



BOARD OF DIRECTORS REGULAR MEETING STUDY SESSION MINUTES

Thursday, January 16, 2025 at 3:00 PM

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

CALL TO ORDER

President Sewell called the meeting to order at 3:00 PM

ROLL CALL

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

STAFF MEMBERS PRESENT: Brian Macy, Marion Champion, Danny Friend, Eric Weck, Kurt Kettenacker, Amanda Lucas, Dori Petee, Will Whitten, Oriana Hoffert, David Baraza, Arthur Cabrera, Claudia Lopez, Cynthia Acosta, April Scott

RULES OF PROCEDURE

Rules of Procedure were read by General Counsel John Pinkney.

All noticed meetings are conducted using Rosenberg's Rules of Order as a procedural guideline. Directors should refrain from responding directly to public comments at meetings of the Board. The Board President will refer matters raised during public comment to the General Manager for follow-up when appropriate. Occasionally, a prompt response may be offered when an obvious answer resolution is available provided this is done in compliance with the Brown Act. Directors should refrain from debating or making decisions in response to public comments. The President of the Board presides at all meetings and decides all points of order and procedure during meetings. The President is responsible for maintenance and decorum at all Board meetings. No person shall be allowed to speak who has not first been recognized by the President. All questions and remarks should be addressed to the President as the presiding officer. No member of the Board should speak more than once about any one subject until every other member on the Board wishing to speak on the subject shall have been given the opportunity to speak. No Board member shall interfere with the orderly progress of a Board meeting. In order to ensure the orderly progress of Board meetings the Board President regulates the amount of time to be dedicated to a particular agenda item."

PUBLIC INPUT

No public input

EMPLOYEE RECOGNITION

HUMAN RESOURCES REPORT

This item will be fully recognized on Tuesday, January 21, 2025

President Sewell announced an order change in the agenda. The Board will proceed with the next two items and then proceed into a closed session.

ACTION ITEMS

RESOLUTION 2025-01 ~ MSWD REGIONAL WATER RECLAMATION FACILITY – INSTALLMENT PURCHASE AGREEMENT EXTENSION (ACTION WILL BE TAKEN AT STUDY SESSION)

The Board adopted Resolution No. 2025-01, extending the Installment Purchase Agreement related to the MSWD Regional Water Reclamation Facility (Reclamation Facility) for one year through January 2026.

General Manager Brian Macy presented a resolution to extend the installment purchase agreement with Wells Fargo for one year. Initially approved in 2023 for \$15 million, the agreement was intended to support cash flow during the Nancy Wright facility project. Due to construction delays and slow state reimbursements, the extension is necessary to prevent liquidating investments at a loss. The current interest rate is 4.5%, with the final rate to be determined next Tuesday. Although the district has received \$40 million from the state, cash flow and reserves remain tight, making this financial safeguard essential.

The Board was encouraged to take action on this matter today rather than at the Board Meeting on Tuesday.

Motion made by Director Duff, Seconded by Director Martin.

Voting Yea: President Sewell, Vice President Griffit

h, Director Martin, Director Duff

Voting Nay: Director Mayrhofen

FEDERAL ADVOCACY SERVICES – CARPI & CLAY, INC.

It is recommended to authorize the Interim General Manager to execute an Agreement for Services with Carpi & Clay Government Relations in the amount of \$5000/month for the term February 1, 2025, to January 31, 2026.

Assistant General Manager Marion Champion presented. Laura Morgan Kessler from Carpi & Clay provided an update on federal advocacy efforts and funding secured for the district. With over 20 years of experience advocating for public agencies, Laura has served as the district's Washington representative for six years, securing significant federal funding for groundwater quality protection and infrastructure projects. Recent funding achievements include \$2.7 million for the septic-to-sewer conversion project through the Army Corps of Engineers, marking the most significant single-year award for the project. Additionally, the district supported key legislative efforts, including the Water Conservation Tax Parity Act and the Low-Income Household Water Assistance Program Establishment Act. Laura also discussed the impact of the November elections, noting a shift in political power with Republicans gaining control of the House, Senate, and White House. She provided insights into the tight margins in Congress, committee assignments, and upcoming federal appointments under the new administration. Board members expressed appreciation for Laura's advocacy efforts, noting the importance of securing funding for district projects. They commended the transparency and clarity in financial reporting and acknowledged the challenges ahead in navigating the political landscape.

CLOSED SESSION**PUBLIC EMPLOYEE PERFORMANCE REVIEW**

Pursuant to Govt Code 54957

Title: General Manager

REPORT ON ACTION TAKEN DURING CLOSED SESSION

The Board met in closed session on the item listed above. There was no reportable action taken.

