



March 28, 2025

VIA EMAIL AND FIRST-CLASS MAIL

Marco Tule, President
Board of Directors
Inland Empire Utilities Agency
6075 Kimball Avenue
Chino, CA 91708

Re: Inland Empire Utilities Agency's (IEUA)

Dear President Tule and Members of the IEUA Board of Directors,

The IEUA has initiated a rate increase process that is projected to have far-reaching economic impacts on residents throughout our communities, the Cities of Chino, Montclair, and Ontario, together with the Monte Vista Water District (collectively, the "Agencies"). The Agencies ask that you provide the following for our review:

1. The comprehensive rate study conducted by IEUA and/or its consultants outlining the justification for the proposed new rates; and
2. Documentation detailing anticipated or projected impacts to service rates generated through the development and implementation of the Chino Basin Program (CBP) and best-case scenario as to when CBP-related rates will be implemented and on what rate program.

The Agencies further request an opportunity to review and comment on the above rate-related studies prior to consideration of proposed rates by the IEUA Board.

As public agencies promoting the public good, we are certain the IEUA Board appreciates the primacy of the Agencies' fiduciary responsibility to our respective ratepayers. In that regard, we are rightly concerned that IEUA's proposed rate changes will create additional strain on businesses and households struggling to make ends meet, particularly as our nation faces uncertain economic times and consumer confidence in the economy is in decline.

The Agencies remind the Board that IEUA adjusted its Equivalent Dwelling Unit (EDU) wastewater rate 13 percent over the prior two years and, on March 10, 2025, presented to the Regional Policy Committee proposed annual EDU rate increases of 9 percent to be applied consecutively for Fiscal Years 2025-26 and 2026-27. These actual and proposed rate adjustments are and would be joined to the local sewage rates already charged for wastewater collection.

IEUA has proposed the following back-to-back rate adjustments for Fiscal Years 2025-26 and 2026-27:

| Rate | Fiscal Year 2025-26 | Fiscal Year 2026-27 |
|---------------------------------------|---------------------|---------------------|
| Meter Equivalent Unit (MEU) | 2.6% | 2.6% |
| Recycled Water Direct Use | 9% | 9% |
| Groundwater Recharge | 4% | 4% |
| Recycled Water Fixed Fee | 3% | 3% |
| Equivalent Dwelling Unit (EDU) | 9% | 9% |

If implemented as presented, the above proposed rate increases will raise serious affordability concerns for our respective residents and businesses, causing many of them to make hard economic choices regarding household and business expenses.

There is also a matter of immediate concern to the Agencies: the apparent lack of transparency behind IEUA’s rate analysis calculations. This lack of transparency raises serious questions and concerns regarding what should be a mutually beneficial relationship fostered through a multi-jurisdictional approach to the delivery of common services to our region. Together, we established technical advisory and policy committees to advise and inform the IEUA Board on rate setting, policy, governance, and other aspects of service delivery. This multi-beneficial relationship should, at all times, engender respect between the parties - respect can only come when we share vital information essential to the conduct of business and clarity of purpose.

During the March 6, 2025, presentation to the Policy Committee, IEUA staff did not identify the capital projects the above proposed rates would fund (including those projects planned for the \$90 million in revenue bonds). In addition, IEUA did not explain the specific debt service our taxpayer dollars support and did not provide clarity regarding proposed new hires, their duty assignments, and proposed salary schedules. This information is crucial to the rate-setting process.

The Agencies point out that when a member of the Policy Committee raised questions about inconsistent employment salary totals, the IEUA Board representative to the Policy Committee concluded, *“It is what it is”* – in effect, mind your own business. In fact, and in practice, matters discussed in this letter and at the Technical and Policy Committees are the business of each member agency. Further, since personnel expenditures typically represent the largest share of organizational operations and expenses, the Policy Committee is duty-bound to make inquiries. Over the last eleven years, IEUA has seen a 135 percent increase in personnel and a corresponding 125 percent increase in personnel expenditures. Adding additional personnel without presenting sound justification or stated purpose raises questions that warrant answers to the Policy Committee and retail agencies generally.

