



AGENDA

**SPECIAL JOINT BOARD OF DIRECTORS &
CITIZENS ADVISORY COUNCIL WORKSHOP
WEDNESDAY, OCTOBER 12, 2022, AT 9:00 AM
61750 CHOLLITA ROAD, JOSHUA TREE, CA 92252**

ON MARCH 4, 2020, CALIFORNIA GOVERNOR GAVIN NEWSOM DECLARED A STATE OF EMERGENCY IN CALIFORNIA AS A RESULT OF THE COVID-19 PANDEMIC, AN EMERGENCY THAT REMAINS IN EFFECT AND FROM WHICH OUTBREAKS AND EXPOSURE CONTINUES TO PRESENT AN IMMINENT THREAT FOR SOME ATTENDEES. **ACCORDINGLY, THE BOARD OF DIRECTORS AND PUBLIC MAY ATTEND THIS MEETING IN-PERSON, TELEPHONE, OR BY VIDEO CONFERENCE.**

To join by Zoom please click the below link:

<https://us02web.zoom.us/j/86186509258?pwd=WII0MkIHbk5SQ1E1LzVrcVE4RFBXUT09>

Or you may join by phone at 1-253-215-8782, Meeting ID: 861 8650 9258 Passcode: 525170

1. **CALL TO ORDER -**
2. **PLEDGE OF ALLEGIANCE –**
3. **DETERMINATION OF A QUORUM -**
4. **APPROVAL OF AGENDA -**
5. **PUBLIC COMMENT –** This is the time set aside for public comment on any District related matter, whether appearing on the agenda or not. At the discretion of the Board President, however, comments on a particular Agendized item may be deferred until that
6. **CREDIT CARD PROCESSING FEES –** Director Roman – Recommendation: Receive for information and provide input. No action to be taken.
7. **RATE STUDY WORKSHOP –** Director Roman – Recommendation: Receive information, discuss, and provide input. No action to be taken.
8. **ADJOURNMENT –**

INFORMATION

The public is invited to comment on any item on the agenda during discussion of that item. Members of the public wishing to attend the meeting that require other reasonable modifications or accommodation to facilitate such attendance should contact Beverly Krushat at 760-974-0072 or bkrushat@jbwd.com as soon as feasible before the meeting to make such request. Availability of agenda materials: Agenda exhibits and other writings that are disclosable public records distributed to all or a majority of the members of the Joshua Basin Water District Board of Directors in connection with a matter subject to discussion or consideration at an open meeting of the Board are available online at jbwd.com for public inspection, or in the District's office, 61750 Chollita Road, Joshua Tree, CA 92252 ("District Office"). If such writings are distributed to members of the Board less than 72 hours prior to the meeting, they will be available at the reception desk of the District Office and on-line at jbwd.com during business hours at the same time as they are distributed to the Board members. Disability-related accommodations: The Joshua Basin Water District Board of Directors meeting room is wheelchair accessible. If you require any special disability-related accommodations (e.g., access to an amplified sound system, etc.) please contact Ms. Krushat at the District Office at (760) 974-0072 during business hours at least seventy-two (72) hours prior to the scheduled meeting. This agenda can be obtained in alternative format upon written request to Ms. Krushat in the District Office, at least seventy-two (72) hours prior to the scheduled meeting.

**JOSHUA BASIN WATER DISTRICT
MEETING AGENDA ITEM STAFF REPORT**

Special Board of Directors & CAC Workshop

DATE: 10/12/2022

REPORT TO: Directors & CAC Members
PREPARED BY: Anne Roman, Director of Finance
TOPIC: **CREDIT CARD PROCESSING FEES**
RECOMMENDATION: Receive for information and provide input.

ANALYSIS: The District is nearing the end of its 7-year contract with Paymentus, our credit card processor. We have looked 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.

STRATEGIC PLAN ITEM: N/A
FISCAL IMPACT: N/A

**JOSHUA BASIN WATER DISTRICT
MEETING AGENDA ITEM STAFF REPORT**

Special Board of Directors & CAC Workshop

DATE: 10/12/2022

REPORT TO: Directors & CAC Members
PREPARED BY: Anne Roman, Director of Finance
TOPIC: **RATE STUDY WORKSHOP**
RECOMMENDATION: Receive information, discuss, and provide input.

ANALYSIS: In our 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

The input of the Workshop participants is valued and appreciated. We will use this input to formulate and hone future recommendations.

STRATEGIC PLAN ITEM: 2.8 Continue to monitor and update rates and fees to ensure financial viability.

