



JOSHUA BASIN WATER DISTRICT
REGULAR MEETING OF THE BOARD OF DIRECTORS
WEDNESDAY, APRIL 18, 2018, at 6:30 PM
61750 CHOLLITA ROAD, JOSHUA TREE, CA 92252

AGENDA

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 not appearing on the agenda. Government Code prohibits the Board from taking action on these items, but they may be referred for future consideration. Please state your name and limit your comments to 3 minutes.
6. **CONSENT CALENDAR**
Matters on the Consent Calendar are considered routine in nature and will be enacted in a single motion without discussion. Any Board member or member of the public may request that an item be removed from the Consent Calendar and acted on separately.
 - Approve the Draft Minutes of March 21, 2018
7. **UPDATE ON HAZARD MITIGATION PLAN** – Recommend that the Board and Public receive a presentation from Gary Sturdivan to ask questions and learn how the Public can provide input.
8. **APPROVAL OF TWO RESOLUTIONS, REQUIRED BY BUREAU OF RECLAMATION, TO APPLY FOR WATER SMART GRANTS, FOR METER REPLACEMENT AND MAINLINE REPLACEMENT, TOTALING \$600,000-**
Recommend that the Board approve Resolutions 18-983 and 18-984.
9. **CONSIDER REVISION TO BUDGET CYCLE** – Reviewed by the Finance Committee on April 12, 2018, and recommend that the Board approve.
10. **RESERVE FUND POLICY** – Reviewed by the Finance Committee on April 12, 2018, and recommend that the Board approve.
11. **DISTRICT GENERAL COUNSEL REPORT** –
12. **GENERAL MANAGER REPORT** –

Pages 3-6

Page 7

Pages 8-12

Page 13

Pages 14-19

13. **DIRECTOR REPORTS ON MEETINGS ATTENDED, COMMENTS AND FUTURE AGENDA ITEMS –**

- Citizens Advisory Committee – March 13, 2018 – Karen Tracy
- Public Outreach Consultant – Kathleen Radnich
- Mojave Water Agency Board of Directors – March 22, 2018 – Director Floen
- Legislative & Public Information Committee – April 4, 2018 – President Luckman and Director Unger
- Mojave Water Agency Technical Advisory Committee (TAC) – April 5, 2018 – President Luckman
- Water Resources & Operations Committee – April 10, 2018 – President Luckman and Director Hund
- Victor Valley College Symposium on California Water, Navigating the Rivers of Policy toward sustainability –April 11, 2018- GM Sauer, President Luckman, Director Unger & Kathleen Radnich
- Finance Committee- April 12, 2018 – Vice President Johnson and Director Floen.
- Mojave Water Agency Board Meeting – April 12, 2018– Director Unger

14. **FUTURE DIRECTOR MEETINGS AND TRAINING OPPORTUNITIES**

- Mojave Water Agency Board of Directors – April 26, 2018, at 9:30 a.m. – Director Hund
- Citizens Advisory Committee – May 8, 2018, at 6:00 p.m.
- Finance Committee –May 9, 2018, 9:00 a.m.– Vice President Johnson and Director Floen
- Water Resources & Operations Committee – May 9, 2018, 10:30 a.m. – President Luckman and Director Hund
- Mojave Water Agency Board of Directors – May 10, 2018, at 9:30 a.m. – Vice President Johnson

15. **ADJOURNMENT**

INFORMATION

The public is invited to comment on any item on the agenda during a discussion of that item. Any person with a disability who requires accommodation to participate in this meeting should telephone Joshua Basin Water District at (760) 366-8438, at least 48 hours prior to the meeting to request a disability-related modification or accommodation.

Materials related to an item on this Agenda submitted to the Board of Directors 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 March 21, 2018

REGULAR MEETING OF THE BOARD OF DIRECTORS

1. CALL TO ORDER: 6:30 p.m.
2. PLEDGE OF ALLEGIANCE
3. DETERMINATION OF QUORUM:

Mickey Luckman	Present
Bob Johnson	Present
Geary Hund	Present
Rebecca Unger	Present
Tom Floen	Present

STAFF PRESENT: Curt Sauer, General Manager
Mark Ban, Assistant General Manager of Operations
Keith Faul, GIS Coordinator
Anne Roman, Accountant
Beverly Waszak, Executive Assistant

CONSULTANTS PRESENT: Kathleen Radnich, Public Outreach

GUESTS 4

APPROVAL OF AGENDA –

MSC/Johnson/Floen 5/0/0 to approve the Agenda of March 21, 2018, regular meeting of the Board of Directors.

Floen	Aye
Hund	Aye
Luckman	Aye
Johnson	Aye
Unger	Aye

PUBLIC COMMENT –

Eugene Buchanan, Phasesafe Energy Solutions, Palm Springs spoke to the Board about a possible solar solution for JBWD wells. He also asked the Board for placement as a future Agenda item to present to the Board.

