



**REGULAR FINANCE COMMITTEE MEETING
MONDAY, OCTOBER 30, 2017 AT 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

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- Regular Finance Committee Meeting Draft Minutes of September 25, 2017

Pages 3-8

7. REVIEW SEPTEMBER 2017 CHECK REGISTERS -
Receive information and recommend to the Board of Directors for approval.

Pages 9-17

8. CONSIDER CHANGING BANKS TO PACIFIC WESTERN BANK– Receive information and recommend bank change to full Board for implementation.

Pages 18-22

9. DISCUSS POLICY ALTERNATIVES TO REDUCE BAD DEBT – Recommend that the Finance Committee receive the report and recommend to the Board of Directors that regulations be drafted for future Board action regarding the following:
 1. Implementing a Policy prohibiting tenant accounts and requiring owner accounts where there have been multiple bad debts at one location.
 2. Implementing \$200 new account guarantee deposit for “red/poor credit” accounts, and designating that a \$300 deposit be required for accounts locked off for non-payment.
 3. Implementing collections of delinquent water charges via the property tax rolls.
 4. Implementing an owner guarantee of payment requirement for new tenant accounts.

10. STAFF REPORT

11. 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. 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, September 25, 2017
61750 Chollita Road, Joshua Tree, CA 92252

1. CALL TO ORDER 9:00 a.m.

2. PLEDGE OF ALLEGIANCE

Committee Members Present:

Bob Johnson, Vice President
Tom Floen, Director

Staff Present:

Curt Sauer, General Manager
Susan Greer, Assistant General Manager/Controller
Anne Roman, Accountant

Consultant Present:

Guests: 3

3. DETERMINATION OF QUORUM
A quorum is present.

4. APPROVAL OF AGENDA

MSC/Floen/Johnson 2/0 to approve the agenda for the September 25, 2017 Regular Meeting of the Finance Committee.

5. PUBLIC COMMENT - None

6. APPROVE MINUTES OF THE PRIOR COMMITTEE MEETING –

- Regular Meeting of the Finance Committee of August 28, 2017

MSC/Floen/Johnson 2/0 to approve the minutes of August 28, 2017 Regular Meeting of the Finance Committee.

7. REVIEW JULY AND AUGUST 2017 CHECK REGISTERS – Information was reviewed and recommended to the Board for approval.

MSC/Floen/Johnson 2/0 to approve the 16/17 July and August check registers and send to the Board for approval.

8. ANNUAL CAPACITY FEE REPORTS – Information was reviewed and recommended to the Board for approval.

MSC/Johnson/Floen 2/0 to approve the Annual Capacity Fee Reports and send to the Board for approval.

9. STAFF REPORT - None

10. ADJOURNMENT –

MSC Floen/Johnson 2/0 to adjourn the Regular Meeting of the Finance Committee at 10:00 a.m.

Respectfully submitted:

Susan Greer, Assistant General Manager/Controller



Joshua Basin Water District

*Check Report JBWD

By Check Number

Date Range: 09/01/2017 - 09/30/2017

Vendor Number	Vendor DBA Name	Payment Date	Payment Type	Discount Amount	Payment Amount	Number
Payable #	Payable Type	Payable Date	Payable Description	Discount Amount	Payable Amount	
Bank Code: AP-AP Cash						
000504	ACTION PUMPING, INC.	09/12/2017	Regular	0.00	1,075.00	59231
<u>13620</u>	Invoice	09/12/2017	HDMC WW: PUMPING	0.00	1,075.00	
000675	AQUA-METRIC SALES COMPANY	09/12/2017	Regular	0.00	5,566.51	59232
<u>0066563-IN</u>	Invoice	09/12/2017	INVENTORY	0.00	5,178.28	
<u>0066589-IN</u>	Invoice	09/12/2017	METER REPAIR SUPPLIES	0.00	388.23	
001630	AT&T MOBILITY	09/12/2017	Regular	0.00	1,253.59	59233
<u>829480028X0905</u>	Invoice	09/12/2017	COMMUNICATIONS - AUG 17	0.00	1,253.59	
000181	BASIN WIDE FOUNDATION	09/12/2017	Regular	0.00	270.00	59234
<u>BWF091117</u>	Invoice	09/12/2017	ANNUAL AWARDS DINNER	0.00	270.00	
001297	BIGHORN-DESERT VIEW	09/12/2017	Regular	0.00	1,350.00	59235
<u>2017-003</u>	Invoice	09/12/2017	FEMA ICS 300/400 CLASS	0.00	1,350.00	
004110	BURRTEC WASTE & RECYCLING SVCS	09/12/2017	Regular	0.00	418.29	59236
<u>BW0917</u>	Invoice	09/12/2017	RECYCLING - SEPT 17	0.00	60.41	
<u>BW0917B</u>	Invoice	09/12/2017	TRASH REMOVAL - SEPT 17	0.00	270.90	
<u>BW0917C</u>	Invoice	09/12/2017	TRASH REMOVAL - SEPT 17	0.00	86.98	
013372	CALIFORNIA CHAMBER OF COMMERCE	09/12/2017	Regular	0.00	729.00	59237
<u>S1343937</u>	Invoice	09/12/2017	ANNUAL MEMBERSHIP 10/15/17 - 10/15/	0.00	729.00	
000137	PROVIDENCE PUBLICATIONS, LLC	09/12/2017	Regular	0.00	395.00	59238
<u>473829</u>	Invoice	09/12/2017	CAL-OSHA SUBSCRIPTION	0.00	395.00	
001555	CENTRATTEL	09/12/2017	Regular	0.00	259.28	59239
<u>170903192101</u>	Invoice	09/12/2017	DISPATCH SERVICES - AUG 17	0.00	259.28	
000126	EAST VALLEY WATER DISTRICT	09/12/2017	Regular	0.00	400.00	59240
<u>INV03449</u>	Invoice	09/12/2017	ERNE MEMBERSHIP DUES	0.00	400.00	
013222	FRONTIER CALIFORNIA INC.	09/12/2017	Regular	0.00	163.96	59241
<u>FC0917</u>	Invoice	09/12/2017	HDMC WWTP - TELEPHONE	0.00	163.96	
000058	GARDA CL WEST, INC.	09/12/2017	Regular	0.00	606.41	59242
<u>10331767</u>	Invoice	09/12/2017	COURIER FEES - SEPT 17	0.00	606.41	
006200	MCALLISTERS JANITORIAL SERV.	09/12/2017	Regular	0.00	580.00	59243
<u>6205B</u>	Invoice	09/12/2017	JANITORIAL SERVICES - AUG 17	0.00	580.00	
013197	INTER VALLEY POOL SUPPLY, INC.	09/12/2017	Regular	0.00	372.50	59244
<u>99467</u>	Invoice	09/12/2017	WATER TREATMENT EXPENSE	0.00	372.50	
009054	KATHLEEN J. RADNICH	09/12/2017	Regular	0.00	1,629.60	59245
<u>170903-1</u>	Invoice	09/12/2017	PUBLIC RELATIONS SERVICES	0.00	798.00	
<u>170910-1</u>	Invoice	09/12/2017	PUBLIC RELATIONS SERVICES	0.00	831.60	
000205	LORI G. HERBEL	09/12/2017	Regular	0.00	128.00	59246
<u>LH092017</u>	Invoice	09/12/2017	PUBLIC INFO/FARMER'S MARKET	0.00	128.00	
006507	McMASTER-CARR SUPPLY COMPANY	09/12/2017	Regular	0.00	4,409.58	59247
<u>43693086</u>	Invoice	09/12/2017	METER REPAIR SUPPLIES	0.00	103.28	
<u>43929381</u>	Invoice	09/12/2017	TANK & RESERVOIR MAINTENANCE	0.00	2,366.96	
<u>44053665</u>	Invoice	09/12/2017	SMALL TOOLS	0.00	1,280.78	
<u>44949197</u>	Invoice	09/12/2017	SHOP EXPENSE/SMALL TOOLS - PRODUCT	0.00	658.56	

