



BOARD OF DIRECTORS REGULAR MEETING STUDY SESSION MINUTES

Thursday, January 15, 2026 at 3:00 PM

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

CALL TO ORDER

President Duff called the meeting to order at 3:00 PM.

ROLL CALL

BOARD MEMBERS PRESENT: President Amber Duff, Vice President Robert Griffith, Director Russ Martin, Director Ted Mayrhofen, Director Ivan Sewell**arrived at 3:24 PM

STAFF MEMBERS PRESENT: Brian Macy, Marion Champion, Kurt Kettenacker, Danny Friend, Amanda Lucas, Oriana Hoffert, Eric Weck, Daniel Virgen, Selene Rodriguez, Will Whitten, Yuri Chavez, April Scott, Dori Petee

RULES OF PROCEDURE

Rules of Procedure were read by General Counsel.

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

The Board acknowledged the following employees:

NEW HIRES

Matthew Zamora Field Operations Technician I

ANNIVERSARIES

Rene Ruvalcaba	Field Service Representative I	1 Year
Fernando Ruelas	Collections System Operator I	3 Years

Lorenzo Soto Field Operations Technician II 8 Years

CERTIFICATIONS/EDUCATIONAL ACCOMPLISHMENTS

Adrian Gaona Water Distribution Grade 2 Certificate

ACTION ITEMS**FEDERAL ADVOCACY SERVICES – CARPI & CLAY, INC.**

It is recommended to authorize the General Manager to execute an Agreement for Services with Carpi & Clay Government Relations in the amount of \$5000/month for the term February 1, 2026, to January 31, 2027.

Assistant General Manager, Marion Champion, introduced this item and noted that Laura Morgan-Kessler would be present at the Tuesday meeting to present to the Board.

RESOLUTIONS 2026-01 ~ REVISED FY 2025/26 OPERATING AND CAPITAL BUDGET

It is recommended that Resolution 2026-01 be adopted related to the fiscal year ending June 30, 2026, and the revised Operating and Capital Budget.

The Board received a comprehensive mid-year budget presentation from Accounting Manager Skyler Alry, introduced by General Manager Brian Macy. The review incorporated six months of financial data to recommend adjustments needed to maintain safe, reliable water service while meeting long-term financial objectives. Operating revenues were deemed appropriate with no changes requested, while staff proposed a \$2.8 million total increase in expenses, including \$238,750 in operating costs and approximately \$2.6 million in capital project adjustments. Key operating increases included higher customer billing outsourcing costs, GIS/CMMS staff augmentation to support the CityWorks implementation, engineering contract labor for Army Corps of Engineers cost-shared projects, heavy-equipment certifications, ERP consulting related to the Tyler system go-live, and temporary payroll staffing to support cross-training and increased workload.

Capital project adjustments reflected cost-share increases for multiple sewer and engineering projects in collaboration with the Army Corps of Engineers, consolidation of chlorine enclosure projects, corrections to previously proposed block-wall project combinations, and a significant cost update to the Energy Conservation and Efficiency Plan. The latter included added project management, inspection, legal, environmental, and tribal monitoring costs, bringing the total project request to \$1.117 million, consistent with earlier expectations that approximately \$500,000–\$1 million in district costs would be required under the PPA approach. Additional increases addressed GIS needs, well rehabilitation projects, monitoring well construction, and \$225,000 for repairs to the Well 33 solar site, where insufficient past maintenance, vendor bankruptcy, and equipment failures necessitated comprehensive system restoration before securing a new long-term maintenance provider.

New project requests included resin replacement for Well 26A's uranium treatment system, rehabilitation of Well 26, Well 26A inspections and repairs, and odor-control media replacement at the

Nancy Wright facility, where the current media had become saturated and required replacement to remain in regulatory compliance. Summary budget tables showed revised totals consistent with the presentation, including operating expenses of \$27.8 million and a projected change in net position of \$19.3 million for FY 2026. The Board acknowledged the clarity of the presentation, the usefulness of corrections made after the workshop, and the value of prior citizen review committee work, which supported confidence in the revised mid-year adjustments.

