



## Budget Report for Fiscal 2020



## Board of Directors



*Russ Martin, Vice President*



*Randy Duncan, President*



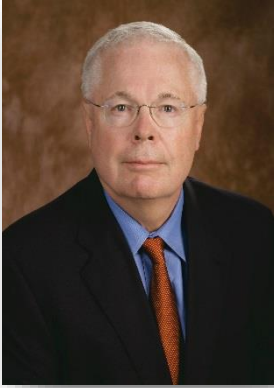
*Nancy Wright, Director*



*Steve Grasha, Director*



*Ivan Sewell, Director*



*Arden Wallum,  
General Manager*

Staff Directors  
Director of Operations and Engineering Danny Friend  
Director of Administrative Services Matt McCue

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**Mission Statement**

Mission Springs Water District (the "District") has one simple mission: Provide, protect, preserve our most valuable resource ... water.

**History**

In 1953 the Desert Hot Springs County Water District was established by a vote of the residents of 246 to 9. The District began with about 100,000 feet of pipelines, five water wells and two reservoirs. It covered one square mile.

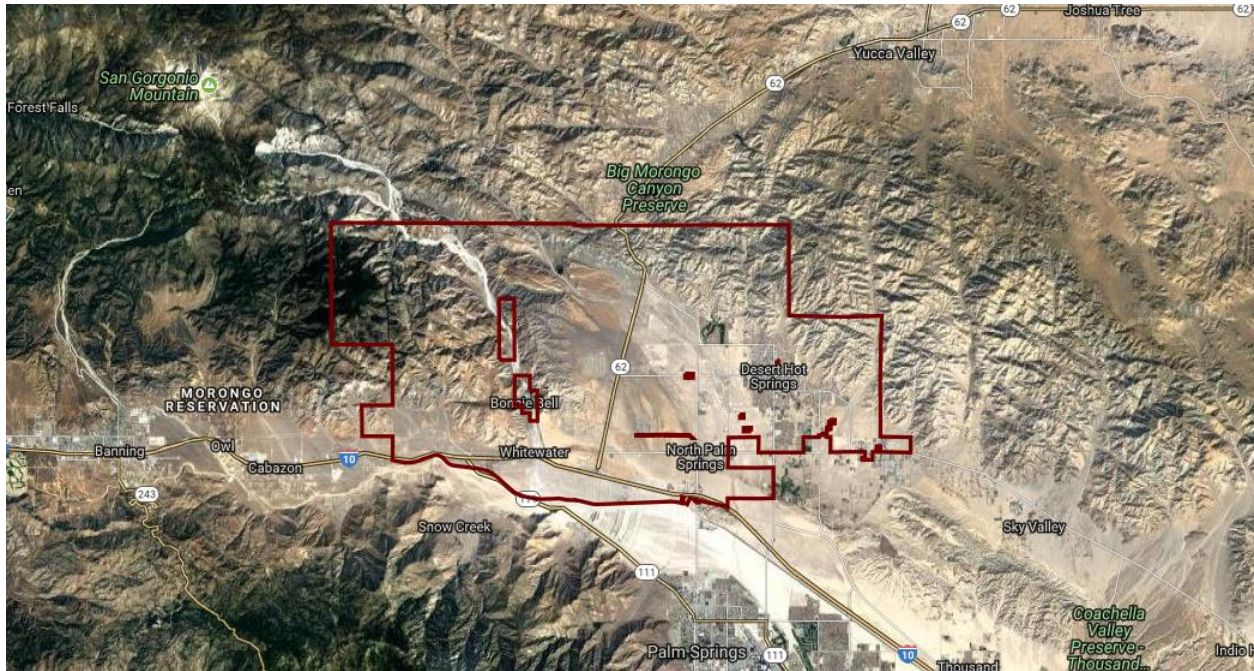
The District expanded rapidly. It absorbed parts of the Coachella Valley County Water District, the West Palm Springs Village and San Geronio Mutual Water Company systems, and the Dos Palmas Mutual Water Company.

For over 65 years, MSWD has been managing groundwater through conservation, groundwater protection projects and general stewardship of this award-winning resource.

