



# Annual Accomplishments 2014

66575 SECOND STREET  
DESERT HOT SPRINGS, CA  
92240



# Memo

**To:** Board of Directors  
**From:** Arden Wallum, General Manager  
**Date:** April 2014  
**Subject:** District Accomplishments – 2013 to present

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## Introduction

For the past half dozen years we have been waiting for signs of recovery. It does appear to be leveling off but we have not seen production or development trending upward. Maybe it will start to happen this year. The District, however, has improved its financial position as well as being successful with the initiative lawsuit. The cutbacks made, efficiencies implemented, and the overall organizational “new normal” showed great progress as the year went on, but MSWD has no time to rest. There is more change to come.

During its 60<sup>th</sup> year, the District spent serious time analyzing potential needs and planning for the continued strength of the District to serve its customers and to provide, protect, preserve the most valuable resource ... water. The Financial Master Plan was completed and presented to the Board, and many recommendations have been implemented. Additional recommendations are pending implementation based on policy changes or logistical considerations.

## Administration

### Meetings and District Business

From April 2013 through March 2014, during a total of more than 36 regular meetings, study sessions, workshops and public hearings, the Board of Directors heard and took action on more than 50 items, all requiring significant staff time for preparation, research, analysis and presentation. The Deputy Secretary of the Board created and posted agendas, prepared information and presentations for meetings, sent public notices to the local newspaper and generated staff reports.



Administrative staff provided support for numerous meetings and district projects. Policies were revised, travel was organized, issues were researched, background information was compiled, logistics were arranged, and reports were produced.

### Initiative

Welcome news is the District's victory in the MSWD vs. Verjil case, challenging the initiative brought forth over water and sewer rate increases. The California Court of Appeal sided with MSWD and the California Supreme Court declined to review the case. The win is final and no longer hangs over the heads of MSWD's ratepayers. The case was settled so the proponents would not continue litigation.

Noteworthy were some fascinating constitutional issues, primarily whether a group of local voters may rely on the constitutional right of initiative to essentially override a state statute mandating that water rates be set at a minimum level. The Jarvis organization argued to the Fourth District that initiatives could be used to involuntarily bankrupt a public agency. Based on the court's published decision, the answer is clearly that the initiative power has limitations and that when voters step into the shoes of a local agency's legislative body to pass an initiative, the voters are subject to the same laws and limitations as the legislative body. I must also add that we were published in the ACWA Journal.

### Desert Sun Water Symposium

The District has cultivated a knowledge-sharing relationship with Ian James of The Desert Sun. In his series of articles on the state of water in the Valley, he has been able to rely on MSWD for prompt response and good information. In addition, the General Manager was asked to participate on a panel at the Desert Sun Water Symposium on March 19. Noteworthy is the fact that we have maintained a very positive public image and presence amidst the weekly (almost daily at times) articles blasting CVWD and DWA.

### Technology and Efficiency Committee

A new committee formed in 2012 has met consistently to examine options for improving efficiency and use of technology. Results include data entry efficiencies, and new use of technology in the field eliminating duplication of effort. Ideas generated continue to be implemented and the group is now focused on improving the central filing system and making better use of electronic filing.



### Strategic Planning for 2014-2016

The Strategic Planning process for the District's next year or so is almost complete. The Workshop on February 4 provided productive interaction for Board and staff to recognize the priority tasks and to establish limits based on available resources. Staff has met twice again with plan facilitator Henry Garcia and the final draft is in progress and will be presented to the Board in May for consideration.

### Mission Creek/Garnet Hill Water Management Plan

After almost 5 years of discussions the Basin Management Plan for the Mission Creek and Garnet Hill Sub-basins was complete in January 2013. Staff along with TKE Engineering presented an overview of the plan contents at the August 20, 2013 Board workshop. During that meeting staff informed the Board that efforts would continue in order to finalize the three position papers reserving unresolved issues. At the January 2014 Board meeting the Plan, together with three position papers titled Return Flow Credit, Artificial Recharge Distribution and Replenishment Assessment Amendment, and Plan Implementation was adopted.