ADMINISTRATIVE AND WATER MANAGEMENT SERVICES ~ MDN WATER MANAGEMENT SERVICES, INC.

It is recommended to authorize the General Manager to renew a contract agreement with MDN Water Management Services, Inc. for Administrative and Water Management Services for one year, starting February 1, 2026, and ending January 31, 2027 with a not-to-exceed cost of \$140,000.

Assistant General Manager Marion Champion presented the contract renewal with MDN Water Management Services, Inc. for administrative and water management services. Staff recommends authorizing the General Manager to renew the one-year agreement from February 1, 2026, through January 31, 2027, with a not-to-exceed cost of \$140,000. Ms. Champion highlighted MDN's continued support for administrative functions, water management, grant compliance, and reimbursement processes related to major projects, including the Nancy Wright, the conveyance line, and FEMA reimbursements following Hurricane Hilary. She noted MDN's contributions to the annual budget and AFCAR documents, ensuring GFOA transparency compliance, and explained that although a recent RFQ yielded two proposals, MDN was rated the top firm and is eligible for a one-year extension under procurement policy, with Board approval required due to contract amount. MDN representative Mike Nesser briefly addressed the Board, expressing appreciation for the strong working relationship with district staff and the mutual benefit of the partnership.

PUBLIC WATER SYSTEM CONSTRUCTION AGREEMENT AND WATER BONDING AGREEMENT FOR THE DESERT GROW DEVELOPMENT

It is recommended to approve the Public Water System Construction Agreement and the Water Bonding Agreement for the Desert Grow development project and authorize the General Manager to do all things necessary to complete and execute the agreements.

Engineering Manager Eric Weck explained that the project, located at 65128 Palomar Lane, is a proposed 1.2-acre cultivation facility with a 6,084-square-foot building, approved under CUP 22-- 12, and that the associated plans have already received District approval. He outlined that the project will be served by a new 12-inch ductile iron water pipeline connected to an existing line on Little Morongo Road, providing service solely to the development site. In response to Board questions, staff clarified that ductile iron is a standard, durable pipe material with an expected lifespan of 75–100 years, capable of handling pressures up to 250 PSI and widely used nationwide. Board discussion also addressed concerns about the lack of sewer infrastructure in the area. Staff noted that although a prior sewer study covers the region, sewer lines were never extended to reach this parcel; therefore, the District is working with the Regional Board on a basin amendment and considering requirements for

dry sewer installation in future developments. While this project is not yet prepared for dry sewer placement, staff are committed to improving planning efforts to ensure future developments are positioned for proper sewer connections.

FIRST AMENDMENT TO CONTRACT AGREEMENT WITH B-81 PAVING, INC. FOR PAVEMENT REPAIRS FOR WATER AND SEWER PROJECTS FOR 2025-2026

It is recommended to authorize the General Manager to amend the contract agreement with B-81 Paving, Inc., titled Pavement Repairs for Water and Sewer Projects for 2025-2026. The amendment will add \$180,000 to the contract amount, increasing the total from \$250,000 to a not-to-exceed amount of \$430,000, and authorize the General Manager to take all necessary actions to complete the project. Director of Operations Danny Friend reviewed the history of the multi-year paving contract and noted that last year the Board approved a similar increase due to workload demands and the need to stay current with required street restoration timelines. Additional funding this year will cover concrete slabs needed for chlorine building upgrades at three well sites and repairs to the administration building parking lot, including crack filling, slurry application, and restriping due to safety concerns and fading markings. Mr. Friend also noted that this is the final year of the current agreement and that staff are preparing a new RFP for a contract beginning July 1, with anticipated cost increases based on market conditions. He explained that while the contractor has held pricing, increased leaks and larger repair areas have contributed to delays, and the District is working to reduce its backlog and meet the agreed-upon 90-day restoration window. Board members asked about the number of overdue repairs, coordination with the City, and disparities in enforcement across utilities. Staff addressed these questions, noting ongoing communication with the City and efforts to maintain consistent service and responsiveness for residents.