**Service Area**

Today, the District includes more than 1.25 million feet of pipelines, 14 water wells and 24 reservoirs, serving over 40,000 people in an area of about 135 square miles.





### **Governance**

MSWD is governed by a five-member, publicly elected Board of Directors. Directors are elected concurrent with the general elections every even-numbered year. Director's terms are four-years. The election of directors alternates between three seats and two seats, respectively, every two years.

### **Water supply**

The District's sole source of supply for its 13,100 water accounts is Groundwater, mostly from the Mission Creek sub-basin. The distribution system includes three separate and distinct water supply and distribution systems with the largest of the three serving the greater Desert Hot Springs area.

### **Sewer Services**

The District currently serves 9,100 sewer connections. Wastewater is treated at the Horton Wastewater Treatment Plant (HWWTP), and Desert Crest Treatment Plant (DC). The District treats about 2 million gallons per day prior to discharging effluent in an environmentally sustainable manner.

The District is currently in the planning and design stages of a new West Valley Water Reclamation Facility. This facility will be the District's largest capital project in the coming years and serve as the long-term central wastewater treatment and reclamation facility for the region.

### **Budgetary Process**

The District's budget is prepared on an accrual basis as is its annual financial statements. A zero-base approach is used and estimates are made annually based upon existing operating conditions, experience of the professional staff and organizational strategic planning.

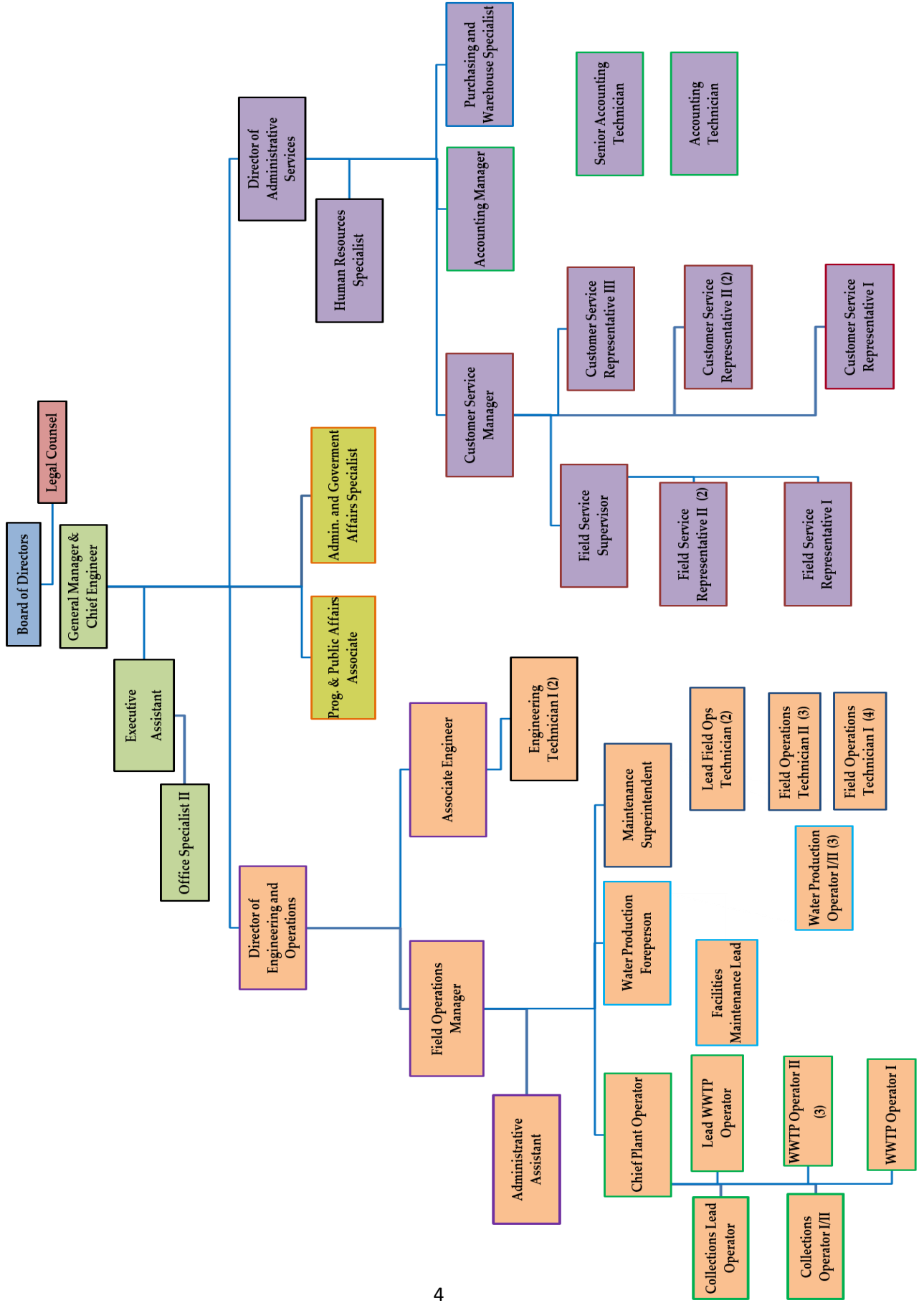
The Board approves the annual budget by June 30 each year for the coming fiscal year as outlined in the California Water Code. Actual operating results as compared to budgetary projections are reported to the Board on a monthly basis. In January of each year the budget is reviewed and, if necessary, adjusted for the remainder of the fiscal year.