* Check Report JBWD

Date Range: 09/01/2017 - 09/30/2017

Vendor Number	Vendor DBA Name	Payment Date	Payment Type	Discount Amount	Payment Amount	Number
Payable #	Payable Type	Payable Date	Payable Description	Discount Amount	Payable Amount	
000156	FORSHOCK	09/12/2017	Regular	0.00	690.00	59248
<u>1700071</u>	Invoice	09/12/2017	PUMPING PLANT: SCADA	0.00	690.00	
000070	ONLINE INFORMATION SERVICES, INC.	09/12/2017	Regular	0.00	343.55	59249
<u>808073</u>	Invoice	09/12/2017	ID VERIF. SERV. THRU 08/30/17	0.00	343.55	
008300	POSTMASTER	09/12/2017	Regular	0.00	4,000.00	59250
<u>SD083117</u>	Invoice	09/12/2017	POSTAGE FOR WATER BILLING	0.00	4,000.00	
008405	PRECISION ASSEMBLY	09/12/2017	Regular	0.00	1,385.45	59251
<u>17726</u>	Invoice	09/12/2017	AUG WATER BILLING	0.00	1,385.45	
008415	PRUDENTIAL OVERALL SUPPLY	09/12/2017	Regular	0.00	216.51	59252
<u>22470343</u>	Invoice	09/12/2017	SHOP EXPENSE	0.00	37.04	
<u>22470345</u>	Invoice	09/12/2017	SHOP EXPENSE	0.00	92.23	
<u>22477580</u>	Invoice	09/12/2017	SHOP EXPENSE	0.00	37.04	
<u>22477582</u>	Invoice	09/12/2017	SHOP EXPENSE	0.00	50.20	
013361	QUINN COMPANY	09/12/2017	Regular	0.00	5,403.30	59253
<u>WOG00000340</u>	Invoice	09/12/2017	GENERATOR REPAIR: GR-3	0.00	5,403.30	
013360	REDWINE AND SHERRILL, LLP	09/12/2017	Regular	0.00	3,249.00	59254
<u>1021</u>	Invoice	09/12/2017	LEGAL SERVICES - AUGUST 17	0.00	3,249.00	
013218	OFFICETEAM	09/12/2017	Regular	0.00	3,037.60	59255
<u>49069258</u>	Invoice	09/12/2017	TEMPORARY LABOR	0.00	1,518.80	
<u>49123885</u>	Invoice	09/12/2017	TEMPORARY LABOR	0.00	1,518.80	
008414	PROVIDED	09/12/2017	Regular	0.00	150.00	59256
<u>1115A</u>	Invoice	09/12/2017	VIDEO TAPING & YOU TUBE BD MEETING	0.00	150.00	
000091	SAN BERNARDINO COUNTY RECORDER	09/12/2017	Regular	0.00	63.00	59257
<u>SB090517</u>	Invoice	09/12/2017	RELEASE OF LIENS	0.00	63.00	
013221	SIERRA WEST CONSULTANTS, INC.	09/12/2017	Regular	0.00	3,500.00	59258
<u>2017-81</u>	Invoice	09/12/2017	EMERGENCY PREPAREDNESS TRAINING	0.00	3,500.00	
VEN01020	SOUTHWEST NETWORKS, INC.	09/12/2017	Regular	0.00	10,245.00	59259
<u>17-9003SC</u>	Invoice	09/12/2017	IT SERVICES - 10/17 - 12/17	0.00	10,245.00	
011101	VAGABOND WELDING SUPPLY	09/12/2017	Regular	0.00	478.29	59260
<u>102551</u>	Invoice	09/12/2017	SHOP EXPENSE	0.00	310.81	
<u>102652</u>	Invoice	09/12/2017	SMALL TOOLS - PRODUCTION	0.00	167.48	
013196	TELEPACIFIC COMMUNICATIONS	09/12/2017	Regular	0.00	736.58	59261
<u>94307996-0</u>	Invoice	09/12/2017	TELEPHONE (OFFICE) - SEPT 17	0.00	736.58	
010690	TYLER TECHNOLOGIES	09/12/2017	Regular	0.00	137.50	59262
<u>Q25-200086</u>	Invoice	09/12/2017	EE TRAINING	0.00	137.50	
010850	UNDERGROUND SERVICE ALERT	09/12/2017	Regular	0.00	97.45	59263
<u>820170338</u>	Invoice	09/12/2017	TICKET DELIVERY SERVICE - AUG 17	0.00	97.45	
000247	UNITED STATES PLASTIC CORP	09/12/2017	Regular	0.00	849.35	59264
<u>5201288</u>	Invoice	09/12/2017	PUMPING PLANT SUPPLIES	0.00	793.03	
<u>5201291</u>	Invoice	09/12/2017	PUMPING PLANT SUPPLIES	0.00	56.32	
010990	UTILIQUEST L.L.C.	09/12/2017	Regular	0.00	1,002.76	59265
<u>251561-Q</u>	Invoice	09/12/2017	CONTRACT LOCATING EXPENSE	0.00	85.64	
<u>251812-Q</u>	Invoice	09/12/2017	CONTRACT LOCATING EXPENSE	0.00	526.28	
<u>252081-Q</u>	Invoice	09/12/2017	CONTRACT LOCATING EXPENSE	0.00	204.88	
<u>252326-Q</u>	Invoice	09/12/2017	CONTRACT LOCATING EXPENSE	0.00	185.96	
000233	NAPA AUTO PARTS	09/12/2017	Regular	0.00	1,008.33	59266
<u>209640</u>	Invoice	09/12/2017	VEHICLE MAINT/SHOP EXPENSE/SMALL T	0.00	205.66	
<u>209641</u>	Invoice	09/12/2017	SMALL TOOLS	0.00	5.43	