SECOND AMENDMENT TO CONTRACT AGREEMENT WITH LEED ELECTRIC INC., FOR ON-CALL ELECTRICAL MAINTENANCE AND REPAIR SERVICES

It is recommended to authorize the General Manager to amend the contract agreement with Leed Electric Inc., titled On-Call Electrical Maintenance and Repair Services. The amendment will add \$155,000 to the contract amount, increasing the total from \$100,000 to a not-to-exceed amount of \$255,000, and authorize the General Manager to take all necessary actions to complete the project.

Director of Operations Danny Friend presented a request to amend the on-call electrical maintenance and repair services contract with Lead Electric, Inc., increasing the not-to-exceed amount from \$100,000 to \$255,000 to cover recent unplanned electrical failures and anticipated needs through the fiscal year. A major outage occurred at the Horton plant during the Christmas and New Year holidays, requiring an emergency response from Lead Electric, which sourced and installed refurbished breakers when the original parts were no longer in production. Subsequent outages required additional troubleshooting, the involvement of a specialty contractor, and coordination with other agencies to secure potential backup generators. Staff also refurbished the original breaker to have a reliable spare and implemented improvements to prevent condensation-related failures. The loss of another on-call contractor, McDonald Electric, further increased reliance on Lead Electric and contributed to the need for additional funding. Staff additionally discussed the aging electrical panel at the Red Bud Reservoir

site, which will be upgraded under the amended contract. Directors asked clarifying questions regarding generator use, backup requirements, and system vulnerabilities. Staff noted that the events highlighted areas for improvement, prompting the development of new SOPs for parallel generator operation and a review of future equipment needs. Directors expressed appreciation to staff, Lead Electric, and partner agencies for their responsiveness and teamwork during the emergencies.

CONTRACT AMENDMENT FOR PLATINUM STRATEGIES, INC. FOR ON-CALL ACCOUNTING SERVICES AND NEW ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM PROJECT MANAGEMENT

It is recommended to authorize the General Manager to execute an amendment for Platinum Strategies, Inc. in the amount of \$100,000 for a not-to-exceed total contract amount of \$200,000 to provide on-call accounting services and to provide project management services for the implementation of the Tyler ERP Pro system.

Accounting Manager Skyler Aubry explained that the additional funding is needed due to the increasing workload associated with the ERP project, which is progressing through multiple phases, including core financials (targeted for March go-live), HR/payroll, and utility billing (targeted for August). Initially, Platinum Strategies was engaged to address staffing shortages caused by the absence of a Finance Director, but their specialized ERP experience—particularly with Tyler implementations—led staff to expand their role. Board members asked clarifying questions regarding the purpose of the increase, why additional staff was not hired instead, and whether scope changes contributed to the need for additional funds. Staff confirmed the need arises from accelerated implementation timelines, expanded responsibilities, and the value of specialized expertise that would be difficult to source in a permanent hire.

APPOINTMENTS TO BOARD STANDING COMMITTEES

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

President Duff announced this would be handled on Tuesday, and asked each Board Member to contact her directly with their requests or concerns.

AFFILIATION LISTING

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

President Duff announced this would be handled on Tuesday, and asked each Board Member to contact her directly with their requests or concerns. President Duff inquired about the COLA for the Board and asked staff to begin that process.

DISCUSSION ITEMS

ADMINISTRATION BUILDING UPDATE

General Manager Macy updated the Board on the administrative building project and reported that, following a recent workshop on LEED certification, the architect has provided updates on ongoing city reviews, and the project remains on schedule. The team plans to open the project for bidding in February, with the goal of presenting results in April. Additionally, work is underway with financial advisors to ensure funding aligns with the project timeline, with completion of financial components

targeted for April and May. Overall, the report confirms that the project is progressing as planned and that the February bidding phase is officially scheduled.