**Organizational Structure**

On July 1, 2016 the District began a reorganization process. The organizational structure was adjusted to meet current operational and fiscal needs as represented by the organizational chart on the following page. This effort is ongoing and includes positional/staffing changes, changes in corporate culture, greater integration of mission, vision and values of the District, a customer experience overhaul and streamlining of policies and procedures. All the aforementioned changes require budgetary adjustments to accomplish. These adjustments are reflected in the current budget.

**Organizational Chart**

See Page 4



**MISSION SPRINGS WATER DISTRICT  
PROPOSED CLASSIFICATION PLAN 2019-2020**

	Funded FTEs
<b><u>EXECUTIVE</u></b>	5
<b><u>ADMINISTRATION</u></b>	2
Accounting	3
Customer Service	5
Field Service	4
Purchasing and Warehouse Specialist	1
<b><u>ENGINEERING &amp; OPERATIONS</u></b>	3
Engineering	3
Construction & Maint.	10
Water Production	5
Wastewater Treatment	6
Wastewater Collections	2
<b>TOTAL BUDGETED FTEs</b>	<b>49</b>

**Capital Program**

For financial reporting purposes, a capital item is defined as an individual item with a cost of at least \$10,000 and an estimated useful life of more than one year. Each year as part of the budgetary process, the District’s staff contemplates capital needs for the coming fiscal year in conjunction with any capital plans that are in place. These annual analyses are based on facts known at the time of the preparation of the budget. The District’s capital items include water infrastructure, sewer infrastructure, facilities, equipment and fleet.