### Staff changes

Last year, six individuals participated in the early retirement program. It should also be noted that half of the management staff participated in this program and were not replaced. The Human Resources work was outsourced to a private contractor and the other two positions were not replaced. In these cases, their assistants do not work directly for the General Manager. In Engineering, the General Manager also has been the engineer for the District and the Project Manager reports directly to him and in Operations and Maintenance the lead staff person has been promoted to a Superintendent position and reports directly to the Manager. Hopefully we can continue to maintain this staffing arrangement until our financial position improves.

## **Operations and Maintenance**

### Construction & Maintenance Department

This past year staff continued to administer our service line replacement program effectively eliminating hundreds of old Poly service lines replacing them with copper.

Our valve maintenance program is an ongoing one and we successfully completed our necessary automatic valve maintenance for the year. We were able to exercise approx. 1,100 ground valves this past year.



C&M staff successfully repaired 677 service line leaks, 42 main line leaks, and 6 fire hydrant leaks in the past 12 months.

Staff has been locating and replacing broken main line valves as the valve maintenance programs continues.

C&M staff has completed the installation of 6 new Ultra Sonic Well meters and installed 2-6 inch Ultra Sonic meters for Customer service department.

### Wastewater Department

Once again our wastewater crew has managed to win the coveted Small Plant of the Year award for the operation and maintenance of the Horton plant.

Staff was able to identify potential savings through a new contract sludge hauler. The contract was approved in April and should save the District almost \$32,000 this year.

The belt filter press project is completed this year and working as planned.

This department along with the Production department is very heavily regulated requiring monthly and annual reporting. All required reports and operations met regulatory requirements for the past 12 months.

Channel Auger was ordered and installed which helps reduce the amount of unwanted materials, such as Rags, trash, etc. before entering the treatment process.

### Production Department

Wells 24 and 22 SCADA upgrades to sites in order to read well information thru Telemetry such as Volts, Amps, GPM, etc. these sites also received a new security camera system.

The High Northridge, Worsley, Cottonwood, Woodridge, and the suction reservoir at Well 34 have all been inspected, cleaned and spot repaired. Vista Reservoir had more intensive repairs made to it and will have to be totally recoated within the next 2 to 3 years.

Staff had a Seismic Valve installed at Mission Lakes Reservoir.

Staff has successfully operated all three of our uranium treatment facilities all year without any issues.

All monthly and annual reports to the California Department of Public Health (CDPH) were completed and sent to CDPH. We experienced NO violations this past year. The annual report to the Department of Water Resources (DWR) has been successfully completed and sent as well as our annual well production recordation.



### Fleet & Facilities Department

All of the District's fleet and equipment has been successfully maintained all year thanks to the introduction of oil changes being done at the local Jiffy Lube.

Staff along with C&M staff helped complete the cleaning and prep of the Admin building roof before repairs and coating was done to stop the water leaks that would occur during rainy days. Staff also helped in the remodel of the front lobby at the Admin building.

Staff continues to ensure that all minor repairs are taken care of on vehicles, small and large equipment immediately.

### Purchasing/Inventory Department

Once again our year-end inventory count was spot-on. The system for inventory check-out and re-stocking is working well for the District.

Purchasing and receiving has successfully responded to the District's needs in a timely manner supplying the District's requirements for materials.

## Public Information

### MSWD 2.0

The MSWD 2.0 plan was finalized in December of 2013 after numerous meetings with the Citizens Advisory Committee, staff and the Board. Among other things, the document was the catalyst to a new level of integration between MSWD and the community as it pertains to education about the intricate workings of the district. Additionally, the document provided numerous recommendations for increasing efficiency, setting goals and operational changes intended to save money. Overall, and in spite of the passing of the primary consultant during development of the plan, the exercise was profitable and valuable.

### DHS/CCAC Annual Holiday Parade

MSWD was again a major sponsor of the annual holiday parade. MSWD provided both financial and human resources that contributed to the success of the event. In fact, without MSWD's participation, the event would not have occurred. MSWD was awarded a plaque at the post event awards ceremony acknowledging its role.