Vendor Number	Vendor DBA Name	Payment Date	Payment Type	Discount Amount	Payment Amount	Number
Payable #	Payable Type	Payable Date	Payable Description	Discount Amount	Payable Amount	
<u>209692</u>	Invoice	09/12/2017	PUMPING PLANT SUPPLIES	0.00	141.09	
<u>210194</u>	Invoice	09/12/2017	SMALL TOOLS	0.00	149.07	
<u>211686</u>	Invoice	09/12/2017	SMALL TOOLS - DIST/VEHICLE MAINT/VA	0.00	507.08	
000501	ACWA/JPIA	09/20/2017	Regular	0.00	17,118.31	59267
<u>0505416</u>	Invoice	09/20/2017	EE HEALTH BENEFIT & EAP OCT 17	0.00	17,118.31	
001850	CLINICAL LAB OF S.B. INC	09/20/2017	Regular	0.00	11,821.25	59268
<u>957879</u>	Invoice	09/20/2017	SAMPLING - JULY 17	0.00	6,545.25	
<u>957880</u>	Invoice	09/20/2017	HDMC WWTP SAMPLING- JULY 17	0.00	940.00	
<u>958284</u>	Invoice	09/20/2017	SAMPLING - AUG 17	0.00	3,654.00	
<u>958285</u>	Invoice	09/20/2017	HDMC WWTP SAMPLING- AUG 17	0.00	682.00	
003025	FEDEX	09/20/2017	Regular	0.00	27.82	59269
<u>5-922-94338</u>	Invoice	09/20/2017	SHIPPING: PLAN CHECK	0.00	27.82	
013351	HELENITA C. YOUNGLOVE	09/20/2017	Regular	0.00	90.00	59270
<u>144</u>	Invoice	09/20/2017	NOTARY SERVICES	0.00	90.00	
009054	KATHLEEN J. RADNICH	09/20/2017	Regular	0.00	1,054.80	59271
<u>170917-1</u>	Invoice	09/20/2017	PUBLIC RELATIONS SERVICES	0.00	1,054.80	
000134	KENNEDY/JENKS CONSULTANTS, INC.	09/20/2017	Regular	0.00	1,232.39	59272
<u>114398</u>	Invoice	09/20/2017	CONSULTING: MULTIPLE PROJECTS	0.00	997.65	
<u>115115</u>	Invoice	09/20/2017	CONSULTING: MULTIPLE PROJECTS	0.00	234.74	
006029	LIEBERT CASSIDY WHITMORE	09/20/2017	Regular	0.00	2,057.20	59273
<u>1446741</u>	Invoice	09/20/2017	LEGAL SERVICES - AUG 17	0.00	1,260.00	
<u>1446742</u>	Invoice	09/20/2017	LEGAL SERVICES - EE MATTERS	0.00	797.20	
000236	PAYPRO ADMINISTRATORS	09/20/2017	Regular	0.00	50.00	59274
<u>60254</u>	Invoice	09/20/2017	FSA ADMIN FEES - AUG 17	0.00	50.00	
006150	RANDY MAYES	09/20/2017	Regular	0.00	1,775.71	59275
<u>RM091417</u>	Invoice	09/20/2017	EDUCATION REIMBURSEMENT	0.00	1,775.71	
009880	SOUTHERN CALIFORNIA EDISON CO	09/20/2017	Regular	0.00	3,704.10	59276
<u>SCE0917</u>	Invoice	09/20/2017	POWER TO BLDGS & GEN - SEPT 17	0.00	3,704.10	
000510	TIME WARNER CABLE	09/20/2017	Regular	0.00	343.62	59277
<u>TW0917</u>	Invoice	09/20/2017	CABLE & INTERNET - SEPT 17	0.00	343.62	
013216	TIMOTHY ROBERT PINAR	09/20/2017	Regular	0.00	1,050.00	59278
<u>TP083117</u>	Invoice	09/20/2017	OFFICE REMODEL & HVAC CONSULTING F	0.00	1,050.00	
000327	WATER QUALITY SPECIALISTS	09/20/2017	Regular	0.00	4,512.40	59279
<u>5108</u>	Invoice	09/20/2017	HDMC WWTP: OPERATION, MAINT & REP	0.00	4,512.40	
000575	AFSCME LOCAL 1902	09/26/2017	Regular	0.00	585.20	59287
<u>AFSCME0917</u>	Invoice	09/26/2017	EE UNION DUES - SEPT 17	0.00	585.20	
001953	COUNTY OF SAN BERNARDINO DEPT OF PUBLIC	09/26/2017	Regular	0.00	445.00	59288
<u>CSBDP090517</u>	Invoice	09/26/2017	EXCAVATION PERMIT #T1702305 - CHOLL	0.00	445.00	
000058	GARDA CL WEST, INC.	09/26/2017	Regular	0.00	28.29	59289
<u>70062779</u>	Invoice	09/26/2017	EVENXCHANGE FEES - AUG 17	0.00	28.29	
009054	KATHLEEN J. RADNICH	09/26/2017	Regular	0.00	638.40	59290
<u>170924-1</u>	Invoice	09/26/2017	PUBLIC RELATIONS SERVICES	0.00	638.40	
009980	SWRCB FEES	09/26/2017	Regular	0.00	10,748.00	59291
<u>LW-1010480-R2</u>	Invoice	09/26/2017	WATER SYSTEM FEES 7/01/16 - 6/30/17	0.00	10,748.00	
013359	XEROX FINANCIAL SERVICES	09/26/2017	Regular	0.00	395.66	59292
<u>929828</u>	Invoice	09/26/2017	OFFICE EXPENSE 9/7/17 - 10/6/17	0.00	395.66	

Vendor Number	Vendor DBA Name	Payment Date	Payment Type	Discount Amount	Payment Amount	Number
Payable #	Payable Type	Payable Date	Payable Description	Discount Amount	Payable Amount	
009500	USDA RURAL DEVELOPMENT	09/02/2017	Manual	0.00	176,219.85	900815
<u>USDA 09/17 LN</u>	Invoice	09/02/2017	CMM PRINCIPAL & INT LOAN #2	0.00	176,219.85	
001517	CalPERS	09/01/2017	Manual	0.00	9,728.06	900816
<u>PPE 8-18-17</u>	Invoice	09/01/2017	PAY PERIOD ENDING 8/18/17	0.00	9,728.06	
000236	PAYPRO ADMINISTRATORS	09/08/2017	Manual	0.00	449.97	900817
<u>PPE 9-1-17</u>	Invoice	09/08/2017	EE FSA DEDUCTIONS 9-08-17	0.00	449.97	
000248	PAYCHEX	09/08/2017	Manual	0.00	332.70	900818
<u>307291</u>	Invoice	09/08/2017	PAYROLL PROCESSING FEE	0.00	332.70	
001004	BUSINESS CARD	09/14/2017	Manual	0.00	1,603.21	900819
<u>BA0917</u>	Invoice	09/14/2017	TELEPHONE/TRAINING/SHOP EXPENSE/O	0.00	1,603.21	
001005	BANK OF AMERICA	09/14/2017	Manual	0.00	523.15	900820
<u>BA0917</u>	Invoice	09/14/2017	OFFICE SUPPLIES/METER SERVICE REPAIR	0.00	523.15	
001008	BUSINESS CARD	09/14/2017	Manual	0.00	9,192.56	900821
<u>BA0917</u>	Invoice	09/14/2017	PUMPING PLANT/WELL 14/UNIFORMS	0.00	9,192.56	
009878	SOUTHERN CALIFORNIA EDISON	09/14/2017	Manual	0.00	39,731.91	900822
<u>SCE0817</u>	Invoice	09/14/2017	POWER FOR PUMPING - AUG 17	0.00	39,731.91	
000248	PAYCHEX	09/15/2017	Manual	0.00	70.00	900823
<u>16926756</u>	Invoice	09/15/2017	TIME & LABOR ONLINE USAGE FEE	0.00	70.00	
001517	CalPERS	09/15/2017	Manual	0.00	9,712.53	900824
<u>PPE 9-1-17</u>	Invoice	09/15/2017	PAY PERIOD ENDING 9/01/17	0.00	9,712.53	
VEN01533	PAYMENTUS GROUP INC.	09/18/2017	Manual	0.00	2,049.65	900825
<u>US17080202</u>	Invoice	09/18/2017	CREDIT CARD PROCESSING FEE - AUG 17	0.00	2,049.65	
004195	HOME DEPOT CREDIT SERVICES	09/20/2017	Manual	0.00	1,750.70	900826
<u>HD0917</u>	Invoice	09/20/2017	PUMPING PLANT SUPPLIES/MAINLINE/LE	0.00	1,750.70	
000236	PAYPRO ADMINISTRATORS	09/22/2017	Manual	0.00	449.97	900827
<u>PPE 9-15-17</u>	Invoice	09/22/2017	EE FSA DEDUCTIONS 9-22-17	0.00	449.97	
000248	PAYCHEX	09/22/2017	Manual	0.00	347.50	900828
<u>307917</u>	Invoice	09/22/2017	PAYROLL PROCESSING FEE	0.00	347.50	
001517	CalPERS	09/22/2017	Manual	0.00	9,360.67	900829
<u>PPE 9-15-17</u>	Invoice	09/22/2017	PAY PERIOD ENDING 9/15/17	0.00	9,360.67	
000025	ICMA RC	09/30/2017	Manual	0.00	3,802.96	900830
<u>900830</u>	Invoice	09/30/2017	457 REMITTANCE - SEPT 17	0.00	3,802.96	

Bank Code AP Summary

Payment Type	Payable Count	Payment Count	Discount	Payment
Regular Checks	80	55	0.00	113,878.54
Manual Checks	16	16	0.00	265,325.39
Voided Checks	0	0	0.00	0.00
Bank Drafts	0	0	0.00	0.00
EFT's	0	0	0.00	0.00
	96	71	0.00	379,203.93