**Debt**

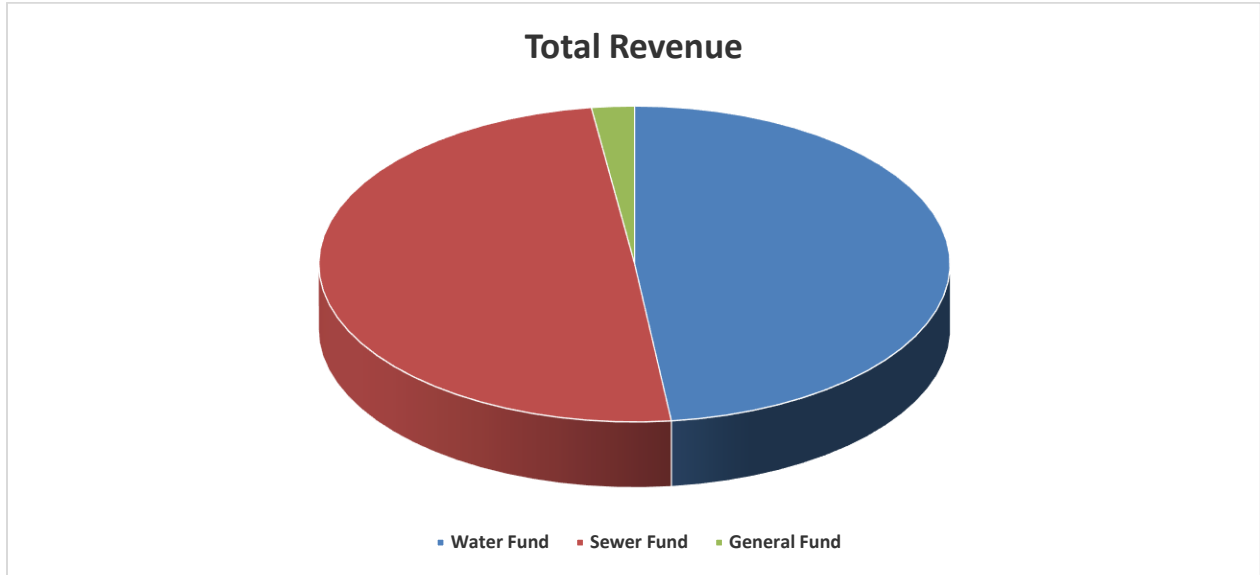
The District has approximately \$9 million in outstanding debt. Most of this debt is related to the Groundwater Protection Program which has been expanding the District’s sewer collection system and converting septic systems in the area for over 18 years. This debt is secured by assessment districts passed by local voters and the District uses collections from those assessments to service these debt payments.

**Treasury**

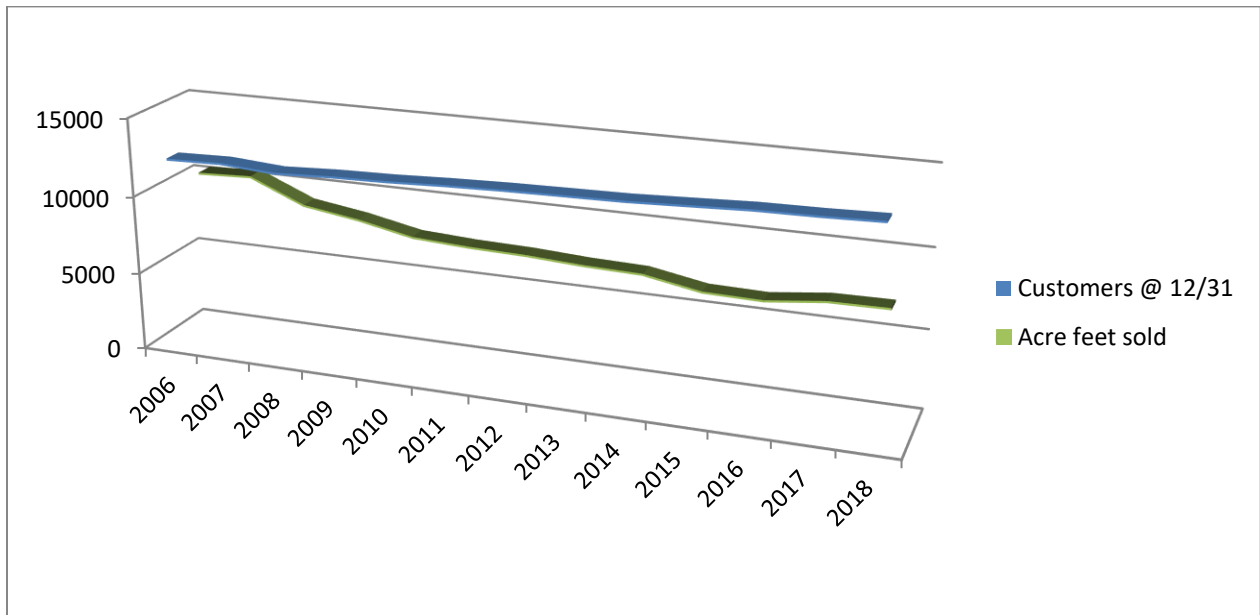
The District recently converted its treasury holdings to CalTrust. Cal Trust has provided significantly better total investment returns for the District since joining in 2017. While complying with California Government Code 53601 and 53605, CalTrust seeks to attain as high a level of current income as is consistent with preservation of principal and aligned with the public agency funds guidepost of Safety, Liquidity, and Yield. The District holds cash reserves for various purposes the largest of which is a Capital Reserve Fund of approximately \$30 million as of May 31, 2019.