FISCAL IMPACT: N/A

Joshua Basin Water District



Water Rate Study

Preliminary Findings & Rate Scenarios

October 12, 2022



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

DRAFT



Presentation Overview



- **Background**
- **Rates & Finances**
- **Financial Challenges**
- **Draft Rate Scenarios**
- **Dedicated Capital Charge**
- **Schedule & Next Steps**

Goal: Discuss preliminary findings & draft rate scenarios and receive input



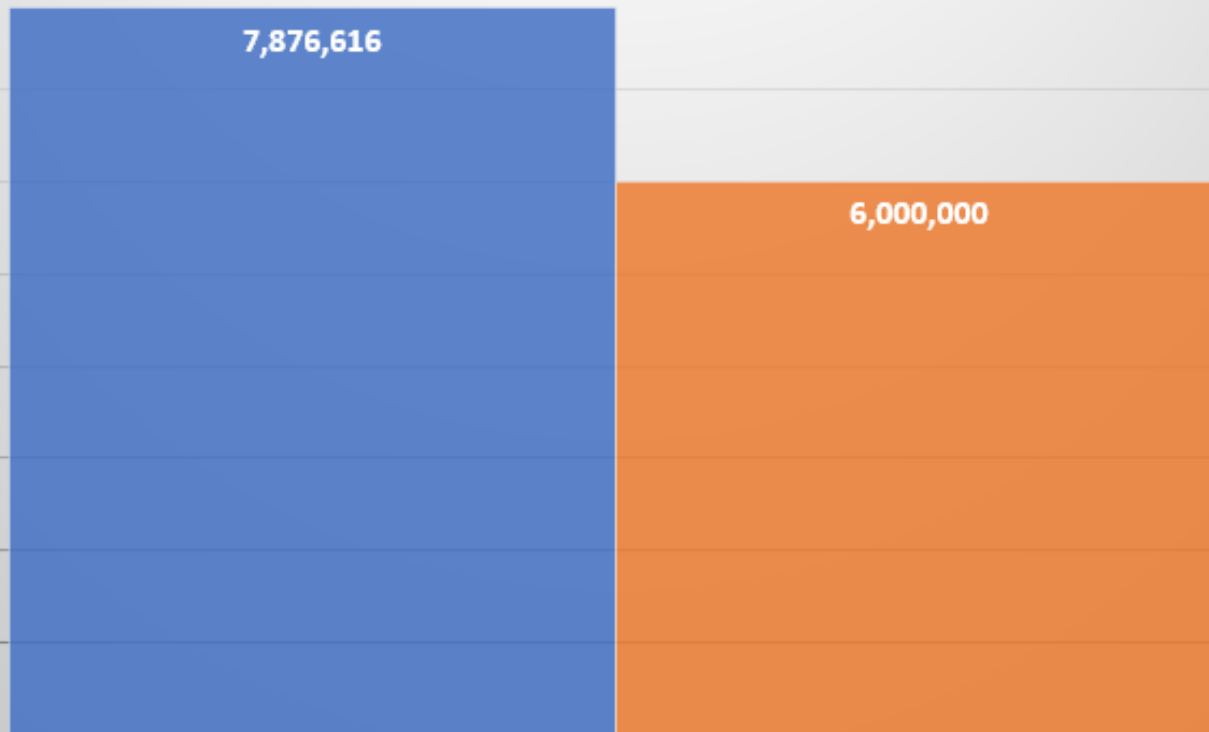
Rates & Finances

- JBWD is a financially self-supporting government agency
- Water rates are the main source of revenue and need to be set at levels adequate to fund the costs of providing service
- District has historically provided strong financial management via annual rate increases phased in over many years
- Last rate study completed in early 2018; final year increase effective Jan-1, 2022
 - Evaluated a range of funding and rate alternatives
 - District adopted substantial rate increases phased in over 5 years based on a “Reduced Rate Scenario”
 - Less % increase to fixed charges & more to usage charges, steeper tiers
- Adopted rates were designed to take substantial steps in the right direction with the understanding that significant additional rate increases would be needed to support operating & capital needs including Chromium 6



