BOARD OF DIRECTORS SPECIAL MEETING (WORKSHOP) MINUTES

Wednesday, July 08, 2026 at 9:00 AM

66575 Second St, Desert Hot Springs, CA AND/OR Via Teleconference

CALL TO ORDER
President Duff called the meeting to order at 9:05 AM

ROLL CALL
BOARD MEMBERS PRESENT: President Amber Duff, Vice President Robert Griffith, Director Ivan Sewell Director Russ Martin, Director Ted Mayrhofen

STAFF MEMBERS PRESENT: Brian Macy, Marion Champion, Danny Friend, Eric Weck, Daniel Virgen, Skyler Aubrey, Amanda Lucas, April Scott, Will Whitten, Dori Petee

PUBLIC INPUT
No public input

ITEMS FOR DISCUSSION

RENEWABLE ENERGY CREDITS
Tim Holmes of Kenwood Energy presented information regarding the District's renewable energy credits (RECs), explaining that the District may continue to use the energy generated by its solar facilities while separately selling the renewable attribute associated with that generation. He stated that REC pricing is market-based and variable, with current values near the lower end of the market, and presented potential revenue of approximately $400,000 over 10 years at conservative pricing, with higher revenue possible if market values increase. Mr. Holmes also explained that selling RECs would not affect the District's existing electric bill savings or applicable net energy metering benefits, but would limit the District's ability to claim that it is using renewable energy for its operations.

The Board discussed the financial and public messaging implications of selling RECs, including whether credits could be sold annually or selectively, whether the District could retain some credits to continue making limited renewable energy claims, and whether the potential revenue justified the cost and staff effort required to issue a request for proposals. Mr. Holmes and staff advised that any agreement could be structured to preserve flexibility, including the ability not to sell some credits, and that the RFP could seek either a purchaser or a management company to facilitate sales through the applicable REC market. Staff noted that the estimated cost for Kenwood Energy to prepare the RFP was approximately $23,000 and that, under conservative assumptions, the first year could largely offset that cost, with future years potentially producing net revenue less commissions.

Board members expressed interest in further evaluating the balance between potential revenue, environmental messaging, public perception, and the risk of greenwashing before providing direction to proceed. Staff clarified that direction was sought only on whether to bring back an amendment to Kenwood Energy's contract for the preparation of an RFP, and that the matter did not need to be decided at the meeting. Following the discussion, the Board indicated a preference to take additional time to consider the information presented, and staff stated the item could be brought back for further consideration in September due to the anticipated dark month in August.

CORPORATE YARD/HORTON TREATMENT PLANT IMPROVEMENTS

General Manager Macy introduced the Corporate Yard and Horton Treatment Plant Improvements item, explaining that staff and consultants would present information regarding the proposed construction contract, related professional services, development impact fees, and anticipated bond financing through the MSWD corporation. Staff reported that the proposed improvements include demolition of existing on-site buildings; construction of a new approximately 27,000-square-foot administrative building and approximately 14,000-square-foot operations building; site amenities including landscaping, hardscape, outdoor seating, fencing, shade structures, and a drought-tolerant exhibition garden; relocation of ponds seven and eight; and related stormwater and water quality improvements. Staff stated that Robert Clapper Construction was the lowest bidder for the construction contract in the amount of $32,922,000, and that separate upcoming items would address geotechnical testing with Landmark Geotechnical, construction inspection services with Z and K Consulting, development impact fees payable to the City of Desert Hot Springs, and an amendment to the architect’s contract for construction-phase services.

The Board discussed the contractor’s qualifications, project schedule, change-order history, site management expectations, and the need for careful oversight given the project's size and visibility. Alvin Flores of Ruhnau Clarke stated that the architect had prior experience with Robert Clapper Construction on school district projects, including a recently completed approximately $15 million modernization project that had a change order percentage of approximately three percent, below the industry range discussed, though the project experienced a schedule delay of slightly more than one month. Mr. Flores explained that schedule risks would be monitored through regular meetings, baseline schedule review, prompt identification of potential delays, and recovery schedules as needed. Board members emphasized the importance of maintaining an orderly and safe construction site, minimizing change orders, protecting the District’s public reputation, and ensuring that the contractor understands the District’s expectations for exemplary performance and compliance throughout construction.

The Board also discussed the proposed development impact fees, with several members questioning whether the full amount was appropriate given that the project largely relocates existing District operations rather than creating entirely new impacts. General Manager Macy stated that staff was continuing to negotiate with the City and had already identified certain amounts that may be reduced or removed, including fees related to prior habitat mitigation, but explained that some fees may remain applicable because the project increases building area and asset value, and the existing District facilities will remain in place. Board members requested additional information, including a detailed breakdown of the fees and comparable charges for recent City projects, and expressed interest in exploring reductions, payment options, grants, or other methods to limit the impact on ratepayers. The Board indicated general support for moving forward with the construction-related items while continuing to review and negotiate the development impact fee issue.

