



*Dedicated to  
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**AGENDA  
MESA WATER DISTRICT  
BOARD OF DIRECTORS  
Wednesday, March 13, 2024  
1965 Placentia Avenue, Costa Mesa, CA 92627  
4:30 p.m. 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.

**CONSENT CALENDAR ITEMS:**

Approve all matters under the Consent Calendar by one motion unless a Board member, staff, or a member of the public requests a separate action.

1. Approve minutes of regular Board meeting of February 14, 2024.
2. Approve attendance considerations (additions, changes, deletions).
3. Board Schedule:
  - Conferences, Seminars, and Meetings
  - Board Calendar
  - Upcoming Community Outreach Events

**PRESENTATION AND DISCUSSION ITEMS:**

4. DESIGNATED FUNDS POLICY:

**Recommendation: Adopt Resolution No. 1590 Revising the Designated Funds Policy Superseding Resolution No. 1529.**



5. FINANCIAL MANAGEMENT INCREASED EFFICIENCIES:

**Recommendation: Direct staff to agendize at a future meeting a detailed plan to transition the Pension Trust, Other Post- Employment Benefits Trust, and General Reserves.**

**ACTION ITEMS:**

6. METER READING SOFTWARE:

**Recommendation: Approve a change order with Plante Moran for \$83,125 to perform a meter reading software evaluation and provide implementation support; this work will be sub-contracted to E Source Companies, LLC, a professional utility consulting firm specializing in metering technology.**

7. MESA WATER DISTRICT IMPROVEMENT CORPORATION ANNUAL MEETING:

**Recommendation: Recess from regular Board meeting and hold the Mesa Water District Improvement Corporation Annual Meeting.**

**REPORTS:**

8. REPORT OF THE GENERAL MANAGER

9. DIRECTORS' REPORTS AND COMMENTS

**INFORMATION ITEMS:**

10. DIRECTORS' REPORTS (AB 1234) PER CA GOVERNMENT CODE SECTION 53232.3 (D)

**CLOSED SESSION:**

11. PURSUANT TO CALIFORNIA GOVERNMENT CODE SECTION 54957.6:  
PUBLIC EMPLOYEE PERFORMANCE EVALUATION  
TITLE: GENERAL MANAGER

*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 to or during the meeting, the materials will be available at the time of the meeting.*

**ADJOURN TO AN ADJOURNED REGULAR BOARD MEETING SCHEDULED FOR  
TUESDAY, MARCH 19, 2024 AT 3:30 P.M.**



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**MINUTES OF THE BOARD OF DIRECTORS  
MESA WATER DISTRICT  
Wednesday, February 14, 2024  
1965 Placentia Avenue, Costa Mesa, CA 92627  
4:30 p.m. Regular Board Meeting**

**CALL TO ORDER**

The meeting of the Board of Directors was called to order at 4:30 p.m. by President Dewane.

**PLEDGE OF ALLEGIANCE**

Vice President DePasquale led the Pledge of Allegiance.

Directors Present

Shawn Dewane, President  
Marice H. DePasquale, Vice President  
Jim Atkinson, Director  
Fred R. Bockmiller, P.E., Director  
James R. Fidler, Director

Directors Absent

None

Staff Present

Paul E. Shoenberger, P.E., General Manager  
Denise Garcia, Chief Administrative Officer/  
District Secretary  
Marwan Khalifa, CPA, MBA, Chief Financial Officer/  
District Treasurer  
Andrew D. Wiesner, P.E., District Engineer  
Tyler Jernigan, Water Operations Manager  
Kurt Lind, Business Administrator  
Kaitlyn Norris, Public Affairs Specialist  
Rob Anslow, Partner, Atkinson, Andelson, Loya, Ruud & Romo

Others Present

Edward Ring, Executive Director, California Policy Center

**PUBLIC COMMENTS**

President Dewane asked for public comments on items not on the agenda.

There were no comments and President Dewane proceeded with the meeting.

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

General Manager Shoenberger reported there were no items to be added, removed, or reordered on the agenda. There were no objections.

**CONSENT CALENDAR ITEMS:**

1. Approve minutes of regular Board meeting of January 10, 2024.

2. Approve minutes of regular Board meeting of January 24, 2024.
3. Approve minutes of special Board meeting of January 30, 2024.
4. Approve attendance considerations (additions, changes, deletions).
5. Board Schedule:
  - Conferences, Seminars, and Meetings
  - Board Calendar
  - Upcoming Community Outreach Events

President Dewane asked for comments from the public. There were no comments.

## MOTION

Motion by Vice President DePasquale, second by Director Atkinson, to approve Items 1 – 5 of the Consent Calendar. Motion passed 5 – 0.

## PRESENTATION AND DISCUSSION ITEMS:

### 6. CALIFORNIANS FOR ENERGY AND WATER ABUNDANCE:

GM Shoenberger introduced California Policy Center Executive Director Edward Ring who proceeded with a presentation that highlighted the following:

- California's Misguided Water Policy: Embracing Scarcity Instead of Abundance
- SB 1157 – Downside to Mesa Water, Downside to Mesa Water's Customers
- Californians for Energy & Water Abundance
- Projects/Reach
- Strategic Message: Water Conservation Has Reached its Limit
- Strategic Message: Water Abundance is Feasible & Sustainable
- Solution: Flexibility in SB 1157 Rulemaking
- Solution: Fish-Friendly Delta Diversions
- Goals

Discussion ensued amongst the Board.

Mr. Ring responded to questions from the Board and they thanked him for the presentation.

### 7. MESA WATER EDUCATION CENTER EVENT:

GM Shoenberger provided an overview of the topic.