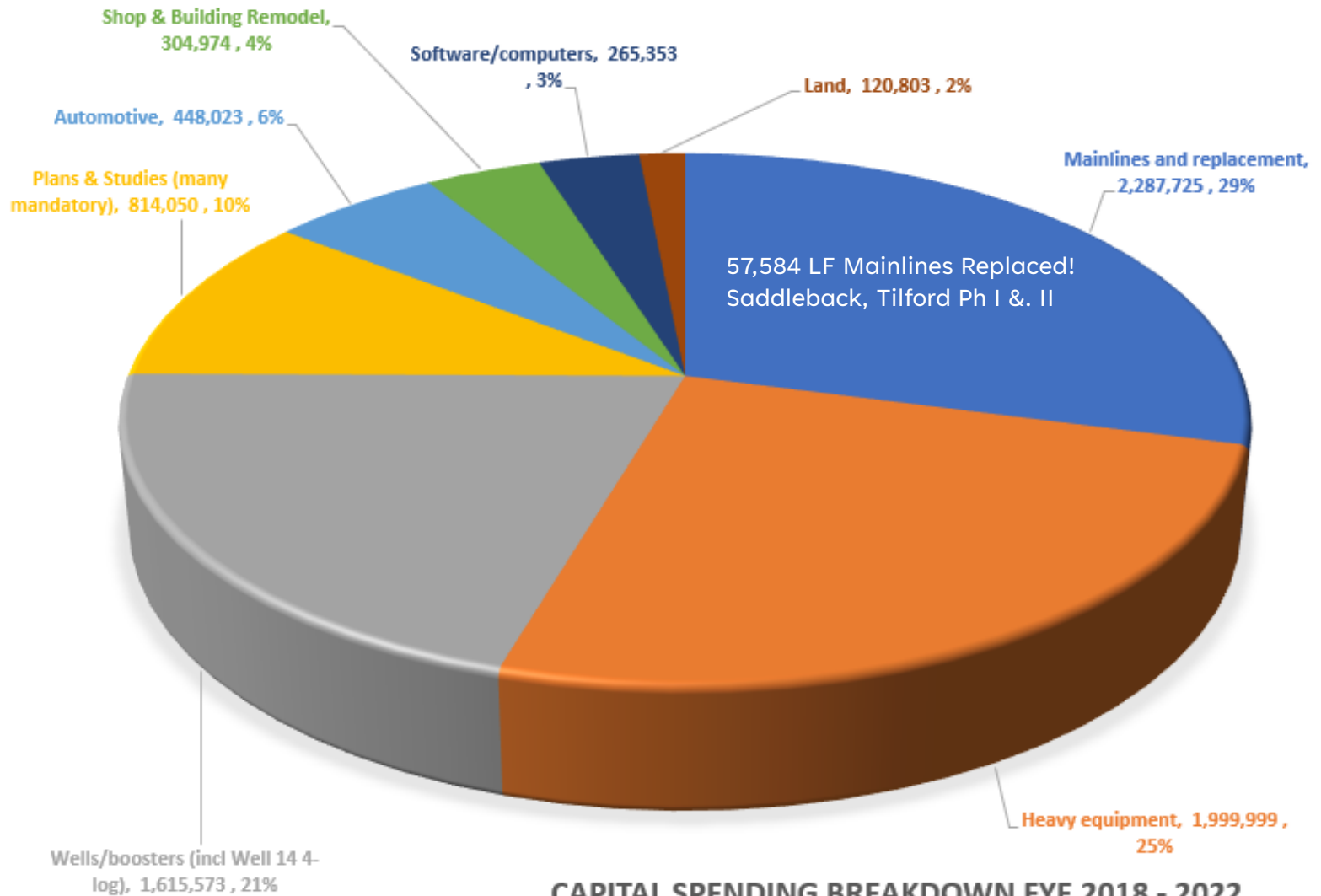
CAPITAL SPENDING VS. RATE STUDY CAPITAL FUNDING FYE 2018 - 2022

**\$1.87 million more was spent on Capital projects
than was funded by the 2018 Rate Study!**



TOTAL

■ CAPITAL SPENDING ■ FUNDED BY RATE STUDY



57,584 LF Mainlines Replaced!
Saddleback, Tilford Ph I & II

CAPITAL SPENDING BREAKDOWN FYE 2018 - 2022
 131% OF RATE STUDY CAPITAL FUNDING WAS SPENT ON CAPITAL PROJECTS
 (METERS WERE CONSIDERED NON-CAPITAL)



Current Water Rates

BASIC MONTHLY FEE (FIXED CHARGE)

| <u>Meter Size</u> | <u>Capacity (gpm)</u> | <u>Monthly Rate</u> | <u>Per Day</u> |
|-------------------|-----------------------|---------------------|----------------|
| 3/4" & 1" | 30 | \$41.35 | \$1.36 |
| 1-1/2" | 100 | 137.83 | 4.53 |
| 2" | 160 | 220.53 | 7.25 |
| 3" | 300 | 413.50 | 13.59 |

MONTHLY WATER USAGE CHARGES (PER HCF)

For 3/4" & 1" Meters

| <u>Consumption</u> | <u>Rate per hcf</u> | <u>Per 100 gallons</u> |
|--------------------|---------------------|------------------------|
| 0 - 5 units | \$6.20 | \$0.83 |
| 5.01 - 10 units | 7.70 | 1.03 |
| 10.01 - 20 units | 9.20 | 1.23 |
| 20.01 + units | 10.70 | 1.43 |