### Desert Hot Springs Chamber Participation

For the 2013 membership year, MSWD was again recognized in the community by the chamber of Commerce as the Business of the Year. MSWD was stated to be active in multiple Chamber-related activities, including staff participation on the Board of Directors.



Further, MSWD sponsored one leadership breakfast and participated in a sponsorship of the annual “Apple awards” for local teachers.

### Conservation/Education

In 2013 MSWD reached dozens of students with its Living Wise program. Living Wise promotes water conservation and education about water waste in the home utilizing curriculum and retrofit fixtures for individual homes. In 2013, MSWD reached over 660 students and included a public relations program and awards ceremony for teachers at Painted Hills Middle school.

MSWD was recognized for participation in the “Principal for a Day” program through the PSUSD. Staff attended the Desert Hot Springs Alternative Education High School followed by a luncheon.

### IRWMP Round Two Funding

MSWD again scored high on its bid for further funding of sewers under the Ground Water Protection Program for the Coachella IRWMP grant proposal. For the second round of funding, MSWD was awarded an additional \$1.85 million out of a total of \$5.4 million available for the funding region. Further, it was proposed that MSWD receive additional funding from the round one grant that would not be utilized by the original awardee, Cathedral City. Of the \$1.3 available, MSWD was recommended for \$985K.

### Media

MSWD participated in numerous news stories in 2013 as well as developed and ran a new ad campaign through the Desert Star Weekly. Stories included water quality, supply, conservation, IRWM related and professional sourcing for numerous writers.

### IRWMP Update

In 2013, staff participated in finalizing the IRWMP Update. Funded under a round one proposition 84 grant, staff participated in dozens of meetings with the CVRWGMG and stakeholders, and read hundreds of pages of copy. Drafts of the plan were provided to senior staff for comment in October, 2013. A General Managers meeting was also held in October where the Administrative Draft was presented to the General Managers prior to the public review period. The public review period ran through the end of the year.

Over 250 comments were received and debated by CVRWGMG agency staff. The final screen check draft was provided to senior management of the respective agencies in January, 2014. The plan was formally adopted in March, 2014.



## **Human Resources**

### **HR Dynamics**

In September 2013, the District successfully moved to outsourcing most of its more complicated HR issues. This resulted in considerable savings and the consultant has proven to be a valuable asset. With the assistance of Rhonda Strout, two lengthy workers compensation cases have been moved forward and one is now completely settled, the other is out of the District's hands and entirely with the insurer, ACWA/JPIA. In addition, several forms have been updated, sensitive issues addressed and solved, and policy revisions are in progress. The massive task of updating the Employee Handbook is underway, and the draft version for Board adoption should be ready this summer. This was done with a considerable decrease in cost.

### **Community**

The District's Emergency Relief Fund for customers provided more than \$1,500 in assistance for customers having trouble paying their bills. Unfortunately, the funding in this account has dwindled and will soon run out; however potential policy changes to be considered soon may alleviate the impact of water bills.

### **Employees**

The District hired one new employee in an administrative position: Brianna Razo-Lozano, who has been providing administrative support for Jeff Nutter. In addition, Chris Mohler was promoted to Construction and Maintenance Worker 2, and Theresa Murphy was promoted to Administrative Services 2. Two employees left District employment this year.

In December 2012, three of the five management positions reporting directly to the GM were eliminated. The Director of Operations and Maintenance, Human Resources Officer, and the Project Manager along with three support positions elected to take the early retirement offer which saved the District money.

### **Risk Management**

JPIA presented the District with a check in the amount of \$101,776 for continuing efforts of effective and sound management of liability losses.

## **Finance**

### **SWRCB/SRF project completed and reporting continues**

These funds were used to complete another area of Assessment District #12 (Areas F & M). This financing agreement is for a total of \$9,957,921. This includes a \$5 million



principal forgiveness portion (effectively a grant) and a loan for the remaining amount. Debt service on this loan will begin one year after construction of the project is complete. The final request is being processed and all funds are anticipated to be received by June 30, 2014 to reimburse MSWD for construction costs.