Discussion ensued amongst the Board.

Staff was directed to make final modifications to the Prospective Invitation List.

### 8. BOARD MEETING PROCEDURES:

GM Shoenberger provided an overview of the topic.

Director Fisler recommended either 1) filming the Mesa Water Board meetings and then posting the recorded meetings on the website for future viewing by water customers or 2) providing Zoom meetings to meet the Board's Strategic Plan Goals of increasing the favorable opinion of Mesa Water, exercising transparency, and providing excellent customer service. He offered that many industry meetings he attends offer video conferencing, and it has proven convenient when he cannot attend in person. Video conferencing or viewing of meetings is becoming a common practice in the industry.

Discussion ensued amongst the Board.

#### MOTION

Motion by President Dewane, second by Director Bockmiller, to table the topic of current meeting procedures for audio recordings. Motion passed 4 – 1, with Director Fisler voting no.

#### **ACTION ITEMS:**

##### 9. PREFERENCE TO BUY AMERICAN-MADE MANUFACTURED GOODS:

GM Shoenberger provided an overview of the topic.

Discussion ensued amongst the Board.

President Dewane asked for comments from the public. There were no comments.

#### MOTION

Motion by Vice President DePasquale, second by President Dewane, to adopt Resolution No. 1589 Providing Guidelines for the Procurement of Goods and Services and Cash Disbursements, Superseding Resolution No. 1581. Motion passed 5 – 0, by the following roll call vote:

AYES:	DIRECTORS	Atkinson, Bockmiller, Fisler, DePasquale, Dewane
NOES:	DIRECTORS	None
ABSTAIN:	DIRECTORS	None
ABSENT:	DIRECTORS	None

##### 10. PLAN CHECK CONSULTING SERVICES:

District Engineer Wisner provided an overview of the topic.

Discussion ensued amongst the Board.

President Dewane asked for comments from the public. There were no comments.

**MOTION**

Motion by Vice President DePasquale, second by President Dewane, to approve a sole source contract to John Robinson Consulting, Inc. to provide Plan Check Consulting Services for the remainder of Fiscal Year 2024 and through Fiscal Year 2025 for an amount not to exceed \$250,000, and authorize execution of the contract. Motion passed 5 – 0.

**REPORTS:**

- 11. REPORT OF THE GENERAL MANAGER:
- 12. DIRECTORS' REPORTS AND COMMENTS

**INFORMATION ITEMS:**

- 13. DIRECTORS' REPORTS (AB 1234) PER CA GOVERNMENT CODE SECTION 53232.3 (D)

**Recess**

President Dewane declared a recess at 6:19 p.m.

The Board meeting reconvened at 6:20 p.m.

**CLOSED SESSION:**

President Dewane announced the Board was going into Closed Session at 6:21 p.m.

- 14. CONFERENCE WITH LEGAL COUNSEL – POTENTIAL LITIGATION:  
Pursuant to California Government Code Sections 54956.9(d)(4) and 54954.5(b)

The Board returned to Open Session at 6:29 p.m.

Attorney Anslow announced that the Board conducted one Closed Session with the General Manager, District Secretary, District Engineer and General Legal Counsel pursuant to California Government Code Sections 54956.9(d)(4) and 54954.5(b). The Board received information and gave direction to Legal Counsel and staff.

President Dewane adjourned the meeting at 6:30 p.m. to a Regular Board Meeting scheduled for Wednesday, February 28, 2024, at 4:30 p.m.

Approved:

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Shawn Dewane, President

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Denise Garcia, District Secretary

Recording Secretary: Sharon D. Brimer



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## MEMORANDUM

TO: Board of Directors  
FROM: Denise Garcia, Chief Administrative Officer  
DATE: March 13, 2024  
SUBJECT: Attendance at Conferences, Seminars, Meetings, and Events

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### RECOMMENDATION

In accordance with Ordinance No. 35, adopted March 22, 2023, authorize attendance at conferences, seminars, meetings, and events.

### 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 June 14, 2023 meeting, the Board of Directors (Board) approved Fiscal Year 2024 attendance at Conferences, Seminars, Meetings, and Events.

### DISCUSSION

During the discussion of this item, if any, the Board may choose to delete any item from the list and/or may choose to add additional conferences, seminars, meetings, or events for approval, subject to available budget or additional appropriation.

### FINANCIAL IMPACT

None.

### ATTACHMENTS

None.

**2024 CONFERENCES, SEMINARS, AND MEETINGS:**

<b>March 11 - 13, 2024</b>	
Public-Private Partnership Conference	
Dallas, TX	
<b>March 11 - 14, 2024</b>	
WaterReuse Symposium	
Denver, CO	
<b>April 7 - 9, 2024</b>	
CMUA Annual Conference	<i>Bockmiller</i>
Monterey, CA	
<b>April 7 - 10, 2024</b>	
AWWA CA-NV Annual Spring Conference	
Anaheim, CA	
<b>April 10, 2024</b>	
ACWA Legislative Symposium	
Sacramento, CA	
<b>April 10, 2024</b>	
MWDOC Elected Officials Forum	
MWDOC Boardroom	
<b>May 7 - 9, 2024</b>	
ACWA JPIA Spring Conference	<i>Atkinson, Bockmiller</i>
Sacramento, CA	
<b>May 21 - 22, 2024</b>	
CSDA Legislative Days	
Sacramento, CA	
<b>June 3 - 21, 2024</b>	
Harvard Senior Executives in State and Local Government	
Cambridge, MA	
<b>June 10 - 13, 2024</b>	
AWWA ACE24 Conference	
Anaheim, CA	
<b>August 21 - 23, 2024</b>	
Urban Water Institute Annual Conference	
San Diego, CA	
<b>September 9 - 12, 2024</b>	
CSDA Annual Conference	
Indian Wells, CA	
<b>September 17 - 18, 2024</b>	
P3 Water Summit	
San Diego, CA	
<b>October 3 - 4, 2024</b>	
H2O Women Conference	
Santa Barbara, CA	