GROUNDWATER PROTECTION PROGRAM UPDATE

General Manager Macy delivered an update on the Groundwater Protection Program. He reported that the Wright facility has now been operational for nearly a year. The team is finalizing work on the diversion chamber, with only a few remaining long-lead components—specifically stainless steel bolts—still outstanding.

The final phase of the project, the M2 septic-to-sewer conversion, is currently out to bid. Staff is coordinating with Riverside County to ensure all encroachment requirements are correct for the contractor permitting process. As a result of this coordination, the bid date was extended to January 28. Results of the bidding process are expected to be presented at the next board meeting.

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.

APPROVAL OF MINUTES

It is recommended to approve the minutes as follows:

1. December 11, 2025 ~ Study Session Minutes
2. December 15, 2025 ~ Board Meeting Minutes

REGISTER OF DEMANDS

The register of demands totaling \$2,142,481.08

ACCEPTANCE OF BILL OF SALE FOR DHS FIRE STATION NO. 98 WATER INFRASTRUCTURE

It is recommended to authorize the General Manager to execute the Bill of Sale for the water infrastructure of the DHS Fire Station No. 98 project located at 69111 Hacienda Avenue, in the City of Desert Hot Springs, as contributed assets.

Eric Weck presented Consent Agenda Item 21, which concerns the execution of a bill of sale for the newly constructed fire station in the City of Desert Hot Springs. The city was required by the water district to build water service improvements to support the fire department, and these improvements have now been inspected and confirmed to meet district standards. Staff plans to recommend that the board accept these improvements and incorporate them into the district's water system.

QUITCLAIM DEED FOR EXISTING PUBLIC UTILITY EASEMENT ON APN 639-322-015

It is recommended to authorize the General Manager to take the necessary actions to record a permanent quitclaim of the portion of a utility easement not in use by Mission Springs Water District for residential construction on real property in the City of Desert Hot Springs, APN 639-322-015.

Engineering Manager Eric Weck noted the easement area—outlined in yellow (map)—covers approximately 480 square feet and is no longer needed by the District, as confirmed by engineering

and operations staff who found no current or future utility use for it. The parcel is currently vacant but is slated for two single-family homes. The homes will temporarily receive water service through an existing backyard easement line until future projects relocate water lines into the public right-of-way along Upland Way. The developer has provided a \$1,000 deposit to cover staff time and associated recording fees. During the board discussion, members expressed appreciation for the clarifications and voiced support for the staff, with the Engineering Committee chair affirming continued support for the project team.

REPORTS

DIRECTOR'S REPORTS

GENERAL MANAGER'S REPORT

Included in this report are the following oral reports:

1. Finance Report
2. Public Affairs Report

General Manager Macy announced that he and Assistant General Manager Champion attended two well-attended community meetings in Desert Edge and Sky Valley regarding the CVWD ID8 water system. CVWD General Manager Jim Barrett explained that the ID8 area operates separately from CVWD's main system, with four wells showing chromium-6 concentrations above state limits, requiring either \$25 million in treatment or approximately \$40 million to connect to the main system. The estimated customer impact was approximately \$85 per month. Although MSWD could potentially provide water, treatment at the existing wells would still be necessary. While limited state funds could help with system connection, many community members were confused about the possible service transfer, felt CVWD might be abandoning them, and expressed a desire to remain with CVWD, sometimes making negative remarks about MSWD. Attendees did not initially realize MSWD representatives were present, and MSWD did not speak to avoid conflicting with CVWD's messaging. A third meeting is scheduled for January 27, and board members expressed caution about proceeding.

COMMENTS

DIRECTOR COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

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

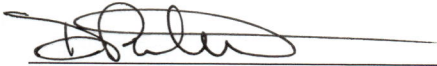
Director Sewell apologized for being late and noted he viewed the recording from the Workshop and after attending today's meeting, it's refreshing to have President Duff at the helm.

Director Martin announced he had his first meeting as Chairman of the Riverside County Oversight Board and that it went very well.

ADJOURN

With no further business, President Duff adjourned the meeting at 4:51 PM.

Respectfully Submitted,



Dori Petee
Executive Assistant