**JOSHUA BASIN WATER DISTRICT
UTILITY REFUND REGISTER**

<u>Account Number</u>	<u>Name</u>	<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Reference</u>
01-00119-003	DECICCO, AMY	9/12/2017	Refund	102.91	Check #: 59221
06-00103-019	WILLIAMS, MILES J	9/12/2017	Refund	15.47	Check #: 59226
09-00107-007	CAMBON, WILLIAM R	9/12/2017	Refund	8.11	Check #: 59227
11-00048-015	TRI VALLEY REALTY	9/12/2017	Refund	35.82	Check #: 59222
12-00072-003	MIRAGE COVE PROPERTIES LLC	9/12/2017	Refund	25.78	Check #: 59223
13-00269-008	SHERMAN, GABRIELLE C	9/12/2017	Refund	23.43	Check #: 59228
50-00059-006	ANDRA, AUREL	9/12/2017	Refund	50.95	Check #: 59229
56-00017-012	CORPORATION, HIGHLAND SERVICE	9/12/2017	Refund	45.44	Check #: 59230
62-00092-004	NIBLOCK, TREVOR G E	9/12/2017	Refund	0.26	Check #: 59224
63-00118-000	WANG, DAVID	9/12/2017	Refund	65.70	Check #: 59225
07-00170-003	AXIOM PROPERTIES LLC	9/20/2017	Refund	145.22	Check #: 59281
09-00107-007	CAMBON, WILLIAM R	9/20/2017	Refund	40.78	Check #: 59280
11-00073-001	HOARD, CARL M	9/20/2017	Refund	153.58	Check #: 59282
52-00165-013	WASHINGTON, MARLENA E	9/20/2017	Refund	186.06	Check #: 59283
53-00060-016	DELROSARIO, ALLEN J	9/20/2017	Refund	153.58	Check #: 59284
55-00299-014	WILLIAMS ENTERPRISES INC	9/20/2017	Refund	57.91	Check #: 59285
64-99235-000	HI-DESERT MEDICAL CENTER	9/20/2017	Refund	196.78	Check #: 59286
06-00011-012	VILLEGAS, RENE	9/26/2017	Refund	41.47	Check #: 59293
08-00062-007	JACKMAN, CHRISTELLE	9/26/2017	Refund	43.42	Check #: 59294
13-00111-003	HAMILTON, MARGARET M	9/26/2017	Refund	57.08	Check #: 59295
57-00029-006	COULSON, ANDREW M	9/26/2017	Refund	102.67	Check #: 59296
				<u>1,552.42</u>	

JOSHUA BASIN WATER DISTRICT

SEPTEMBER 2017

DIRECTOR PAY

PAY PERIODS: 8/19/2017 - 9/15/2017

Director	Date	Type	Amount	Notes
THOMAS FLOEN	08/28/2017	Director Pay	173.63	FINANCE COMMITTEE MEETING
THOMAS FLOEN	09/12/2017	Director Pay	173.63	SPECIAL JBWD BOARD & CAC MEETINGS
			<u>347.26</u>	
GEARY HUND	09/12/2017	Director Pay	173.63	SPECIAL JBWD BOARD & CAC MEETINGS
			<u>173.63</u>	
ROBERT JOHNSON	08/28/2017	Director Pay	173.63	FINANCE & WATER RESOURCES OPS COMMITTEE MEETINGS
			<u>173.63</u>	
MICKEY C LUCKMAN	08/28/2017	Director Pay	173.63	WATER RESOURCES & OPS COMMITTEE MEETING
MICKEY C LUCKMAN	09/12/2017	Director Pay	173.63	SPECIAL JBWD BOARD & CAC MEETINGS
			<u>347.26</u>	
REBECCA UNGER	09/06/2017	Director Pay	173.63	UNDERSTANDING THE BROWN ACT
REBECCA UNGER	09/12/2017	Director Pay	173.63	SPECIAL JBWD BOARD & CAC MEETINGS
REBECCA UNGER	09/14/2017	Director Pay	173.63	MWA BOARD MEETING
REBECCA UNGER	09/14/2017	Mileage/Vehicle Expense	71.69	MILES: MWA BOARD MEETING
			<u>592.58</u>	
TOTAL			<u><u>1,634.36</u></u>	

JOSHUA BASIN WATER DISTRICT
MEETING AGENDA REPORT

Meeting of the Finance Committee

October 30, 2017

Report to: Committee Members

Prepared by: Susan Greer



TOPIC:

CONSIDER CHANGING BANKS TO PACIFIC WESTERN BANK

RECOMMENDATION:

Recommend bank change to full Board for implementation

ANALYSIS:

As previously presented to the Committee in April, the District received an unsolicited proposal from Pacific Western Bank requesting that we consider changing banks. Pacific Western Bank (PWB) is located in Yucca Valley and has been ranked number one on Forbes America's Best Banks 2017 list. PWB is the only commercial bank in the Morongo Basin, meaning that their primary focus is business banking.

JBWD currently banks with US Bank, and has done so since 2008, when US Bank acquired Pomona First Federal Bank & Trust where JBWD had our account since 2004. Prior to that, since 1998 JBWD banked with PWB, primarily because they had a branch in Joshua Tree, which subsequently closed.

PWB is currently the bank used by Hi-Desert Water District, 29 Palms Water District, Bighorn—Desert View Water Agency, Town of Yucca Valley and Copper Mountain College, so they have plenty of public agency experience.

Recall that PWB provides a 1.35% *earnings credit*, which is not interest, and can only be used to offset fees, compared to the .21% *interest* earned from US Bank and 1.07% *interest* earned from LAIF.

In order to offset our bank fees, an estimated \$12,000 cost per year, and our payroll processing fees of \$7,778 per year, total \$19,778, we would need to keep approximately \$1,450,000 in PWB at all times. Because of the *float*, the time between when a check is written and it clears the bank, we typically have an average of \$385,000 in our account, requiring an additional \$1,065,000 to be left in PWB to cover fees. That funding would need to be moved from LAIF, where we are currently earning 1.07% interest. These are the estimated funding amounts based on an evaluation of a few months' transactions. This number can vary based upon the banking transactions each month, deposits made, checks cleared, returned checks, etc., as well as the amount of the fees we need to offset.

\$1,065,000 would earn \$11,396 in a year at LAIF with the current rate of 1.07%. We would avoid fees of approximately \$19,778 by depositing the \$1,065,000 with PWB, resulting in net savings of \$8,382.

In addition, PWB will provide free courier service, which cost is currently approximately \$7,120 per year. We are currently in a contract for courier service that renews August 1, 2018, so we are committed until then. Combined with the \$8,382 savings above, when we can use the bank courier service, it would result in a combined annual savings of \$15,502.

Over time, we can consider moving our merchant account for credit card processing to PWB in order to avoid credit card processing fees. We are currently in a multi-year contract with Paymentus for credit card processing fees, so these changes would have to occur in the future.

As is often the case, with benefits comes risks or costs. The financial advantages are clear; there's some significant savings to be achieved by changing banks. The risks or costs are less clear.

There will be more staff effort required for cash management. Since managing the amount of money in the checking account is fundamental to avoiding fees, and we don't have either a consistent level of income or expenses throughout the year, this will take significantly more effort than it has in the past. Putting too much or not enough money in the checking account will result in loss of real interest earnings or incurring costs we hadn't anticipated paying.

The PWB earnings credit is 1.35% and has remained unchanged over the last 14 years. The LAIF interest rate is currently 1.07% and has increased over each of the last 10 quarters, slowly creeping up on the PWB rate (the LAIF rate was .68% when this discussion began in April.) Note that the nonpartisan Congressional Budget Office projects that interest rates will continue to gradually rise over the next few years and then settle at levels that are below averages seen in previous decades. That suggests that LAIF rates will continue to increase. This analysis of savings changes completely when/if the LAIF interest rate is the same/more than PWB earnings credit.

