



Dedicated to  
Satisfying our Community's  
Water Needs

**AGENDA**  
**MESA WATER DISTRICT**  
**BOARD OF DIRECTORS**  
**Tuesday, April 18, 2023**  
**1965 Placentia Avenue, Costa Mesa, CA 92627**  
**3:30 p.m. Adjourned Regular Board Meeting**

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**CALL TO ORDER**

**PLEDGE OF ALLEGIANCE**

**PUBLIC COMMENTS**

**Items Not on the Agenda:** Members of the public are invited to address the Board regarding items which are not appearing on the posted agenda. Each speaker shall be limited to three minutes. The Board will set aside 30 minutes for public comments for items not appearing on the posted agenda.

**Items on the Agenda:** Members of the public shall be permitted to comment on agenda items before action is taken, or after the Board has discussed the item. Each speaker shall be limited to three minutes. The Board will set aside 60 minutes for public comments for items appearing on the posted agenda.

**ITEMS TO BE ADDED, REMOVED, OR REORDERED ON THE AGENDA**

At the discretion of the Board, all items appearing on this agenda, whether or not expressly listed as an Action Item, may be deliberated and may be subject to action by the Board.

**ACTION ITEM:**

1. **REGIONAL WATER ISSUES:**

**Recommendation: Discuss and take action as the Board desires.**

**CLOSED SESSIONS:**

2. **CONFERENCE WITH SPECIAL LEGAL COUNSEL – EXISTING LITIGATION:**

Pursuant to California Government Code Section 54956.9(d)(1)

Case: *Irvine Ranch Water District v. Orange County Water District and related cross-actions*

Los Angeles County Superior Court Case Nos. BS168278 and BS175192

3. **CONFERENCE WITH GENERAL MANAGER:**

Pursuant to California Government Code Sections 54957(a) and 54954.5(e)

Potential Threat to Public Services or Facilities

4. **CONFERENCE WITH LABOR NEGOTIATOR:**

Pursuant to California Government Code 54957.6(a)

District Negotiator: General Manager

Employee Organization: Represented and Non-Represented Employees



## **ACTION ITEMS (CONT.):**

### 5. FINANCIAL GOALS AND RESERVES:

**Recommendation: Direct staff to:**

- a. Agendize *Designated Funds* at a future meeting, including recommended updates to the policy; and**
- b. Agendize *Invest Policy Statement* at a future meeting.**

### 6. WATER RATES:

**Recommendation: Direct staff to agendize *Rate Adjustment Options* at a future meeting.**

### 7. FISCAL YEAR 2024 STRATEGIC PLAN:

**Recommendation: Discuss and identify annual strategic goals and objectives for Mesa Water District and approve the Fiscal Year 2024 Strategic Plan.**

## **REPORTS:**

### 8. REPORT OF THE GENERAL MANAGER

### 9. DIRECTORS' REPORTS AND COMMENTS

*In compliance with California law and the Americans with Disabilities Act, if you need disability-related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, or if you need the agenda provided in an alternative format, please call the District Secretary at (949) 631-1205. Notification 48 hours prior to the meeting will enable Mesa Water District (Mesa Water®) to make reasonable arrangements to accommodate your requests.*

*Members of the public desiring to make verbal comments using a translator to present their comments into English shall be provided reasonable time accommodations that are consistent with California law.*

*Agenda materials that are public records, which have been distributed to a majority of the Mesa Water Board of Directors (Board), will be available for public inspection at the District Boardroom, 1965 Placentia Avenue, Costa Mesa, CA and on Mesa Water's website at [www.MesaWater.org](http://www.MesaWater.org). If materials are distributed to the Board less than 72 hours prior or during the meeting, the materials will be available at the time of the meeting.*

**ADJOURN TO A REGULAR BOARD MEETING SCHEDULED FOR WEDNESDAY, APRIL 26, 2023 AT 4:30 P.M.**



*Dedicated to  
Satisfying our Community's  
Water Needs*

## MEMORANDUM

TO: Board of Directors  
FROM: Paul E. Shoenberger, P.E., General Manager  
DATE: April 18, 2023  
SUBJECT: Regional Water Issues

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### RECOMMENDATION

Discuss and take action as the Board desires.

### STRATEGIC PLAN

Goal #1: Provide an abundant, local, reliable and safe water supply.  
Goal #2: Perpetually renew and improve our infrastructure.  
Goal #7: Actively participate in regional and statewide water issues.

### DISCUSSION

Mesa Water District (Mesa Water®) has numerous regional water supply issues currently under assessment and development. The following regional water supply topics will be presented and discussed at the April 18, 2023 Board of Directors' workshop:

- 1. PFAS Conditions and Status:** This discussion will include information on the Orange County groundwater basin's PFAS contamination and related impacts to the replenishment assessment costs, as well as potential future impacts to Mesa Water supplies.
- 2. Mesa Water Supply:** This discussion will include the status of the Local groundwater Supply Improvement Project (Local SiP).
- 3. OC Groundwater Basin:** This discussion will include a conversation regarding the South County Storage Exchange program.

### FINANCIAL IMPACT:

None.

### ATTACHMENTS

Attachment A: Interagency Agreement  
Attachment B: East Orange County Feeder #2 PowerPoint

## **INTERAGENCY AGREEMENT**

This Interagency Agreement (“**Agreement**”), is entered into between the City of Santa Ana (“**CITY**”), Orange County Water District (“**OCWD**”) and Moulton Niguel Water District (“**MNWD**”), collectively herein referred to as the **PARTIES**.

### **I. PURPOSE**

The purpose of this Agreement is to work collaboratively to further evaluate a potential emergency interconnection (“**INTERCONNECTION**”) between the CITY water distribution system and the East Orange County Feeder #2 (“**EOCF#2**”). The proposed **INTERCONNECTION** would:

- a. Be located at the CITY East Station site on E. Santa Fe St., as identified in the Evaluation of Groundwater Conveyance Options, Final Draft Preliminary Report (City of Santa Ana Only), prepared by Tetra Tech, dated September 2020 (exhibit 1) and;
- b. Only be utilized when the EOCF#2 was not conveying treated water from the Metropolitan Water District of Southern California (“**MWD**”) Diemer Filtration Plant due to a qualifying emergency outage;

The goal of this Agreement is to evaluate the feasibility for the **INTERCONNECTION** by completing a preliminary design study and environmental analysis that would identify the necessary infrastructure and any necessary environmental mitigations, and refine the potential estimated construction cost for a new emergency **INTERCONNECTION**. Further, this Agreement authorizes the analysis of work necessary to address the institutional arrangements required to potentially deliver water from the Orange County groundwater basin into the EOCF#2 under qualifying emergency conditions. If warranted, a subsequent agreement would be developed to define the terms and conditions for constructing and operating the potential **INTERCONNECTION** during qualifying emergencies. To that end, this Agreement serves to establish a common understanding of the guiding principles for the terms and conditions of any future agreement.

### **II. GUIDING PRINCIPLES**

The following guiding principles will be adhered to by all **PARTIES** as fundamental to this Agreement and will be adhered to in completing any work to develop the **INTERCONNECTION** and will be foundational to the terms and conditions of any future service agreement:

- a. The **INTERCONNECTION** would be used during qualifying emergency conditions when the EOCF#2 is not delivering water from the Diemer Filtration Plant. A qualifying emergency condition for the purposes of this Agreement is defined as significant interruption of MWD’s ability to provide water to MNWD due to failure of infrastructure as identified in the Evaluation of Groundwater Conveyance Options, Final Draft Preliminary Report (City of Santa Ana Only), prepared by Tetra Tech, dated September 2020 (exhibit 1). A drought emergency declared by the Governor of

the State of California is not considered to be a qualifying emergency for the purposes of this Agreement;

- b. All new facilities related to the INTERCONNECTION will be designed and constructed to meet the system specifications and operational requirements of the CITY and OCWD during normal and emergency operating conditions.
- c. At no time will the delivery of water to MNWD through the INTERCONNECTION cause or exacerbate a shortage of water for meeting the needs of the CITY's retail customers, as solely determined by the CITY.
- d. CITY staff will be responsible for all facility operations of infrastructure constructed as a part of this Agreement.
- e. Regardless of which PARTY funds the development and construction of the infrastructure associated with the INTERCONNECTION, the CITY will retain ownership of all assets within the CITY's limits.
- f. The CITY's rate payers and OCWD will not bear any costs of delivering emergency water to MNWD.
  - i. If the delivery of water to MNWD through the INTERCONNECTION results in the CITY exceeding (or further exceeding) OCWD's basin pumping percentage, MNWD will reimburse the CITY for its proportional share of any Basin Equity Assessment charges assessed to the CITY.
  - ii. MWD assesses the City a capacity charge based on their peak usage over a three-year average. If the CITY's capacity charge is increased due to MNWD's emergency usage, MNWD will reimburse the CITY for the marginal difference in the annual capacity fee amount that is attributable to the conveyance of water to MNWD.
  - iii. MNWD will reimburse the CITY for all expenses incurred by the CITY that result from the operations and maintenance of the INTERCONNECTION, including but not limited to any administrative costs, penalties, fees or fines.
- g. OCWD's ability to store water and operate the groundwater basin must not be harmed by the CITY's providing of water to MNWD via the INTERCONNECTION and such storage will otherwise be fully compliant with all applicable requirements of the Orange County Water District Act.
- h. MNWD understands that the development of the INTERCONNECTION does not constitute a commitment by OCWD or the CITY to allow MNWD to store water within the Orange County groundwater basin.
- i. The ability of MNWD to utilize the EOCF#2 will require additional agreement by the parties responsible for the operation and maintenance of the EOCF#2. The Scope of

Work in Section III of this Agreement describes the analysis that will be performed to determine the feasibility and possible terms and conditions of future agreements.

### **III. SCOPE OF WORK**

The scope of work to be performed by the PARTIES as a part of the Agreement shall include:

- a. MNWD will prepare a preliminary design analysis of the necessary infrastructure required to provide an emergency interconnection at the CITY East Station facility as identified in the Tetra Tech Conveyance Study (exhibit 1). The preliminary design will identify and size the infrastructure to deliver up to 14 cubic feet per second (“cfs”) during qualifying emergency conditions and the potential water quality implications associated with reversing flows within the CITY’s system and will perform a system-wide hydraulic model analysis. The infrastructure shall include, but is not limited to, production wells, treatment facilities, pump stations, pressure regulating facilities, connection to the EOCF#2, and any additional facilities required to maintain service to the CITY’s existing customers when the INTERCONNECTION is operational. The preliminary design will also review the operating conditions and recommended operating protocols for utilizing the infrastructure under normal operating conditions and emergency conditions.
- b. MNWD will perform an environmental review of the proposed facilities based on the preliminary design analysis. The proposed environmental review will include the development of an initial study and/or Environmental Impact Report, as well as any other appropriate CEQA documents, including a mitigation monitoring and reporting program if necessary. Further, the environmental review and CEQA process will identify any necessary permits required to implement the proposed INTERCONNECTION.
- c. MNWD will develop two Request for Proposals (“RFPs”) for the work described in paragraphs III.a and III.b above. The PARTIES will review the proposals and develop a joint recommendation, should they agree, for consideration of award of professional service contracts. If collectively agreed to by the PARTIES, the work described in paragraphs III.a and III.b above may be combined into a single RFP and professional service contract.
- d. The PARTIES will work with the Municipal Water District of Orange County (“MWDOC”) and the other agencies responsible for the operation and maintenance of the EOCF#2 to identify the operational challenges to MNWD utilizing the EOCF#2 under emergency conditions and work to develop mitigations or solutions to address those operational challenges identified as part of the preliminary design.
- e. MNWD agrees to provide all funding required to perform the scope of work and related RFPs identified as a part of this Agreement, including reasonable CITY staff time, consultant fees, and legal counsel review of the scope of work deliverables and related RFPs.