#### PayNearMe project complete

Customers now have the ability to pay their bills at any 7Eleven convenience store. This service became available to customers in January 2014. Customers made payment via this service 8 times per month in January and February, and have made 23 so far in March, 2014. This service does not cost MSWD anything as a service fee is paid by the customer at the point of payment.

#### Cross-training throughout the finance department continues

As personnel resources have shrunk in the past couple of years it has become ever more important to continue to cross train. This continues to be very helpful in high traffic times, when an employee is unexpectedly absent as well as any future transitions. Also finance has taken on some HR related duties to help in the transition to using a HR consultant on a regular basis.

#### Financial Master Plan

The Financial Master Plan project is complete. Implementation of the plan is being integrated into the strategic planning process and will be ongoing. This will be a major draw of resources from the Finance department but will benefit the District (staff as well as Board) to improve efficiency and financial well-being of the District in years to come.

#### Messaging on bills now easier for District staff

Programming changes recently implemented allow district staff to change the messages included on customer bills via a Windows (What You See is What You Get – WYSIWYG) interface rather than a much more complicated process that has been used in the past. This improves efficiency and allows staff to keep messaging more current.

#### Delinquent closing bills now processed by Infosend

Until recently these bills were still processed in-house on a printer that was outdated. Though the volume of these bills was somewhat small, and it was the intention of staff to use up all of the card stock we had, the processing of these bills has now been taken over by our mailing house. This makes processing simpler and the District no longer needs to maintain outdated, expensive equipment.



### Internal analyses of current systems and procedures

Finance staff continually analyzes our current systems and procedures for possible improvement in efficiency, cost savings and consistent customer service. In conjunction with the implementation of the financial master plan, the customer service department and processes are being closely analyzed. This involves dissecting procedures and practices in all aspects of the service and billing cycles from the reading of meters to depositing customer payments in to District accounts and the related rules, regulations and policies.

### Additional financing and grant sources

The District is continually looking into possible leads toward additional grant funds or financing sources that may be available for funding District capital projects. There are a few sizeable grants and loans on the horizon and contacts are maintained at several sources to be able to react to the District's needs as they arise. These involve entities such as cities, counties, Federal, State and local development agencies, banks, financial consultants, attorneys and engineers. Also, during 2013 the Finance Director and other district staff attended a funding fair which brings together many different grant and low interest loan financing sources and allows staff to keep contact with these entities as well as stay up-to-date with their application processes and requirements.

### Improvements to District accounting system and database

Improved capabilities such as reporting and user interfaces are being implemented currently and will be rolled out over the next few months. The current system performs very well and dependably, but modern interfaces will make the system more user friendly and increase the ease of access. Reporting capabilities are also being improved that will give management more information faster.

### Financial Assistance Program

With recent sewer system construction and many new connections, the District continues to help its customers to abate septic systems with the help of low interest loans. During 2013 there were 11 new loans made from the Financial Assistance Fund.

### New financing for infrastructure

During 2013 two new financings were completed. One, for \$1.1 million, that financed the assessment portion of Area D-1 of Assessment District #12, and one for \$348,000 that financed the purchase of approximately 80 acres for future District infrastructure.

These loan processes draw sizeable time resources from the Finance department and were completed seamlessly.



### I-10 & Indian / Regional Treatment Plant

Sizeable resources from the finance department have been utilized in 2013 to assess the feasibility of a regional treatment plan as well as a possible financing district in the I-10 & Indian area. As many parties are involved and many issues need to be assessed, it has been a lengthy process but we have made major progress. Various financing sources, public-private partnerships, assessment districts, grants, community facilities districts and other possible tools have all been discussed and research continues.

### Ultrasonic production meters

During 2013 the replacement of all of the Districts production meters (old style mechanical meters) with ultrasonic meters began. These new meters use sound waves to measure flow and contain no moving parts. This not only reduces maintenance costs, but gives much more accurate information to staff.