All Rate Study options currently on the table reduce available reserves over the next five years, mostly for capital projects, reduction varying between \$787,000 and \$1,948,000 depending on scenario. This transfer of funds to the local bank will restrict those remaining reserves. More scenarios, with different impacts to reserves, will be presented in the coming months, and based on the existing scenarios, reduces existing unrestricted reserves from \$7,151,000 to as low as \$5,203,000. The proposed transfer of over \$1M to the local bank would reduce that number to just over \$4M.

The additional \$1,065,000 estimated funds invested with PWB are not guaranteed beyond the FDIC limit of \$250,000. The money invested with PWB is secured only by the good name and reputation of the bank. PWB will provide a collateralization agreement, which requires that securities equal to at least 10% more than the amount of our deposits are on deposit with the Depository Agent (which is Union Bank in this case.) In the event of failure of the bank, the FDIC, as receiver of the bank, would honor any collateralization agreement. However, the FDIC does not guarantee that the collateral will be sufficient to cover the amount of any uninsured funds above \$250,000.

I had a discussion with the District's Auditor about this matter, as the lack of FDIC insurance is concerning to me and we have never purposely left FDIC-uninsured money in our local bank. I asked him about the District's ability to consistently evaluate the status or good standing of the bank, because that is key. Would we be able to see, in advance, that the bank was in trouble and that our funds should be withdrawn? He said that folks much more experienced in banking financial business than we are did not predict the 2008 bank failure, so that answer is no. He indicated generally that he believed current banking capitalization requirements enacted in the wake of the 2008 financial crisis have strengthened the financial stability of banks. He generally believes that those requirements will keep banks solvent, but we didn't contract him to do "research" on this project for us, so it's an *opinion*

based on what he knows already, not a recommendation. We should be concerned if we learn that the current banking collateralization requirements are being reduced.

There is significant effort and some cost associated with changing banks. PWB will pick up all costs for new checks and deposit slips that have to be replaced. We have several automatic withdrawals from our account, such as for payroll and debt service, that will have to be changed. We have several automatic payments, all of the customer autopay transactions, and more that are linked to our bank that will have to be changed. We just finished implementation of the OED (online electronic deposit) payments, which was challenging and will have to be re-addressed for the new bank. Fortunately, we learned that the equipment we purchased for this purpose is compatible with the PWB system.

FISCAL IMPACT:

Annual savings approximately \$8,400, with potential to increase savings over time

Depository File/Account# _____
Treasurer File# _____
Agent of Depository File# _____
Auditor# _____

CONTRACT FOR THE DEPOSIT OF MONEYS

THIS CONTRACT, relating to the deposit of moneys, made as of the _____ day of _____, 20_____, between _____ (hereinafter designated "Treasurer") acting in his or her official capacity as _____ of _____ (hereinafter designated "Depositor") and Pacific Western Bank (hereinafter designated "Depository"), having a paid-up capital and surplus of _____ Dollars (\$ _____).

WITNESSETH:

WHEREAS, the Treasurer proposes to deposit in the Depository from time to time, commencing on _____, 20_____, moneys in his or her custody an aggregate amount on deposit at any one time not to exceed _____ Dollars (\$ _____), or the total of the paid-up capital and surplus of the Depository, whichever is the lesser amount, and said moneys will be deposited subject to Title 5, Division 2, Part 1, Chapter 4, Article 2 (commencing with Section 53630) of the Government Code of the State of California; and

WHEREAS, said provisions of the Government Code require the Treasurer to enter into a contract with the Depository setting forth the conditions upon which said moneys are deposited; and

WHEREAS, in the judgment of the Treasurer, this contract is to the public advantage;

NOW, THEREFORE, it is agreed between the parties hereto as follows:

1. This contract cancels and supercedes any previous contracts between the Treasurer and the Depository relating to the method of handling and collateralization of moneys.
2. This contract, but not deposits then held hereunder, shall be subject to termination by the Treasurer or the Depository at any time upon 30 days' written notice. Deposits may be withdrawn in accordance with the agreement of the parties and applicable federal and state statutes, rules and regulations. This contract is subject to modification or termination upon enactment of any statute, rule or regulation, state or federal, which, in the opinion of the Administrator of Local Agency Security, is inconsistent herewith, including any change relative to the payment of interest upon moneys so deposited by the Treasurer.
3. Interest shall accrue on any moneys so deposited as permitted by any act of the Congress of the United States or by any rule or regulation of any department or agency of the Federal Government adopted pursuant thereto. If interest may legally be paid, all moneys deposited in accordance with this contract shall bear interest at the Depository's disclosed rate(s).
4. The Depository shall issue to the Treasurer at the time of each inactive deposit a receipt on a form agreed to by the Depository and the Treasurer, stating the interest to be paid, if any, the duration of the deposit, the frequency of interest payments, and the terms of withdrawal. Each such deposit receipt is by reference made a part of this contract.
5. As security for said deposit, the Depository shall at all times maintain with the Agent of Depository named herein, commencing forthwith, eligible securities having a market value at least 10% in excess of the actual total amount of local agency moneys on deposit with the Depository. If any eligible security is determined by the Administrator of Local Agency Security of the State of California in accordance with Government Code Section 53661 to be not qualified to secure public deposits, additional security shall be substituted immediately by the Depository, as necessary, to comply with the requirements of this Paragraph.
6. Eligible securities are those listed in the Government Code Section 53651.
7. The Agent of Depository, authorized by the Treasurer and the Depository to hold eligible securities posted as collateral under this contract is _____

Said Agent of Depository has filed with the Administrator of Local Agency Security of the State of California in agreement to comply in all aspects with the provisions of Title 5, Division 2, Part 1, Chapter 4, Article 2 (commencing with Section 53630) of the Government Code. A copy of this agreement is attached hereto.

8. Authority for placement of securities for safekeeping in accordance with Government Code Section 53659 is hereby granted to the Agent of Depository, including placement with any Federal Reserve Banks or branches thereof, and the following banks, other than the Depository, located in cities designated as reserve cities by the Board of Governors of the Federal Reserve System: _____

9. If the Depository fails to pay all or part of any deposits of the Treasurer which are subject to this contract when ordered to do so in accordance with the terms of withdrawal set forth on the deposit receipt (which is by reference made a part hereof), the Treasurer will immediately notify, in writing, the Administrator of Local Agency Security. Action of the Administrator in converting the collateral required by Paragraph 5 above for the benefit of the Treasurer is governed by Government Code Section 53665.
10. The Depository may add, substitute or withdraw eligible securities being used as security for deposits made hereunder in accordance with Government Code 53654, provided the requirements of Paragraph 5 are met.
11. The depository shall have and hereby reserves the right to collect the interest on the securities, except in cases where the securities are liable to sale or are sold or converted in accordance with the provisions of Government Code Section 53665.
12. The Depository shall bear and pay the expenses of transportation to and from the Treasurer's office of moneys so deposited and the expense of transportation of eligible securities maintained as collateral to and from the designated Agency of Depository. The Depository shall also handle, collect and pay all checks, drafts, and other exchange without cost to Depositor.
13. This contract, the parties hereto, and all deposits governed by this contract shall be subject in all respects to Title 5, Division 2, Part 1, Chapter 4, Article 2 (commencing with Section 53630) of the Government Code, and of all other state and federal laws, statutes, rules and regulations applicable to such deposits, whether now in force or hereafter enacted or promulgated, all of which are by this reference made a part hereof.

IN WITNESS WHEREOF, the Treasurer in his official capacity has signed this contract and the Depository has caused this contract to be executed by its duly authorized officers.