#### **IV. DELIVERABLES & SCHEDULE**

- a. The deliverables anticipated as a result of this Agreement include:
  - i. Preliminary design report to be reviewed and approved jointly by all PARTIES.
  - ii. Preliminary and final CEQA documents prepared by MNWD and approved by the CITY as the lead agency for CEQA review for the proposed INTERCONNECTION.
- b. This Agreement shall commence on the date first written above and terminate in three (3) years, unless terminated earlier as stated in Section VI, b. below.

#### **V. AGREEMENT RESPONSIBILITIES**

- a. MNWD will be responsible for administering the contracts associated with the scope of work in the Agreement.
- b. The PARTIES will work collaboratively to carry out the scope of work for this Agreement.
- c. The PARTIES will meet to review progress and any draft work product that may be available.
- d. The PARTIES will meet and work with other interested stakeholders, including but not limited to other Orange County groundwater producers, to share information and seek input on the development of the INTERCONNECTION.

#### **VI. OTHER**

- a. The PARTIES understand the scope of work identified in this Agreement is the extent of the review and development of the proposed INTERCONNECTION. The final design and construction of any facilities recommended as a result of the scope of work will first require approval by the governing boards of all PARTIES and development of a subsequent agreement for the construction, operation, and funding of the proposed INTERCONNECTION that is demonstrated to be fully consistent with the requirements of the Orange County Water District Act, and all other applicable laws and regulations. The CITY, MNWD and OCWD reserves the right not to enter into any subsequent agreement after performance of the scope of work in this Agreement.
- b. This Agreement may be terminated by either PARTY with ninety (90) days written notice to all the parties hereof with an explanation as to why the Agreement is being terminated, the other Parties hereto shall contact the terminating Party and use commercially reasonable efforts to resolve the reason(s) raised by the terminating Party for terminating this Agreement. If the Parties, after good faith commercially reasonable efforts, are not successful in resolving their differences or concerns, then the

terminating Party shall give a second notice after the 90th day from their first notice stating that after at least ninety (90) days the Parties despite their good faith commercially reasonable efforts were not able to resolve their concerns or issues and therefore this Agreement will be deemed terminated on the fifteenth (15th) day after the date of the second termination notice is sent to the other Parties to this Agreement. Upon termination, MNWD will be responsible for any outstanding financial commitments for any contracts entered into at the time of termination.

IN WITNESS WHEREOF, the PARTIES hereby execute this Interagency Agreement.

<b>ORANGE COUNTY WATER DISTRICT</b>		<b>CITY OF SANTA ANA</b>	
By:	Date:	By:	Date:
Stephen Sheldon, President for Orange County Water District		Vincente Sarmiento, Mayor for City of Santa Ana	
<b>MOULTON NIGUEL WATER DISTRICT</b>		<b>APPROVED AS TO FORM:</b>	
By:	Date:	By:	Date:
Brian Probolsky, President for Moulton Niguel Water District		Ruben A. Smith Special Counsel to Moulton Niguel Water District	
<b>CITY OF SANTA ANA</b>			
<b>ATTEST:</b>			
By:	Date:	By:	Date:
Daisy Gomez Clerk of the Council		Kristine Ridge City Manager	
<b>APPROVED AS TO FORM</b>			
Sonia R. Carvalho City Attorney			



By:	Date:
John M. Funk Senior Assistant City Attorney	
<b>RECOMMENDED FOR APPROVAL</b>	
By:	Date:
Nabil Saba, P.E. Executive Director Public Works Agency	





## East Orange County Feeder #2 JPA Meeting

Charles Busslinger, P.E., Director of Engineering/District Engineer  
Municipal Water District of Orange County

March 31, 2022



# Discussion Items/TOC



- 01** **Introductions - Purpose**  
Administrative Code 4519 Pilot Program
- 02** **Background-JPA & MET Policies**  
Joint Power Agreement  
MET Policies
- 03** **MET Admin Code 4519**
- 04** **Pilot Project**  
Technical & Legal Work
- 05** **Next Steps**



# Background JPA

- EOCF#2 is jointly owned by Metropolitan, MWDOC, Anaheim, and Santa Ana through a Joint Powers Agreement [“JPA”] (July 11, 1961).
- The agreement was amended in 1962 and 1965.
- Around the time EOCF#2 was completed, MWDOC assigned capacity rights & obligations to 8 agencies.
- In 2001, MWDOC consolidated with Coastal MWD and signed additional assignment agreements with 6 other agencies.
- The JPA does not establish a voting mechanism for resolution of disputes.
- **MWDOC seeks to find common ground where there is agreement.**



For years MWDOC has supported efforts at MET which improve regional water supply resiliency.

MET Admin Code 4519 and the proposed pilot project seek to allow use of EOCF#2 in an emergency.

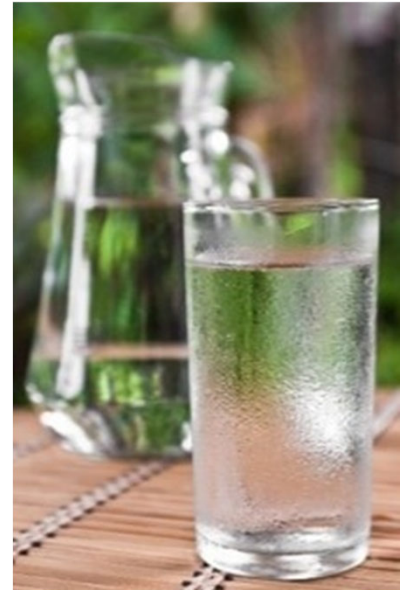


East Orange County Feeder No. 2													
A. MWDOC Capacity in EOCF#2 by Reach (CFS)													
		Reach 1				Reach 2				Reach 3		Reach 4	
Reach Capacity		310.0				272.0				218.0		92.5	
less	Anaheim	28.0											
less	Santa Ana	24.0				24.0							
less	Metropolitan	84.0				84.0				84.0		40.0	
MWDOC by subtraction		174.0				164.0				134.0		52.5	
B. MWDOC Agency Reach Percentage													
		Reach 1		Reach 2A		Reach 2B		Reach 2C		Reach 3		Reach 4	
Agency		cfs	% of Reach	cfs	% of Reach	cfs	% of Reach	cfs	% of Reach	cfs	% of Reach	cfs	% of Reach
East Orange CWD		16.0	9.20%	16.0	9.76%	16.0	9.76%		0.00%		0.00%		0.00%
Huntington Beach		5.0	2.87%	5.0	3.05%	5.0	3.05%	5.0	3.05%	5.0	3.73%	5.0	9.52%
Irvine Ranch WD		41.4	23.79%	41.4	25.24%	41.4	25.24%	41.4	25.24%	41.4	30.90%	27.6	52.57%
Laguna Beach CWD		1.5	0.86%	1.5	0.91%	1.5	0.91%	1.5	0.91%	1.5	1.12%		0.00%
Mesa Consolidated WD		10.9	6.26%	10.9	6.65%	10.9	6.65%	10.9	6.65%	10.9	8.13%	11.8	22.48%
Moulton Niguel WD		45.0	25.86%	45.0	27.44%	45.0	27.44%	45.0	27.44%	45.0	33.58%		0.00%
Newport Beach		4.5	2.59%	4.5	2.74%	4.5	2.74%	4.5	2.74%	4.5	3.36%	6.6	12.57%
Orange		14.0	8.05%	14.0	8.54%		0.00%		0.00%		0.00%		0.00%
San Clemente		0.9	0.52%	0.9	0.55%	0.9	0.55%	0.9	0.55%	0.9	0.67%		0.00%
San Juan Capistrano		15.0	8.62%	15.0	9.15%	15.0	9.15%	15.0	9.15%	15.0	11.19%		0.00%
Santa Margarita WD		19.0	10.92%	9.0	5.49%	23.0	14.02%	39.0	23.78%	9.0	6.72%	1.5	2.86%
South Coast WD		0.8	0.46%	0.8	0.49%	0.8	0.49%	0.8	0.49%	0.8	0.60%		0.00%
		174.0	100.00%	164.0	100.00%	164.0	100.00%	164.0	100.00%	134.0	100.00%	52.5	100.00%

# MET Policy: Quality Of New Sources Of Water Introduced Into Conveyance Facilities (July 2001)



- Equal to or better than the ambient Water Quality in the pipeline
- On a Case-by-Case basis, subject to the approval of downstream stakeholders. Factors to be considered include:
  - Local water supply impacts,
  - Costs,
  - Department of Health Services permit requirements,
  - Public disclosure and response, and
  - Water quality changes occurring in the stakeholders' basic source waters.



## MET Policy: Quality Of New Sources Of Water Introduced Into Conveyance Facilities (Cont.)



- Where MET is a stakeholder, MET will only consider consent to the diminution of its water quality asset where offsetting benefits can be clearly demonstrated. Otherwise, requires mitigation as a condition of approval.



# Metropolitan Administrative Code 4519



- 💧 **Emergency Deliveries of Member Agency Water Supplies in Metropolitan's System** – approved in July 2019
- 💧 MWDOC volunteered to participate in a 'pilot project' to assist in the development of protocols & procedures to implement Section 4519 in an emergency.
- 💧 **Intended outcome:** Develop a program for OC using EOCF#2 & create a template other MET member agencies can use for their own program.

## Metropolitan Administrative Code 4519 (Cont.)



- “Emergency deliveries of member agency water supplies in Metropolitan’s system are intended to provide Metropolitan’s member public agencies the ability to deliver member agency water supplies through Metropolitan’s system under specific emergency conditions, subject to the General Manager’s approval and the requirements listed herein.”



# Metropolitan Administrative Code 4519 (Cont.)



“an emergency shall be defined as a condition in which Metropolitan is physically unable to make deliveries to an operable existing member agency service connection due to damage associated with a natural disaster or other catastrophic event, for a period expected to be greater than seven days.”



“all of the requirements, liabilities, and indemnifications of a member agency in this section shall be divided or shared between the participating member agencies, and Metropolitan shall have no such responsibilities. The participating member agencies shall agree to the division or sharing of requirements, liabilities, and indemnifications in writing in advance of the emergency deliveries, subject to Metropolitan’s review and approval.”