**Revenue**

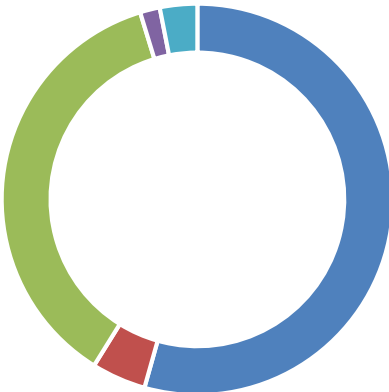


The District’s revenue mix is approximately 48% Water Fund, 50% Sewer Fund and 2% General Fund. The District’s activities are accounted for in separate funds. Water and Sewer activities are accounted for directly in each fund, respectively. All other activities that are not directly attributable to water or sewer are accounted for in the General Fund and allocated to the Water and Sewer Fund on a monthly basis.



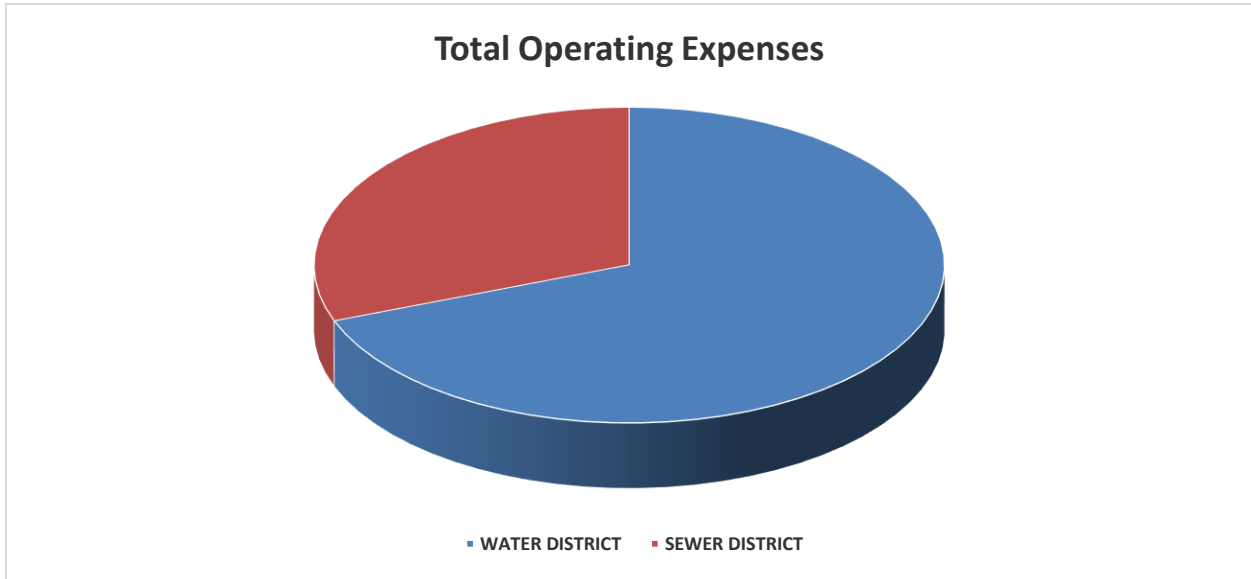
As shown above, while customers served has grown 8% in the last thirteen years, consumption has trended in the opposite direction. For the same 13-year time frame (above) total water consumption decreased by 33%. This translates into a substantial decrease in water revenue for the District. These trends, along with new State regulations, forced the District to increase rates beginning in March 2016 to compensate for this.