For 1-1/2", 2" and 3" Meters

| <u>Unit rate per all water use</u> | <u>Rate per hcf</u> | <u>Per 100 gallons</u> |
|------------------------------------|---------------------|------------------------|
| | \$7.70 | 1.03 |

Fixed charges generate 38% of rate revenues (target was 40%)



Average Rate = slightly over 1 cent per gallon

1 unit = 1 hcf = one hundred cubic feet = 748 gallons



Financial Challenges

■ Chromium 6 Project (Capital & Operating Costs)

- Needed to meet new, extremely-stringent regulatory requirements
- Capital project cost estimate = \$18 million (preliminary)
- JBWD seeking grant & low-interest rate funding from the SRF financing program
- Projections assume \$10M grant + \$8M SRF Loan with ~\$400K annual debt svc
- Annual operating & maintenance costs estimated at \$750,000

■ Aging Infrastructure & Capital Improvement Needs

- \$2.5+ million (current \$) in annual funding needs for rehabilitation & replacement of aging infrastructure (boosters, wells, tanks, water meters & old pipelines)
- JBWD established a Capital Improvement & Replacement Program (CIRP) with in-house staffing to help construct capital improvements at lower cost

■ Long-Term Water Supply

- Ongoing funding needed to import water from Mojave Water Agency to mitigate groundwater overdraft; projections assume = 1,000 Acre-Feet per year

■ Ongoing Cost Inflation

- Rate increases are needed to keep revenues in line with cost inflation and escalating costs of providing service



Financial Projections

- **BWA worked with JBWD to develop 10-year cash flow projections to identify future funding needs and evaluate rate increases**
- **Based on latest financial and utility billing data available and a number of reasonable and slightly-conservative assumptions including:**
 - Operating expenses based on current fiscal year budget (approx. \$7.1M)
 - Operating cost inflation projected at 6% next year then 4% per year thereafter
 - Growth: New connection projected at 50 this fiscal year & 25 per year thereafter
 - Assumes each 10% increase in water flow charges results in a 1% decrease in water use
 - Add'l staffing (deferred & reduced): \$45K per year increasing to \$200K after 3 years
 - Assumes \$18M Chromium 6 Project funded by \$10M Grant & \$8M SRF Loan with \$400,000 annual debt service
 - Chromium 6 operating expenses est. at \$750,000 per year starting in 2 years
 - 1,000 AF per year of imported water from MWA for groundwater recharge (~85% of demand)
 - Equipment/Technology: \$375K and Studies/Reports: \$200K (reduced from initial estimates)
 - Meter Replacement Program: \$185K for 7 years then \$50K per year (reduced from initial ests)
 - New Admin Building: excluded
- 8 – Capital improvement annual funding target \$2,500,000 + 3.5% escalation per year



Draft Rate Scenarios

- To support operating and capital needs and the Chromium 6 Project over the next 5 years, rate increases in line with the 2018 projections are needed.
- Evaluated a range of financial & rate scenarios
 - A. Best Management Practice with Reduced Expenses
 - B. Reduced Rate Increases with Add'l Drawdown of Fund Reserves
 - C. Limit Overall Rate Increases to 9% Per Year & Reduce CIP
 - D. Dedicated/Restricted Capital Improvement Charge (On Bill or Tax Roll)
- Tradeoffs with different levels of rate increases
 - Level of funding for capital improvements
 - Drawdown of fund reserves
 - Near-term vs. longer-term capital funding & rate increases
 - More rate increases in first 5 years = less in future & vice versa
 - Balance of competing objectives



| SCENARIO A | | | | | | | |
|--|---------|-----------|-----------|-----------|-----------|-----------|--------------------|
| Best Management Practice with Reduced Expenses | | | | | | | |
| | Current | 22/23 | 23/24 | 24/25 | 25/26 | 26/27 | TOTAL |
| | | Mar-1 | Jan-1 | Jan-1 | Jan-1 | Jan-1 | |
| Projected Rate Increases | | 16% | 14% | 12% | 10% | 8% | 76% |
| Capital Improvement Funding | | 1,785,000 | 2,500,000 | 2,588,000 | 2,679,000 | 2,773,000 | 12,325,000 |
| Change in Fund Reserves | | 212,000 | (107,000) | (768,000) | (511,000) | (192,000) | (1,366,000) |
| Est. Typical Monthly Bill (7 hcf)* | 87.75 | 100.26 | 113.99 | 128.66 | 142.32 | 154.49 | |

* Actual impacts may vary based on final water rate structure, meter size, and water use.