DEPOSITOR:

DEPOSITORY:

(Name of Agency)

(Name of Bank)

TREASURER:

AUTHORIZED OFFICER:

(Signature of Officer)

(Bank Officer)

(Printed Name)

(Printed Name)



PACIFIC WESTERN BANK

**PARTIAL WAIVER OF COLLATERAL DUE TO
FDIC INSURANCE**

RE: _____
(Customer Name – Government Agency)

Local conditions so warrant and pursuant to authority invested in me pursuant to section 53653 of the California Government Code, I hereby waive the security required by section 53630 et. seq. of the California Government Code to the extent that deposits for the above-referenced are insured pursuant to Federal Law by the Federal Deposit Insurance Corporation.

Signature: _____

Printed Name: _____

Title: _____

Date: _____

Forbes

**Forbes 2017
BEST BANKS
IN AMERICA**

America's Best Banks 2017

BY KURT BADENHAUSEN
FORBES STAFF

It has been a turbulent decade for the banking sector. Banks have mostly recovered from the late 2000s financial crisis after a multitude of asset write-downs, settlements and fines. There have been only 13 bank failures the past two years, compared to 297 during 2009 and 2010. "The banking industry is healthy. Across the board, banks are well-capitalized and credit quality is strong," says Chris Vanderpool, Senior Analyst at S&P Global Market Intelligence. "Despite those things, loan growth has been sluggish and profit margins are compressed."

To gauge the financial condition of the biggest banks, Forbes turned to S&P Global Market Intelligence, for data regarding


growth, credit quality and profitability for the 100 largest banks and thrifts by assets. The result: America's Best Banks 2017. The 10 metrics used in the rankings are based on regulatory filings through Sept. 30. The data is compliments of S&P Global Market Intelligence, but the rankings are done solely by Forbes.

The No. 1-ranked bank this year is Los Angeles-based PacWest Bancorp, the holding company for Pacific Western Bank. The \$21 billion-in-assets bank scores in the top 26 in eight of the 10 metrics we measured, including a 5.4% net interest margin, third-best among the 100 largest banks, and 1.6% return on average assets, which ranked fourth.

PacWest offers commercial banking ser-

vices at 77 branches throughout the state of California. The firm also has one office in Durham, N.C., acquired in the fourth quarter of 2015 when PacWest bought 10-year-old Square 1 Financial for \$815 million — it focuses on lending to venture capital and private equity investors. The Square 1 purchase added \$3.1 billion in assets and was the 28th acquisition for PacWest since it was founded in 1999.

PacWest's stock is up 38% over the last 12 months, but it still trades at just 1.5 times its book value compared to an average of 2.1 times book for the rest of the banks ranked in the top 20.

Rounding out the top five are Community Bank System, Western Alliance Bancorp and Glacier Bancorp. 

Rank	Company	Total assets (\$bil)	ROATCE	NPAs/assets	CET1 ratio	Efficiency ratio	LTM revenue growth
1	PacWest Bancorp	21	16.00%	1.20%	12.80%	41%	24%
2	CVB Financial	8	11.9	0.5	16.6	45	2
3	Community Bank System	9	14.3	0.3	15.7	62	15
4	Western Alliance Bancorp	17	18.3	0.8	9.8	44	40
5	Glacier Bancorp	9	12.8	1.3	13.9	56	9
6	First Republic Bank	68	14.2	0.1	10.5	56	19
7	Bank of Hawaii	16	15.4	0.4	13.4	58	7
8	Home BancShares	10	20.3	0.8	11	39	22
9	Prosperity Bancshares	21	18.1	0.3	14.4	41	-3
10	FCB Financial Holdings	9	12.6	0.5	11.8	46	65

If data is not reported at the holding company level, the banking subsidiary data was used.

NA: Not available; LTM: Latest 12-months. ROATCE: return on average tangible common equity; NPAs: nonperforming assets, excluding government-guaranteed loans and other real estate owned under FDIC loss-share plans; CET1 ratio: common equity Tier 1 capital as a percentage of risk-weighted assets; prior to reporting under Basel III, the CET1 ratio was known as the Tier 1 common ratio under the general risk-based rules. Source: S&P Global Market Intelligence.

*For a detailed methodology, please visit www.forbes.com **Excerpted rankings shown above. For full list, please visit www.forbes.com

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PACIFIC WESTERN BANK

Regular Meeting of the Finance Committee
October 30, 2017 Page 15 of 22

Financial Fact Sheet

NASDAQ: PACW | \$54.44 (12/30/16)



4th Quarter 2016 at a Glance

\$85.6M

Net
Income

\$15.0B

Total Average
Loans

\$15.8B

Total Average
Deposits

\$21.4B

Total Average
Assets

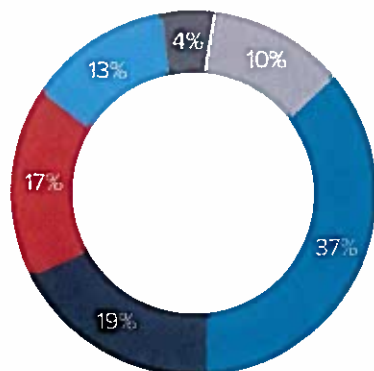
\$4.5B

Total Average
Shareholders' Equity

Fiscal Period Comparison

Fiscal Period	EPS Diluted	Net Income (Millions)	Average Loans (Billions)	Average Deposits (Billions)	Average Assets (Billions)	Return on Tangible Equity
2016	\$2.90	\$352.2	\$14.6	\$15.6	\$21.2	15.52%
2015	\$2.79	\$299.6	\$12.6	\$13.1	\$17.6	15.76%
2014	\$1.92	\$168.9	\$9.4	\$9.9	\$13.3	11.88%
2013	\$1.08	\$45.1	\$4.0	\$5.1	\$6.1	8.25%
2012	\$1.54	\$56.8	\$3.5	\$4.7	\$5.5	11.76%
2011	\$1.37	\$50.7	\$3.8	\$4.6	\$5.5	11.33%

Loan & Lease Portfolio



Real Estate Mortgage	\$ 5,710M
Cash Flow	\$ 2,851M
Asset-based	\$ 2,612M
Venture Capital	\$ 1,988M
Equipment Finance	\$ 692M
Other	\$ 1,603M

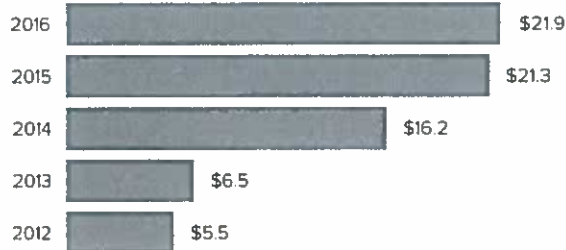
Financial Fact Sheet

NASDAQ: PACW | \$54.44 (12/30/16)

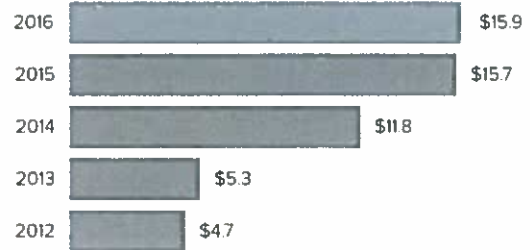


Period-End Balances (\$B)

