.00
Total	\$ 3,947,070.00
Existing Funds	\$ (850,000.00)
	<u>\$ 3,097,070.00</u>

		Members Allocation of Project Cost (Option 1)	Amount Return to Members (Option 1)	Amount Returned to Members (Option 2)
Western	10.040%	\$ 310,938.79	\$ 392,835.21	\$ 703,774.00
SARWC	3.409%	\$ 105,581.93	\$ 23,085.07	\$ 128,667.00
Ontario	24.241%	\$ 750,775.52	\$ 354,510.48	\$ 1,105,286.00
Norco	2.841%	\$ 87,984.94	\$ 25,701.06	\$ 113,686.00
JCSD	33.332%	\$ 1,032,327.34	\$ 478,102.66	\$ 1,510,430.00
Chino Hills	11.932%	\$ 369,536.76	\$ 162,980.24	\$ 532,517.00
Chino	14.205%	\$ 439,924.72	\$ 209,702.28	\$ 649,627.00
		\$ 3,097,070.00	\$ 1,646,917.00	\$ 4,743,987.00

Option 1: CDA retain \$3,097,070 for Chino I GAC Project and return \$1,646,917 to members

Option 2: Return \$4,743,987 to the members and fund Chino I GAC Project with reserves



# **Technical Advisory Committee Meeting**

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## **Agenda Item**

### **No. 10**

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***Chino Basin Desalter Authority***  
**Board Meeting Agenda Items**

<b>March 4, 2021 Board Meeting (Special)</b>		<b>TAC</b>	<b>Finance</b>
Reconciliation of the Allocation of Costs for Fiscal Year 2019/20 and Related Reserve Balance Analysis	J. Garcia	2/9/2021 2/23/2021	2/25/2021
Adoption of Chino Basin Desalter Authority's Revised Reserve Policy	M. Chung	2/9/2021 2/23/2021	2/25/2021
General Manager Performance Evaluation (Closed Session Item)	A. Burns	-	2/25/2021
General Manager Employment Agreement	A. Burns	-	-

  

<b>April 1, 2021 Board Meeting (Regular)</b>		<b>TAC</b>	<b>Finance</b>
Quarterly Financial Reports	Garcia/CDA		3/25/2021
Quarterly Operations Report/Presentation	O'Neill/CDA		3/25/2021
Quarterly South Archibald Plume Report/Presentation	Miller/H&S		3/25/2021



# **Technical Advisory Committee Meeting**

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## **Agenda Item**

### **No. 11**

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# *Chino Basin Desalter Authority*

## TAC Meeting Agenda Items

<b>March 9, 2021</b>
Meeting Minutes
Chino I Operations Report
Chino II Operations Report
CRF Update
Water Deliveries
South Archibald Plume Update
Chino I GAC Update

<b>March 23, 2021</b>
Meeting Minutes
Chino I Operations Report
Chino II Operations Report
CRF Update
South Archibald Plume Update
Chino I GAC Update