# March 2024

March 2024							April 2024						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
3	4	5	6	7	8	9	1	2	3	4	5	6	7
10	11	12	13	14	15	16	8	9	10	11	12	13	14
17	18	19	20	21	22	23	15	16	17	18	19	20	21
24	25	26	27	28	29	30	22	23	24	25	26	27	28
31							29	30	31				

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
Feb 25	26	27	28	29	Mar 1 7:30am WACO (VIRTUAL)	2 10:00am Placentia Library Friends Foundation 2024 Authors Luncheon
3	4 8:30am MWDOC Planning & 12:00pm R/S from 3/6 -	5 7:30am ISDOC Executive Committee Meeting 6:00pm Costa Mesa City	6 8:30am Jt. 12:00pm R/S to 3/4 - 5:30pm OCWD Board	7 Pay Period Ends 12:00pm OCWD Communications/Legi	8	9
10	11 5:00pm IRWD Board Meeting (IN PERSON)	12 9:00am ACC-OC Energy, Environment and	13 Payday 8:15am LAFCO Meeting	14 Pay Period Ends 12:00pm OCWD Admin & Finance (IN	15	16
17	18	19 7:30am WACO Planning Committee Meeting 3:30pm Mesa Water 6:00pm Costa Mesa City	20 8:30am MWDOC Board Meeting (IN PERSON) 3:00pm Costa Mesa 5:30pm OCWD Board	21 Pay Period Ends 8:30am MWDOC Executive Committee (IN PERSON &	22	23
24	25 5:00pm IRWD Board Meeting (IN PERSON & VIRTUAL)	26	27 Children's Water Education Festival (University of California, I) Payday 8:30am Jt. 4:30pm Board Meeting	28 Pay Period Ends	29	30
31	Apr 1	2	3	4	5	6

# April 2024

April 2024							May 2024						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
7	8	9	10	11	12	13	5	6	7	8	9	10	11
14	15	16	17	18	19	20	12	13	14	15	16	17	18
21	22	23	24	25	26	27	19	20	21	22	23	24	25
28	29	30					26	27	28	29	30	31	

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
Mar 31	Apr 1 8:30am MWDOC Planning & Operations Committee Meeting (IN PERSON & VIRTUAL)	2 7:30am ISDOC Executive Committee Meeting 8:00am OCBC Infrastructure 6:00pm Costa Mesa City Council Meeting (IN PERSON & VIRTUAL)	3 8:30am Jt. MWDOC/MWD Workshop (IN PERSON & VIRTUAL) 5:30pm OCWD Board Meeting (IN PERSON & VIRTUAL)	4 Pay Period Ends 12:00pm Executive Committee Meeting (Panian Conference) 12:00pm OCWD Communications/Legislation	5 7:30am WACO (VIRTUAL)	6
7	8 5:00pm IRWD Board Meeting (IN PERSON) 5:00pm GWRS Steering Committee (IN PERSON)	9 AWWA CA-NV Annual Spring Conference (Anaheim, CA) CMUA 2024 Annual Conference (Monterey, CA)	10 8:15am LAFCO Meeting 8:30am MWDOC Admin 12:00pm OCWD Water 4:30pm Board Meeting 6:00pm MWDOC Elected	11 Pay Period Ends 12:00pm OCWD Admin & Finance (IN PERSON & VIRTUAL)	12	13
14	15	16 7:30am WACO Planning Committee Meeting (VIRTUAL) 6:00pm Costa Mesa City Council Meeting (IN PERSON & VIRTUAL)	17 8:30am MWDOC Board Meeting (IN PERSON) 11:30am Hold for State of the City Luncheon 3:00pm R/S to ? - Costa 5:30pm OCWD Board	18 Pay Period Ends 8:30am MWDOC Executive Committee (IN PERSON & VIRTUAL)	19 8:00am City/Districts Liaison Committee Meeting (2985 Bear Street, Costa Mesa, CA 92626)	20
21	22 5:00pm IRWD Board Meeting (IN PERSON & VIRTUAL)	23	24 Payday 8:30am Jt. MWDOC/OCWD (IN PERSON & VIRTUAL) 4:30pm Board Meeting (Boardroom)	25 Pay Period Ends 11:30am ISDOC Quarterly Event (MWDOC/OCWD Joint Boardroom)	26	27
28	29	30	May 1	2	3	4

# May 2024

May 2024							June 2024						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
5	6	7	1	2	3	4	2	3	4	5	6	7	1
12	13	14	8	9	10	11	9	10	11	12	13	14	8
19	20	21	22	23	24	25	16	17	18	19	20	21	22
26	27	28	29	30	31		23	24	25	26	27	28	29
							30						

