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**CALL AND NOTICE OF SPECIAL MEETING  
OF THE JOSHUA BASIN WATER DISTRICT  
BOARD OF DIRECTORS**

Notice is hereby given that Victoria Fuller, President of the Joshua Basin Water District Board of Directors, hereby calls a Special Meeting of the Board of Directors of said District to be held Wednesday, January 8, 2014 at the Joshua Basin Water District office located at 61750 Chollita Road, Joshua Tree CA 92252 for the purpose for the purpose of discussion and possible action on the attached agenda.

**Dated:** 1-2-2014

A handwritten signature in black ink that reads "Victoria Fuller". The signature is written in a cursive style and is positioned above a horizontal line.

Victoria Fuller, President, Board of Directors  
Joshua Basin Water District



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JOSHUA BASIN WATER DISTRICT  
SPECIAL MEETING OF THE BOARD OF DIRECTORS  
WEDNESDAY JANUARY 8, 2014 7:00 PM  
61750 CHOLLITA ROAD, JOSHUA TREE, CALIFORNIA 92252  
AGENDA

1. CALL TO ORDER
2. PLEDGE OF ALLEGIANCE
3. DETERMINATION OF QUORUM
4. APPROVAL OF AGENDA

5. PUBLIC COMMENTS:

This public comment portion of this agenda provides an opportunity for the public to address the Board of Directors on items not listed on the agenda that *are of interest to the public at large* and are within the subject matter jurisdiction of this Board. The Board of Directors is prohibited by law from taking action on matters discussed that are not on the agenda, and no adverse conclusions should be drawn if the Board does not respond to public comments at this time. Comments that concern individual customer accounts are welcome, however we encourage doing so only after other administrative avenues for redress have been fully exhausted. In all cases, your concerns will be referred to the General Manager for review and a timely response.

Comments are to be limited to three minutes per speaker and shall not exceed a total of 20 minutes. All comments are to be directed to the Board of Directors and shall not consist of any personal attacks. Members of the public are expected to maintain a professional, courteous decorum during their comments. Public input may be offered on an agenda item when the item comes up for discussion and/or action. Members of the public who wish to speak shall proceed to the podium when called by the President of the Board. Please state your name and community of residence for the record.

6. DISCUSS CHARGING BASIC FEE FOR PULLED AND INACTIVE METERS

Recommend that the Board review for information only; decision on this matter will be made in conjunction with 1/15/14 rate public hearing.

7. CLOSED SESSION

At this time the Board will go into Closed Session

1. Pursuant to Government Code Section 54957 (b) (1) Public Employee Appointment - Title: General Manager

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8. PUBLIC REPORT ON TONIGHT'S CLOSED SESSION
9. DISTRICT GENERAL COUNSEL REPORT
10. DIRECTORS COMMENTS/REPORTS
11. ADJOURNMENT

INFORMATION

The public is invited to comment on any item on the agenda during discussion of that item.

Any person with a disability who requires accommodation in order to participate in this meeting should telephone Joshua Basin Water District at (760) 366-8438, at least 48 hours prior to the meeting in order to make a request for a disability-related modification or accommodation.

Materials related to an item on this Agenda submitted to the Board of Directors after distribution of the agenda packet are available for public inspection in the District's office located at 61750 Chollita Road, Joshua Tree, California 92252 during normal business hours.

JOSHUA BASIN WATER DISTRICT  
MEETING AGENDA REPORT

Meeting of the Board of Directors

January 8, 2014

Report to: President and Members of the Board

Prepared by: Susan Greer

TOPIC:

DISCUSS CHARGING BASIC FEE FOR PULLED AND INACTIVE METERS

RECOMMENDATION:

Information only; decision on this matter will be made in conjunction with 1/15/14 rate public hearing

ANALYSIS:

As discussed during the two rate workshops with our rate consultant, the District has approximately 1,000 pulled and inactive meters/accounts. The term inactive meters/accounts describes accounts that are in-between account-holders, such as when a tenant moves out but a new tenant has not yet established an account. The inactive period can be days, months or years. The term pulled meters/accounts also describes inactive accounts where meters were either never installed (although everything but the meter was installed) or meters were subsequently removed in order to avoid payment of fees. None of the pulled meter accounts have taken water service in the past.

Most pulled meters/accounts represent meters that were purchased in the early 1990's to avoid proposed increases in meter prices. Most of these customers purchased ¾" meters at a cost of either \$400 or \$1,400 depending on circumstances, and that same meter would cost from \$4,178 to \$5,170 today depending on circumstances NOT including the wastewater capacity fee of \$5,552 per EDU. That means a ¾" meter today can cost as much as \$10,722, although most customers require a 1" meter now because of fire sprinklers. Those customers who purchased meters have entitlement to water service without additional cost, secured at a cheap price compared to today's price, and have not contributed with payment of water rates toward ongoing maintenance of the water system. The District incurs certain fixed costs to maintain and operate the system whether or not a customer is taking service. If all of our customers are not paying for service, those who are paying must pay incrementally more. The Board and CAC agreed during the two rate workshops that it was fair for all customers with meters, and therefore entitlement to water service, to pay fees. The 2009 appellate court decision in Paland v. Brooktrails Township CSD provides legal guidance that the base charge for water service provided through an existing connection, regardless of whether the connection is active or inactive, is a property related charge, indicating that we can levy our basic service charge on parcels with inactive connections. Locally, Hi-Desert Water District has been doing exactly this for several years already with good success.

With pulled and inactive meters making up nearly 20% of our total meter count, the District has an obligation to provide water service to a substantial number of customers that are not currently taking service. The District must maintain capacity in the water system infrastructure in anticipation of those customers connecting at some time. Current policy requires customers to have a building permit

before they may obtain a water meter, so this situation will not be made any worse in the future.