Questions and concerns about rate adjustments, programs of services, and operational costs go to the very purpose of the Policy Committee. It well-serves the IEUA Board and staff to view the Technical and Policy Committees as supplemental and supportive adjuncts to IEUA. To perform that role, these committees require IEUA, in turn, to be supportive by equipping them with information necessary to

conduct their respective advisory role and to use them as a sounding board that can provide IEUA with crucial feedback to achieve cost-effectiveness and maintain excellence in mission performance.

The Inland Empire's population is growing by an estimated 50,000 people per year, with most of that growth concentrated within the jurisdictional boundaries of the Agencies. In regards to that growth, our Agencies' water needs are expanding, and we require IEUA's concentrated effort and commitment to meet those needs. Instead, however, IEUA appears to be focused primarily on the billion-dollar CBP to transfer local water supplies to the State, and it is committing its funding resources to that program at the expense of more immediate water resource and availability needs.

IEUA has said that CBP-related costs are not integrated into the proposed Fiscal Year 2025-26 and 2026-27 rate adjustments discussed above. Nonetheless, it leaves open the potential to incorporate CBP-related costs in future rate adjustment proposals. At the same time, IEUA does confirm that in order to meet its CBP commitments, it intends to rely on a shift in property tax revenues and a one-time property tax reserve transfer from the IEUA's Water Resource Fund, as well as a transfer of property tax reserves from the Wastewater Capital Fund, to meet CBP commitments.

An initial shift of \$63 million in property tax-related revenues clearly indicates that these taxpayer funds previously dedicated to general water resource development and wastewater capital investment will be redirected to support the CBP over the next two years. In the interim, retail agencies are without any information or studies supportive or explanatory of CBP-related costs and their long-term relation to rate programs. We acknowledge, however, that IEUA has stated that a long-term funding solution will have to await a distant rate study – a position unresponsive to immediate requirements to address rapidly expanding water needs and control cost impacts on IEUA's customer base.

Our respective efforts to create water security for residents and businesses within the Agencies' jurisdictions are undermined by IEUA's proposed actions, which will potentially increase rates to untenable highs and limit the ability to invest in other, much-needed water and wastewater infrastructure. These proposed actions also diminish the recycled water available to our Agencies and surrounding communities. Instead, we continue to support local alternative projects to keep recycled water in the communities that need it the most.

IEUA's present path appears to prioritize projects that do not fully serve the Inland Empire – this despite the fact that the public, represented by member agencies of the IEUA, annually invest hundreds of millions of dollars in the IEUA and its program of services and infrastructure capacity. In recognizing this symbiotic relationship, our community members deserve a clear and transparent rate-setting process.

To facilitate a process of transparency and information sharing, we offer the attached Policy Committee and Water Agency Questions/Comments on the proposed rate increases. In sharing these attachments, we anticipate the mutual sharing of the rate study completed by IEUA that demonstrates and explains IEUA's funding needs and the CBP's funding impacts and nexus.

We respectfully request that IEUA provide a minimum 30-day review period before Board consideration. This review period will allow the Agencies the opportunity to conduct a fulsome evaluation of the study, thereby equipping us with an understanding of the study's assumptions, justifications, and basis for the proposed rate increases and any potential CBP impacts, now and in the future. IEUA is only better served when it works with its partner agencies, and better serves its constituents when it has the full support of those partners.

We trust you will agree that this joint letter and its requests ultimately serve and allow us to better satisfy our obligations to the ratepayers that comprise our communities and constitute the framework of IEUA's program of services.