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
Apr 28	29	30	May 1 8:30am Jt. MWDOC/MWD 12:00pm Executive Committee Meeting 5:30pm OCWD Board Meeting (IN PERSON)	2 Pay Period Ends 12:00pm OCWD Communications/Legislative (IN PERSON & VIRTUAL)	3 7:30am WACO (VIRTUAL)	4
5	6 8:30am MWDOC Planning & Operations Committee Meeting (IN PERSON & VIRTUAL)	7 ACWA Spring Conference (Sacramento) 7:30am ISDOC Executive Committee Meeting (VIRTUAL) 6:00pm Costa Mesa City Council Meeting (IN PERSON)	8 Payday 8:15am LAFCO Meeting (400 W Civic Center) 8:30am MWDOC Admin 12:00pm OCWD Water	9 Pay Period Ends	10	11
12	13 5:00pm IRWD Board Meeting (IN PERSON & VIRTUAL)	14 9:00am ACC-OC Energy, Environment and Water Committee Meeting (VIRTUAL)	15 8:30am MWDOC Board Meeting (IN PERSON) 3:00pm R/S to ? - Costa Mesa Chamber of 5:30pm OCWD Board Meeting (IN PERSON)	16 Pay Period Ends 8:30am MWDOC Executive Committee (IN PERSON & VIRTUAL)	17	18
19	20	21 CSDA Legislative Days (Sacramento, CA) 7:30am WACO Planning Committee Meeting (VIRTUAL) 6:00pm Costa Mesa City Council Meeting (IN PERSON)	22 Payday 8:30am Jt. MWDOC/OCWD (IN PERSON) 4:30pm Board Meeting (Boardroom)	23 Pay Period Ends	24	25
26	27 District Holiday 5:00pm IRWD Board Meeting (IN PERSON & VIRTUAL)	28	29	30 Pay Period Ends	31	Jun 1



## **UPCOMING COMMUNITY OUTREACH EVENTS**

<b>Event</b>	<b>Date &amp; Time</b>	<b>Location</b>
Segerstrom Center for the Arts Beckman Arts & Science Family Festival	Saturday, March 16, 2024 12:30 p.m. – 3:30 p.m.	Argyros Plaza 600 Town Center Drive Costa Mesa, CA 92626
Orange County Water District Childrens' Water Education Festival	Wednesday, March 27, 2024 8:00 a.m. – 3:00 p.m. & Thursday, March 28, 2024 8:00 a.m. – 3:00 p.m.	University of California, Irvine 5251 California Avenue Irvine, CA 92617
City of Costa Mesa Earth Day Celebration	Saturday, April 20, 2024 10:00 a.m. – 2:00 p.m.	City of Costa Mesa City Hall 77 Fair Drive Costa Mesa, CA 92626



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## MEMORANDUM

TO: Board of Directors  
FROM: Marwan Khalifa, CPA, MBA, Chief Financial Officer  
DATE: March 13, 2024  
SUBJECT: Designated Funds Policy

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### RECOMMENDATION

Adopt Resolution No. 1590 Revising the Designated Funds Policy Superseding Resolution No. 1529.

### 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 lives.
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 repair 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. 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.
5. Operating Fund – used for unanticipated operating expenses, to maintain working capital for current operations and to meet routine cash flow needs.
6. Customer & Developer 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 Financial Policies and Guidelines for Establishing Rates. This Resolution streamlined and improved calculation methodology to exclusively calculate Designated Funds 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 & General Fund	20 days	25 days
Catastrophe Fund	150 days	180 days
Rate Stabilization Fund	60 days	75 days
Operating Fund	120 days	150 days
<b>Total</b>	<b>350 days</b>	<b>430 days</b>

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 approved minor changes and adopted Resolution No. 1529 Revising the Designated Funds Policy Superseding Resolution No. 1443.

## DISCUSSION

The Designated Funds policy shall be reviewed by the Board at least once every five years. The policy was last reviewed on March 12, 2020, with minor changes being made.

After review of the current Designated Funds Policy, adjustments need to be made to the policy to account for the formation of the Mesa Water Risk Retention Corporation and to update the target minimums to match the District’s needs.

During the recent Rate Study, the Board discussed adjusting the target days cash to be held by Mesa Water to 120 days cash, while the overall target days cash would remain at 600 days cash. The 600 days cash target would continue to meet the Board target of AAA. The 120 days cash target would more closely match the ongoing needs of Mesa Water to operate on a day-to-day basis.

Below is a summary of Mesa Water’s Designated Funds recommendations adjusting the target minimum days cash:



<b>Fund Name</b>	<b>Target</b>	<b>Maximum</b>
Administrative & General Fund	10 days	25 days
Catastrophe Fund	30 days	180 days
Rate Stabilization Fund	30 days	75 days
Operating Fund	50 days	150 days
<b>Total</b>	<b>120 days</b>	<b>430 days</b>

Regarding the Capital Replacement Fund, the resolution has a proposed increase to the minimum from \$10MM to \$15MM and continues to not establish an overall maximum level to retain flexibility as funding requirements may vary. Overall Designated Fund levels remain with a target amount of 600 days.

The remaining changes to the existing Designated Funds Policy are to include the Mesa Water Risk Retention Corporation in the language and to review the policy annually as opposed to every five years.

Minor revisions and clarifications to terms have been made more consistent. Additional minor grammatical changes were made throughout the Resolution.

#### LEGAL REVIEW

Mesa Water's Legal Counsel – Atkinson, Andelson, Loya, Ruud & Romo – has reviewed the draft resolution and recommends approval.

#### FINANCIAL IMPACT

None.