ACTION ITEMS cont.**RESOLUTIONS 2025-02, 2025-03 AND 2025-04 ~ REVISED FY 2024/25 OPERATING AND CAPITAL BUDGET, APPROPRIATIONS LIMIT, AND CLASSIFICATION AND COMPENSATION PLAN**

It is recommended that Resolutions 2025-02, 2025-03, and 2025-04 be adopted related to the fiscal year ending June 30, 2025, and revised Operating and Capital Budget, Appropriations Limit, and Classification Plan.

The board reviewed and adopted Resolutions 2025-02, 2025-03, and 2025-04 related to the fiscal year ending June 30, 2025, which included updates to the revised operating and capital budget, appropriations limit, and classification plan. The General Manager presented the budget overview in the absence of the Finance Director, noting no changes to revenue projections but an overall expense increase of \$9.4 million. Key areas of increase included operating expenses, the addition of a full-time administrative assistant, wastewater cost increases, consulting services, and capital improvements such as Well Rehabilitation, sewer and water construction, and monitoring well enhancements. Some capital expenditures, including cybersecurity upgrades, are expected to be covered by grant funding. The board discussed potential adjustments to budget allocations, including a paving estimate and the need for more consistent naming of projects, particularly the Critical Service Center. The General Manager confirmed ongoing efforts to secure additional grant funding and potential financial resources for large-scale projects. Board members expressed appreciation for staff efforts and sought clarification on specific budget line items, with commitments to follow up on outstanding questions by the next meeting.

APPOINTMENTS TO BOARD STANDING COMMITTEES

President Sewell may appoint members to the District's standing committees.

President Sewell encouraged discussion of this and the next item (Affiliation Listing). He announced his desire to keep the standing committees the same.

AFFILIATION LISTING

It is recommended that the current Board Affiliation Listing be reviewed, updated, and approved if necessary.

President Sewell mentioned he only received feedback from two other Board members on this list. An amended list was distributed to the Board based on the feedback received. Changes are minor, and he encouraged review for discussion and action to be taken on Tuesday.

ACCEPTANCE OF BILL OF SALE FOR SKYBORNE VILLAGE III PHASE II WATER AND SEWER INFRASTRUCTURE

It is recommended that the General Manager be approved to execute the Bill of Sale for the Water and Sewer Infrastructure for the Skyborne Village III, Tract No. 32030-3 Phase II project located on East Parkwalk Lane, Mooncrest Drive, Highwing Street, Inspiration Drive, Skyvista Drive, Starloft Circle, North Star Lane, and Rainbow Lane, west of Karen Avenue, north of Promenade Drive, in the City of Desert Hot Springs, as contributed assets.

Eric Weck, Engineering Manager, presented to the Board. The board reviewed the acceptance of a bill of sale for the Skyborne Village 3 Phase 2 development, incorporating water and sewer infrastructure into the district's system. Developers are required to construct these improvements to meet district standards, and in this case, the infrastructure has been inspected and confirmed to comply. MW Consulting, a subcontractor, conducted the inspection and performed an on-site physical evaluation to ensure all necessary access points and structures met district requirements. Board members inquired about the thoroughness of the inspections, with confirmation that they were conducted in person rather than based solely on plan reviews.

CONTRACT AMENDMENT NO. 1 WITH TOM DODSON & ASSOCIATES FOR ON-CALL ENVIRONMENTAL CONSULTING FOR THE MISSION SPRINGS WATER DISTRICT SOLAR PROJECT

It is recommended to authorize the General Manager to approve Contract Amendment No. 1 with Tom Dodson and Associates in the amount of \$54,000 for the preparation of necessary CEQA studies, biological surveys, and modeling for the Solar Improvement Project, with a 10% contingency in the amount of \$5,400 for a not to exceed contract total amount of \$134,400.

Eric Weck, Engineering Manager, presented to the Board. The board discussed a contract amendment with Tom Dodson and Associates, an on-call consultant specializing in environmental compliance. The district seeks to utilize their services for environmental compliance related to an upcoming solar improvement project across seven district sites. Tasks include preparing categorical exemptions, biological surveys, cultural resource reporting, air quality analysis, and securing a notice of determination to proceed with construction. The amendment proposes an additional \$59,400, including a 10% contingency, to be completed by late fall 2025. Concerns were raised about the classification of the amendment versus a new contract, with board members questioning why this work was not separately contracted. Staff explained that maintaining the amendment structure aligns with procurement processes and retains existing contract terms and conditions. Board members requested clearer tracking of remaining contract funds for transparency. Staff agreed to include cost-tracking details in future documents while maintaining efficiency in reporting.

BOARD ACCEPTANCE OF A CONTRACT CHANGE ORDER WITH JF SHEA FOR THE CONSTRUCTION OF THE NANCY WRIGHT REGIONAL WASTEWATER RECLAMATION FACILITY

It is recommended to authorize the General Manager to execute a contract change order with J.F. Shea Construction, Inc. for additional costs due to unforeseen tasks and field issues during construction of the Nancy Wright Regional Water Reclamation Facility in the amount of \$1,698,569.00 and augment the Capital Project Budget \$2,000,000.