| SCENARIO B | | | | | | | |
|---|---------|-----------|-----------|-------------|-----------|-----------|--------------------|
| Reduced Rate Increases with Add'l Drawdown of Fund Reserves | | | | | | | |
| | Current | 22/23 | 23/24 | 24/25 | 25/26 | 26/27 | TOTAL |
| | | Mar-1 | Jan-1 | Jan-1 | Jan-1 | Jan-1 | |
| Projected Rate Increases | | 14% | 12% | 10% | 8% | 8% | 64% |
| Capital Improvement Funding | | 1,785,000 | 2,500,000 | 2,588,000 | 2,679,000 | 2,773,000 | 12,325,000 |
| Change in Fund Reserves | | 167,000 | (274,000) | (1,064,000) | (959,000) | (769,000) | (2,899,000) |
| Est. Typical Monthly Bill (7 hcf)* | 87.75 | 98.44 | 109.93 | 121.87 | 132.38 | 143.71 | |

* Actual impacts may vary based on final water rate structure, meter size, and water use.

| SCENARIO C | | | | | | | |
|--|---------|-----------|-----------|-----------|-----------|-----------|--------------------|
| Limit Overall Rate Increases to 9% Per Year & Reduce CIP | | | | | | | |
| | Current | 22/23 | 23/24 | 24/25 | 25/26 | 26/27 | TOTAL |
| | | Mar-1 | Jan-1 | Jan-1 | Jan-1 | Jan-1 | |
| Projected Rate Increases | | 9% | 9% | 9% | 9% | 9% | 54% |
| Capital Improvement Funding | | 1,785,000 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | 9,785,000 |
| Change in Fund Reserves | | 51,000 | (141,000) | (996,000) | (862,000) | (557,000) | (2,505,000) |
| Est. Typical Monthly Bill (7 hcf)* | 87.75 | 93.96 | 101.95 | 112.07 | 123.00 | 134.89 | |

* Actual impacts may vary based on final water rate structure, meter size, and water use.



OVERALL RATE INCREASES

Billing impacts may vary based on meter size and water use depending on rate structure



| | 22/23 | 23/24 | 24/25 | 25/26 | 26/27 | TOTAL |
|--|-------|-------|-------|-------|-------|-------|
| 2018 Rate Study Projections | 16% | 14% | 12% | 6% | 6% | 66% |
| A) Best Management Practice | 16% | 14% | 12% | 10% | 8% | 76% |
| B) Reduced Rates w/ Addl Drawdown | 14% | 12% | 10% | 8% | 8% | 64% |
| C) 9% Rate Increases w/ Reduced CIP | 9% | 9% | 9% | 9% | 9% | 54% |
| D) Dedicated Capital Charge (Bills or Tax Rolls) | | tbd | tbd | tbd | tbd | tbd |

MONTHLY BILL FOR A TYPICAL HOME WITH 7 HCF OF WATER USE

Billing impacts may vary based on meter size and water use depending on rate structure

| | Current | 22/23 | 23/24 | 24/25 | 25/26 | 26/27 |
|--|---------|--------|--------|--------|--------|--------|
| A) Best Management Practice | 87.75 | 100.26 | 113.99 | 128.66 | 142.32 | 154.49 |
| B) Reduced Rates w/ Addl Drawdown | 87.75 | 98.44 | 109.93 | 121.87 | 132.38 | 143.71 |
| C) 9% Rate Increases w/ Reduced CIP | 87.75 | 93.96 | 101.95 | 112.07 | 123.00 | 134.89 |
| D) Dedicated Capital Charge (Bills or Tax Rolls) | | tbd | tbd | tbd | tbd | tbd |

ALL-IN COST FOR A TYPICAL HOME (CENTS PER GALLON W/ FIXED & USAGE CHARGES)

Billing impacts may vary based on meter size and water use depending on rate structure

