

JOSHUA BASIN WATER DISTRICT  
SPECIAL BOARD OF DIRECTORS MEETING MINUTES  
WEDNESDAY, AUGUST 31, 2022

CALL TO ORDER/PLEDGE OF ALLEGIANCE – President Floen called the special board meeting to order at 12:00 p.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.

CONSULTANTS PRESENT – Kathleen Radnich, Public Information Consultant, Mr. Alex Handlers, Bartle and Wells

APPROVAL OF AGENDA –

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

Ayes: Delph, Doolittle, Floen, and Jarlsberg

Noes: None

Absent: None

PUBLIC COMMENT – None

STATE OF EMERGENCY FINDINGS– The Board of Directors renewed its findings outlined in Resolution No. 21-1035 for an additional 30 days.

MSC<sup>1</sup> (Delph/Doolittle) 4/0/0 motion carried to renew the State of Emergency findings for another 30 days.

Ayes: Delph, Doolittle, Floen, and Jarlsberg

Noes: None

Absent: None

2022 RATE STUDY DISCUSSION KICK-OFF- Director Anne Roman stated that the last rate study was done in approximately 2017/18 by Bartle Wells Associates and the District has again contracted with Bartle Wells to undergo a new rate study. During the last rate study, the Board took significant steps to move in the right direction. However, in early conversations with Alex Handlers of Bartle Wells, we are reminded that many of the financial challenges the district currently faces were identified in previous rate studies, but not fully funded. Below are a few examples of challenges we are faced with overcoming:

- Chromium 6: The State is expected to mandate reduced maximum contaminant levels (MCLs) for Chromium 6 in drinking water, which would require costly infrastructure and ongoing treatment.
  - Capital Cost is estimated at \$16 million based on 2017/18 estimates.
  - Anticipated grant funding (\$10 million) and a low-interest State Revolving Fund loan (\$6 million over 30 years). No funding commitment is in place.
  - Debt service on loan is estimated at \$275k per year.
  - Operating costs are estimated at \$1.1 million per year.
  - The District is exploring participating in another pilot study that could reduce costs.
- Capital Improvement: Based on 2015 Capital Improvement Plan (CIP) estimates, capital needs are estimated at a cost of \$2.5 million per year, reduced from an original estimate of \$3 million.
  - Equipment/Technology: \$375,000 per year (doubled from the prior rate study to add the cost of maintaining the CIRP heavy equipment).
  - Studies/Reports (many state-mandated): \$232,000 per year on average, up from prior funding of \$50k per year.
  - Capital Improvement Plan (CIP) is scheduled for an update at an increased cost of \$260k vs \$40k in 2015.

- Meter Replacement Program continues: \$185,000 per year for 6 years then \$50,000 per year. Reduced to reflect a longer replacement period and balance on hand.
- Additional Staffing needs not reflected in the 22/23 budget: \$44k FY22/23 for expanded customer service, \$163k per year starting FY25/26 for expanded construction maintenance.
- Since 2017/18, Operating cost escalations in certain areas have been more significant than regular inflation. Some examples:
  - Technology costs are up 259%.
  - Property insurance is up 94%; Cyber insurance is a new, additional cost with expectations to increase.
  - Fuel costs have increased by 234%.
  - CIP Plan cost estimate has increased by 550%.

Some additional considerations have included:

- Tier structure was modified during the last rate study, increasing rates in higher tiers, which coincidentally may incentivize conservation. No additional changes are recommended now.
- Creating different rates for short-term rentals (STRs) is not recommended due to no “cost of service justification.” Short-term rentals pay for water used and, if larger amounts are used, they pay a higher tier rate. Also, STRs are less likely to generate extra collections cost/effort.
- A separate Capital Improvement Charge could potentially be charged to owners on the property tax rolls. Requires additional tracking and restriction of funds.
- Water Shortage Emergency Rate Charges help maintain financial stability during periods of reduced water sales and can be phased in during escalating drought conditions, in alignment with Water Shortage Contingency Plan stages.

As we have begun gathering our inputs, we have already identified and incorporated the following reductions/deferrals:

- Capital improvement needs are estimated to be \$3 million per year but only included at \$2.5 million.
- \$3.3 million Administration building removed.
- Funding for several programs, like Equipment & Technology and Meter Replacement, was reduced to reflect existing reserve balances.

During this study, a Water Capacity charge analysis will also be performed. Prior, informal analysis has indicated that Water Capacity charges may be defensible at three times current charges. This is an important topic to discuss in the future if the Board wishes Development to “pay its way.”

Staff recommends beginning the Rate Study process by developing several scenarios, as with the last rate study:

- Best Management Practice to include funding for all identified needs.
- Reduced Rate Scenario (Phased Approach) to include funding for the most crucial needs to help mitigate larger increases, potentially with a Separate Capital Improvement Charge.

Staff also recommends that the Board of Directors refer this topic to the Citizen’s Advisory Council (CAC) for input. Some suggested considerations:

- Potential use of tax rolls to charge a Capital improvement portion of the rates. This would shift the burden of some infrastructure charges from tenants to owners.

Commitment to funding infrastructure needs (CIRP program). For example, fully fund all capital needs vs. prioritizing only the most

Director Roman then introduced Mr. Alex Handlers, Bartle and Wells, who proceeded with the presentation.

A Q&A period followed with the Board of Directors.

President Floen made a statement that entailed the following:

The community of Joshua Tree has entrusted the Joshua Basin Water District with its most valuable resource, it's groundwater. As stewards of the community water supply, we oversee this critical natural resource, current and future reliability. Dedicated to its purpose, we have embraced these important values:

- Integrity
- Transparency
- Respect (for our customers)
- Fiscal responsibility and accountability

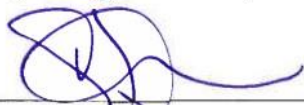
These are among our core values and its in our Mission Statement.

PUBLIC COMMENT –

Karen Tracy – Citizens Advisory Council stated that she is concerned about the Chromium issue and that it has been a problem for years. It might continue to be an issue because it is so expensive to get Chromium out of water now. She would like to be prepared for the Chromium issue and receive information as part of the discussion. She asked if we could stay current with the science and stay on top of what is available, in terms of treating water for Chromium.

ADJOURNMENT – MSC<sup>1</sup> (Jarlsberg/Delph) 4/0/0 motion carried to adjourn the meeting at 1:29 p.m.

Respectfully submitted,



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Sarah Johnson, General Manager & Board Secretary