#### ATTACHMENTS

Attachment A: Resolution No. 1590

Attachment B: Resolution No. 1529, Redline

## RESOLUTION NO. 1590

### RESOLUTION OF THE MESA WATER DISTRICT BOARD OF DIRECTORS REVISING THE DESIGNATED FUNDS POLICY SUPERSEDING RESOLUTION NO. 1529

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. 1529 revising 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. 1529 - Revising the 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 the Board annually 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 13<sup>th</sup> day of March 2024 by the following roll call vote:

AYES: DIRECTORS:  
NOES: DIRECTORS:  
ABSTAIN: DIRECTORS:  
ABSENT: DIRECTORS:

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Shawn Dewane  
President, Board of Directors

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Denise Garcia  
District Secretary

DRAFT

## **APPENDIX A**

### **RESOLUTION NO. 1590**

#### **RESOLUTION OF THE MESA WATER DISTRICT BOARD OF DIRECTORS REVISING THE DESIGNATED FUNDS POLICY SUPERSEDING RESOLUTION NO. 1529**

##### **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 This is a Mesa Water policy, taking into account funds held by the Corporation, will together maintain sufficient reserves and target designated fund balances totaling 600 days of budgeted operating expenses as defined by the Designated Funds Policy. Mesa Water will strive to achieve designated fund balances held by Mesa Water totaling 120 days of budgeted operating expenses for Liquidity Funds.

## **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 1.25).

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. 1590**

**RESOLUTION OF THE  
MESA WATER DISTRICT BOARD OF DIRECTORS  
REVISING THE DESIGNATED FUNDS POLICY  
SUPERSEDING RESOLUTION NO. 1529**

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

March 2024



**MesaWater**  
DISTRICT

**DESIGNATED FUNDS POLICY**

March 2024

## **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.
- Corporation – shall mean the Mesa Water Risk Retention Corporation, a Utah Corporation.
- Designated Funds – means those funds, accounts and/or sub-accounts created or held on behalf of Mesa Water taking into account funds held by the Corporation, subject to this Policy and 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 and funds held by the Corporation
- 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 held with the District taking into account funds held by the Corporation 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 \$15.0 million in the Capital Funds which shall include funds held by the Corporation. 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 Administrative & General Fund, Catastrophe Fund, 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 a minimum of 120 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 10 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 30 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 30 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 50 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.

**RESOLUTION NO. ~~15291590~~**

**RESOLUTION OF THE  
MESA WATER DISTRICT BOARD OF DIRECTORS  
REVISING THE DESIGNATED FUNDS POLICY  
SUPERSEDING RESOLUTION NO. ~~14431529~~**

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. ~~1443-1529~~ ~~adopting-revising~~ 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. ~~1443-1529~~ - ~~Adopting a Revising the~~ 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~~ ~~the Board annually 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>-13<sup>th</sup>~~ day of ~~March 2020-2024~~ by the following roll call vote:

AYES: DIRECTORS:  
NOES: DIRECTORS:  
ABSTAIN: DIRECTORS:  
ABSENT: DIRECTORS:

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Shawn Dewane  
President, Board of Directors

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Denise Garcia  
District Secretary

DRAFT

## APPENDIX A

### RESOLUTION NO. ~~15291590~~

#### RESOLUTION OF THE MESA WATER DISTRICT BOARD OF DIRECTORS REVISING THE DESIGNATED FUNDS POLICY SUPERSEDING RESOLUTION NO. ~~14431529~~

##### 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 This is a Mesa Water policy, taking into account funds held by the Corporation, will together maintain sufficient reserves and target designated fund balances totaling 600 days of budgeted operating expenses as defined by the Designated Funds Policy. Mesa Water will strive to achieve designated fund balances held by Mesa Water totaling 120 days of budgeted operating expenses for Liquidity Funds.

~~Mesa Water will maintain sufficient reserves, and of such a nature, that it strives to target designated fund balances totaling 120600 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,~~ 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 1.245).

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~~1590**

**RESOLUTION OF THE  
MESA WATER DISTRICT BOARD OF DIRECTORS  
REVISING THE DESIGNATED FUNDS POLICY  
SUPERSEDING RESOLUTION NO. ~~1443~~1529**

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

March ~~2020~~2024

**DRAFT**



**MesaWater**  
DISTRICT

**DESIGNATED FUNDS POLICY**

March ~~2024~~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.
- Corporation – shall mean the Mesa Water Risk Retention Corporation, a Utah Corporation.
- Designated Funds – means those funds, accounts and/or sub-accounts created or held on behalf of Mesa Water taking into account funds held by the Corporation, subject to this Policy and 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 **and funds held by the Corporation**
- 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 **held with the District taking into account funds held by the Corporation** 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. ~~4.~~ 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 \$~~1540.0~~ million in the Capital Funds **which shall include funds held by the Corporation**. 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.

DRAFT

### III. LIQUIDITY FUNDS

Liquidity Funds will be comprised of the following sub-accounts: the **Administrative & General Fund**, **Catastrophe Fund**, 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 a **minimum of 120**~~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 **1020** 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 **30150** 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 ~~3060~~ 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 ~~50420~~ 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: March 13, 2024  
SUBJECT: Financial Management Increased Efficiencies

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### RECOMMENDATION

Direct staff to agendize at a future meeting a detailed plan to transition the Pension Trust, Other Post-Employment Benefits Trust, and General Reserves.

### STRATEGIC PLAN

Goal #3: Be financially responsible and transparent.

### PRIOR BOARD ACTION/DISCUSSION

At its April 10, 2014 meeting, the Board of Directors (Board) approved the selection of Public Agency Retirement Services (PARS) as a third party Other Post-Employment Benefits (OPEB) Trust provider and funded the trust with annual \$250,000 contributions over four years.

At its June 16, 2014 meeting, the Finance Committee directed staff to invest \$150,000 by June 30, 2014 into the OPEB Trust and the remaining \$100,000 within the succeeding three months.

At its July 10, 2014 meeting, the Board approved an investment strategy of Capital Appreciation and selection of an Active Portfolio Management Strategy for Mesa Water's OPEB Trust.

At its April 17, 2017 meeting, the Finance Committee received an update on the OPEB Trust performance and Pension Stabilization Fund.