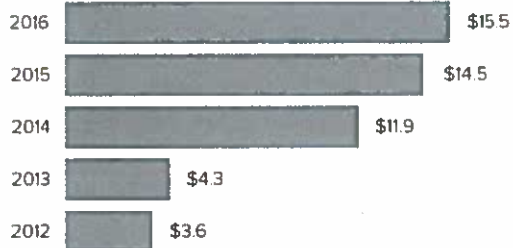
Assets



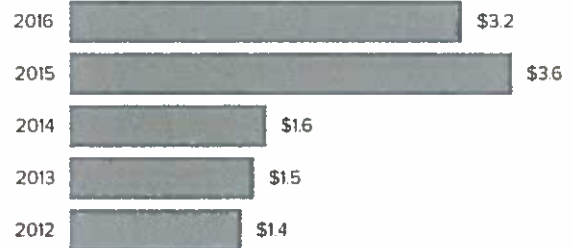
Deposits



Loans and Leases



Securities



Executive Management Team

Matthew P. Wagner
President & CEO
PacWest Bancorp & Pacific Western Bank

Christopher D. Blake
EVP, Director
Human Resources

Mark A. Christian
EVP, Operations &
Systems

Bryan Corsini
EVP, Chief Credit
Officer

Donald D. Destino
EVP, Corporate Development
& Investor Relations

Stanley Ivie
EVP, Chief Risk
Officer

Kori L. Ogrosky
EVP, General Counsel
& Corporate Secretary

Bart R. Olson
EVP, Chief Accounting
Officer

James J. Pieczynski
EVP & President,
CapitalSource

Patrick J. Rusnak
EVP, Chief Financial
Officer

Frank Tower
EVP & President,
Square 1 Bank

About PacWest Bancorp

PacWest Bancorp ("PacWest") is a bank holding company with over \$21 billion in assets with one wholly-owned banking subsidiary, Pacific Western Bank ("Pacific Western"). The Bank has 77 full-service branches located throughout the state of California and one branch in Durham, North Carolina. Pacific Western provides commercial banking services, including real estate, construction, and commercial loans, and comprehensive deposit and treasury management services to small and medium-sized businesses. Pacific Western offers additional products and services through its CapitalSource and Square 1 Bank divisions. CapitalSource provides cash flow, asset-based, equipment and real estate loans and treasury management services to established middle-market businesses on a national basis. Square 1 Bank offers a comprehensive suite of financial services focused on entrepreneurial businesses and their venture capital and private equity investors, with offices located in key innovation hubs across the United States.

Investor Relations Contact

Donald D. Destino | ddestino@pacwestbancorp.com | 310.887.8521

Learn More About Us

pacwestbancorp.com | pacificwesternbank.com | capitalsource.com | square1bank.com



JOSHUA BASIN WATER DISTRICT
MEETING AGENDA REPORT

Meeting of the Finance Committee

October 30, 2017

Report to: Committee

Prepared by: Susan Greer 

TOPIC:

DISCUSS POLICY ALTERNATIVES TO REDUCE BAD DEBT

RECOMMENDATION:

Recommend that the Finance Committee receive the report and recommend to the Board of Directors that Regulations be drafted for future Board action regarding the following:

- 1) Implementing a policy prohibiting tenant accounts and requiring owner accounts where there have been multiple bad debts at one location,
- 2) Implementing a \$200 new account guarantee deposit for “red/poor credit” accounts, and designating that a \$300 deposit be required for accounts locked off for non-payment,
- 3) Implementing collections of delinquent water charges via the property tax rolls,
- 4) Implementing an owner guarantee of payment requirement for new tenant accounts.

ANALYSIS:

Recall that our bad debt write off for 16/17 was \$15,501, 21% more than last year, along with an 82% increase in the *number of accounts* written off. Also, the portion of owner bad debt is increasing compared to historical average while the portion of bad debt for tenants is decreasing. 103 of the 195 accounts written off, over half, had no deposit at the time of closing.

Total bad debt increased in both dollar amount and quantity of accounts for the first time in five years. It's important to note that we billed \pm 1000 more locked meter accounts each month for a portion of the year being written off and water revenues increased 14% compared to last year. Most importantly, let's be sure to recognize that most customers pay their bills as required and our bad debt is a small amount. However, bad debt is an expense that is passed along to all ratepayers and we have an obligation to ensure that we are doing all we can to address the issue in order to reduce future bad debt.

There are two issues in particular that continue to be problematic, again and again; multiple bad debts at one address and the amount of the guarantee deposit.

MULTIPLE BAD DEBTS AT ONE ADDRESS

Each year, the District has multiple bad debts at one address, meaning that more than one account at one location is being written off as bad debt in one year. Some of the same addresses end up on the bad debt list year-after-year. This year, we had nine addresses with 18 total accounts written off at those nine locations. Those are problematic locations, most of them rentals with bad debt from tenants. Our current policy states that when there are three unpaid tenant bills at one property within a three-

year period, that the owner must either pay those bills before another tenant may open an account or maintain the account in the owner's name for at least five years, and then they don't have to pay off the tenant bills. We are finding it virtually impossible to implement the policy, as owners have one or two unpaid tenant bills at multiple properties, almost never getting to three unpaid bills at one location within the three-year period. And then the law says that after four years, we can't collect at all (liens excluded.) More than one-third of the addresses on our bad debt list this year had prior write offs already. Three of the addresses have had five previous bad debts and another two addresses with four prior bad debts, so we have a good indication of the problematic locations.

My recommendation to address this problem is to require that accounts at such addresses with a history of multiple bad debts **MUST** be maintained in the name of the property owner. The law allows such a distinction and this policy change would not impact landlords whose tenants do pay. If the Committee concurs, I will take the recommendation to the full Board and ask for approval to prepare those Rules and Regulations policy changes for approval at a future Board meeting.

Questions we need to consider when writing new policy: How many bad debts will initiate this requirement? Over how many years? To be most effective, it will need to be as loose as possible, so that we don't adopt another policy that sounds good but can't be implemented and doesn't work.

GUARANTEE DEPOSIT

The second issue of concern is the amount of the guarantee deposit. The \$100 guarantee deposit has remained unchanged since 1997- 20 years. As rates increase, so must the guarantee deposit. We end up with three months of unpaid bills when accounts are locked off for non-payment, including the closing bill. Based on current rates and a new average consumption of nine units, that total billed amount is \$175. That amount doesn't include penalties and other fees that are incurred when an account isn't paid for several months and is being locked off for non-payment, which pushes the number to right around \$200. With a zero or \$100 deposit, we just don't have enough security. If a particular customer is a larger water user, or there is a leak, the write off can be substantially greater. For example, this year we wrote off 16 accounts over \$200 and only three of those didn't have a deposit, so we were originally left with unpaid balances over \$300 before the deposits were applied.

We utilize a third party credit rating service (which provides a red/yellow/green credit *rating*) as accounts are set up. We verify identity as required by law and the same company also provides a credit rating based on the customer's previous credit history. We then charge \$100 deposit for red (poor) or yellow (fair) credit and no deposit for green (good) credit. Most bad debt comes from red/poor credit accounts and this year those accounts have an average write off of \$106.36, meaning that the deposit collected is more than \$100 less than it needs to be, on average. All but three of the red/poor credit accounts had a deposit on file when the accounts were closed. Both of these factors reflect that the amount of the deposit is insufficient.

Even the bad debt associated with green/good credit accounts has increased significantly. Last year, we wrote off 19 accounts that had green/good credit; this year that number is 55 accounts, an increase of 189%, although the total amount is *only* \$2,442. We collect zero deposit from green/good credit account-holders, and up to this point there has been minimal amount of write off associated with those accounts. The 55 green/good accounts being written off this year do not include the 30 locked meter accounts, as those accounts are set up automatically, without checking credit or collecting deposits, so there's no credit rating for those.

When the credit rating service was first established, a double deposit, \$200, was recommended for red/poor credit accounts. The larger deposit for the red/poor credit customers is typical among other

clients who use the credit rating service but the Board didn't want to require the double deposit at that time or since. We have many years of proof that the credit rating being provided up-front is a good indicator of how the account will be paid all the way through to account termination. 49% of the accounts written off this year did have a deposit on hand when accounts were closed which demonstrates that the *amount* of the deposit is not large enough. 51% of the accounts had no deposit at the time accounts were closed. The reasons for no deposit are green/good credit, locked meter accounts, deposit previously applied to account when payment history was good in the past.

It's also important to charge the correct deposit from the start. Each year we have a number of accounts that open service and end up locked off for non-payment a few months later, after having made *no payments at all*. This is typically three to four months of bills, and a random check of only 18 accounts on the list showed that seven of those 18 accounts were this situation, and they are some of our largest write-offs. One customer paid for a new meter, built a house, ran up a \$200+ bill and made no payment and that balance is now written off. The property was subsequently sold so we can't lien the old owner.