Currently, customers can avoid payment of all fees by inactivating their accounts. We lock off the meters, send a final billing and then stop service and billing although meter reading and associated cost continues. We actually find about 50 meters with unauthorized use every month; where we don't have account holders—we find them through the meter reading process. The proposal is to begin charging the monthly Basic Fee for every meter that has been sold, whether or not the meter is currently installed or whether there is an active customer account. If a tenant account is closed, the account will automatically be transferred into the property owner's name for billing. The proposal is to phase-in the fee for pulled meters currently paying nothing, by charging 50% of the Basic Fee for the first year, and then moving to 100% of the fee in year two, starting February 2015. Currently inactive accounts will be activated and the owner of the property will be billed 100% of the Basic Fee charge. The number of inactive accounts changes significantly every month, with the District typically closing 50-100 accounts every month. Attempting to differentiate between the "original" inactive accounts that are part of this group and the additional 50-100 each month is too administratively challenging with existing resources. Remember that the inactive accounts have taken service in the past versus the pulled meters which have never had active service.

In lieu of paying ongoing basic fees, property owners may elect in writing to have the District buy-back their meter/service and be refunded any capacity fees paid in the past when the water meters were purchased. No refund of meter installation fees will be provided since the District already installed the meter *service*, which makes up the majority of the meter installation fee charge. Relating this back to the \$400 or \$1,400 paid by most of the customers with pulled meters, those who paid \$400 paid no capacity fee and would be entitled to no refund of fees if they gave up their meter, but would not have to pay any monthly Basic Fees going forward. For customers who paid \$1,400, they would be entitled to a \$1,000 refund of capacity fees paid (called Basic Facilities Fee at the time) and would not have to pay any ongoing monthly Basic Fees. Any customer that elects to have their meter/service removed would have to do so in writing and would have to pay the then-current cost for a new meter when they want service in the future. Although the property owner will forfeit their use of the water meter, we don't intend to remove the service and will need to expand the Rules and Regulations to include this option that would require payment of capacity fees in the future, but not meter installation fees.

Hi-Desert Water District began similarly charging for all purchased meters a few years back. They also offered the "buy-back" provision, allowing customers to eliminate obligation for payment by eliminating meter. Their results show that few customers asked for refunds and most are paying the monthly fees as required.

Assuming that some owners will not pay the new charges, the District will have to stay on top of those bills and file liens for unpaid charges on a regular, more than once-per-year basis. Once properties transfer ownership, we miss the opportunity to collect amounts owed us.

A few administrative challenges have already been identified in evaluating implementation of the proposal. We'd like some guidance on how the Board feels about these various issues so that we can prepare the resolution for the public hearing on January 15<sup>th</sup> accordingly.

We have quite a few active accounts with meters installed that use no water. They have meters and pay Basic Fees but don't use their service. If allowed, some of these accounts might want to have their meters removed in order to pay a 50% fee instead of the full fee. For administrative and financial reasons, I believe that we must *draw a line in the sand*, and not allow any more removal of meters in order to pay the reduced fee—that option should exist only for those with pulled meters already. The rate study assumes this number to be static, with no additional pulled meters, and the proposed rates are

based on the current number. The difference between the 50% fee and the full fee for a ¾ or 1” meter is \$146 for the entire year. It becomes a non-issue in year two when the proposed 50% fee goes away.

A few issues related to buy-back of the meters have been identified. Will the District allow this option forever or is there a timeframe for the buy-back? Do property owners need to decide by a specific date whether they’re in or out and then be forever committed? Six months seems a reasonable amount of time to make this important decision. Next, will the District buy-back meters that have taken service (actually purchased *water*, not just payment of basic fee) in the past or is this buy-back limited to only those meters that were purchased for speculative purposes and never used? Staff recommends this option be available only for those meters that have never taken service as anything else increases our potential liability for refund of fees.

Lastly, will the District allow customers who are not taking service (purchasing water) to require the District to install meters for them or are we reserving meters for those taking service? If we install meters on about 800 pulled meter accounts, that’s nearly a half million dollars in meters for no purpose—there should be no water use to the meter anyway. The law does not require that a meter be installed as a condition of charging a base charge. The meters will deteriorate over time and have to be replaced, potentially before ever being used, thereby incurring more cost. A rate payer at a recent meeting suggested that he would “require” the District to install a meter if he was going to have to pay a Basic Fee. While the District may find it beneficial over time to install meters at each location, in order to better track water consumption and theft, we don’t want to be required to do so.

#### STRATEGIC PLAN ITEM:

2.2.2 Rate Study. Conduct rate study, including review and update of structure and analysis of pay/go versus debt financing.

#### FISCAL IMPACT:

Very conservatively, and assuming that some rate payers will opt out and give back their meters to avoid payment, our rate consultant estimates the first year 50% fee to generate \$100,000. In year two and forward, the 100% fee would generate \$200,000 revenue per year. This anticipates that approximately 1/3 of pulled meter accounts will opt out.

In total, the proposed 100% fees would generate \$300,000 per year based on the current number of inactive and pulled meters; the revenue estimates were reduced by 1/3 for those who we estimate will opt out. If fewer opt out, which was experienced by HDWD, we can expect the revenue numbers to be higher in both years and closer to \$300,000 by year two.

Estimating that as many as 1/3 of customers with pulled meters will want to opt out and give back their water meters, and further estimating that 1/3 of those customers paid \$1,000 capacity fees, the buy-out will cost the District \$107,000. We are working toward identifying the real number of customers that paid the capacity fees, but don’t have it yet; changes in the estimates could make the District’s actual cost either more or less than indicated.