CONSENT CALENDAR –

- A. Approve the draft minutes of March 7, 2018
- B. Approve February 2018 Check Register (reviewed by the Finance Committee on March 14, 2018, and referred to the Board for approval).

MSC/Johnson/Hund 5/0/0 to approve the Consent Calendar.

Floen	Aye
Hund	Aye
Luckman	Aye
Johnson	Aye
Unger	Aye

RENEWAL OF AUDIT CONTRACT FOR THE NEXT 5 YEARS – Recommend that the Board approve the renewal with Fedak & Brown (reviewed by the Finance Committee on March 14, 2018, and referred to the Board for approval).

GM Sauer stated that the current contract for audit services expired after the last audit, completed in December. That contract technically was with Charles Z. Fedak & Company, issued in 2012, for audits from fiscal years 11/12 through 17/18. A new audit engagement letter with Fedak & Brown was written each year to supplement the contract. Charles Z. Fedak & Company was reformed as Fedak & Brown, LLP, and one of the new partners, Chris Brown has served as our Lead Audit Partner for the past three years.

While there is a law that requires mandatory auditor rotation for local government audits, that does not mean that we have to change audit firms. The law requires that after six consecutive years of acting as the lead audit partner, a new lead audit partner be assigned. After Chris Brown has acted as lead audit partner for six years, a new lead audit partner in the firm would take over the audit responsibility. A short Q&A period followed with the Board members.

MSC/Hund/Johnson 5/0/0 to approve the renewal of the Audit Contract for the next five years.

Floen	Aye
Hund	Aye
Luckman	Aye
Johnson	Aye
Unger	Aye

DISCUSSION ON IMPLEMENTATION OF THE CAPITAL IMPROVEMENT PLAN – Recommend that the Board receive for information only and direct the General Manager to bring an action plan to the Board for approval.

GM Sauer stated that during the last four (4) years the Board has been supportive of the employees and making sure that we continue to do the work that we need to be doing. The Board supported and implemented the Employee Compensation Study, employees are compensated at the 50th percentile with comparable agencies, they are highly motivated, and appreciative of the work that you did. In 2016, the Board approved the Capital Improvement Plan, which laid out the overall strategy with replacing and taking care of our Capital Assets. We are in the process of an Organizational Assessment, which will be shared, with the Board on April 25th. We have recently completed the Rate Study, which resulted in the current rate structure and allows us to move forward in several different areas, Capital Improvement Plan, general operational activities in the field, and meters.

Mark Ban, AGM of Operations presented the Capital Improvement Plan (CIP) presentation to the Board and a Q&A period followed with the Board.

PUBLIC COMMENT

Eugene Buchanan, Phasesafe Energy Solutions, Palm Springs commented that he had previous water district experience in Apple Valley, CA, which he built an infrastructure team to tackle the stuff inside. Since he had left there 7-8 years ago, it is still a shining example in the area now of what to have done, and they are still financially stable because of that.

Jim Corbin, Distribution Supervisor (JBWD) stated that he was excited because for 12 years he has been talking about this stuff. It's time, and you made the hard decision to increase the rates. Everyone here is appreciative, and we look forward to a lot more work.

Gayle Austin, Joshua Tree asked if there was contract work to be done for other water districts once this District has the new equipment.

Mark Ban, AGM of Operation replied that because of meters and water main to replace, we would be busy for the next 30 to 40 years.

MSC/Unger/Hund 5/0/0 to direct the General Manager to bring an action plan to the Board that would include a workshop at some point.

Floen	Aye
Hund	Aye
Luckman	Aye
Johnson	Aye
Unger	Aye

DISTRICT GENERAL COUNSEL REPORT – None

GENERAL MANAGER REPORT – GM Sauer updated the Board on the following:

- Conservation for February
- Expected update on CEC Solar Grant next week.
- Budget 18/19 to 19/20
- Meter Replacement – Initial numbers indicate that drive-by meter reading – AMR would be about \$1.2M using the latest vendor Zenner/Itron. Remote read meters. AMI would be about \$1.4M. However, the annual costs for AMI are \$68,000, bringing total costs over 25 years to \$3M.
- Well 14
- Low-Income Assistance

GM Sauer ended his report by showing photos of the Hydro Pneumatic Booster site, which was recently updated.

DIRECTOR REPORTS ON MEETINGS ATTENDED, COMMENTS AND FUTURE AGENDA ITEMS

Vice President Johnson reported on the Finance Committee and encouraged ratepayers to come to the riveting meetings. He also thanked Mark Ban, AGM of Operations for his presentation. He thanked the first responders, the staff, and the armed forces for their service.

President Luckman attended the MWA Board meeting and commented on the Water Resources & Operations Committee that directly follows the Finance Committee meeting and encouraged ratepayers to attend the meetings. She also stated that the LaBounty Safety Awards are coming up at ACWA and asked the staff to enter a submission.