M-2 SANITARY SEWER PROJECT SCHEDULE

The Board received an update regarding the AD 15 Area M2 Sanitary Sewer and Water Line Replacement Project. Staff reported that the District awarded the construction contract to Weka, Inc. at the March 2026 Board meeting in an amount not to exceed $21.7 million and subsequently issued a limited notice to proceed for administrative work, including submittals, requests for information, and required permits. Staff explained that approximately $10.6 million in grant funding is currently available, while the District has requested additional State funding to complete the full project scope. State staff has recommended using the remaining Proposition 1 funds to fully augment the project; however, a final decision has not yet been issued. In the interim, staff has coordinated with the contractor to reduce the initial scope so work can proceed within the available grant amount, with construction anticipated to begin in August.

Staff further presented a public outreach plan for the project, including a dedicated webpage, social media updates, newsletter articles, mailers, coordination with the school district, and a targeted neighborhood meeting scheduled for July 23 to be conducted in English and Spanish with remote participation and recording available. Staff noted that outreach will include postcards, door hangers, certified letters, follow-up calls, and individual coordination with property owners, tenants, and affected residents, particularly because right-of-entry and notice-to-connect forms will be required for septic abatement and sewer connection work. Staff emphasized that communications will highlight the grant-funded nature of the project and the District's commitment to groundwater protection as the primary purpose of the work.

Board discussion included questions regarding outreach to property owners and tenants, the amount of notice provided for the July 23 meeting, whether Board members may attend the neighborhood meeting, potential impacts to Bubbling Wells Elementary School, and whether delaying school-related work until the following summer could affect project costs. Staff clarified that the existing $10.6 million grant funding remains dedicated to the M2 project, that the District is seeking additional State funding to complete the full scope, and that the school-related schedule will be coordinated with the school district and contractor within the contract duration and available contingency. Directors expressed support for the project's benefit to the affected neighborhood, particularly because grant funding would allow residents to connect to sewer service and abate septic systems without direct out-of-pocket costs, and encouraged additional educational outreach to students and families regarding the project's groundwater protection benefits.

CSDA SOUTHERN REGION ELECTION

General Manager Macy reported that a vacancy was open for the CSDA Southern Network seat on the CSDA Board of Directors. He stated that, at the time the item was placed on the agenda, the District had received one candidate statement from Jason Daffhorn of Valley Sanitary District, and that an additional candidate statement from Nikki Winslow had since been received and would be provided to the Board. He noted that voting would remain open until July 24 and advised that he would return at the July 20 Board meeting to request the Board's recommendation and direction regarding how to cast the District's vote, as additional candidate statements may be received before the voting deadline.

COMMENTS

GENERAL MANAGER'S COMMENTS

General Manager Macy noted that the Board had previously discussed the possibility of going dark in August and provided a reminder regarding upcoming meetings and hearings. A pretreatment hearing related to a disputed fine is scheduled for July 14 at 9:00 a.m., with additional similar hearings anticipated in the future. He also noted that a study session was scheduled for July 16 and a Board meeting for July 20. The July Board meeting was expected to be lengthy due to the inclusion of the Improvement Corporation meeting and several service contracts, including janitorial and landscaping contracts, that were deferred from June to July.

DIRECTOR COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

1. General Comments
2. Requests for Future Agenda Items
3. Requests for Future Meetings

President Duff requested that the Affiliation List be added to the next agenda for Board discussion. She also mentioned that she would be attending the upcoming BIA networking event.

Director Martin's comments turned into a Board Discussion. He raised concerns that the "project," aka the New Administration Building, had previously been understood by some to be funded through grants rather than rate increases or ratepayer funds. Staff and Board members discussed the distinction between grant funding received or pursued for other projects, including the reclamation facility, conveyance line, and M2 project, and the proposed financing for the administrative and operations facilities. It was clarified that grant opportunities are continually pursued when available, but that the current project is anticipated to be financed through bond funding, with repayment over approximately 30 years, and that debt service for the project had been contemplated in the District's prior rate study and financial plan.

The Board also discussed the need to use a consistent project name to avoid confusion with other District facilities and projects, including the Nancy Wright Water Reclamation Facility and prior references to a "Critical Services Center." Board members and staff considered several naming options and agreed to refer to the project as the "MSWD Main Campus" moving forward. Staff noted that prior naming conventions had been used in part to emphasize the critical-service components of the project, but agreed that the simplified name would help distinguish the project from other District facilities and improve clarity in future discussions.

ADJOURN

With no further business, President Duff adjourned the meeting at 10:29 AM.

Respectfully submitted,

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Dori Petee
Executive Assistant