# Approvals



- 💧 MWDOC has worked with MET on determining the steps necessary to obtain approvals for a program under Admin Code Section 4519;
- 💧 JPA approval to proceed is needed for this to move forward.



# Technical Work



- 💧 Ed Means Consulting and Hazen & Sawyer are providing support.
- 💧 MWDOC & MET have jointly developed a scope of work that will allow for implementation of Section 4519.
- 💧 The final scope is larger than MWDOC's original proposed scope and is phased with check points at each phase:
  - 💧 Phase 1 - Develop Conceptual Demonstration Project Operating & Monitoring Strategy;
  - 💧 Phase 2 - Formalize the Operating Plan, and
  - 💧 Phase 3 - Design
- 💧 Total cost for the scope of work is estimated at \$750,000 over a three-year period beginning in FY 2022-23. (1<sup>st</sup> year cost is estimated at \$268,000)
- 💧 Due to the increased scope, MWDOC has formally requested MET partner with MWDOC at a 50-50 Cost share.

# Legal Work



- 💧 The JPA does not establish a voting mechanism for resolution of disputes.
- 💧 Need a common understanding of key points of the agreements.
- 💧 MWD OC understands there may be a differing opinions on various key points and are open to suggestions for coming to a shared understanding.
- 💧 We encourage discussions with your agency's legal counsel and have provided a link to relevant documents for those discussions.

[https://www.dropbox.com/sh/kkqnkzwnelbya/AAAaMDFC8fbOWws8ATaJn\\_7Wa?dl=0](https://www.dropbox.com/sh/kkqnkzwnelbya/AAAaMDFC8fbOWws8ATaJn_7Wa?dl=0)



# Our Read of Some Key Points



- 💧 The JPA expressly recognizes Metropolitan’s role to set rates, rules and regulations notwithstanding the assignment of capacity rights. (JPA, ¶23.)
- 💧 Because Metropolitan is obligated to act as a trustee for the benefit of all parties, it cannot allow the pipeline to be used in a manner that harms others (i.e., An agency making a claim that the introduction of groundwater would result in a diminution of water quality – Water Code 1810.)
- 💧 The JPA is silent on the type of water, and does not provide veto rights regarding water delivered through EOCF#2.
- 💧 Although some JPA members hold “clear title to a delivery capability”, Metropolitan holds title to the pipeline under the JPA.

# Water Code 1810



Notwithstanding any other provision of law, neither the state, nor any regional or local public agency may deny a bona fide transferor of water the use of a water conveyance facility which has unused capacity, for the period of time for which that capacity is available, if fair compensation is paid for that use, subject to the following:

- (a) Any person or public agency that has a long-term water service contract with or the right to receive water from the owner of the conveyance facility shall have the right to use any unused capacity prior to any bona fide transferor.
- (b) The commingling of transferred water does not result in a diminution of the beneficial uses or quality of the water in the facility, except that the transferor may, at the transferor's own expense, provide for treatment to prevent the diminution, and the transferred water is of substantially the same quality as the water in the facility.**
- (c) Any person or public agency that has a water service contract with or the right to receive water from the owner of the conveyance facility who has an emergency need may utilize the unused capacity that was made available pursuant to this section for the duration of the emergency.**
- (d) This use of a water conveyance facility is to be made without injuring any legal user of water and without unreasonably affecting fish, wildlife, or other instream beneficial uses and without unreasonably affecting the overall economy or the environment of the county from which the water is being transferred.



# Next Meeting - Key Questions



Does your Agency Agree/Disagree with the following:

- 💧 Recognition of Metropolitan's role to set rates, rules and regulations.
- 💧 Metropolitan's trustee role for all parties, does not allow the pipeline to be used in a manner that harms others. Downstream stakeholders' concerns about water quality need to be considered.
- 💧 The JPA is silent on the type of water delivered through EOCF#2. Is the introduction of groundwater into EOCF#2 under circumstances defined in Admin Code 4519 acceptable (provided downstream stakeholder WQ concerns are addressed)?

If your agency disagrees with any interpretation, how do you suggest we resolve the disagreement?

# Next Steps



- 💧 MET response to Cost Share request
- 💧 MWDOC Budget Approval (\$150,000 for EOFCF#2 Pilot Project)
- 💧 JPA reconvene to clarify key points of disagreement
- 💧 JPA approval to move Pilot Project forward



Thank you for your attention.  
Please **let us know** if you have questions.

## Charles Busslinger, P.E.

District Engineer

(714) 593-5003

CBusslinger@mwdoc.com



### physical address

18700 Ward Street, Fountain Valley CA 92708



### mail address

P.O. Box 20895, Fountain Valley CA 92728



### website

[www.mwdoc.com](http://www.mwdoc.com)



### main office

(714) 963-3058



**MWDOC** MUNICIPAL WATER DISTRICT OF ORANGE COUNTY

**CLOSED SESSION:**

2. CONFERENCE WITH SPECIAL LEGAL COUNSEL – EXISTING LITIGATION:  
Pursuant to California Government Code Section 54956.9(d)(1)  
Case: *Irvine Ranch Water District v. Orange County Water District and related cross-actions*  
Los Angeles County Superior Court Case Nos. BS168278 and BS175192

**CLOSED SESSION:**

3. CONFERENCE WITH GENERAL MANAGER:  
Pursuant to California Government Code Sections 54957(a) and 54954.5(e)  
Potential Threat to Public Services or Facilities

**CLOSED SESSION:**

4. CONFERENCE WITH LABOR NEGOTIATOR:  
Pursuant to California Government Code 54957.6(a)  
District Negotiator: General Manager  
Employee Organization: Represented and Non-Represented Employees



*Dedicated to  
Satisfying our Community's  
Water Needs*

## MEMORANDUM

TO: Board of Directors  
FROM: Marwan Khalifa, CPA, MBA, Chief Financial Officer  
DATE: April 18, 2023  
SUBJECT: Financial Goals and Reserves

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### RECOMMENDATION

Direct staff to:

- a. Agendize *Designated Funds* at a future meeting, including recommended updates to the policy; and
- b. Agendize *Investment Policy Statement* at a future meeting.

### STRATEGIC PLAN

Goal #3: Be financially responsible and transparent.

### PRIOR BOARD ACTION/DISCUSSION

At its February 9, 2010 meeting, the Board of Directors (Board) adopted Resolution No. 1387, Revising Financial Policies and Guidelines in Establishing Rates Superseding Resolution No. 1359 including Exhibit A of the Designated Funds Policy. This resolution established minimum and maximum funding levels for each of Mesa Water District's (Mesa Water®) funds as listed and described below:

1. Capital Replacement Fund – used for the replacement of capitalized assets when they reach the end of their useful life.
2. Administrative & General Fund – used to fund (or partially fund) certain major general, administration and overhead projects such as offices, fixtures, furnishings, vehicles and equipment, on a pay-as-you-go basis.
3. Catastrophe Fund – used to begin repairs of the water system after a catastrophic event, such as a severe earthquake or fire, while long-term financing is being arranged or insurance claims are being processed.
4. Operating Fund – used for unanticipated operating expenses, to maintain working capital for current operations, and to meet routine cash flow needs.
5. Rate Stabilization Fund – established to provide flexibility to the Board when setting rates to allow for absorbing temporary rate fluctuations or for one-time expenditures.
6. Customer & Development Deposits – monies held on behalf of Mesa Water's customers as required for their utility account or as cash bonds for development projects.

The funding Minimums and Maximums methodologies established for each fund by Resolution No. 1387 varied from calculated dollar amounts, days cash ratios, percentage of budgeted General and Administrative amounts, or a percentage of Fixed Assets.

Overall Designated Fund levels were established at a minimum of 280 days with no overall maximum level to retain flexibility as the Capital Replacement Fund's funding requirements may vary.



At its March 15, 2014 meeting, the Board adopted Resolution No. 1443, Designated Funds Policy Amending the Designated Funds Portion of Resolution No. 1387 Revising Financial Policies and Guidelines in Establishing Rates. This resolution streamlined and improved calculation methodology to exclusively calculate Designated Fund funding levels in “days” to be internally consistent, to easily calculate Designated Funds both individually and overall, and to promote clarity and transparency.

Below is a summary of Mesa Water’s Designated Funds calculations approved by the Board in Resolution No. 1443:

<b>Fund Name</b>	<b>Target</b>	<b>Maximum</b>
Administrative and General Fund	20 days	25 days
Catastrophe Fund	150 days	180 days
Operating Fund	120 days	150 days
Rate Stabilization Fund	60 days	75 days

Regarding the Capital Replacement Fund, the resolution did not establish an overall maximum level to retain flexibility as funding requirements may vary. Overall Designated Fund levels were established with a Target Amount of 600 days.

At its March 23, 2017 workshop, the Board received an update on the historical balances of the Designated Funds. The Board received and filed the report without any changes to Resolution No. 1443.

At its March 12, 2020 meeting, the Board received an update on the Designated Funds policy. The Board adopted Resolution No. 1529 Revising the Designated Funds Policy Superseding Resolution No. 1443.

## DISCUSSION

Reserve Policies are an essential tool used by many organizations. A reserve policy establishes minimum levels for designated funds to ensure stable service delivery, meet the future needs of the organization and protect against possible financial instability. Mesa Water primarily uses the Designated Funds Policy as the main component of its Reserve Policy. A Designated Fund is used to ensure that funding is available when needed for specific programs or activities.

Designated Funds at Mesa Water fall into three primary categories:

- Restricted Funds
- Capital Funds
- Liquidity Funds

### **Restricted Funds**

Restricted Funds have restrictions imposed on them by an outside source such as creditors, grantors, laws, or regulations. The monies associated with these funds cannot be used for any purpose other than the intended purpose. Mesa Water currently utilizes one Restricted Fund: Customer & Development Deposits.





Customer & Development Deposit Funds are monies that are held on behalf of Mesa Water's customers as required for their utility account or as cash bonds for development projects.

Certificates of Participation (COPs) funds that have not been used are also classified as restricted funds. However, the COPs funds are not included in the Mesa Water cash balance and are held as restricted funds on the balance sheet of the District.

### **Capital Funds**

Capital Funds are established by the Board and are designated for specific purposes. The primary purpose of the Capital Funds is to fund capital and asset replacement. Mesa Water currently strives to maintain a minimum of \$10MM in its Capital Funds. The maximum amount of the fund is based on Mesa Water's Asset Management Plan. Mesa Water currently utilizes one Capital Fund: The Capital Replacement Fund.

The Capital Replacement Fund is used for replacing capitalized assets when they reach the end of their useful life. Annually, staff recommends assets to be replaced during the annual budget process.

### **Liquidity Funds**

Liquidity Funds are established by the Board to safeguard the financial viability and stability of Mesa Water. The balance of the Liquidity Funds will fluctuate depending on the District's annual Operating Expenses. The current policy states that the liquidity funding level will be equal to 180 days of the annual budgeted Operating Expenses. Mesa Water currently utilizes four primary Liquidity Funds: Administrative & General Fund, Catastrophe Fund, Operating Fund, and the Rate Stabilization Fund.