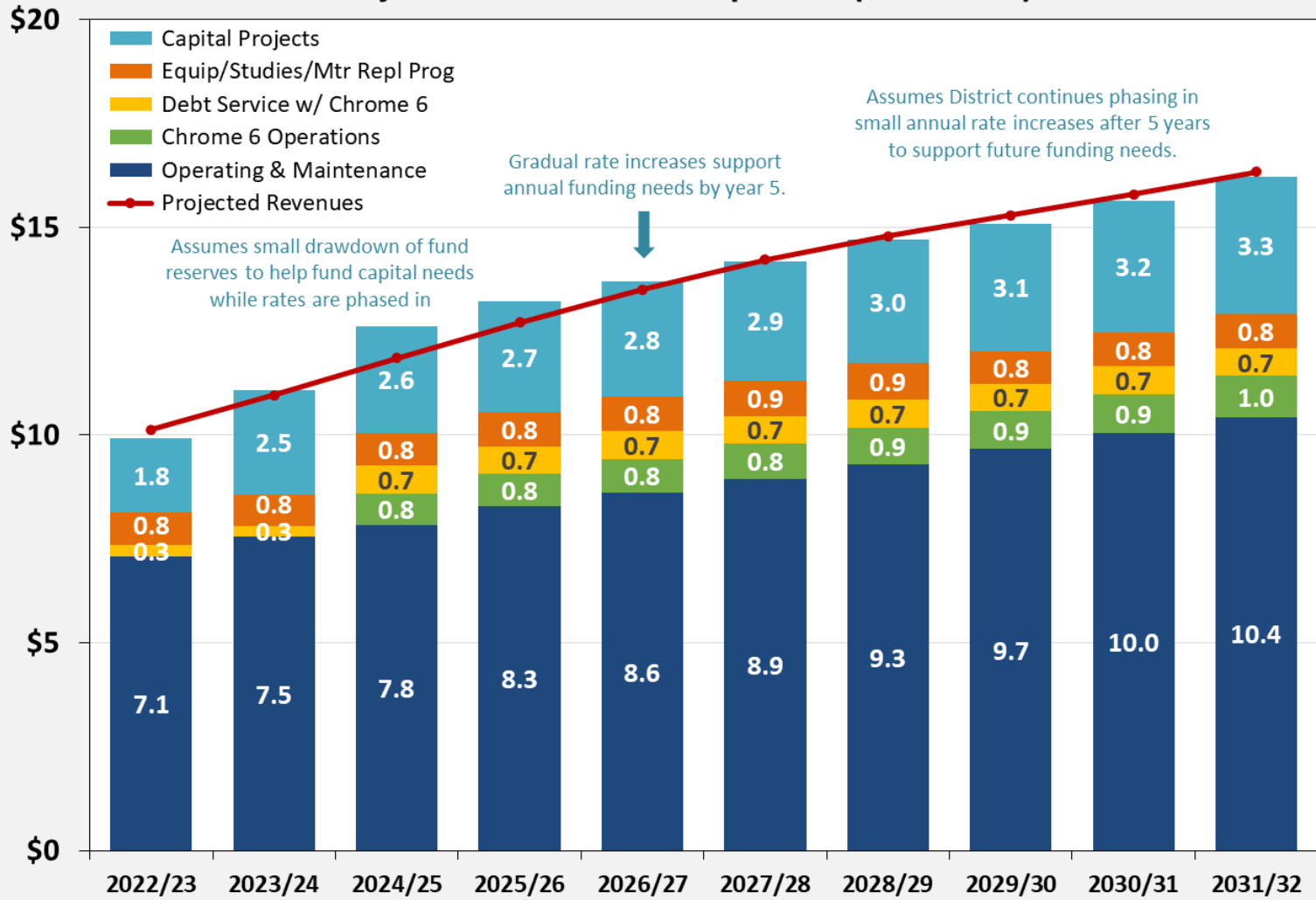
| | Current | 22/23 | 23/24 | 24/25 | 25/26 | 26/27 |
|--|---------|-------|-------|-------|-------|-------|
| A) Best Management Practice | 1.7 | 1.9 | 2.2 | 2.5 | 2.7 | 3.0 |
| B) Reduced Rates w/ Addl Drawdown | 1.7 | 1.9 | 2.1 | 2.3 | 2.5 | 2.7 |
| C) 9% Rate Increases w/ Reduced CIP | 1.7 | 1.8 | 1.9 | 2.1 | 2.3 | 2.6 |
| D) Dedicated Capital Charge (Bills or Tax Rolls) | | tbd | tbd | tbd | tbd | tbd |



Joshua Basin Water District

Scenario A

Projected Revenues & Expenses (\$ Millions)



* Assumes \$18 million Chromium 6 Project funded by a \$10 million grant and \$8 million SRF Loan.