### Total Revenue

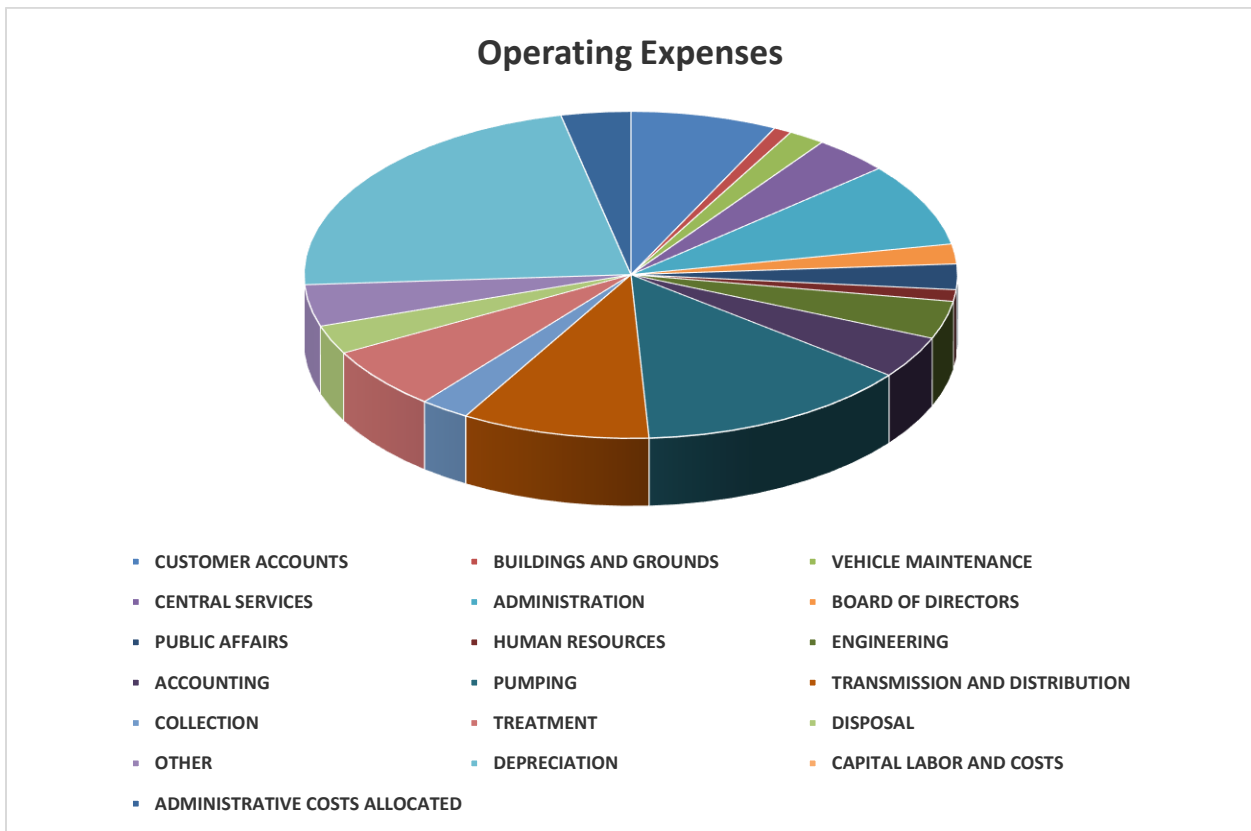


■ Operating Revenue ■ Property Taxes ■ Grants ■ Connection Fees ■ Other Non-operating

**Expenses**



The District's Operating Expenses are approximately 69% Water and 31% Sewer.



