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REGULAR FINANCE COMMITTEE MEETING
MONDAY, JULY 25, 2016 9:00 AM
61750 CHOLLITA ROAD, JOSHUA TREE, CA 92252
AGENDA

1. CALL TO ORDER
2. PLEDGE OF ALLEGIANCE
3. DETERMINATION OF QUORUM
4. APPROVAL OF AGENDA
5. PUBLIC COMMENT
6. APPROVE MINUTES OF THE PRIOR COMMITTEE MEETING
 - Regular Finance Committee Meeting June 27, 2016
7. RATE STUDY – SUSAN GREER – For discussion purposes only.
8. STAFF REPORT
9. ADJOURNMENT

INFORMATION

During "Public Comment", please use the podium microphone. State your name and have your information prepared and be ready to provide your comments. The District is interested and appreciates your comments. A 3-minute time limit will be imposed. Thank you. 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 Committee 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
Minutes of the
REGULAR MEETING OF THE FINANCE COMMITTEE
Monday, June 27, 2016
61750 Chollita Road, Joshua Tree, CA 92252

1. CALL TO ORDER 9:02 a.m.

2. PLEDGE OF ALLEGIANCE

Committee Members Present: Victoria Fuller, President
Bob Johnson, Director

Staff Present: Curt Sauer, General Manager
Susan Greer, Assistant General Manager/Controller
Anne Roman, Accountant
Seth Zielke, Director of Water Resources and Operations

Guests: 3

3. DETERMINATION OF QUORUM

A quorum is present.

4. APPROVAL OF AGENDA

MSC/Johnson/Fuller 2/0 to approve the agenda for the June 27, 2016 Regular Meeting of the Finance Committee.

5. PUBLIC COMMENT

None

6. APPROVE MINUTES OF THE PRIOR COMMITTEE MEETING

MSC/Johnson/Fuller 2/0 to approve the minutes of the May 9, 2016 Regular Meeting of the Finance Committee.

7. REVIEW CHECK REGISTERS – March 2016-April 2016

Accepted for information only.

8. 3RD QUARTER FINANCIAL REPORT – Board accepted report and referred to full Board.

9. DISCUSSION OF IMACTS TO DISTRICT AND BUDGET AS A RESULT OF CHROMIUM VI UNFUNDED MANDATE - Accepted for information only.

10. STAFF REPORT - None

11. ADJOURNMENT

MSC/Johnson/Fuller 2/0 adjourned the meeting at 9:59 AM

Respectfully submitted:

Susan Greer, Assistant General Manager/Controller

JOSHUA BASIN WATER DISTRICT
MEETING AGENDA REPORT

Meeting of the Finance Committee

July 25, 2016

Report to: Committee Members

Prepared by: Susan Greer 

TOPIC:
DISCUSS BUDGETED RATE/FEE STUDY

RECOMMENDATION:
Information Only

ANALYSIS:

The 16/17 approved budget includes funding for a rate/fee study. Many new costs have been identified that require funding in the future, and did not exist or were not addressed in the 2013 rate study. Chromium VI implementation and associated operational costs, the Capital Improvement Plan and other capital projects, purchase of additional water for recharge of the aquifer, increasing operational costs, including implementation of best practices and increase to or addition of various reserve funds are some of the factors that need to be considered in a new rate study.

The previous rate study, adopted in January 2014, established a multi-year rate structure, with increases already approved and effective each January through 2018. Waiting until 2018 for another rate study (with estimated effective dates starting in 2019) is not advised based on several issues, such as the following:

- Implementation of Chromium VI treatment is due by 1/1/20, and significant costs will be incurred between now and then.
- Establishing and funding reserves, used for replacement of infrastructure that we know will be needed, is a practice that has served the District well. We need to revisit reserve funding levels and consider establishing new reserves, such as for meter replacement.
- Purchase of additional water for recharge should be considered, with the goal of importing the same amount of water that is extracted from the aquifer or more each year. The recharge project was not complete at the time of the last rate study, although funding for a minimum amount of recharge water was included.
- Implementation of the Capital Improvement Plan, including replacement of pumping and distribution facilities on a systematic basis, must be funded. In addition, funding of other capital costs, such as equipment and building replacement need to be considered.

If we don't establish rates that support these additional costs, plus normal cost-of-living increases to our typical operating costs, any increases would have to be funded from reserves.

A rate study is an extensive process, taking at least six to nine months', and typically closer to a year. The rate study consultant will initially meet with staff and the Board to get direction. Then the number-crunching takes place, requiring a complete financial review. This goes back and forth for

several months with staff providing information and filling in the blanks. Then initial findings emerge and another presentation to the Board typically takes place. This may result in a final recommendation, some minor tweaks or “going back to the drawing board.” Once a final recommendation has been approved by the Board and legally blessed, the public information materials must be developed, printed and distributed to our rate payers. This mailing must be done at least 45 days before the public hearing, which is the final step before implementation of the new rates.

The last three rate studies, since 2005, have been performed by Alex Handlers of Bartle Wells Associates. Alex has worked very well with Staff as well as the Board and is a great presenter and communicates well in our public meetings. Gil has also been impressed with Alex, and has even used him as an expert witness in a rate study case. Alex already understands the District and the community, which saves staff time and cost and I recommend that we again utilize his services to perform the new rate study. The District’s Bidding Policy related to professional services allows the Board to make a finding that it is in the best interest to waive or modify the competitive procurement procedures. The same policy allows the GM to utilize a source previously selected through a competitive process for earlier work on the same project, which occurred in 2005. There is no requirement to go out to bid and there is significant effort and cost incurred whenever we do so.

Staff recommends that we move forward with the rate study sooner rather than later, since it is such a long-term process. Staff intends to move forward to obtain a quote from Alex Handlers for presentation to the full Board unless the Finance Committee objects.

FISCAL IMPACT:

\$60,000 for this project is included in the 2016/2017 Budget.