### Additional meter reading equipment

In an effort to speed up the billing process, another meter reading system was purchased and is now being used. This system is comprised of a laptop, receiver and antenna. This not only allows staff to read the entire billing cycle in one day (previously two days), but allows two service staff to be able to perform data logs and other customer service related duties rather than one.

### Assessment District #12 exceptions

During 2013 there were 60 properties that required their assessment amounts to be amended due to issues discovered by MSWD staff during the assessment process for areas F, M and D-1. This required public meetings, a public hearing and many staff hours. These amendments were unanimously accepted by the 60 customers and all assessments for these areas are now accurate.

### Register change out program

During the latter part of 2013 it was discovered by District staff that there was a rending problem with the radio read registers used in the district. After research at the District involving the manufacturer of these registers it was determined that there was a manufacturing issue with the lots that were installed several years ago. Staff then negotiated with the manufacturer to replace all registers district wide with new, digital registers. This program is slated to begin the 1<sup>st</sup> of April and will take several months. This is at no cost to the District and will even include labor provided by the manufacturer to change out the registers.



Operational highlights

During 2013 the finance department processed the following (approximate):

153,000	Customer bills	328	Liens
9,784	Work orders	220	Lien releases
4,528	Purchase requisitions	22,000	customer walk-ins
25,000	incoming telephone calls	3,000	Radio contacts
1,700	outgoing phone calls		

These are some of the highlights of what goes on in the finance department but this list is nowhere near all-inclusive of the tasks that are completed each year.

**Engineering**

Notice to Connect “Make the Connection” Program

With the completion of Sub-Area F, M-1 and D-1 staff have their plates full working on the next round of Notice to Connect letters. The Notice to Connect letter will be sent on April 23, 2014 to 1,068 improved parcels within the three sub-areas, giving property owners until July 22, 2014 to have their septic systems abated and their properties connected. Property owners taking advantage of the 60-day extension will have until September 20, 2014 to meet this requirement. This is just one part of the process... staff will be spending hours of time making phone calls and reaching out to encourage the public to connect and take advantage of the Financial Assistance Program.

Grants – In process:

The following seem likely and very promising of proceeding to construction:

- CVIRWMP DWR/Prop 84 Round 1 Funding – The District was notified that \$1.384 million in funds approved for the City of Cathedral City’s GWPP sewer project was available as they were not able to construct their project. After going through a rigorous process, the IRWM group agreed to distribute the available funds with \$984K going to MSWD and \$400K going to CVWD. Staff has worked on several possible construction scenarios involving Sub-Area J and has determined a project bringing sewer to approximately 170 parcels in the south half of Sub-Area J was the best fit for the available funds. A project description, budget, schedule and map have been submitted to DWR for the required amendment. DWR is aware of the AD-12 sunset on July 20, 2014 and has agreed to expedite the amendment process.



### Grants – Awarded:

- CVIRWMP DWR/Prop 84 Round 2 Funding – The District received confirmation from DWR that our IRWM group has been recommended for funding for all projects submitted. We will receive \$1.85 million in grant funds for the construction of AD-12 Area D-2 sewers. Staff is currently working on the required deliverables requested from DWR in order to complete the agreement. The agreement is expected to be executed in late May 2014.

### AQMD Solar Project

The District received \$3.3 million in grant funding (AQMD CPV Sentinel Energy Project (AB1318 Mitigation Fees) for a solar project. Staff is working with consultant, TKE, in the planning of our solar project. A draft RFP is expected to be available late April 2014 for review. We are also allowing the monitoring station at our Well 37 site.

### Completion of the Rehabilitation of Terrace #3 Reservoir

The District contracted with Olympus and Associates to rehabilitate the interior surfaces of the reservoir floor and up to two feet of the wall. During the dewatering process and dehumidifying the reservoir, coating began delaminating from the rafters and portions of the wall. With failures now noted in the floor, wall and rafters, staff issued change orders to recoat the entire reservoir interior and perform weld repairs to areas of the floor. This rehabilitation work will extend the useful life of this reservoir for another 20 years. The project was completed in April 2014 at a project cost of \$299,000.