**MISSION SPRINGS WATER DISTRICT - 2019-2020 DEPARTMENTAL BUDGETS**

	COMBINED DISTRICTS TOTAL FUNDS	DEBT SERVICE FUNDS											CAPITAL IMPROVEMENT FUNDS						
		OPERATING FUNDS			WATER DISTRICT			SEWER DISTRICT					GENERAL DISTRICT	WATER DISTRICT	SEWER DISTRICT				
		GENERAL DISTRICT	WATER DISTRICT	SEWER DISTRICT	IMPROVEMENT DISTRICT #2	IMPROVEMENT DISTRICT E	INSTALLMENT SALE AGREEMENTS	ASSESSMENT DISTRICT #4	ASSESSMENT DISTRICT #7	ASSESSMENT DISTRICT #11 & 12	INSTALLMENT SALE AGREEMENTS								
<b>OPERATING REVENUES</b>	17,155,809	0	10,708,229	6,447,580															
<b>OPERATING EXPENSES:</b>																			
CUSTOMER ACCOUNTS	1,298,228	243,680	1,054,548																
BUILDINGS AND GROUNDS	159,264	159,264	0																
VEHICLE MAINTENANCE	324,708	324,708																	
CENTRAL SERVICES	678,275	678,275																	
ADMINISTRATION	1,479,867	1,479,867																	
BOARD OF DIRECTORS	351,844	351,844																	
PUBLIC AFFAIRS	452,063	437,711	14,352																
HUMAN RESOURCES	206,328	206,328																	
ENGINEERING	669,584	590,284	70,300	9,000															
ACCOUNTING	747,640	747,640																	
PUMPING	2,433,999		2,433,999																
TRANSMISSION AND DISTRIBUTION	1,667,504		1,667,504																
COLLECTION	437,390			437,390															
TREATMENT	1,107,874		0	1,107,874															
DISPOSAL	509,552			509,552															
OTHER	738,624	537,168	136,764	64,692															
DEPRECIATION	4,038,902	169,902	2,289,102	1,579,898															
CAPITAL LABOR AND COSTS																	53,940	191,952	127,800
ADMINISTRATIVE COSTS ALLOCATED	(618,060)	(5,926,671)	3,882,687	1,425,924													53,760	247,056	133,584
<b>TOTAL OPERATING EXPENSE</b>	<b>16,683,586</b>	<b>0</b>	<b>11,549,256</b>	<b>5,134,330</b>															
<b>NET OPERATING INCOME(LOSS)</b>	<b>472,223</b>	<b>0</b>	<b>(841,027)</b>	<b>1,313,250</b>															
<b>ADD NON-OPERATING REVENUE:</b>																			
CONNECTION FEES	516,953	0	504,353	12,600															
PROPERTY TAXES	1,417,771	499,309	576,877	341,585															
INTEREST INCOME	743,157	135,540	151,140	117,888	408	1,116		1,940	6,089	329,036									
UNREALIZED GAINS/LOSSES	231,588	56,916	104,292	70,380															
FRONT FOOTAGE FEES	0									0									
GRANT	11,491,531		3,146,976	8,344,555															
<b>LESS INTEREST &amp; DEBT SERVICE EXPENSE:</b>																			
PRIOR YEARS RETIREMENT AMORTIZED	(755,556)	(755,556)	0	0															
INTEREST	(289,969)						(11,592)	(10,548)	(1,368)	(5,076)	(261,385)								
AMORTIZATION-DISCOUNTS & COSTS	(1,440)		(216)				(1,224)				0								
SERVICE CHARGES	(2,088)		(1,440)	(600)			(48)												
<b>NET INCOME(LOSS)</b>	<b>13,824,170</b>	<b>(63,791)</b>	<b>3,640,955</b>	<b>10,199,658</b>	<b>408</b>	<b>(11,748)</b>	<b>(10,548)</b>	<b>572</b>	<b>1,013</b>	<b>67,651</b>	<b>0</b>								
LOAN PROCEEDS	24,174,801	2,750,000	7,264,975	14,159,826															
ADD ASSESSMENT DISTRICT PRINCIPAL	2,739,184			2,000,000				4,000	11,000	724,184									
ADD DEPRECIATION & AMORTIZATION	4,040,342	169,902	2,289,318	1,579,898			1,224			0									
<b>TOTAL CASH PROVIDED</b>	<b>44,778,497</b>	<b>2,856,111</b>	<b>13,195,248</b>	<b>27,939,382</b>	<b>408</b>	<b>(10,524)</b>	<b>(10,548)</b>	<b>4,572</b>	<b>12,013</b>	<b>791,835</b>	<b>0</b>								
<b>CASH APPLIED OR RESERVED FOR:</b>																			
PRINCIPAL PAYMENTS DUE	(648,382)						(7,200)	(13,788)	(4,000)	(11,000)	(612,394)								
INTER-FUND TRANSFERS	0		(41,652)	181,026	(408)	17,724	24,336	(572)	(1,013)	(179,441)									
CAPITAL IMPROVEMENTS	(50,217,354)	(4,089,687)	(18,672,558)	(27,455,109)													4,089,687	18,672,558	27,455,109
CONTINUING APPROPRIATIONS-YEAR END	0	0	0	0															
CAPITAL REPLACEMENT RESERVE	(2,019,451)	(84,951)	(1,144,551)	(789,949)															
RESERVES (INCREASED) DECREASED	8,106,690	1,318,527	6,663,513	124,650															
<b>TOTAL PRINCIPAL PAYMENTS, TRANSFERS &amp; CAPITAL IMPROVEMENT</b>	<b>(44,778,497)</b>	<b>(2,856,111)</b>	<b>(13,195,248)</b>	<b>(27,939,382)</b>	<b>(408)</b>	<b>10,524</b>	<b>10,548</b>	<b>(4,572)</b>	<b>(12,013)</b>	<b>(791,835)</b>	<b>0</b>	<b>4,197,387</b>	<b>19,111,566</b>	<b>27,716,493</b>					

