



## AGENDA

### SPECIAL MEETING OF THE BOARD OF DIRECTORS WEDNESDAY, AUGUST 31, 2022, AT 12:00 PM 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/82070978067?pwd=aEl2bVhWSXdOY2l2NUdraGpBTetrUT09>

Or you may join by phone at 1-253-215-8782, Meeting ID: 82070978067 Passcode: 288470

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 item is heard. Please state your name and limit your comments to 3 minutes.
6. **STATE OF EMERGENCY FINDINGS – GOVT. CODE § 54953(e) –** On October 6, 2021, the Board, by majority vote, adopted Resolution No. 21-1035, making certain findings that (1) the State of Emergency declared by California Governor Newsom on March 4, 2020, relative to the COVID-19 Emergency, remains in effect; and (2) due to existing rate of community transmission and the small meeting space available to the District for in-person attendance, the provision of a unrestricted physical location for the District’s meetings could present imminent risks to the health and safety of attendees. **It is recommended that the Board resolve by majority roll-call vote to extend the findings in Resolution No. 21-1035, modified to allow for optional in-person attendance for members of the Board and public, for an additional 30 days.**
7. **2022 RATE STUDY DISCUSSION KICK-OFF –** Director Anne Roman-  
Recommendation: Develop multiple rate scenarios and refer to the Citizens Advisory Council (CAC) for initial input.
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](http://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](http://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 Meeting**

**DATE: August 31, 2022**

**REPORT TO:** Board of Directors  
**PREPARED BY:** Anne Roman, Director of Finance  
**TOPIC:** **2022 RATE STUDY DISCUSSION KICK-OFF**  
**RECOMMENDATION:** Recommend development of multiple rate scenarios and refer to the Citizens Advisory Council (CAC) for initial input.

---

**ANALYSIS:** A rate study is a routine process that occurs approximately every five years to evaluate whether the District's rates are keeping up with operational and capital costs. While a rate study may result in the need for increased rates due to inflation alone, it's also an opportunity to take a deeper dive into the cost effectiveness of the District's programs. District staff works hard to find and/or generate cost savings, but inflation, depreciation, compliance requirements, unfunded mandates, and other factors do not work in our favor.

The last rate study was done in approximately 2017/18 by Bartle Wells Associates and the District has again contracted with Bartle Wells to undergo a new rate study. During the last rate study, the Board took significant steps to move in the right direction. However, in early conversations with Alex Handlers of Bartle Wells, we are reminded that many of the financial challenges the district currently faces were identified in previous rate studies, but not fully funded. Below are a few examples of challenges we are faced with overcoming:

- Chromium 6: The State is expected to mandate reduced maximum contaminant levels (MCLs) for Chromium 6 in drinking water, which would require costly infrastructure and ongoing treatment.
  - Capital Cost estimated at \$16 million based on 2017/18 estimates.
  - Anticipated grant funding (\$10 million) and a low interest State Revolving Fund loan (\$6 million over 30 years). No funding commitment in place.
  - Debt service on loan estimated at \$275k per year.
  - Operating costs estimated at \$1.1 million per year.
  - The District is exploring participating in another pilot study that could reduce cost.
- Capital Improvement: Based on 2015 Capital Improvement Plan (CIP) estimates, capital needs are estimated at a cost of \$2.5 million per year, reduced from an original estimate of \$3 million.
  - Equipment/Technology: \$375,000 per year (doubled from prior rate study to add the cost of maintaining the CIRP heavy equipment).

- Studies/Reports (many state-mandated): \$232,000 per year on average, up from prior funding of \$50k per year.
- Capital Improvement Plan (CIP) scheduled for update at increased cost of \$260k vs \$40k in 2015.
- Meter Replacement Program continues: \$185,000 per year for 6 years then \$50,000 per year. Reduced to reflect longer replacement period and balance on hand.
- Additional Staffing needs not reflected in 22/23 budget: \$44k FY22/23 for expanded customer service, \$163k per year starting FY25/26 for expanded construction maintenance.
- Since 2017/18, Operating cost escalations in certain areas have been more significant than regular inflation. Some examples:
  - Technology costs are up 259%.
  - Property insurance is up 94%; Cyber insurance is a new, additional cost with expectations to increase.
  - Fuel costs have increased by 234%.
  - CIP Plan cost estimate has increased 550%.

Some additional considerations have included:

- Tier structure was modified during the last rate study, increasing rates in higher tiers, which coincidentally may incentivize conservation. No additional changes are recommended now.
- Creating different rates for short term rentals (STR's), is not recommended due to no "cost of service justification." Short term rentals pay for water used and, if larger amounts used, they pay a higher tier rate. Also, STR's are less likely to generate extra collections cost/effort.
- Separate Capital Improvement Charge could potentially be charged to owners on the property tax rolls. Requires additional tracking and restriction of funds.
- Water Shortage Emergency Rate Charges help maintain financial stability during periods of reduced water sales and can be phased in during escalating drought conditions, in alignment Water Shortage Contingency Plan stages.

As we have begun gathering our inputs, we have already identified and incorporated the following reductions/deferrals:

- Capital improvement needs are estimated to be \$3 million per year but only included at \$2.5 million.
- \$3.3 million Administration building removed.
- Funding for several programs, like Equipment & Technology and Meter Replacement, was reduced to reflect existing reserve balances.

During this study, a Water Capacity charge analysis will also be performed. Prior, informal analysis has indicated that Water Capacity charges may be defensible at three times current charges. This is an important topic to discuss in the future, if the Board wishes Development to “pay its own way.”

Staff recommends beginning the Rate Study process by developing several scenarios, as with the last rate study:

- Best Management Practice to include funding for all identified needs.
- Reduced Rate Scenario (Phased Approach) to include funding for the most crucial needs to help mitigate larger increases, potentially with Separate Capital Improvement Charge.

Staff also recommends that the Board of Directors refer this topic to the Citizen’s Advisory Council (CAC) for input. Some suggested considerations:

- Potential use of tax rolls to charge a Capital improvement portion of the rates. This would shift the burden of some infrastructure charges from tenants to owners.
- Commitment to funding infrastructure needs (CIRP program). For example, fully fund all capital needs vs. prioritizing only the most crucial.

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