At its June 8, 2017 meeting, the Board adopted Resolution No. 1499 Adoption of the Public Agencies Post-Employment Benefits Trust Administered by PARS; appointed the District Treasurer as Mesa Water's Plan Administrator; authorized the Plan Administrator to execute an Agreement for Administrative Services and other documents necessary to implement and administer the Public Agencies Post-Employment Benefits Trust (Program); and authorized the Plan Administrator to move assets currently in the Public Agencies Post-Retirement Health Care Plan Trust to the OPEB Account established in the name of Mesa Water District under the Public Agencies Post-Employment Benefits Trust.

Since 2020, the Board has received an annual update on the Pension & OPEB Trust.

### BACKGROUND

Mesa Water District (Mesa Water®), at the direction of its Board, established an OPEB Trust and Pension Rate Stabilization Trust to set aside the funds necessary to pay for future OPEB and Pension liability payments. This decision has significantly reduced the District's OPEB liability and eliminated the District's Pension liability.



As part of the Fiscal Year 2024 Strategic Plan, staff reviewed potential cost savings and increased returns if a change was made to the investment manager for the Pension & OPEB Trusts and General Reserves of Mesa Water.

## DISCUSSION

Mesa Water currently uses PARS to manage its Section 115 Pension and OPEB Trusts. The investments are held with US Bank and the investment manager is Highmark Capital. As of January 31, 2024, Mesa Water had received 8.18% annualized returns over the last five years with PARS and Highmark Capital. The fees during this time totaled \$382,711 for an average of \$76,542 per year. As a percentage of invested balance, the fees were 0.4879% annually.

Mesa Water also has General Reserves with a balance, as of January 31, 2024, of approximately \$25MM. Nearly, \$20.3MM is invested in US Agency & Treasury Bonds and Negotiable Certificates of Deposit. The remainder is maintained in the Operating account for day-to-day operations of the District. These funds are currently managed by the Chief Financial Officer. The return on these invested reserves over the last five years was 1.43% per year. The fees during this time were only for custody of the account and totaled .0500% per year.

Staff examined potential benefits of combining the management of both the Pension & OPEB Trusts and the General Reserves to one investment manager. Three potential areas for improvement are increased savings on fees, potential increased returns on investments, and reduced administrative costs of Mesa Water staff.

Capital Group recently reviewed the District's Section 115 Pension and OPEB Trusts. After their review, Capital Group noted the following as potential benefits of transferring the Section 115 Pension and OPEB Trusts and the General Operating Reserves:

1. Fee Aggregation:
  - a. The increase in assets due to the increase in accounts and new inflows will reduce the advisory fees on each account.
2. Assets Under Management Growth – As the accounts and strategies continue to grow due to performance or new cash inflows, the increase in Assets Under Management will positively impact all accounts:
  - a. If an Asset Under Management Qualifying Amount has been reached by a specific date, then Capital Group may issue a fee credit in subsequent quarters going back to the quarter where the qualifying amount is originally set.
3. Strategies – Assets Under Management growth enables accounts to take on additional or replacement strategies, some with lower fee realization. Some of these strategies include:
  - a. ETFs
  - b. Passive Indexes
  - c. Cash and short-term cash management will not charge an advisory fee.
  - d. Some separately managed accounts that replace '40 Act mutual funds.

Staff reviewed the potential fee savings and the potential increased returns within the Pension and OPEB Trusts and General Reserves and will provide a detailed presentation to the Board at the March 13, 2024 meeting.



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: Kurt Lind, Business Administrator  
DATE: March 13, 2024  
SUBJECT: Meter Reading Software

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### RECOMMENDATION

Approve a change order with Plante Moran for \$83,125 to perform a meter reading software evaluation and provide implementation support; this work will be sub-contracted to E Source Companies, LLC, a professional utility consulting firm specializing in metering technology.

### 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 #6: Provide excellent customer service.

### PRIOR BOARD ACTION/DISCUSSION

At its May 2, 2019 meeting, the Board of Directors (Board) received the Meter Technology Technical Memo and seven recommendations from staff including sole sourcing Badger Meter equipment and software as the standard for Mesa Water.

At its September 12, 2019 meeting, the Board awarded a contract to Badger Meter Inc. for metering equipment and software.

### BACKGROUND

In the spring of 2020, Mesa Water® implemented the Meter Technology Pilot Project (MTPP). This project focused on Route 600 replacing 212 aging meters, registers and endpoints with Badger equipment. This included implementing Badger Beacon web-based software to communicate with the cellular endpoints, eliminating the need to perform manual reading and providing real-time data management tools to both the District and its highest use customers. MTPP served as the pilot for the future replacement of an additional 1,380 meters. This combined total of 1,592 meters represents the District's highest users (roughly 5% of the District's highest users produce 50% of overall consumption).

### DISCUSSION

The MTPP was completed in the fall of 2020 and Mesa Water is now in the fourth year of using the Beacon Badger Advanced Metering Infrastructure (AMI) technology. Overall, the project has been successful. The AMI technology is working as designed for the majority of the meters. However, automation of reads from meters that are located in vaults, within underground parking structures, and surrounded by large buildings have been inconsistent.

The main challenge Mesa Water faces is that Badger equipment and software is purposefully designed for AMI and not for manual meter reading which represents 99% of Mesa Water's meters.





The Beacon handheld meter reading devices (MRDs) are used to manually record the meter reads for non-AMI meters. The MRD's that are currently deployed by Mesa Water are no longer supported by Badger Meter. For the past year, Mesa Water has been communicating with Badger Meter representatives with expectations of a solution. Badger Meter responded with a MRD designed specifically for AMI but is cumbersome for performing manual reads. Mesa Water has made it clear that the District has no intention of converting 100% of our meters to AMI technology.