Sincerely,



Curtis Burton, Mayor Pro Tem
City of Chino



Debra Porada, Council Member
City of Ontario



Javier "John" Dutrey, Mayor
City of Montclair



Sandra Rose, President
Monte Vista Water District

Policy Committee and Water Agency Questions/Comments on Rate Increase

RATE STUDY

- When will the rate increase study be released? Will it be released prior to the next Technical Committee and Policy Committee meetings?
- Is there a reason why IEUA is allowing very little time to review the rate study since the IEUA Board will consider the rate increase at their April 16 meeting?
- Why can't the IEUA Board extend the time to consider the rate study to their May board meeting to allow for more time to review the rate study? Will the IEUA Board consider extending the time?

RATE INCREASE

- Did the IEUA Board consider the impacts on rate payers, specifically lower income households, of two 9% increases per year after a 7% and 6% increase the last two years – total of 31% increase over four years – even though the Riverside CPI for the last four years are 7.9%, 7.49%, 4.28% and 1.10% (respectively from 2021 to 2024)?
- IEUA staff indicated 28 full time staff added over the next two years as one reason for larger increase, as indicated on Page 33 of PowerPoint presentation. Why is staff being added? How many operators and maintenance staff needed to operate RP-5 in addition to current budget levels? What projects will the proposed engineers work on? How many engineers currently budgeted by IEUA? What projects are these current engineers working on? Why is it the current engineers are unable to manage new projects?
- What percentage of COLA and salary increases for employees funded through the wastewater operations and capital fund has IEUA approved per MOU in FYs 21-22, 22-23, 24-25, and 25-26 as indicated on Page 20 of the PowerPoint? It states labor cost escalations per approved MOU.
- Did IEUA consider wastewater operations options to reduce rate increases – such as doing more with less employees, phasing RP-5 over a longer period of time as population growth increases wastewater treatment demands, controlling future salary increases, phasing the rate increases over a longer period of time compared to two large increases the next two years, etc?
- What is the bond revenue of \$89 million for on Slide 19? Is it for a specific project(s)? Could the \$24 million property tax reserve transfer be used instead of issuing bond debt?

Policy Committee and Water Agency Questions/Comments on Rate Increase

- Could IEUA use Wastewater Connection Fees held by local agencies (\$152M in aggregate according to the Finance Director) to offset a rate increase?

CHINO BASIN PROGRAM (CBP)

- Is CBP cost included in the proposed rate increase?
- Will any of the proposed 28 employees or any existing employees funded by wastewater operations or capital work on any portion of the CBP?
- Has IEUA determined the capital cost to build and annual cost to operate Advanced Treatment Plant and other CBP components paid from wastewater funds? Has or will IEUA conduct a study determining the percentage of Advanced Treatment Plant and other CBP components paid from future wastewater EDU rates and capital fund? Does IEUA have a ballpark figure of the Advanced Treatment and other CBP components percentage increase in future wastewater EDU rates?
- What is the “early design phase” of the CBP? Does this include construction design?
- What is the dollar amount of the “property tax reserves from Wastewater Capital Fund” used for the CBP planning/design as described in Page 17 of the PowerPoint presentation? What planning/design project(s) will these funds cover?
- Is there documentation to confirm that the \$24 million “property tax reserve” transfer from the Water Resource Fund is solely sourced from property tax revenues from the two agencies that have shown interest in participating?
- Is the proposed increase in the MEU Rate the result of the removal of property tax revenues from the Water Resource Fund?
- Does the IEUA Board have unilateral authority to allocate property tax revenues? Was there a condition on what property tax revenues could be used for when the tax was enacted?
- Will IEUA ask agencies not participating in CBP to bear any portion of the project’s cost? Does the use of property tax collected from IEUA’s entire service area meet the cost of service?
- What are the USBR Title XVI grant funding? How much fund balance remains?
- IEUA has been planning, designing, and negotiating agreements for the CBP for over five years. The cost and rate impacts of such a large project should be transparent to member

Policy Committee and Water Agency Questions/Comments on Rate Increase

agencies and integral to determining project viability. We are requesting the following information be provided ASAP – when can this information be provided?

- An estimate of the total annual cost of the CBP inclusive of capital debt service, operations, and maintenance.
- The planned funding sources and, if via IEUA rates, the estimated rate impacts.