### Completion of the AD-12 Area F and M-1 Sewer Construction Project

The District contracted with Matich Corporation to install approximately 10 miles of sewer pipe bringing sewer to 1,421 parcels. The contractor did a fantastic job and the project was successfully completed in November 2013 well ahead of the September 2014 deadline. Although construction is 100% complete work on the project is still ongoing in order to meet the 50% connection requirement outlined in the SRF agreement. Staff sent out the Notice to Connect letters to all improved parcels in late April 2014. The Engineering Department has been responding to an average of 75 telephone calls or other inquiries per week as this project progressed, and the NTC letters were mailed.

### Completion of the AD-12 Area D-1 Sewer Construction Project

The District also contracted with Matich Corporation on this project to install approximately 1.7 miles of sewer pipe making sewer available to 236 parcels. This project was completed in March 2014 ahead of schedule and without incurring any construction change order costs. This project started off with a deduct change order eliminating the requirement to



repave the streets with six inches of Class 2 road base allowing for the construction of the entire area. With construction complete the next step is to issue the Notice to Connect letters. Staff is coordinating this work and the Notice will go out late April 2014.

#### AD-12 Area J-1(south) Sewer Construction Project

Staff is working on repackaging of specifications and plans for a portion of Area J in anticipation of being awarded \$984,000 of Round 1 CVIRWMP DWR/Prop 84 Funding that was originally to be used by Cathedral City. Staff has coordinated the budgets for this project to take full advantage of the available funds. This project is expected to be bid in June 2014 as part of AD-12 prior to the assessment sunset date.

#### AD-12 Area D-2 Sewer Construction Project

Staff is working on repackaging of specifications and plans for Area D-2 to take full advantage of the available funds being awarded in Round 2 CVIRWMP DWR/Prop 84 Funding of \$1.85 million. AD-12 Area D-2 sewer project is also expected to be bid in June 2014 as part of AD-12 prior to the assessment sunset date. Area D-2 is bounded by 8th St. to the south, Mission Lakes Blvd. to the north, Cactus Dr. on the west and Verbena Dr. to the east.

#### Pending and Approved Development Projects

Staff has been very busy handling inquiries for many development projects during the year. This gives us hope of a new beginning for growth within the District. The following projects have been constructed during this past year:

- Borrego Solar System on Dillon Road.
- Fire protection system for the new kitchen at the Ranch Recovery Center
- DHS Borrego Community Health Facility on Pierson Blvd.
- Lloyd's Pest Control on Newhall Ave.
- YK Spa Resort on Hacienda Dr.
- Sunset Springs CVHC (start of 32 homes)
- Christ Lutheran Church on Pierson Blvd.

Staff has also met with ten commercial developers over the past year and is reviewing their projects. Two are in the final stages of their feasibility study, four are in the early stages, and four are already in plan check with a good chance they will be constructed during the coming year.



## Summary

The 60<sup>th</sup> anniversary year for the District was one of catch up and calm down. As staff continues to adjust to the leaner organizational structure and do more with less, the challenge remains to provide a level of service the customers expect and the Board prefers.

We have become more efficient. We have cut costs to the bone. There has been no rate increase in four years, while costs such as electric, insurance and normal business expenses have continued to rise. There is no longer time to look back at what we've done; we must look ahead and prepare for the future so we are not again caught in a "catch up" situation. We must look again at pricing to ensure we are structurally sound. This means that rate increases and fee structure changes are on the horizon. The District can no longer provide Nordstrom service on a Wal-Mart budget. As the Targets and Priorities for the Strategic Plan were developed, staff made it clear to the Board that changes must still occur in the way the District does business, and any activities that may look like good ideas must be pared back to the bare minimum, as staff is still stretched too thin. This will not only take form in how staff finds ways to be more efficient but will also require necessary policy changes by the Board as well.

As potential changes in the mission statement were pondered, the simple statement was recognized to encompass many concepts and ideals that the District still stands on. The focus must be entirely on the mission.

MSWD is fortunate to have an understanding and dedicated Board of Directors and staff.