We also have to consider how increases to the guarantee deposit will impact another policy. Our service disconnection policy says that once an account is shut off for non-payment, a double deposit is due, currently \$200. If we increase the regular deposit amount to \$200 for red/poor credit applicants, do we need to increase the disconnection deposit to \$400? And once there are multiple deposit amounts (red \$200, yellow \$100), is each of those amounts subject to doubling? I propose that once someone is locked off for non-payment, their credit status is then considered red/poor and the larger deposit for that category is due. This year's bad debt list includes 56 accounts (28%) that have write off balances over \$100, meaning that even if we had a \$200 deposit, there would be additional write off beyond that. 12 accounts (6%) have balances being written off over \$200, meaning that if the deposit was \$300, there would still be more write off. There are even six accounts (3%) on the list with write off balances over \$300, meaning that if our deposit was \$400 there would still be more write off. This loosely demonstrates that \$300 seems to be the sweet spot where we would cover most costs, and there will always be some larger amounts that no reasonable amount of deposit would cover.

My second recommendation is that we increase the red/poor credit deposit amount to \$200, leaving yellow/fair credit deposit at \$100 and green/good credit deposit at zero. I recommend no change for yellow/fair accounts as those have the smallest amount of bad debt of all groups. I recommend no change to green/good credit at this time, but I will continue to closely monitor those write offs in the future to determine if some change is warranted for those accounts too. Further, I recommend that the deposit required once an account has been locked off for non-payment be changed to \$300 instead of "double" for all accounts. Close monitoring of the deposit amounts will be required in the future as rates increase; we should never wait 20 years to adjust this amount which should bear a relationship to rates. If the Committee concurs, I will take the recommendation to the full Board and ask for approval to prepare those Rules and Regulations changes for approval at a future Board meeting.

This is a good opportunity to inform the Committee about the other collection strategies that we use. Before we consider any bad debt, we always check to see if the delinquent account-holder has another open account; some do. If there is another open account, instead of writing off, we transfer the delinquent amount to the open account, and collect it there.

We also attempt to file liens for as much property owner bad debt as possible. We cannot file liens for tenant bad debt under current regulations and law. We also limit filing of liens to a minimum amount, usually \$100, as there's a lot of effort associated with liens, both filing and releasing, so there are many small amounts that we don't lien for. We still have to write-off any amounts that we file liens for,

since we can't collect both with a lien and directly, and it can be many years until payment is received via a lien, if ever. Because it can take so long to get paid with a lien, I have been looking into another option for collections that we used many years ago.

DELINQUENT WATER COLLECTIONS VIA THE TAX ROLLS

An additional option exists for collection of delinquent water charges, and it's a great tool with minimal cost to the District. Once a year, the District can send delinquent water charges to the tax collector for inclusion on the tax rolls. The District used this process up until the 1990's, when we billed standbys directly from the office and then sent any unpaid standbys to the County for collection via the tax rolls the following year. Eventually, we transferred collection of all standbys to the County for 30¢ per parcel; exponentially cheaper than our cost. While any delinquent charges can be collected this way, including meter damage, this is an especially good tool for collection of locked meter charges for a couple of reasons. First, we have been unable to locate some of the property owners because of inaccurate mailing addresses from the County, and their bills are returned undeliverable. With mortgage escrow accounts and online payment options, many property owners that don't change their mailing addresses with the County Tax Collector still have ways to pay their property tax bills. Once our charge ends up on a tax bill, that should prompt contact from the property owner and we can get new mailing addresses. Secondly, I believe that most property owners that aren't paying their locked meter charges are still paying their property taxes, and that means we should get paid. A taxpayer cannot pay a portion of their tax bill; partial payments are returned by the Tax Collector. I want to confirm with the Finance Committee that this alternative for collection of delinquent water charges is an option that you want us to pursue, so that we have the best chances of collecting unpaid charges, including locked meter charges.

I recommend collection of delinquent water charges via the tax rolls. If agreeable to the Committee, we will take to the Board for approval and then move forward to use the county for collection of delinquent water charges next year. Implementation requires a resolution for the County.

OWNER GUARANTEE OF PAYMENT

We are discussing another policy change internally that would require an owner to authorize and guarantee payment for all tenant accounts – the “owner guarantee of payment.” We used a similar policy in the past and it proved to be administratively burdensome and was eliminated. Now, with the internet, our website and texting, I believe the burden that this placed on property owners and the District in the past is significantly reduced. Gil and I have spoken many times over many months regarding owner/tenant issues that keep arising and then require legal interpretation resulting in legal fees, and he says that the root of the problem is that we don't require authorization from the property owner when tenants start service. The ideal situation, and simplest, would be for the District to require all accounts be maintained in the name of the property owner, without exception. We open approximately 150 new accounts each month (up from 50-100 just a few years ago, another example of increasing customer service workload) and around half of them are tenant accounts. That means a lot of administrative paperwork and time to establish new accounts, and some rentals turn over multiple times every year. If rental property accounts were in the owner name, we wouldn't have that turnover unless properties sold, although there's plenty of that occurring now, too. Absent the requirement to maintain all accounts in owner's names, which I wholeheartedly endorse but the Board has not, I am leaning towards implementing the owner guarantee of payment process again. This policy would also help address a complaint from owners that we've heard many times about us not requiring any authorization for tenants to start service, as is required by some of the other local agencies. We have been told that once tenants place utilities in their name and address, they have established occupancy, and must be legally evicted even if they are illegally “squatting” in the property. Squatting, the unauthorized occupancy of a vacant property, was a serious problem in the District back in the 90's

after the Landers earthquake, and we are hearing about an uptick in that activity again now. Most importantly, the owner guarantee allows us to lien the property for any unpaid tenant bills or collect via the tax rolls, reducing bad debt. Without any other way to collect for tenant bad debt, this is a significant advantage for us as most bad debt comes from tenant accounts. Although we're not quite ready to implement this policy while we have several other important policy changes we're recommending now that have to be implemented, concurrence from the Committee would allow me to bring this back to the Board with your recommendation at the appropriate time.

ESTIMATE OF 17/18 BAD DEBT WRITE OFF

Because bad debt write off is based on closed delinquent accounts that have had no payment in more than one year, we already have *preliminary information* about next year's bad debt. The write off for fiscal year 17/18 will be based on closed delinquent accounts as of 6/30/17, which date has already passed. There will be some payments on those balances between now and 6/30/18, but history demonstrates that if we're not paid within three months, that we likely won't be paid at all. Reasons for payment long after-the-fact relate to property sales where liens are resolved at time of sale and account-holders coming back to establish new service and the District requiring payment on an outstanding balance as a condition of the new service. The *preliminary* figures for next year show that bad debt *more than doubles* (\$34,000), and there's a *ten-fold increase* in the locked meter bad debt. That equates to a 181% increase to the amount of bad debt and a 179% increase to the quantity of accounts written off since 15/16, meaning these costs will have nearly doubled in only two years. There are 25 addresses on next year's list that have write off this year too. There are five accounts on next year's preliminary list over \$500, including one that's \$1,832, compared to the 16/17 write off with only one amount over \$500. There are six addresses, 12 accounts on next year's list that have two accounts being written off in one year, *addresses that are also on the 16/17 list* – problem locations that we have already identified. There's another 31 addresses, 62 accounts on the list, with two write offs at one address in one year that are not already on the 16/17 list. That's 74 total accounts to be written off at 37 problem locations, and the amount of that problem location write off equals 21% of the total write off. There's a potential for significant increases to the bad debt expense next year, which cost has to be passed along to all ratepayers via increased water rates. The current policy issues carry forward to next year and we need to make policy changes to reduce additional increases to future bad debt.

STRATEGIC PLAN ITEM:

N/A

FISCAL IMPACT:

Impossible to quantify, but policy changes will reduce bad debt beyond fiscal year 17/18.