The Administrative & General Fund is used to fund (or partially fund) certain major general, administrative and overhead projects, such as offices, fixtures, furnishings, vehicles and equipment, on a pay-as-you-go basis. The target level of this fund is equal to 20 days of Mesa Water's budgeted total operating expenses, and the maximum shall be equal to 25 days.

The Catastrophe Fund is used to begin repairs of the water system after a catastrophic event, such as a severe earthquake or fire, while long-term financing is being arranged or insurance claims are being processed. The target level of this fund is equal to 150 days of Mesa Water's budgeted total operating expenses, and the maximum shall be equal to 180 days.

The Operating Fund is used for unanticipated operating expenses. This fund is designated to maintain working capital for current operations and to meet routine cash flow needs. The target level of this fund is equal to 120 days of Mesa Water's budgeted total operating expenses, and the maximum shall be equal to 150 days.

The Rate Stabilization Fund is used to provide flexibility to the Board when setting rates to allow for absorbing temporary rate fluctuations or for one-time expenditures. This fund is intended to be used to defray temporary unforeseen and extraordinary increases in the cost of the water supply in order to shield rate payers and adhere to the policy of providing an abundance of local, reliable



and safe water. The target level of this fund is equal to 60 days of Mesa Water's annual operating budget, and the maximum shall be equal to 75 days.

### **Debt Service Coverage**

As part of the policies surrounding Designated Funds, Mesa Water is required to maintain specific debt service coverage ratios. Currently, Mesa Water's Certificates of Participation (COPs) require a minimum debt service coverage ratio of 1.25. Mesa Water's Board requires a minimum of 1.30 in its designated funds policy. Staff currently budgets for a debt service coverage ratio of 1.50. To be rated by Fitch for a strong AAA, an organization is recommended to maintain a ratio of 2.00 or better.

### **Investment Policy**

Mesa Water uses a sound Investment Policy that closely mirrors the standard of Government Investment Policies. Mesa Water invests public funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District. The safety of the principal investment is the foremost objective of the Investment Policy. To attain this objective, Mesa Water diversifies all of its investments to ensure that any potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. The Investment Portfolio remains sufficiently liquid to enable the District to meet all operating and emergency requirements. All investments are made in the context of the "Prudent Investor" standard pursuant to California Government Code Section 53600.3.

Since March 12, 2020 there have been a number of changes in the financial policies of Mesa Water. At the April 18, 2023 workshop, staff will present the current reserve balances and will recommend possible changes for the Board's consideration.

### **FINANCIAL IMPACT**

There is no financial impact for the discussion of this matter.

### **ATTACHMENTS**

Attachment A: Resolution No. 1529

## RESOLUTION NO. 1529

### RESOLUTION OF THE MESA WATER DISTRICT BOARD OF DIRECTORS REVISING THE DESIGNATED FUNDS POLICY SUPERSEDING RESOLUTION NO. 1443

WHEREAS, the Mesa Water District (Mesa Water® or District) is a county water district organized and operating pursuant to the provisions of the laws of the State of California (State or California); and

WHEREAS, the Board of Directors (Board) of the Mesa Water District previously adopted Resolution No. 1443 adopting Mesa Water's Designated Funds Policy; and

WHEREAS, the Board desires to adopt a revised and updated policy statement, policies and procedures regarding Mesa Water's designated funds as part of policies and procedures affecting the District's funds and finances.

NOW THEREFORE, THE BOARD OF DIRECTORS OF THE MESA WATER DISTRICT DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:


**Section 1.** This Resolution shall supersede Resolution No. 1443 - Adopting a Designated Funds Policy and revises the specific policy statement, policies and procedures regarding designated funds as set forth in Appendix A and Attachment A, attached hereto and incorporated herein by this reference (collectively, the Designated Funds Policy).


**Section 2.** This Resolution, and the Designated Funds Policy adopted hereby, shall be reviewed by the Finance Committee at least once every five years to, among other considerations, determine if the policies, guidelines and procedures are still relevant and appropriate.

**Section 3.** The revised Designated Funds Policy, as set forth in Attachment A, shall be effective upon approval of this Resolution.

ADOPTED, SIGNED, AND APPROVED this 12<sup>th</sup> day of March 2020 by the following roll call vote:

AYES: DIRECTORS: Atkinson, Bockmiller, Fisler, DePasquale, Dewane  
NOES: DIRECTORS:  
ABSENT: DIRECTORS:  
ABSTAIN: DIRECTORS:

  
\_\_\_\_\_  
Denise Garcia  
District Secretary

  
\_\_\_\_\_  
Shawn Dewane  
President, Board of Directors

## **APPENDIX A**

### **RESOLUTION NO. 1529**

#### **RESOLUTION OF THE MESA WATER DISTRICT BOARD OF DIRECTORS REVISING THE DESIGNATED FUNDS POLICY SUPERSEDING RESOLUTION NO. 1443**

##### **1. MESA WATER SHALL CONTINUE THE GOAL OF MAINTAINING FINANCIAL STABILITY OVER TIME**

Mesa Water District (Mesa Water® or District) has adopted a goal of maintaining financial stability over time. Financial stability is not only a prudent management goal; it can also minimize financial costs in the long-term (e.g., securing low interest costs on borrowings and avoiding unnecessary borrowing). Above all, financial stability will provide the community with the confidence of knowing a strong, consistent team is managing the utility.

Financial policies and measures will be developed to measure, manage, achieve and maintain financial stability.

##### **1.1 DESIGNATED FUNDS**

A key element of prudent financial planning is to ensure that sufficient funding is available for current operating, capital and debt service needs. Additionally, fiscal responsibility requires anticipating the likelihood of, and preparing for, unforeseen events. Mesa Water will at all times strive to have sufficient funding available to meet its operating, capital, and debt service obligations. Designated Funds (as defined in Attachment A) will be accumulated and maintained to allow Mesa Water to fund expenditures in a manner consistent with the District's Water System Master Plan, and avoid significant rate fluctuations due to changes in cash flow requirements.

The Board of Directors (Board) may designate specific fund accounts and maintain target fund balances consistent with statutory obligations that the Board has determined to be in the best interests of Mesa Water. The Designated Funds Policy directives are intended to ensure Mesa Water has, and will have, sufficient financial resources and Designated Funds to meet current and future needs. The Board will review the level of Designated Funds on a periodic basis as set out in the Designated Funds Policy.

## **1.2 DESIGNATED FUNDS TARGET**

- 1.2.1 Mesa Water will maintain sufficient reserves, and of such a nature, that it strives to target designated fund balances totaling 600 days of budgeted operating expenses as defined by the Designated Funds Policy.

## **1.3 CASH FLOW**

- 1.3.1 At the end of a fiscal year, Mesa Water should strive to have total revenues, less operation and maintenance expenses, debt service and capital projects funded from rates, greater than or equal to zero.

## **1.4 TARGET DEBT SERVICE COVERAGE:**

- 1.4.1 Mesa Water will strive to maintain an actual debt service coverage ratio of 1.30 on all outstanding debt service. (Industry norm for revenue bond coverage ratio covenants is 1.25. Mesa Water's certificates of participation covenant coverage ratios of 1.15).
- 1.4.2 The debt service coverage ratio will be calculated at fiscal year-end and reviewed by Mesa Water's independent external auditor. The calculation and the auditor's opinion will be included in Mesa Water's Comprehensive Annual Financial Report.
- 1.4.3 Mesa Water's annual budget will be prepared so as to have an annual debt service coverage ratio greater than or equal to 1.50 on all outstanding debt that includes a contractual coverage ratio covenant.
- 1.4.4 The Board will review Mesa Water's projected debt service coverage ratio prior to the adoption of each annual budget.

**ATTACHMENT A**

**RESOLUTION NO. 1529**

**RESOLUTION OF THE  
MESA WATER DISTRICT BOARD OF DIRECTORS  
REVISING THE DESIGNATED FUNDS POLICY  
SUPERSEDING RESOLUTION NO. 1443**

**Mesa Water District's  
Designated Funds Policy**

March 2020



**MesaWater**  
DISTRICT

**DESIGNATED FUNDS POLICY**

March 2020



## **1. Policy Statement**

The principal purpose of this Policy is to provide a written statement of the Board of Directors (Board) as to Mesa Water District's (Mesa Water® or District) Designated Funds including, but not limited to, their designation, purpose(s), designated funding levels, usage and procedures related thereto.

A key element of prudent financial planning for public agencies is to ensure that sufficient funding is available for current and on-going operating, capital and debt service needs. Additionally, fiscal responsibility requires anticipating the possibility of, and preparing for, unforeseen events which result in fiscal consequences.

Mesa Water will at all times retain the goal of having sufficient funding available to meet its on-going operating, capital and debt service financial obligations. Designated Funds will be accumulated, held, maintained and monitored pursuant to this Policy to allow Mesa Water to fully meet expenditure requirements and obligations in a manner consistent with its Water System Master Plan and avoid significant rate fluctuations due to changes in revenue receipts and cash flow requirements.

The Board may designate specific funds/accounts and designated fund balances for the Designated Funds consistent with applicable statutory provisions, and levels that the Board has determined to be in the best interests of Mesa Water.

The directives outlined in this Policy are intended to help ensure that Mesa Water has, and will have, sufficient funds to meet current and future fiscal needs, requirements and/or obligations. The Board will review the designated funding levels of the various Designated Funds on a periodic basis.

## **2. Definitions**

Unless otherwise defined herein, or unless the context requires otherwise, the following terms shall have the following meaning(s) for purposes of this Policy:

- Board – means the Board of Directors of Mesa Water District.
- Designated Funds – means those funds, accounts and/or sub-accounts created or held on behalf of Mesa Water which are subject to this Policy and are further set out in Sections 3 and 5 hereof.
- Designated Funds Policy or Policy – shall mean this Mesa Water District Designated Funds Policy as adopted and as amended from time to time.
- Mesa Water or District – means Mesa Water District, a county water district organized and operating pursuant to State law.
- Rules and Regulations – means the Rules and Regulations for Water Service as adopted by the Board and as amended from time to time.
- State – means the State of California.

Capitalized terms used herein and not otherwise defined shall have the meaning(s) ascribed thereto in the Rules and Regulations.

### **3. Types of Designated Funds**

There shall be three types of Designated Funds, which are defined and described below:

- I. **RESTRICTED FUNDS:** Restrictions on the use of these funds are imposed by an outside source such as creditors, grantors, contributors, laws and/or regulations.
- II. **CAPITAL FUNDS:** Established by action of the Board and designated for specific purposes. These funds are utilized primarily to fund capital and asset replacement costs.
- III. **LIQUIDITY FUNDS:** Established by action of the Board to safeguard the financial viability and stability of Mesa Water and, absent specific directives of the Board, shall be funded from accumulated revenues.

