

JOSHUA BASIN WATER DISTRICT  
Minutes of the  
SPECIAL WORKSHOP MEETING  
OF THE CITIZENS ADVISORY COMMITTEE  
October 18, 2017

1. CALL TO ORDER 1:07 pm.
2. PLEDGE OF ALLEGIANCE
3. DETERMINATION OF QUORUM:

Jeff Dongvillo	Present
Tom Kayne	Present
Shari Long	Present
Karen Morton	Present
Karyn Sernka	Absent
Karen Tracy	Present

STAFF PRESENT: Curt Sauer, General Manager  
Susan Greer, Assistant General Manager  
Keith Faul, GIS Coordinator

CONSULTANTS: Alex Handlers, Bartles Wells Associates  
Kathleen Radnich, Public Information and Outreach

GUESTS: 2

4. APPROVAL OF AGENDA  
MSC Tracy/Long 5/0/1 to approve the agenda for the October 18, 2017 the Special Workshop Meeting of the Citizens Advisory Committee.

5. PUBLIC COMMENT –  
Gayle Austin, Ink & Steel Tattoo, Joshua Tree introduced herself to the CAC.

6. WORKSHOP “RATE STUDY” -  
Alex Handlers gave a quick review of the three (3) scenarios for the rate increases, with focus on the following:
  - a. Which rate increase is acceptable (financial projections)
  - b. What structure to use for a rate increase (reference the San Juan Capistrano tier rates law suit)
  - c. Policy objectives

He reviewed rate comparisons with other Districts, with JBWD being in the lower middle range and in the 10-unit range. The gradual rate increases over the years are noted but were not kept up so that capital projects were deferred over the long term for lack of funds.

The following are considered JBWD “challenges”:

- a. Capital improvement needs for infrastructure upgrades to facilities and pipelines. \$2.5M per year for 5 years is a preliminary estimate.

- b. Ground water imports require additional funding.

Tom Kayne asked when MWA's water rates go up.  
GM Sauer replied that the cost for water goes up every year.

- c. Chromium 6

Gayle Austin asked about the imported water quality.  
GM Sauer stated that it was of good quality.  
Karen Tracy asked about recharging enough water to keep up with the overdraft.  
GM Sauer clarified how much we overdraft annually in comparison to what needs to be recharged to keep up.

Alex noted that he would "bump-out" the Chromium 6 number estimates by one year due to the delays caused by the State.

- d. Other considerations that come with rate increases are called elasticity, every 10% increase results in a 2% decrease in revenues caused by water use cutbacks.
- e. Operating costs go up every year and inflation drives an approximate increase of 4%. Staffing needs were not built in, but items like CAL PERS for existing staff is projected to cost more.

Below are the three increase strategies that Alex Handlers explained:

1. Scenario I: Best Management (fully funded rate increase to do everything now). This would result in a 40% increase in the first year then 10% increase each year for the next three years and then a 5% increase.
2. Scenario II: Deferred Approach (phased approach over a longer period of time). This is a gentler increase over five (5) years; however, the dollar value of the projects can go up due to inflation and delays. First year 25%, then each year thereafter would be 20%, 15%, 10% and 10%.

Karen Tracy asked if we could add another line to the household use structure for those who only use 1-2 units and how rate increases would affect them.

Alex Handlers replied that he would create these water use tables and add it to his next presentation so different low water users can see how they are impacted.

3. Scenario III: First year 25%, 2<sup>nd</sup> year 20%, 3<sup>rd</sup> year 15%, 4<sup>th</sup> year 10%, and fifth year 10%.

Water Rate Structure: Prop 218 keeps us from charging higher rates to commercial users.

Kathleen Radnich asked if commercial rates are based off the pipe size, then how you could charge commercial entities higher rates that are not on residential systems.

AGM Greer responded that JBWD can only charge for the water used.

You can have different costs of water use by tiers. Low water use customers can impact charges for cost of service. Tiers have been revamped to give a break to low water users with 43% of our water sales being in Tier 1.

GM Sauer asked for the comparison of our average use with that of metropolitan users.

Alex replied that JBWD is lower in use.

GM Sauer offered a scenario of adjusting the tiers, which then allows increased revenue streams to be applied to CIP (Capital Improvement Plan) needs.

Alex stated that we could increase the steepness of the cost of the four tiers, which would encourage users to cut back more. Because we already have tiered rates, uniform rates are not recommended. This was followed by a short discussion about putting rates by costs/gallons and most of the participants liked this idea.

GM Sauer suggested adjusting the fixed rate to 40/60% usage. A fixed monthly rate that is lower may better meet the needs of the fixed income families.

Karen Tracy asked about doing a “Best Management Plan but pushing the Chromium costs out of it.

Alex agreed that it could be left out.

Tom Kayne asked about raising rates for 5 years but budgeting for 10 years.

AGM Greer clarified that we can do less than what the Board adopts but we cannot do more.

GM Sauer explained that if we do less, then the following year (in lieu of giving a rebate) we should take the excess monies and apply them to catch up what did not get done the next year plus what that year’s improvements were budgeted for. He believes we can do two times more pipeline install using in house staff (hiring more) than if we use a consultant.

Tom Kayne asked how the ratepayers could protest this. The answer was  $50\% + 1 = 2,400$  written protests.

Fund Reserve Policy – An option to provide flexibility to respond to financial challenges (keeping six months reserves of operating and debt service expenses).

We also now have to have a “Debt Management Policy” due to a new CA Law 8855. This is required prior to issuing any new debt.

A discussion over the January rate increase vs. the one in March ensued. Everyone agreeable to **NOT** do the January increase and to establish the new increase in March.

Tom Kayne asked what the Staff’s priorities were.

GM Sauer replies 1<sup>st</sup> Infrastructure, 2<sup>nd</sup> Staffing, 3<sup>rd</sup> Recharging the Aquifer.

## 7. ADJOURNMENT:

MSC/Long/Tracy 5/0/1 to adjourn the October 18, 2017 Special Workshop Meeting of the Citizens Advisory Committee.

Respectfully submitted,

  
Curt Sauer, GM and Board Secretary