**Capital Program/Budget**

The District’s ongoing capital program represent improvements and/or replacements of critical infrastructure in both the water and sewer systems. District staff continually monitor system conditions and propose projects annually that will minimize system breakdown and increase system efficiencies. District vehicles and equipment are also part of the capital program. Because capital projects often span more than one fiscal year appropriations of funds are carried over from one fiscal year to the next until the projects are completed. Funding for capital projects come from a variety of sources including rates, loans and grants. The District has an active grant program that has yielded many millions of dollars toward capital projects that directly saves ratepayers’ money. The current year budgeted Capital Program is as follows:

Total Continuing Appropriations from 2019 fiscal year	\$66,613,740
Total Capital Projects added for 2020 fiscal year	<u>\$24,258,910</u>
Final Capital Budget for fiscal year 2019	<u>\$90,872,650</u>
Budgeted Cash outflow related to capital projects	\$51,025,446
Expected proceeds from Assessment Districts and Grants	(13,491,530)
Expected proceeds from loans	<u>(24,174,801)</u>
Net Cash outflow related to capital projects	<u>\$13,359,115</u>

Funds expended on capital projects in the current year will be spent on projects approved by the Board of Directors in previous years (continuing appropriations) as well as the current year.

## **Highlights**

### **Rate action progress**

January 1, 2019 marked the fourth increase for the District's five-year rate action plan implemented beginning March 1, 2016. This rate action has been pivotal in the District's recovery from the economic recession and will help to insure the District financially stable future.

### **Effect of Conservation**

The Water revenue graph earlier in this report depicts the inverse relationship between water conservation and water revenue. While conservations efforts are essential to a sustainable future in water supplies, they do have short-term upward pressure on rates. The District is, and has always been, committed to a sustainable future both in water supply and finance.

### **Grant Efforts**

Since 2000 the District has received over \$34 million in grant funds from Federal, State and local granting agencies. These funds have been used to build public infrastructure projects and help keep rates lower over time. The District is continually searching for grant programs that benefit the District and its ratepayers and expects to receive several million dollars in additional grant funds in the coming few years.

### **Groundwater Protection Program**

The District's Groundwater Protection Plan began in 1996 and has been very successful to date. Over \$22 million of grant funds have been secured by the District for this program which has made over 4,500 parcels sewer service ready. This includes the abatement of over 2,800 septic tanks and the installation of over 3 miles of sewer lines. The pursuit of these grant funds continues today for the disadvantaged communities served by the District.

### **Increase in Reserves**

Over the past several years, and because of the 2016 rate action, the District's necessary reserves have increased to a more sustainable level. The Board and staff continue to monitor these levels to ensure the financial sustainability of the District in the future. These reserves enable the District to properly maintain and replace its necessary infrastructure.