### **4. General Provisions**

Mesa Water will maintain its Liquidity and Capital Funds in designated funds or accounts in a manner that ensures its financial soundness and provides transparency to its customers. The targeted level(s) of Fund balances are considered the minimum necessary to maintain the District's credit worthiness and adequately provide for:

- Compliance with applicable statutory requirements;
- Financing of future capital facilities and repair and replacement of existing capital assets;
- Cash flow requirements;
- Economic uncertainties, local disasters, and other financial hardships or downturns in the local or national economy; and/or
- Contingencies or unforeseen operating or capital needs.

In the context of funding future capital facilities and maintaining and replacing existing capital assets, in each instance, Mesa Water will analyze the benefits and tradeoffs of utilizing pay-as-you-go funding and/or debt financing and determine the optimal funding strategy or combination of funding strategies. The analysis should consider Mesa Water's current and projected liquidity and capital positions, as well as the impact of projected inflation, the cost(s) of water and other factors on the operations of the District and its capital improvement and replacement program.

Through a variety of policy documents and plans, including, but not limited to, Mesa Water's Asset Management Plan, Capital Improvement Plan, Water System Master Plan and Strategic Plan, the Board has set forth a number of long-term goals for the District. A fundamental purpose of Mesa Water's policy documents and plans, including this Policy, is to link what is to be accomplished, as set out in such policy documents and plans, with the necessary resources to successfully do so.

Mesa Water has established and will maintain the following Designated Funds and their respective accounts/sub-accounts:

- Restricted Funds – comprised of the Bond Proceeds Fund(s) and the Customer and Development Deposits
- Capital Funds – comprised of the Capital Replacement Fund
- Liquidity Funds – comprised of the Operating Fund, Rate Stabilization Fund, Administrative & General Fund and the Catastrophe Fund

A principal tenet of this Policy shall be the crediting of interest earnings to specific Designated Funds until the respective Designated Fund's designated funding level is achieved. Once the designated funding level is reached within a specific Designated Fund, the interest earnings over and above the designated funding level will be reallocated to other Designated Funds, as further set forth in the following paragraph, whose funding level is below the designated funding level as established pursuant to this Policy.

Designated Fund balances will be reviewed on an annual basis at, or near, the end of Mesa Water's established fiscal year to ensure compliance with this Policy. In the event the Liquidity Fund balance exceeds the designated funding level, monies over and above the designated funding level held therein will be transferred annually into the Capital Fund. On an as-needed basis, moneys from the Capital Fund may be transferred to pay for operating emergencies to supplement the Liquidity Fund. In addition, in the event that the Capital Fund balance exceeds the established maximum, the Board will make a determination regarding the reallocation of such funds.

The designated funding level established for each Designated Fund represents the baseline financial condition that is acceptable to Mesa Water from risk and long-range financial planning perspectives. Maintaining Designated Funds at appropriate levels is a prudent, ongoing business process that consists of an iterative, dynamic assessment and application of various revenue generating alternatives. These alternatives (either alone or in combination with each other) include, but are not limited to: fees and charges, water usage, capital financing, investment of funds and current and projected levels of capital expenditures.

To preserve its current AAA (or equivalent) credit ratings, in each fiscal year Mesa Water will strive to target unrestricted cash and Designated Fund balances totaling 600 days of budgeted operating expenses less pass-through expenses (defined herein as Operating Expenses). Should Mesa Water determine to target a different

credit rating level, this target may be adjusted accordingly. Higher credit ratings can provide economic benefit to Mesa Water in terms of lower interest rates on the future borrowings based on broader investor base and greater demand for the Mesa Water's issued securities, resulting in lower annual debt service cost. However, should Mesa Water determine to pursue a different credit rating, it will need to carefully analyze under what circumstances and in what timeframes it will be optimal to achieve such goal.

The Board shall approve any reallocation of funds or any transfers among Designated Funds.

## 5. **Mesa Water Designated Funds**

This Section further describes each of the Designated Funds (including accounts and sub-accounts therein), designated funding level(s) and related information.

### I. RESTRICTED FUNDS

- a. Bond Proceeds Fund(s) – Bond proceeds funds are monies derived from the proceeds of a securities issue. Typically they consist of construction fund monies and a debt service reserve fund (DSRF). The use of these proceeds is restricted by conditions set forth in the respective legal documents providing for the issuance of the corresponding securities. These funds are usually held by a trustee (bank) and there may be commitments of such funds in favor of the securities holders.

Designated Funding Level – The debt service reserve requirement is established at the time of a securities issue. This amount may be recalculated as the securities are paid down. Any excess funds and/or interest earnings over and above the specified reserve requirement are typically used to pay debt service on the corresponding outstanding securities.

Events or Conditions Prompting the Use of the Fund(s) – As stipulated in the respective securities issuance documents. Construction fund monies are expected to be spent on applicable projects, while DSRF can only be used in the event of a shortfall of funds available to pay debt service or to pay down principal of such securities at maturity.

Periodic Review Dates for Balances – Reviewed by the applicable trustee and Mesa Water staff on at least an annual basis.

- b. Customer and Development Deposits – Monies held on behalf of Mesa Water customers as required for their utility account(s) or as cash bonds for development projects.

Designated Funding Level – Customer deposits are required based upon the process outlined in the Rules and Regulations. Deposit requirements for development projects are outlined in Mesa Water's most current Miscellaneous Fees and Charges Resolution. The balance in this account will fluctuate

depending on the number of utility customer deposits required and the number of development projects in process. Therefore, no overall designated funding level(s) will be established.

Events or Conditions Prompting the Use of the Fund(s) –

1. Funds held as customer deposits are held to satisfy unpaid balances for the corresponding customer utility account as set out in the Rules and Regulations. As deposits on utility accounts are released, they will be refunded to the customer.
2. Deposits for development projects are drawn down to meet costs incurred by Mesa Water, or to satisfy unpaid balances, applicable to the corresponding development project. When development projects are complete, the project(s) will be closed and a final accounting will be completed. Remaining deposit monies, if any, will be returned to the development customer following final accounting and reconciliation.

Periodic Review Dates for Balances – Reviewed by staff on a regular basis as part of the monthly closing process.

## II. CAPITAL FUNDS

Mesa Water will strive to maintain a designated funding level of \$10.0 million in the Capital Funds. The Capital Funds will consist of the following sub-account:

- a. Capital Replacement Fund – The Capital Replacement Fund is used for the rebuilding and/or replacement of capitalized assets based around when such capital assets reach the end of their useful lives.

Designated Funding Level – Mesa Water may set aside replacement funds on a project-by-project basis. The designated funding level is equal to the \$10.0 million designated for the Capital Fund. There is no maximum balance specified in the Capital Replacement Fund.

Events or Conditions Prompting the Use of the Fund – Staff will recommend assets to be replaced during the annual budget preparation process. As projects are approved, funds will be appropriated from funds held in the Capital Replacement Fund not allocated for specific capital projects or available revenues.

Periodic Review Dates for Balances – Fund balances and projected capital projects will be reviewed by staff and the Board during the preparation and approval of the annual budget.

### III. LIQUIDITY FUNDS

Liquidity Funds will be comprised of the following sub-accounts: the Rate Stabilization Fund and the Operating Fund. The balance in the Liquidity Funds will fluctuate depending on annual Operating Expenses. The designated funding level in the Liquidity Funds will be equal to 180 days of the annual budgeted Operating Expenses.

- a. Administrative & General Fund – The Administrative & General Fund is used to fund certain major general, administration and overhead projects. It is intended to fund (or partially fund) offices, fixtures, furnishings, vehicles and equipment on a pay-as-you-go basis. The Board will appropriate funds for specific projects which can be funded on an as-needed or project-by-project basis.

#### Designated Funding Levels –

1. Target – The designated funding level in the Administrative & General Fund will be equal to 20 days of the annual budgeted Operating Expenses.
2. Maximum – The maximum funding level in the Administrative & General Fund will be equal to 25 days of the annual budgeted Operating Expenses.

Events or Conditions Prompting the Use of the Fund – Improvement projects will be identified by staff and recommended to the Board during the preparation of the annual budget. As projects are approved, funds will be appropriated from available revenues.

Periodic Review Dates for Balances – Fund balances and projected improvement projects will be reviewed by staff and the Board during the preparation and approval of the annual budget.

- b. Catastrophe Fund – The Catastrophe Fund is used to begin to rebuild, restore and/or repair Mesa Water's infrastructure and assets after a catastrophic event, such as a severe earthquake or fire, while long-term financing is being arranged or insurance claims are being processed.

#### Designated Funding Levels –

1. Target – The designated funding level in the Catastrophe Fund will be equal to 150 days of the annual budgeted Operating Expenses.
2. Maximum – The maximum funding level in the Catastrophe Fund will be equal to 180 days of the annual budgeted Operating Expenses.

Events or Conditions Prompting the Use of the Fund – The Board may designate use of this fund after establishing that conditions exist as called out in the definition and purpose of the fund.

Periodic Review Dates for Balances – Fund balances and designated and maximum funding level will be reviewed by staff and the Board during the preparation and approval of the annual budget.

- c. Rate Stabilization Fund – This fund is established to provide flexibility to the Board when setting rates to allow for absorbing temporary rate fluctuations or for one-time expenditures.

Designated Funding Levels –

1. Target – The designated funding level in the Rate Stabilization Fund will be equal to 60 days of the annual budgeted Operating Expenses.
2. Maximum – The maximum funding level in the Rate Stabilization Fund will be equal to 75 days of the annual budgeted Operating Expenses.

Events or Conditions Prompting the Use of the Fund – This fund is intended to be used to defray any temporary unforeseen and extraordinary increases in the cost of water supply. The Board, on a case by case basis, will determine the amount and timing for any use of this fund.

Periodic Review Dates for Balances – Fund balances will be reviewed by staff and the Board during the preparation and approval of the annual budget.

- d. Operating Fund – The Operating Fund is used for unanticipated Mesa Water operating expenses. This fund is designated by the Board to maintain working capital for current operations and to meet routine cash flow needs.

Designated Funding Levels –

1. Target – The designated funding level in the Operating Fund will be equal to 120 days of the annual budgeted Operating Expenses.
2. Maximum – The maximum funding level in the Operating Fund will be equal to 150 days of the annual budgeted Operating Expenses.

Events or Conditions Prompting the Use of the Fund – Upon Board authorization, this fund may be routinely utilized by staff to cover temporary cash flow deficiencies caused by timing differences between revenue and expenses and extraordinary decreases in revenues and unexpected increases in expenses.

Periodic Review Dates for Balances – Fund balances and designated funding level will be reviewed by staff and the Board during the preparation and approval of the annual budget.

## **6. Investment Guidelines**

It has been Mesa Water's practice to rely primarily on a pay-as-you-go (pay-go) strategy to fund capital improvements and replacement of existing assets. However, maintaining a balance between debt and pay-go sources may provide an added benefit to Mesa Water in terms of allowing for a more optimal investment strategy. In the context of these policies and in circumstances where such balance is present, the investment portfolio can be separated into short and long portfolios to maximize investment returns.