16%

14%

12%

10%

8%

4%

4%

4%

4%

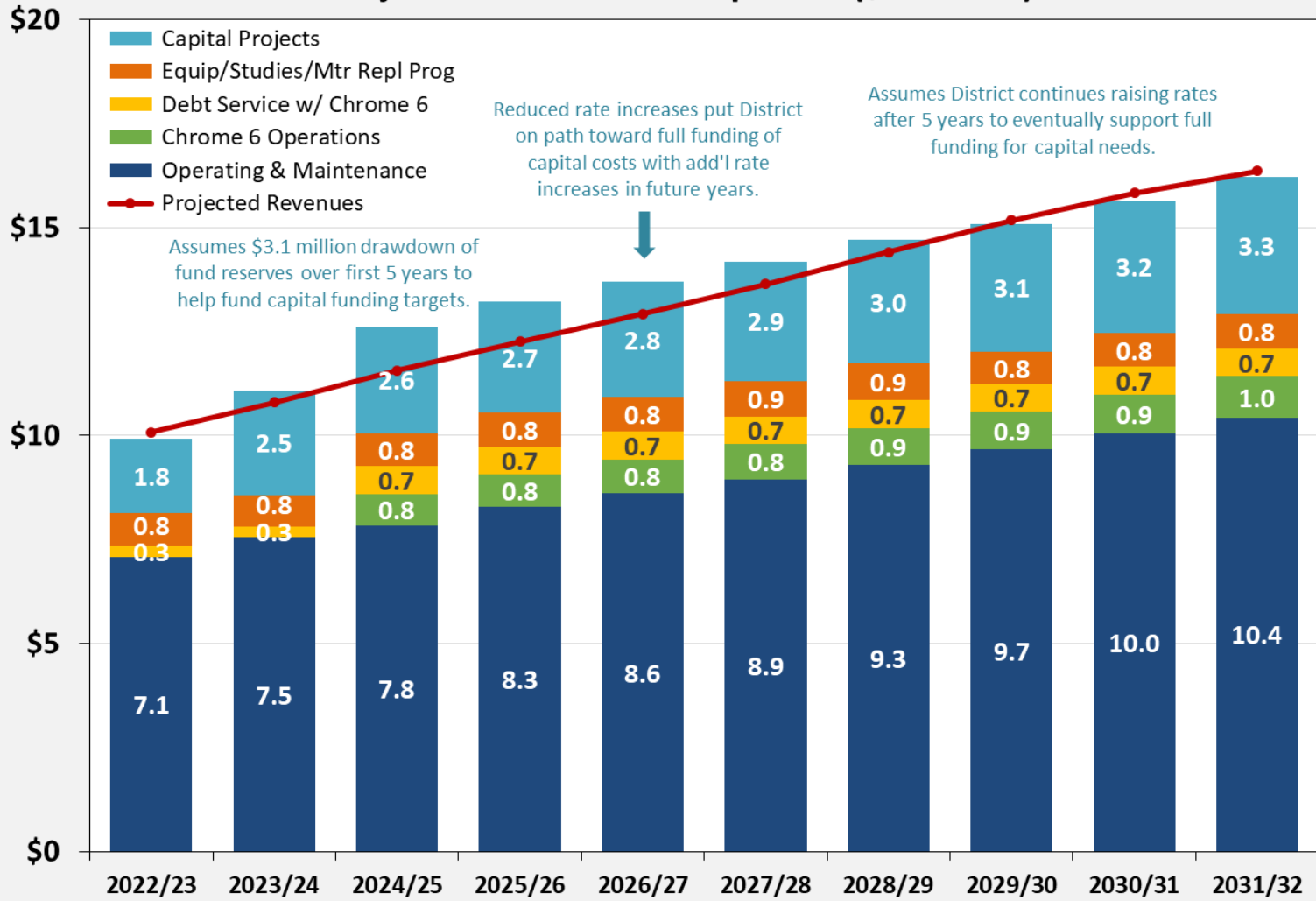
4%



Joshua Basin Water District

Scenario B

Projected Revenues & Expenses (\$ Millions)



* Assumes \$18 million Chromium 6 Project funded by a \$10 million grant and \$8 million SRF Loan.