In recent months, Badger Meter's customer service has been non-responsive to Mesa Water's request for a solution. Staff consulted with Plante Moran, Customer Information System (CIS) experts currently assisting Mesa Water with securing a new CIS. Plante Moran recommends the timing for the equipment and software replacement needs to be done either before or after the implementation of the new CIS. Since go-live with the new CIS is 12 to 14 months away, Mesa Water made the decision to conduct a competitive selection process for new meter reading software with equipment, requirements and specifications that meet both the District's business process needs and Mesa Water's meter reading strategy. Moving away from Badger will not force the District to replace the currently installed AMI meters. The meter's registers and endpoints are the only equipment that will have to be replaced to interface with new software.

Staff has reviewed the marketplace for a meter technology firm that has expertise in the planning and implementation of utility metering solutions. E Source Companies, LLC (E Source) does not sell or resell meters, hardware or software. They are a third-party expert, and independent consulting firm focused on assisting utilities to plan and implement meter technology.

After much consideration, Mesa Water decided to engage with E Source as a sub-contract to Plante Moran to perform the following services as they tie directly into the specific CIS project scope that Plante Moran is conducting:

- Evaluation of current metering equipment and software technology
- Develop system requirements and specifications
- Bid response evaluation and contract negotiation support
- Implementation support
- System testing and quality control
- Field support meter retrofit
- Go-Live support
- Post implementation and remediation support

Staff recommends approving a change order with Plante Moran for \$83,125 to perform meter reading software evaluation and provide implementation support; this work will be sub-contracted to E Source Companies, LLC, a professional utility consulting firm specializing in metering technology.

### FINANCIAL IMPACT

In Fiscal Year 2024, \$490,000 is budgeted for Support Services, \$174,510 has been spent to date.

### ATTACHMENTS

None.

**AGENDA  
MESA WATER DISTRICT  
IMPROVEMENT CORPORATION  
ANNUAL MEETING OF THE BOARD OF DIRECTORS  
1965 Placentia Avenue, Costa Mesa, CA 92627  
Wednesday, March 13, 2024 at 4:30 p.m.**

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**CALL TO ORDER – 4:30 p.m. or as soon thereafter as the Mesa Water District agenda permits.**

**PUBLIC COMMENTS**

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

**ACTION ITEMS:**

- A. CONFIRM DIRECTORS OF CORPORATION
- B. APPROVE MINUTES FOR THE MEETING OF MARCH 8, 2023
- C. ELECTION OF CORPORATION OFFICERS:

**Recommendation:**

- 1. **Appoint Wendy Kovacevic as Assistant Secretary.**
- 2. **Appoint Tyler Jernigan as Assistant Treasurer.**

- D. UNFINISHED BUSINESS:

None

- E. NEW BUSINESS:

**Recommendation: Direct officers to have annual audit conducted for Fiscal Year 2024.**

*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.*

**ADJOURNMENT**

MESA WATER DISTRICT  
IMPROVEMENT CORPORATION

Current Directors:

Jim Atkinson  
Fred R. Bockmiller, P.E.  
Marice H. DePasquale  
Shawn Dewane  
James R. Fisler

Current Officers:

President:	Director Bockmiller
Vice President:	Director Fisler
Secretary:	Denise Garcia
Assistant Secretary:	Wendy Duncan
Treasurer:	Marwan Khalifa, CPA, MBA
Assistant Treasurer:	Vacant

**MINUTES OF THE MESA WATER DISTRICT  
IMPROVEMENT CORPORATION  
ANNUAL MEETING OF THE BOARD OF DIRECTORS  
1965 Placentia Avenue, Costa Mesa, CA 92627  
Wednesday, March 8, 2023 at 4:30 p.m.**

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**CALL TO ORDER**

The meeting of the Board of Directors was called to order at 4:49 p.m. by MWDIC President Bockmiller.

Directors Present

Fred R. Bockmiller, P.E., MWDIC President  
James R. Fisler, MWDIC Vice President  
Jim Atkinson, MWDIC Director  
Marice H. DePasquale, MWDIC Director  
Shawn Dewane, MWDIC Director

Directors Absent

None

Staff Present

Paul E. Shoenberger, P.E., General Manager  
Denise Garcia Secretary , Administrative Services Manager/  
MWDIC  
Marwan Khalifa, CPA, MBA, Chief Financial Officer/  
MWDIC Treasurer  
Tracy Manning, Chief Operating Officer  
Stacie Sheek, Customer Services Manager  
Stacy Taylor, Water Policy Manager  
Kurt Lind, Business Administrator  
Celeste Carrillo, Senior Public Affairs Specialist  
Rob Anslow, Partner, Atkinson, Andelson, Loya, Ruud &  
Romo

Others Present

None

**PUBLIC COMMENTS**

MWDIC President Bockmiller asked for comments on items not on the agenda.

There were no comments and MWDIC President Bockmiller proceeded with the meeting.

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

General Manager Shoenberger reported that there were no items to be added, removed, or reordered on the agenda. There were no objections.

**ACTION ITEMS:**

A. CONFIRM DIRECTORS OF THE CORPORATION

MWDIC President Bockmiller asked for comments from the public. There were no comments.

MOTION

Motion by MWDIC Director Atkinson, second by MWDIC Vice President Fisler, to confirm that the Directors of the Corporation Board consist of the Directors of the Mesa Water District Board. Motion passed 5 – 0.

B. APPROVE MINUTES FOR MEETING OF MARCH 9, 2022

MWDIC President Bockmiller asked for comments from the public. There were no comments.