Funds held in the Designated Funds are subject to Mesa Water's Investment Policies and delegation(s) of investment authority as adopted by the Board and as amended from time to time.

## **7. Delegation of Authority**

The Board has sole authority to amend or revise this Designated Funds Policy. Through adoption of this Policy, the Board has established written procedures for staff to follow in the management of Mesa Water's Designated Funds.





*Dedicated to  
Satisfying our Community's  
Water Needs*

## MEMORANDUM

TO: Board of Directors  
FROM: Marwan Khalifa, CPA, MBA, Chief Financial Officer  
DATE: April 18, 2023  
SUBJECT: Water Rates

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### RECOMMENDATION

Direct staff to agendize *Rate Adjustment Options* at a future meeting.

### STRATEGIC PLAN

Goal #1: Provide an abundant, local, reliable and safe water supply.  
Goal #2: Perpetually renew and improve our infrastructure.  
Goal #3: Be financially responsible and transparent.

### PRIOR BOARD ACTION/DISCUSSION

At its January 12, 2022 meeting, the Board of Directors (Board) adopted Resolution No. 1559 Determining Compliance with Procedural Requirements, Making Findings, Revising Water Rates, Revising Meter Rates, Adopting a Capital Charge, Revising Fireline Stand-By Charges, and Adopting a Rate and Charge Implementation Schedule, Amending the Water Rate and Charge Schedule, and Taking Related Actions.

### DISCUSSION

Mesa Water District (Mesa Water®) has a perpetual agency philosophy requiring a scheduled, systematic review of its long-range financial plan and goals. This review includes the evaluation and updating of the District's rate schedules to ensure sufficient funds are available to meet the Board's Strategic Plan goals. To ensure the abundance of local, reliable and safe water for the community, it is important to conduct regular review of rates, in relation to costs, and make any needed adjustments.

Over the past several years, Mesa Water's responsible rates and cost controls have continued to result in the District accomplishing several key achievements, among them:

- Efficient Operations – Since Fiscal Year 2011, Mesa Water has consistently remained one of Orange County's most efficient water agency based on expenditures per capita.
- Financial Strength and Stability – Both Fitch and Standard & Poor's have reaffirmed Mesa Water's AAA rating due to its adherence to the District's rigorous financial policies.

In January 2022, the Board set water rates based upon a multi-year financial study which projected the future costs of providing high quality and reliable water service, servicing long-term debt, financing current and planned infrastructure projects, and funding Mesa Water's designated funds.

Recent inflation numbers have been higher than those projected in the most recent water rate study. At the April 18, 2023 workshop, staff will provide a presentation as an update to the current financial landscape and its impact on the District's budget.



FINANCIAL IMPACT

There is no financial impact for the discussion of this matter.

ATTACHMENTS

None.



*Dedicated to  
Satisfying our Community's  
Water Needs*

## MEMORANDUM

TO: Board of Directors  
FROM: Paul E. Shoenberger, P.E., General Manager  
DATE: April 18, 2023  
SUBJECT: Fiscal Year 2024 Strategic Plan

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### RECOMMENDATION

Discuss and identify annual strategic goals and objectives for Mesa Water District and approve the Fiscal Year 2024 Strategic Plan.

### STRATEGIC PLAN

- Goal #1: Provide an abundant, local, reliable and safe water supply.
- Goal #2: Perpetually renew and improve our infrastructure.
- Goal #3: Be financially responsible and transparent.
- Goal #4: Increase favorable opinion of Mesa Water.
- Goal #5: Attract, develop and retain skilled employees.
- Goal #6: Provide excellent customer service.
- Goal #7: Actively participate in regional and statewide water issues.

### PRIOR BOARD ACTION/DISCUSSION

At its October 25, 2022 workshop, the Board of Directors (Board) approved the Fiscal Year 2023 Strategic Plan, as amended.

### DISCUSSION

Mesa Water District's (Mesa Water®) Board provides staff with direction annually regarding the District's strategic goals, objectives and outcomes for the upcoming fiscal year. Based on this direction, priorities are established, resources are allocated and staff works to accomplish the goals and objectives, as directed.

The intent of this agenda item is for the Board to discuss additions, modifications and deletions to the Strategic Plan in a "brainstorming" forum with the General Manager acting as the facilitator.

This workshop provides a forum to discuss the potential opportunities and long-term strategic initiatives for the District. Staff has prepared a draft Strategic Plan, Attachment A, of potential strategic goals and objectives for the Board to use in considering future opportunities and potential new initiatives for Mesa Water in Fiscal Year (FY) 2024 and beyond.

For the FY 2024 Strategic Plan, a new look and format has been introduced for the Board's consideration. Staff has removed the routine annual objectives typically listed in the plan in favor of identifying and listing the high-level, impactful objectives that pertain to each of the seven goals. The routine annual objectives will still be captured in the Annual Performance Audit and in the District's Key Performance Indicators. Each high-level, impactful objective now includes a completion date for the purpose of measurement and will be given a status at fiscal year's end at the annual Spring Board Workshop. Outcomes have also been removed from the Strategic Plan to place more focus on the completion of the objectives.



The FY 2024 Strategic Plan lists a multitude of new objectives for each of the District's seven strategic plan goals; the following list highlights the key additions to the new plan:

- Initiate Construction of the Reservoir Chemical Management Systems by November 2023
- Initiate the Local groundwater Supply Improvement Project (Local SiP) Feasibility Study by February 2024
- Develop a Plan for the State Clean Fleet Mandate and Include an EV Charging Station at the Mesa Water Reliability Facility (MWRF) by January 2024
- Conduct an Assessment of the Information Technology (IT) 5-Year Master Plan by June 2024
- Prepare a 10-15 Year Financial Strategic Plan by June 2024
- Standardize Contracts and Create a Procurement Matrix by May 2024
- Develop a "Detail the District" List, Options and Plan by March 2024
- Create a Comprehensive Outreach Plan for the Mesa Water Education Center and Launch School Fieldtrip Program and Community Tours by October 2023
- Develop Options for a District Wellness Plan by June 2024
- Evaluate the Metrics and Measurement Values of the Elite Customer Service Standards by March 2024
- Implement a New Customer Information System by March 2025

Based on input received from the Board, staff will incorporate any revisions to the Strategic Plan and further analyze opportunities and constraints associated with the list of proposed initiatives. Staff will discuss the modifications with the Board to determine the feasibility of the proposed initiatives and develop work plans and schedules.

Staff recommends that the Board approve the Fiscal Year 2024 Strategic Plan, with possible modifications, at its April 18, 2023 workshop.

#### FINANCIAL IMPACT

None.

#### ATTACHMENTS

Attachment A: Fiscal Year 2024 Strategic Plan, Draft  
Attachment B: 2023 Strategic Plan, Redline



# STRATEGIC PLAN

Fiscal Year 2024

DRRAFT

## Vision

**To Be a Top Performing Water Agency**

## Mission Statement

**Mesa Water District, a local independent special district, manages its finances and water infrastructure, and advocates water policy, while reliably providing an abundance of clean, safe water to benefit the public's quality of life.**

## Core Values

- **Health and Safety of the Public and Our Staff**
- **Excellence**
- **Philosophy of Abundance**
- **Perpetual Agency Philosophy**

## Strategic Goals

1. Provide an abundant, local, reliable and safe water supply.
2. Perpetually renew and improve our infrastructure.
3. Be financially responsible and transparent.
4. Increase favorable opinion of Mesa Water.
5. Attract, develop and retain skilled employees.
6. Provide excellent customer service.
7. Actively participate in regional and statewide water issues.

## Strategic Goal #1

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*Provide an abundant, local, reliable and safe water supply.*

**Objective A: Continue to meet and surpass water quality standards.**

- ◆ Implement a free chlorine conversion pilot by February 2024

**Objective B: Maintain and protect a high-quality water supply.**

- ◆ Complete the Lead Service Line Inventory Plan for approval by October 2023
- ◆ Initiate construction of the Reservoir Chemical Management Systems by November 2023

**Objective C: Continue to ensure a reliable and abundant supply of water.**

- ◆ Develop a pilot project for replacement of the Mesa Water Reliability Facility (MWRF) secondary system membranes by March 2024
- ◆ Initiate the Local groundwater Supply Improvement Project (Local SiP) feasibility study by February 2024

**Objective D: Ensure emergency operations.**

- ◆ Initiate construction of emergency backup power at District Headquarters, Reservoir 1 and Kemp Reservoir by November 2023
- ◆ Design emergency backup power for the MWRF High-lift Pump House by June 2024

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## Strategic Goal #2

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*Perpetually renew and improve our infrastructure.*

**Objective A: Manage water infrastructure assets to assure reliability.**

- ◆ Complete electrical upgrades at the Fair/Newport vault by December 2023
- ◆ Complete improvement replacement of meter vault lids by June 2024
- ◆ Initiate construction of the Reservoir Rehabilitation Program by November 2023
- ◆ Replace SCADA radio communication equipment by October 2023
- ◆ Develop a plan for the State Clean Fleet Mandate and include an EV charging station at the MWRF by January 2024
- ◆ Design new District facility security hardening by January 2024
- ◆ Implement MWRF upgrades to improve system operations and useful life by March 2024

**Objective B: Efficiently manage our water system.**

- ◆ Implement Mesa Water's Computerized Maintenance Management System (CMMS) mobile functions by October 2023

**Objective C: Plan future projects based on data-driven and life-cycle cost decisions.**

- ◆ Update to the Water System Master Plan including an Asset Management Plan by January 2024

**Objective D: Improve Mesa Water's information technology infrastructure assets to assure reliability and security.**

- ◆ Transition the Information Technology Data Center to a cloud-based data center services platform by December 2023
- ◆ Transition to Microsoft Office 365 by December 2023
- ◆ Implement enhanced cyber security tools and a monitoring system by June 2024
- ◆ Replace all workstations by June 2024
- ◆ Develop an Information Technology Asset Database by June 2024
- ◆ Conduct an assessment of the current IT 5-Year Master Plan by June 2024

## Strategic Goal #3

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*Be financially responsible and transparent.*

**Objective A: Maintain AAA financial goals and meet the appropriate designated fund level goals.**

- ◆ Review possible increased efficiencies and cost savings in the management of Trust Accounts by September 2023
- ◆ Review possible increased efficiencies and cost savings in the management of the District's Reserve Funds by December 2023
- ◆ Update the Board's AAA goal and Designated Funds policy by September 2023
- ◆ Create an Investment Policy Statement by September 2023

**Objective B: Maintain competitive rates and efficiency in per capita expenditures.**

**Objective C: Fund the Board's and District's priorities.**

- ◆ Define a 10-15 year financial strategic plan by November 2023
- ◆ Prepare a 10-15 year financial strategic plan by June 2024
- ◆ Conduct Federal Earmarks advocacy in 2023 for Mesa Water's priority projects—the "Cohort Pipe" and "MWRF Backup Power"
- ◆ Implement and lead the RFQ process to retain a Grants Services/Support consultant by August 2023