Eric Weck, Engineering Manager, presented the change order to the Board. The contract change order with JF Shea, the prime contractor for the Nancy Wright Regional Wastewater Reclamation Facility, was originally awarded in 2021 for \$4.986 million. Construction began in 2022 and is now substantially complete. However, several factors, including design revisions, field issues, burrowing owl nesting restrictions, power connection delays, and weather impacts, led to project delays and cost increases. After negotiations with the contractor, the total change order cost was reduced to \$1.69 million.

Board members raised concerns regarding contractor markup fees, totaling approximately \$344,000, and whether these costs were eligible for state grant reimbursement. Staff confirmed that the negotiated costs were within the approved grant amount, but additional documentation will be provided to reconcile changes. Specific issues discussed included discrepancies in weather-related work stoppages, the impact of burrowing owl protections, and security system costs.

Board members requested further details on environmental compliance reports, security expenses, and the reconciliation of negotiated versus initial markup costs. Staff agreed to provide additional documentation and ensure future contracts limit unnecessary cost markups, particularly for state and federally reimbursed projects. The board acknowledged staff efforts in negotiating cost reductions and improving transparency in financial reporting.

BOARD ACCEPTANCE OF A CONTRACT AMENDMENT WITH TKE ENGINEERING FOR THE REGIONAL WATER RECLAMATION PROGRAM

It is recommended to authorize the General Manager to execute a contract amendment with TKE Engineering, Inc. for additional costs due to unforeseen tasks and field issues during construction of the Regional Water Reclamation Program in the amount of \$1,229,576.91.

Eric Weck, Engineering Manager, reviewed with the Board a contract amendment with TKE Engineering for construction management and inspection services for the Nancy Wright Regional Wastewater Reclamation Facility. Initially awarded in 2021, the contract was negotiated down from \$7.12 million to \$3.67 million, with an understanding that future budget adjustments might be necessary. The proposed amendment increases the contract amount to \$4.9 million, leaving \$475,000 in reimbursable state grant funds.

Additional costs arose due to unforeseen issues, including burrowing owl monitoring, site surveys, and mitigation plans required by the Department of Fish and Wildlife. TKE also provided oversight for three monitoring wells mandated by the Department of Water Resources, which were not part of the original project scope. The board was provided with detailed documentation and invoices outlining these costs.

Board members sought clarification on specific line items, including staff hours, subcontractor expenses, and project tracking. Concerns were raised about expense reporting, markup costs, and consistency in documentation. Staff confirmed that negotiations had taken place to manage costs, and TKE addressed questions regarding billing and subcontractor oversight. The board acknowledged the necessity of the contract amendment while emphasizing the importance of cost transparency and budget accountability.

DISCUSSION ITEMS

CRITICAL SERVICES CENTER AND ADMINISTRATIVE BUILDING UPDATE

GROUNDWATER PROTECTION PROGRAM UPDATE

CONSENT AGENDA

Consent agenda items are expected to be routine and non-controversial, to be acted upon by the Board at one time, without discussion. If a member would like an item to be handled separately, it will be removed from the Consent Agenda for separate action.

Director Duff presented questions on the Register of Demands, anticipating an answer at Tuesday's Board meeting.

APPROVAL OF MINUTES

It is recommended to approve the minutes as follows:

December 9, 2024 - Special Meeting Study Session

December 16, 2024 - Board Meeting

REGISTER OF DEMANDS

The register of demands totaling \$2,320,183.58

REPORTS

DIRECTOR'S REPORTS

GENERAL MANAGER'S REPORT

Included in this report are the following oral reports:

- A. Finance Report
- B. Public Affairs Report

COMMENTS

DISTRICT COUNSEL COMMENTS

General Counsel announced that a couple of times a year, when our meeting occurs on Tuesdays instead of Mondays, it poses a conflict with other meetings for counsel. For those times, his offices will send someone else to attend our meetings.

DIRECTOR COMMENTS AND REQUESTS

- A. General Comments
- B. Requests for Future Agenda Items
- C. Requests for Future Meetings

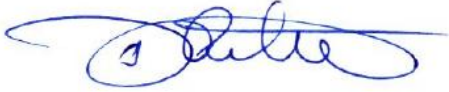
Director Mayrhofen mentioned a workshop he was anticipating regarding water theft. Director Duff announced that ACWA is working on legislation on this matter that the District is supporting. Director

Mayrhofen thanked her for the update but noted he would like to see us move forward with our workshop.

ADJOURN

With no further business, President Sewell adjourned the meeting at 5:50 P.M.

Respectfully submitted,



Dori Petee
Executive Assistant