MOTION

Motion by MWDIC Director Dewane, second by MWDIC Director DePasquale, to approve the minutes for the meeting of March 9, 2022. Motion passed 5 – 0.

C. APPROVE MINUTES FOR MEETING OF AUGUST 10, 2022

MWDIC President Bockmiller asked for comments from the public. There were no comments.

MOTION

Motion by MWDIC Director Dewane, second by MWDIC Director DePasquale, to approve the minutes for the meeting of August 10, 2022. Motion passed 5 – 0.

D. ELECTION OF CORPORATION OFFICERS:

MWDIC Secretary Garcia explained the current process followed to elect Officers of the Corporation.

President

MWDIC President Bockmiller asked for comments from the public. There were no comments.

MOTION

Motion by MWDIC Vice President Fisler, second by MWDIC Director DePasquale, to elect MWDIC Director Bockmiller as President. Motion passed 5 – 0, by the following roll call vote:

AYES:	DIRECTORS	Atkinson, DePasquale, Dewane, Fisler, Bockmiller
NOES:	DIRECTORS	None
ABSTAIN:	DIRECTORS	None
ABSENT:	DIRECTORS	None

Vice President

MWDIC President Bockmiller asked for comments from the public. There were no comments.

MOTION

Motion by MWDIC Director Dewane, second by MWDIC President Bockmiller, to elect MWDIC Director Fisler as Vice President. Motion passed 5 – 0, by the following roll call vote:

AYES:	DIRECTORS	Atkinson, DePasquale, Dewane, Fisler, Bockmiller
NOES:	DIRECTORS	None
ABSTAIN:	DIRECTORS	None
ABSENT:	DIRECTORS	None

Appointment of Remaining Directors:

MWDIC President Bockmiller asked for comments from the public. There were no comments.

MOTION

Motion by MWDIC Director Dewane, second by MWDIC Director DePasquale, to appoint the balance of the slate: MWDIC Directors: Atkinson, DePasquale and Dewane. Motion passed 5 – 0.

Appointment of Officers:

MWDIC President Bockmiller asked for comments from the public. There were no comments.

MOTION

Motion by MWDIC Director Dewane, second by MWDIC Director DePasquale, to appoint:

1. Denise Garcia as MWDIC Secretary.
2. Wendy Duncan as MWDIC Assistant Secretary.
3. Marwan Khalifa, CPA, MBA as MWDIC Treasurer.
4. Tracy Manning as MWDIC Assistant Treasurer.

Motion passed 5 – 0.

E. UNFINISHED BUSINESS:

None.

F. NEW BUSINESS:

MWDIC President Bockmiller asked for comments from the public. There were no comments.

MOTION

Motion by MWDIC Director Dewane, second by MWDIC Director Atkinson, to direct the officers to have an annual audit conducted for Fiscal Year 2023. Motion passed 5 – 0.

The meeting was adjourned at 4:54 p.m.

Approved:

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Fred R. Bockmiller, P.E, MWDIC President

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Denise Garcia, MWDIC Secretary

Recording Secretary: Sharon D. Brimer

MESA WATER DISTRICT  
IMPROVEMENT CORPORATION

Current Directors:

Jim Atkinson  
Fred R. Bockmiller, P.E.  
Marice H. DePasquale  
Shawn Dewane  
James R. Fisler

Proposed New Directors:

None

Current Officers:

Proposed Officers:

President:	Director Bockmiller	(NA: Year 2 of 2-Year Term)
Vice President:	Director Fisler	(NA: Year 2 of 2-Year Term)
Secretary:	Denise Garcia	(NA: Year 2 of 2-Year Term)
Assistant Secretary:	Wendy Duncan	Wendy Kovacevic
Treasurer:	Marwan Khalifa, CPA, MBA	(NA: Year 2 of 2-Year Term)
Assistant Treasurer:	Vacant	Tyler Jernigan



There is no Unfinished Business.

## MEMORANDUM

TO: Board of Directors  
FROM: Paul E. Shoenberger, P.E., General Manager  
DATE: March 13, 2024  
SUBJECT: New Business

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### RECOMMENDATION

Direct officers to have annual audit conducted for Fiscal Year 2024.

### PRIOR BOARD ACTION/DISCUSSION

None.

### DISCUSSION

None.

### FINANCIAL IMPACT

None.

### ATTACHMENTS

None.

**REPORTS:**

8. REPORT OF THE GENERAL MANAGER

**REPORTS:**

9. DIRECTORS' REPORTS AND COMMENTS

**DIRECTORS' REPORTS (AB 1234) PER CA GOVERNMENT  
CODE SECTION 53232.3(D)**

*In accordance with CA Government Code 53232.3(d), the following report identifies the meetings for which Mesa Water Directors received expense reimbursement.*

**Jim Atkinson Meetings Attended**

Reimbursement Date:	Description, Date
N/A	

**Fred R. Bockmiller, P.E. Meetings Attended**

Reimbursement Date:	Description, Date
N/A	

**Marice H. DePasquale Meetings Attended**

Reimbursement Date:	Description, Date
2/20/24	CalDesal Annual Conference, 2/7 – 2/9
3/4/24	Urban Water Institute Spring Conference, 2/20 – 2/23

**Shawn Dewane Meetings Attended**

Reimbursement Date:	Description, Date
N/A	

**James R. Fisler Meetings Attended**

Reimbursement Date:	Description, Date
N/A	

**CLOSED SESSION:**

11. PURSUANT TO CALIFORNIA GOVERNMENT CODE SECTION 54957.6:  
PUBLIC EMPLOYEE PERFORMANCE EVALUATION  
TITLE: GENERAL MANAGER