**Objective D: Encompass financial responsibility and transparency.**

- ◆ Conduct a Needs Assessment, including an Action Plan, for the acquisition of an Electronic Records Management Software by October 2023
- ◆ Standardize contracts and create a procurement matrix by May 2024

## Strategic Goal #4

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### *Increase favorable opinion of Mesa Water.*

#### **Objective A: Enhance Mesa Water’s visibility and positive recognition.**

- ◆ Develop a “Detail the District” list, options and plan by March 2024

#### **Objective B: Increase awareness of Mesa Water and water among key audiences.**

- ◆ Create a comprehensive outreach plan for the Mesa Water Education Center, and launch a school field trip program and community tours by October 2023
- ◆ Host 50 field trips and tours at the Mesa Water Education Center by June 2024

#### **Objective C: Unify Mesa Water messaging and publications.**

- ◆ Prepare content for a bi-monthly constituent communication, and email six issues by June 2024

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## Strategic Goal #5

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*Attract, develop and retain skilled employees.*

**Objective A: Attract and retain a qualified, skilled and capable workforce.**

- ◆ Update the District's Employee Rules and Regulations by July 2023
- ◆ Complete a general salary increase survey of our benchmark agencies by October 2023
- ◆ Administer the Annual Employee Engagement Survey by June 2024
- ◆ Explore options for a District Longevity Plan by June 2024

**Objective B: Develop employee skills.**

- ◆ Facilitate presentation training for key staff by October 2023
- ◆ Conduct two Elite Onboarding sessions by June 2024

**Objective C: Enhance employee relations.**

- ◆ Conduct HR Roundtables with staff by June 2024

**Objective D: Provide a safe working environment for staff.**

- ◆ Conduct a Request for Proposal for Labor Legal Services by October 2023
- ◆ Develop options for a District Wellness Plan by June 2024

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## **Strategic Goal #6**

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*Provide excellent customer service.*

**Objective A: Provide outstanding internal and external customer service in a timely, courteous and effective manner.**

**Objective B: Enhance the customer experience.**

- ◆ Competitively select a new customer information system by May 2024
- ◆ Implement a new customer information system by March 2025

**Objective C: Measure success.**

- ◆ Competitively select a consultant to examine the metrics and measurement values of the Elite Customer Service Standards by October 2023
- ◆ Evaluate the metrics and measurement values of the Elite Customer Service Standards by March 2024

**Objective D: Continuous improvement and reinforcement.**

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## Strategic Goal #7

### *Actively participate in regional and statewide water issues.*

#### **Objective A: Accomplish the Board's Policy Priorities.**

- ◆ Advocate during the 2023 state legislative session to support an appropriate water bond on the November 2024 ballot
- ◆ Support the 2023 ACWA-sponsored state senate bill (SB 23) to streamline permitting for water infrastructure projects

#### **Objective B: Positively influence water policy and other priority policy issues.**

- ◆ Influence 2023 rulemaking for CA water use efficiency regulations to be economically viable, environmentally appropriate, and feasible
- ◆ Advocate during the 2023 state legislative session to amend or oppose nonfunctional turf bills (AB 1572, AB 1573)

#### **Objective C: Optimize governmental efficiencies affecting Mesa Water.**

- ◆ Apply for award(s) -- as offered (ACWA ACE, APWA, ICMA) -- for Mesa Water's efficiency (BiPi) by December 2023

#### **Objective D: Facilitate Mesa Water's impactful participation with water, government, utility and non-governmental organizations.**

- ◆ Support OCWD President Green's election as ACWA President and CCWD President Avila's election as ACWA Vice President in 2023
- ◆ Support Vice President DePasquale's re-election to the ACWA Region 10 Board in 2023



# STRATEGIC PLAN

Fiscal Year 2023~~3~~4

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## Vision

**To Be a Top Performing Water Agency**

## Mission Statement

**Mesa Water District, a local independent special district, manages its finances and water infrastructure, and advocates water policy, while reliably providing an abundance of clean, safe water to benefit the public's quality of life.**

## Core Values

- **Health and Safety of the Public and Our Staff**
- **Excellence**
- **Philosophy of Abundance**
- **Perpetual Agency Philosophy**



## **Strategic Goals**

- 1. Provide an abundant, local, reliable and safe water supply.**
- 2. Perpetually renew and improve our infrastructure.**
- 3. Be financially responsible and transparent.**
- 4. Increase favorable opinion of Mesa Water.**
- 5. Attract, develop and retain skilled employees.**
- 6. Provide excellent customer service.**
- 7. Actively participate in regional and statewide water issues.**

# WATER SUPPLY AND RELIABILITY

## Strategic Goal #1

*Provide an abundant, local, reliable and safe water supply.*

### Objective A: Continue to meet and surpass water quality standards.

- ~~◆ Meet and surpass primary water quality standards~~
- ~~◆ Meet and surpass secondary water quality standards~~
- ~~◆ Perform required water quality tests annually~~
- ◆ ~~Develop, plan and obtain approval for~~ Implement a ~~annual winter~~ free chlorine conversion pilot by February 2024

### Objective B: Maintain and protect a ~~high quality~~ high-quality water supply.

- ~~◆ Efficiently maintain backflow, cross-connection, and recycled water programs to protect the water system from contamination~~
- ~~◆ Implement requirements of Lead and Copper Rule Revisions~~
- ~~◆ Complete the Lead Service Line Inventory Plan for approval by October 2023~~
- ◆ ~~Initiate construction of the~~ Reservoir Chemical Management Systems by November 2023

### Objective C: Continue to ensure a reliable and abundant supply of water.

- ~~◆ Provide a 100% local and reliable water supply portfolio~~
- ~~◆ Complete construction of new wells to provide 115% of peak demand~~
- ~~◆ Prepare a report on brackish groundwater opportunities~~
- ~~◆ Complete construction of the MWRF and Well Storage Buildings~~
- ~~◆ Develop a pilot project for replacement of the MW~~Mesa Water Reliability Facility (MWRF) secondary system membranes by March 2024
- ~~◆ Initiate the Local groundwater Supply~~ Improvement Project (Local SiP) feasibility study by February 2024

### Objective D: Ensure emergency operations.

- ~~◆ Conduct regular testing of all backup power and communications systems~~
- ◆ ~~Initiate construction of emergency backup power at District Headquarters, Reservoir 1 and Kemp Reservoir~~ by November 2023
- ~~◆ Maintain EOC equipment and facilities~~
- ~~◆ Participate in Regional Emergency Response exercises~~
- ~~◆ Perform emergency backup power study for the MWRF~~
- ◆ ~~Design MWRF pump house~~ emergency backup power for the MWRF High-lift Pump House by June 2024~~design~~

~~Outcome 1: Meet all water quality standards — in both health and aesthetics.~~

~~Outcome 2: Drought-proof local water supply in all conditions.~~

~~Outcome 3: Maintain the ability to serve 100% imported water supply.~~

~~Outcome 4: Increase storage for parts, materials and equipment.~~

# WATER INFRASTRUCTURE

## Strategic Goal #2

*Perpetually renew and improve our infrastructure.*

### Objective A: Manage water infrastructure assets to assure reliability.

- ◆ Complete electrical upgrades at the Fair/Newport vault by December 2023
- ◆ Complete improvement replacement of meter vault lids by June 2024
- ◆ ~~Complete construction of Chandler & Croddy Wells and Pipeline Project~~
- ◆ Initiate construction of the Reservoir Rehabilitation Program by November 2023
- ◆ ~~Actively maintain assets via preventative maintenance programs~~
- ◆ Replace SCADA radio communication equipment by October 2023
- ◆ Develop a plan for the State Clean Fleet Mandate and include an EV charging station at the MWRF by January 2024
- ◆ Design and implement new District facility security hardening by January 2024
- ◆ Implement MWRF upgrades to improve system operations and useful life by March 2024

### Objective B: Efficiently manage our water system.

- ◆ ~~Create a 1951 Cohort Pipeline Replacement Project Plan~~
- ◆ Implement Mesa Water's Computerized Maintenance Management System (CMMS) mobile functions by October 2023
- ◆ ~~Routinely evaluate operational energy and chemical consumption metrics~~
- ◆ ~~Provide field support services to achieve efficient water loss audit goal~~
- ◆ ~~Manage routine key performance metrics within 10 percent of planned average daily production levels~~

### Objective C: Plan future projects based on data-driven and life-cycle cost decisions.

- ◆ ~~Continue actively managing the Pipeline Integrity Testing Program~~
- ◆ Update the Water System Master Plan including an Asset Management Plan by January 2024

### Objective D: Improve Mesa Water's information technology infrastructure assets to assure reliability and security.

- ◆ ~~Implement an Information Technology Capital Improvement Program~~
- ◆ Transition the Information Technology Data Center to a cloud-based data center services platform by December 2023
- ◆ Transition to Microsoft Office 365 by December 2023
- ◆ ~~Complete implementation of the Information Technology SCADA metrics~~
- ◆ ~~Develop technical proficiency for the use of online communications (e.g., zoom or similar) by Mesa Water's Board members and staff~~
- ◆ Implement enhanced cyber security tools and a monitoring system by June 2024
- ◆ Replace all workstations by June 2024
- ◆ Develop an Information Technology Asset Database by June 2024
- ◆ Conduct an assessment of the current IT 5-Year Master Plan by June 2024

~~Outcome 1: Perform infrastructure refurbishment and replacement.~~

~~Outcome 2: Complete \$70MM Capital Improvement Program Renewal Program.~~

~~Outcome 3: Train and use Mesa Water's CMMS mobile system.~~

~~Outcome 4: Protect and secure infrastructure.~~

~~Outcome 5: Maintain efficient real water loss status (e.g., <5%).~~

~~Outcome 6: Maintain and replace assets to extend useful life and minimize capital and operating costs.~~

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# FINANCIAL RESPONSIBILITY AND TRANSPARENCY

## Strategic Goal #3

*Be financially responsible and transparent.*

**Objective A: Maintain AAA financial goals and meet the appropriate designated fund level goals.**

- ~~◆ Report quarterly on AAA goals and designated funds~~
- ~~◆ Report annually on status of OPEB and Pension Liability~~
- ~~◆ Produce a quarterly report on the status of the Certificates of Participation and the funds reimbursed for projects~~
- ◆ Review possible increased efficiencies and cost savings in the management of Trust Accounts by September 2023 and Reserve Funds
- ◆ Review possible increased efficiencies and cost savings in the management of the District's Reserve Funds by December 2023
- ◆ Update the Board's AAA goal and designated Designated funds-Funds policy by September 2023
- ◆ Create an Investment Policy Statement by September 2023

**Objective B: Maintain competitive rates and efficiency in per capita expenditures.**

- ~~◆ Evaluate true cost of water to the customer compared to benchmark agencies~~
- ~~◆ Administer investment portfolio consistent with policies~~
- ~~Support rates that are fair, understandable and prudent for the District's financial stability and sustainability as a perpetual agency~~