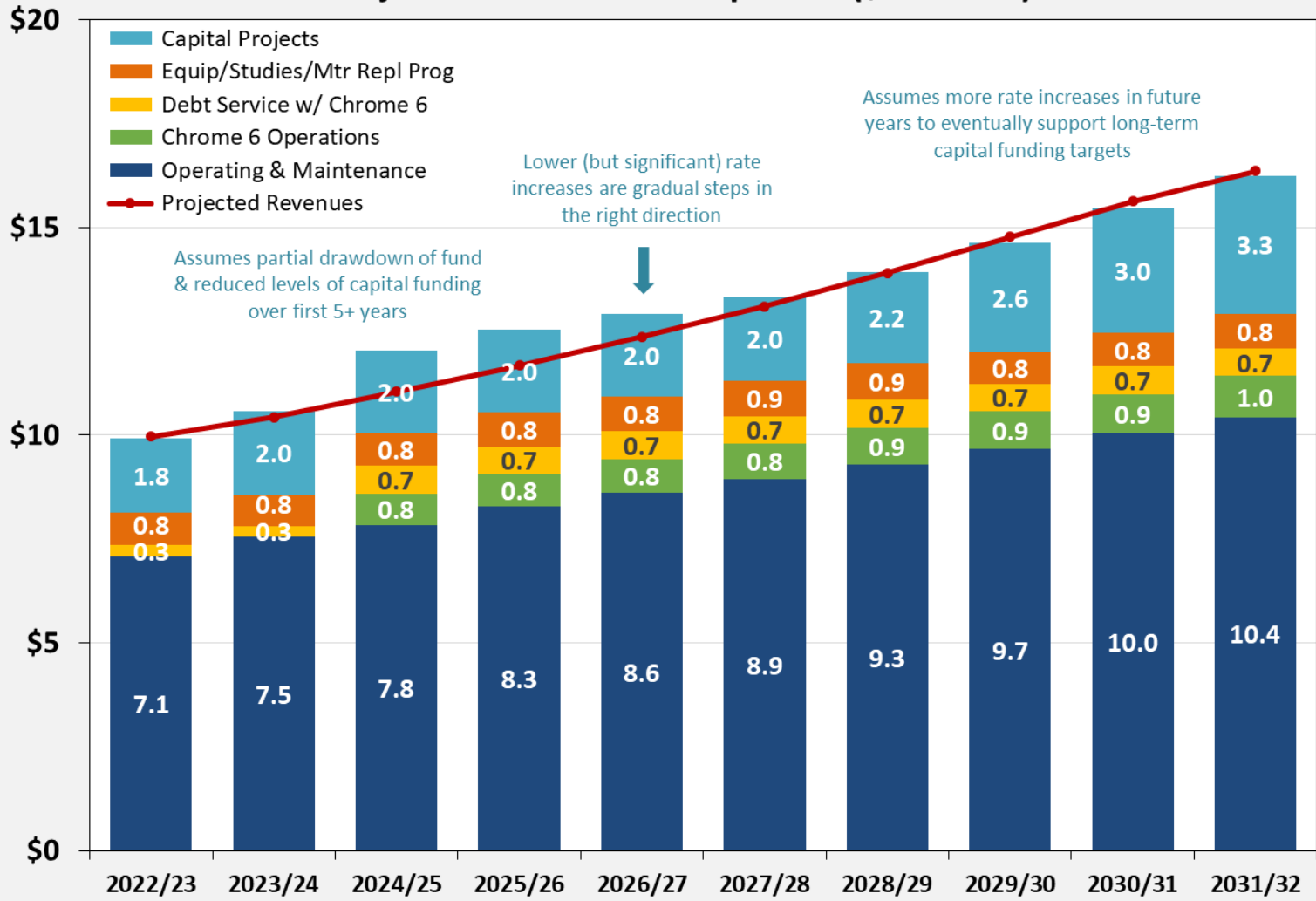
14% 12% 10% 8% 8% 8% 8% 6% 4% 4%



Joshua Basin Water District

Scenario C

Projected Revenues & Expenses (\$ Millions)



* Assumes \$18 million Chromium 6 Project funded by a \$10 million grant and \$8 million SRF Loan.





Dedicated Capital Charge

- **Restricted funding source for capital improvements (option)**
 - Can be used to fund capital projects, debt service, and CIRP program staff
 - **Can be collected via County property tax rolls**
 - Relatively easy to administer (similar to Standby Charges, checked with NBS)
 - Keeps monthly water bills reasonable
 - **Could result in no regular water rate increases for up to 5 years**
 - **Nexus of benefit with property**
 - Water system designed to provide service capacity & fire flow benefit to each property
 - Infrastructure benefits property regardless of use; operations would be funded by rates
 - **Property-owners would be responsible for bill (not renters)**
 - Landlords can potentially pass through charges (depending on current & future lease)
 - **Options:**
 - Charges can be a fixed charge based on meter size (e.g. similar to Capacity Charge)
 - Charges can be phased in (e.g. over 5 years) with flexibility to adjust each year
- 15 – Can adopt a blend of capital charges and rate increases



Key Issues for Input

- Level of rate increases to consider for Prop 218 Process for next 5 years
- Level of increases to fixed monthly charges vs. water usage rates
- Concept of a Dedicated/Restricted Capital Charge instead of rate increases
- Potential for collecting a Capital Charge on the property tax rolls
- Potential for pursuing Prop 218 adoption of drought rate surcharges
- We welcome your input on any other issues



Draft Rate Study Process

- **Aug-31 Board Meeting – Water rate study introduction & receive initial input**
- **Sep-13 CAC Meeting – Water rate study introduction & receive initial input**
- **Oct-12 Special Joint Board & CAC Workshop – Discuss preliminary findings and draft alternatives and receive input**
- **Nov-8 CAC Meeting – Continue evaluating & honing recommendations**
- **Nov-9 Special Joint Board & CAC Workshop - Continue evaluating & honing recommendations**
- **Mid-Dec Special Board Meeting – Review & finalize recommendations, seek direction to move forward with Prop 218 Process**
- **Late-Dec Mail Prop 218 Notices at least 45 days prior to date of Public Hearing**
- **Jan-10 Community Workshop**
- **Feb-15 Board Meeting – Public Hearing on proposed rates**
- **Mar-1 Goal: New rates effective starting March 1, 2023 with future increases effective January 1 each year**

Questions & Discussion

