

JOSHUA BASIN WATER DISTRICT  
SPECIAL BOARD OF DIRECTORS RATE STUDY WORKSHOP  
MEETING MINUTES  
WEDNESDAY, OCTOBER 12, 2022

CALL TO ORDER/PLEDGE OF ALLEGIANCE – President Floen called the regular board meeting to order at 9:00 a.m.

DETERMINATION OF A QUORUM – All Directors are present

STAFF PRESENT –Sarah Johnson, General Manager, Anne Roman, Director of Finance, Autumn Rich, Accounting Supervisor, Beverly Krushat, Executive Assistant, Jeremiah Nazario, Distribution Supervisor, Steve Corbin, Production Supervisor, and Brandon Warner, CIRP Supervisor

CITIZENS ADVISORY COUNCIL (CAC) – Chairperson David Carrillo, Glenn Harris, and Karen Morton

CONSULTANTS PRESENT – Kathleen Radnich, Public Information Consultant, Jeff Hoskinson, Legal Counsel, and Alex Handlers, Bartle Wells Associates

CANDIDATES RUNNING FOR A BOARD SEAT – Mr. Douglas “Buck” Buckley and Mr. T. Thomas Short

APPROVAL OF AGENDA –

MSC<sup>1</sup> (Delph/Doolittle) 4/0/0 motion carried to approve the agenda.

CREDIT CARD PROCESSING FEES – Director Anne Roman informed the Board of the ending of the 7-year contract with Paymentus, our credit card processor. After looking into an alternate provider, an integrated option through Tyler Incode, our financial software. Although that solution would offer some time savings due to the full software integration, the cost is close to twice what we’re currently paying with Paymentus.

Since 2013, before switching to Paymentus, our quantity of credit card transactions and e-checks has steadily increased from 12,785 to 32,914 in 21/22, a 157% increase. In 21/22, we paid just over \$48,000 in credit card and e-check processing fees, **1.1% of the \$4.5 million in revenues** we collected via these methods. **This is down since 2013, when our credit card costs amounted to 3% of \$781k in revenues collected.**

NACHA, the National Automated Clearing House Association, places the cost of receiving checks at about \$2 – \$4, which is significantly higher than the \$1.25 (\$0.65 per e-check) that we pay for a typical Paymentus credit card transaction. Furthermore, for most routine transactions, credit cards payments post automatically to our financial software via the API (application programming interface), cutting down the cost of retrieving mail, opening envelopes, coding, and posting the payment. It is also less error-prone than manually posting checks to customer accounts. Assuming a mailed check takes about 5 minutes to process, it would cost the District \$3.15, or \$1.90 more than our Paymentus fees, to process a check. Compared to the \$48,000 paid to Paymentus, it would have cost the District approximately \$103,679 to process the same volume of checks.

At this time, we are awaiting a new cost analysis from Paymentus and have also requested a hybrid fee model in addition to the absorbed fee model we currently use. In the absorbed fee model, the District absorbs all transaction costs compared to a hybrid model in which the customer would share the cost. We should keep in mind that we don’t want to disincentivize customers from using the credit card option which could happen when fees are applicable. Unfortunately, credit card processors also increase their fees overall when a hybrid model is used.

Barring any unreasonable increases in the forthcoming pricing analysis, Staff believes that the Paymentus absorbed fee model continues to be a cost-effective solution for the District. A brief Q&A followed, and no action was taken.

RATE STUDY WORKSHOP - Director Anne Roman informed all participants that in the Workshop, we will review initial recommendations of the 2018 rate study, review major use of capital funds between 2018 and 2022, discuss cost reductions already incorporated, and discuss major current, and upcoming needs. Also, to follow up on prior suggestions that have not been incorporated at this time, please consider the following important information:

- Segregating a class or group of customers requires cost of service justification. Customers who use large amounts of water, like short-term rentals (STR's), agricultural customers, customers with heavy landscape, or customers with pools, already pay higher volumetric charges and those charges include the cost of recharge water. The proposed rate study scenarios include replenishment costs (recharge water) for approximately 85% of water extracted from the aquifer.
- Conservation concerns are generally not part of a Rate Study process, but rather addressed in the Urban Water Management Plan (UWMP) and Water Shortage Contingency Plan (WSCP). These plans speak to drought, water waste issues, and outline the District's authority, including potential penalties, to enforce these regulations.
- Wells are regulated by San Bernardino County. The District cannot legally limit or charge well users for water extracted except by adjudication of water rights, a costly and lengthy process, or under the Sustainable Groundwater management Act (SGMA). The District is considered a low priority basin because its basins are well managed and not currently in overdraft, therefore does not warrant intervention under SGMA. Other options are under investigation but will not likely materialize during this rate study cycle.

Finally, we will explore several rate scenarios including:

- Best Management Practice
  - Funds all needs of the District.
  - Highest rates
  - Better maintains reserve fund levels
- Reduced Rate Increases / Reserve Subsidized
  - Rates are lower than Best Management Practice.
  - Maintains capital project funding levels
  - Subsidized with reserve fund drawdowns
- Limit Overall Rate Increases & Reduce Capital Funding
  - Rates maintained at artificially low level
  - Reduces capital funding to a lower level than prescribed by the District's Capital Improvement Plan (CIP)
  - Subsidized with reserve fund drawdowns
  - Less sustainable in the longer-term
- Dedicated/Restricted Capital Facilities charge option
  - Regular rates may remain near current levels
  - Segregates much of costly infrastructure (capital) costs
  - Capital Facilities charge is added, either via district billing to accountholders or tax-roll billing to parcel owners with service connections
  - Tax-roll billing would better place the infrastructure cost burden on the parcel owner
  - Funds are more specifically restricted for capital purposes

After Director Anne Roman gave her staff report she then introduced Mr. Alex Handlers, Bartle Wells Associates, who gave the Rate Study Preliminary presentation then proceeded to hold a very lengthy Q&A with all participants. No action was taken.

ADJOURNMENT – MSC<sup>1</sup> (Delph/Doolittle) 4/0/0 motion carried to adjourn the meeting at 11:54 a.m.

Respectfully submitted,




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Sarah Johnson, General Manager & Board Secretary