**Objective C: Fund the Board's and District's priorities.**

- ~~◆ Prepare a balanced budget that funds Board and District priorities~~
- ~~◆ Produce timely and accurate financial reports including Comprehensive the Annual Financial Report and State Controller's Report~~
- ~~◆ Prepare quarterly financial reports and accurately projected year-end results~~
- ~~◆ Conduct accurate and timely monthly close accounting~~
- ◆ Define Prepare a 10-15 year long-term financial strategic plan by November 2023
- ◆ Prepare a 10-15 year financial strategic plan by June 2024
- ~~◆ Pursue state and federal funding for projects~~
- ◆ Conduct Federal Earmarks advocacy in 2023 for Mesa Water's priority projects—the "Cohort Pipe" and "MWRF Backup Power"
- ◆ Implement and lead the RFQ process to retain a Grants Services/Support consultant by August 2023

**Objective D: Encompass financial responsibility and transparency.**

- ~~◆ Provide key financial documents on the website~~
- ~~◆ Provide Board and staff total compensation, salary and benefits structure on the website~~
- ~~◆ Provide Board meeting agendas, meeting packets and meeting minutes on the website~~
- ~~◆ Comply fully with the California Public Records Act~~
- ◆ Conduct a Needs Assessment, and including an Action Plan, for the aAcquisition of an Electronic Records Management Software by October 2023
- ~~◆ Prohibit evergreen contracts~~

- Standardize contracts and create a procurement matrix by May 2024
- ~~Conduct annual audits~~

~~Outcome 1: Meet Board's annual targets for cash on hand and days cash ratio.~~

~~Outcome 2: Maintain debt service ratio.~~

~~Outcome 3: Comprehensive organizational transparency.~~

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# WATER AWARENESS

## Strategic Goal #4

### *Increase favorable opinion of Mesa Water.*

#### **Objective A: Enhance Mesa Water's visibility and positive recognition.**

- ~~◆ Facilitate accolades and awards for Mesa Water~~
- ~~◆ Improve Mesa Water's news bureau and social media~~
- ◆ Develop a "Detail the District" list, options and plan by March 2024

#### **Objective B: Increase awareness of Mesa Water and water among key audiences.**

- ~~◆ Manage Mesa Water's community relations campaign program and events~~
- ◆ Create a comprehensive outreach plan for the Mesa Water Education Center, and launch a school field trip program and community tours by October 2023
- ◆ Host 50 field trips and tours at the Mesa Water Education Center by June 2024
- ~~◆ Cultivate Mesa Water ambassadors~~
- ~~◆ Enhance new customer experience and with new customer welcome bags program and anniversary program~~

#### **Objective C: Unify Mesa Water messaging and publications.**

- ~~◆ Continue industry relations to promote awareness of District's perpetual agency philosophy, strong financial position and innovation~~
- ~~◆ Provide Mesa Water Board and staff with updated strategic messages framework~~
- ~~◆ Expand reach and amplify messaging to new audiences on owned communication channels~~
- ◆ Prepare content for a bi-monthly constituent communication, and email six issues by June 2024

~~**Outcome 1:** Earn two awards in Fiscal Year 2023.~~

~~**Outcome 2:** Demonstrate year-over-year growth in social media followers, reach and engagement among service area residents and increased earned media highlighting Mesa Water's 100% local, reliable, clean and safety water supply.~~

~~**Outcome 3:** Increase Mesa Water brand awareness by 5 percent annually.~~

~~**Outcome 4:** Open the Mesa Water Education Center, launch school fieldtrip program and community tours.~~

~~**Outcome 5:** Host Water Issues Study Group and Mesa Water 101 sessions.~~

~~**Outcome 6:** Prepare a bi-monthly customer communication with news highlight.~~

# HUMAN RESOURCES

## Strategic Goal #5

*Attract, develop and retain skilled employees.*

### **Objective A: Attract and retain a qualified, skilled and capable workforce.**

- ~~◆ Prepare Annual Employee Turnover Report~~
- ◆ Update the District's Employee Rules and Regulations by July 2023
- ~~◆ Complete a general salary increase survey of our benchmark agencies by October 2023~~
- ~~◆ Update Human Resources-related policies~~
- ~~◆ Maintain a competitive total compensation package (e.g., salary surveys, benefit reviews, etc.)~~
- ◆ Administer the Annual Employee Engagement Survey by June 2024
- ~~◆ Administer Elite Onboarding program for new hires~~
- ◆ Explore options for a District Longevity Plan by June 2024

### **Objective B: Develop employee skills.**

- ~~◆ Fully train a minimum of two employees in key processes to ensure accountability and sustainability~~
- ~~◆ Develop and implement an operational and institutional knowledge transfer plan~~
- ~~◆ Provide employee development training and leadership opportunities~~
- ~~◆ Provide quarterly training report~~
- ~~◆ Facilitate presentation training for key staff by October 2023~~
- ~~◆ Conduct two Elite Onboarding sessions by June 2024~~

### **Objective C: Enhance employee relations.**

- ~~◆ Maintain and update the Human Resources Information System~~
- ~~◆ Negotiate a new Memorandum of Understanding with the employee association~~
- ~~◆ Conduct HR Roundtables with staff by June 2024~~

### **Objective D: ~~Provide annual safety program audit.~~ Provide a safe working environment for staff.**

- ~~◆ Provide safety training for all employees~~
- ~~◆ Conduct Monday morning weekly tailgate talks~~
- ~~◆ Conduct a Request for Proposal for Labor Legal Services by October 2023~~
- ~~◆ Develop options for a District Wellness Plan by June 2024~~

~~Outcome 1: Fully staffed and trained organization.~~

~~Outcome 2: Minimized turnover.~~

~~Outcome 3: Provide Employee Engagement result District-wide.~~

~~Outcome 4: Improved employee engagement.~~

~~Outcome 5: Recognize and celebrate the good work of employees.~~



# CUSTOMER SERVICE

## Strategic Goal #6

*Provide excellent customer service.*

**Objective A: Provide outstanding internal and external customer service in a timely, courteous and effective manner.**

- ~~◆ Encourage and support colleagues and help others find solutions to problems~~
- ~~◆ Speak professionally with a positive tone of voice~~
- ~~◆ Resolve issue on first point of contact~~

**Objective B: Enhance the customer experience.**

- ~~◆ Listen carefully to understand the real need of the customer~~
- ~~◆ Be empathetic to the customer's situation~~
- ~~— Respond to all requests promptly and, when information isn't immediately available, provide a timeframe for the resolution~~
- ◆ Competitively select a new customer information system by May 2024
- ◆ Implement a new customer information system by March 2025

**Objective C: Measure success.**

- ~~◆ Continue to measure success to ensure Elite Customer Service Standards are met~~
- ~~◆ Survey customer satisfaction for walk-in and telephone service~~
- ◆ Competitively select a consultant to examine the metrics and measurement values of the Elite Customer Service Standards by October 2023
- ◆ Evaluate ~~examine~~ the metrics and measurement values of the Elite Customer Service Standards by March 2024

**Objective D: Continuous improvement and reinforcement.**

- ~~◆ Continue reinforcement system for customer service skills and behaviors through one-on-one coaching~~

~~Outcome 1: Answer telephone calls in less than 20 seconds (average).~~

~~Outcome 2: Ensure new development account set ups occur within 10 days of project completion.~~

~~Outcome 3: Achieve overall gold standard score on quarterly audit.~~

# POLICY LEADERSHIP

## Strategic Goal #7

### *Actively participate in regional and statewide water issues.*

#### **Objective A: Accomplish the Board's Policy Priorities.**

- ~~◆ Annually update the Board's water policy and other policy issue positions~~
- ~~◆ Annually update the Board's platforms for legislative and regulatory advocacy~~
- ~~◆ Advocate on the Board's legislative and regulatory platforms and policy positions at the local, regional, state and federal levels~~
- ◆ Advocate during the 2023 state legislative session to support an appropriate water bond on the November 2024 ballot
- ◆ Support the 2023 ACWA-sponsored state senate bill (SB 23) to streamline permitting for water infrastructure projects

#### **Objective B: Positively influence water policy and other priority policy issues.**

- ~~◆ Actively engage on local, regional, state and federal water policy and priority policy issues with relevant governmental organizations, elected and appointed officials, and their staff/consultants as appropriate~~
- ~~◆ Develop and lead, or actively participate with, applicable legislative and regulatory advocacy coalitions of water/government/utility industry associations and/or members~~
- ~~◆ Monitor relevant water/government/utility industry public meetings and appropriately engage on policies and issues important to Mesa Water~~
- ◆ Influence 2023 rulemaking for CA water use efficiency regulations to be economically viable, environmentally appropriate, and feasible
- ◆ Advocate during the 2023 state legislative session to amend or oppose nonfunctional turf bills (AB 1572, AB 1573)

#### **Objective C: Optimize governmental efficiencies affecting Mesa Water.**

- ~~◆ Champion special districts' shared efficiencies for Mesa Water's service area~~
- ~~◆ Explore economical, efficient shared services opportunities for Mesa Water at the local and regional levels~~
- ~~◆ Support local and regional efficiency improvement efforts that can benefit Mesa Water and its stakeholders~~
- ◆ Apply for award(s) -- as offered (ACWA ACE, APWA, ICMA) -- for Mesa Water's efficiency (BiPi) by December 2023

#### **Objective D: Facilitate Mesa Water's impactful participation with water, government, utility and non-governmental organizations.**

- ~~◆ Leverage and extend the District's governmental and industry relations to help maximize positive awareness of Mesa Water and water issues~~
- ~~◆ Maintain Board and staff involvement with organizations such as ACWA, ACWA/JPIA, AWWA, CalDesal, CMUA, CSDA, CWSA, Groundwater Producers, ISDOC, LAFCO, MCWRA, MET/MWDOC, OCBC, OCWD, SAWPA, SCWC, UWI, WaterReuse, WAGO, etc.; proactively pursue opportunities for additional participation~~
- ~~◆ Seek and support Board and staff participation with non-governmental organizations and/or coalitions as appropriate~~

- ◆ ~~Conduct State and Federal advocacy to seek grants funding for Mesa Water projects and programs~~
- ◆ Support OCWD President Green's election as ACWA President and CCWD President Avila's election as ACWA Vice President in 2023
- ◆ Support Vice President DePasquale's re-election to the ACWA Region 10 Board in 2023

~~**Outcome 1:** 2023 Legislative Platforms, Policy Positions and accompanying advocacy to benefit Mesa Water and its stakeholders.~~

~~**Outcome 2:** Continue advocacy leadership by positively influencing water policy and other priority policy issues for Mesa Water.~~

~~**Outcome 3:** Encourage and advance internal and external efficiency efforts at the local and regional levels to benefit Mesa Water and its stakeholders.~~

~~**Outcome 4:** Increase positive awareness of Mesa Water with water/government/utility industry and non-governmental organizations.~~

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**REPORTS:**

8. REPORT OF THE GENERAL MANAGER

**REPORTS:**

9. DIRECTORS' REPORTS AND COMMENTS