Kathleen Radnich – Public Outreach Consultant attended the Public Relations Coalition where a consensus was shared that mass communications were proving problematic for all government agencies, due to diverse media sources that the public now has access to. Aside from the standard numerous TV news stations, multi-lingual radio stations, and print media outlets, individuals may now only use Facebook, Twitter, websites, and a host of other sites to get their news." She invited everyone to attend Water Education Day that will be coming up on March 25, 2018, from 1-4 p.m. at the District.

Director Unger thanked the staff for working so hard for the District and is looking forward to Water Education Day.

Director Hund said that when they were considering the rate increase, the Board recognized the need for upgrading the system. He still has angst because we live in a disadvantaged community near the poverty level. However, he felt it was necessary. He thanked GM Sauer and the CAC for helping the District move forward in creating a program to assist the disadvantaged.

Director Floen commented on the Solar project, that the electric bill for the District for just the month of February was \$30K. He also mentioned that Steve Corbin developed an award-winning tool that cleans the water from the reservoirs. Director Floen continued to say that he has gone out to leaks and videotaped them to see first-hand what the crew does and finds their work to be outstanding.

FUTURE DIRECTOR MEETINGS AND TRAINING OPPORTUNITIES

President Luckman commented that the Mojave Water Agency Technical Advisory Committee (TAC) will meet on April 5, 2018, and they will be going on a tour of the Victor Valley Waste Water Authority. Anyone that would like to attend should contact President Luckman directly.

- Mojave Water Agency Board of Directors – March 22, 2018 – Director Floen will attend in place of Director Hund.
- Legislative & Public Information Committee – April 4, 2018, at 9:30 a.m. – President Luckman and Director Unger
- Mojave Water Agency Technical Advisory Committee (TAC) – April 5, 2018, at 10:00 a.m. - President Luckman – There will be a tour of the Victor Valley Waste Water Authority. Anyone that would like to attend should contact President Luckman directly.

ADJOURNMENT –

MSC/Unger/Johnson 5/0/0 to adjourn the Regular Meeting of the Board of Directors of March 21, 2018, at 7:26 p.m.

Floen	Aye
Hund	Aye
Luckman	Aye
Johnson	Aye
Unger	Aye

Respectfully submitted:

Curt Sauer, GM and Board Secretary

**JOSHUA BASIN WATER DISTRICT
STAFF REPORT**

Meeting of the Board of Directors

April 18, 2018

Report to: President and Members of the Board

Prepared by: Curt Sauer

TOPIC: RECEIVE INFORMATION ON DEVELOPING A HAZARD MITIGATION PLAN AND EMERGENCY RESPONSE PLAN

RECOMMENDATION: Recommend that the board receive for information only and receive public comment.

ANALYSIS:

In December, the Board approved the hiring of Gary Sturdivan to complete a Hazard Mitigation Plan. This project will take the District about 6 months to complete the plan, and then another year or so for State and Federal Emergency Management review /approval. Once the plan is complete, the District will be eligible for grants from a State managed Federal Mitigation Fund.

Gary is here tonight to give the Board an overview of the process, update where we are with the Plan and begin the process of keeping the public informed and involved, as required by Cal OEA and FEMA for approval of the plan.

JOSHUA BASIN WATER DISTRICT
STAFF REPORT

Meeting of the Board of Directors

April 18, 2018

Report to: President and Members of the Board

Prepared by: Curt Sauer

TOPIC: APPROVAL OF TWO RESOLUTIONS, REQUIRED BY BUREAU OF RECLAMATION, TO APPLY FOR WATER SMART GRANTS, FOR MAINLINE REPLACEMENT AND METER REPLACEMENT, TOTALING \$600,000.

RECOMMENDATION: Recommend that the board approve the resolutions.

ANALYSIS:

As part of our search for funding for Capital Improvement Plan projects, we have located a Bureau of Reclamation grant-funding source.

Both grant applications require separate resolutions, which are contained in the Board packet.

Each grant requires matching funds, which we now have available.

The Board should be aware that there is also grant funding available up to \$1M for each project. However, the competition for the \$1M grants is more competitive, as many districts apply for the larger grants.

We can apply for the larger grants, if the Board so directs. Our Kennedy Jenks grant consultant believes we will be more competitive with the \$300,000 grant applications.

Grants for \$300,000 must have the project completed in two years. The \$1M grants have a 3-year completion time line.

This is an annual call for grants from the BOR. We can apply for either grant next year for additional projects.

RESOLUTION NO. 18-983

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE JOSHUA
BASIN WATER DISTRICT OF SAN BERNARDINO COUNTY,
AUTHORIZING THE DISTRICT'S APPLICATION AND APPROVING
NEGOTIATION AND EXECUTION OF A COOPERATIVE
AGREEMENT WITH THE UNITED STATES BUREAU OF
RECLAMATION FOR A WATERSMART WATER
AND ENERGY EFFICIENCY GRANT
(FUNDING OPPORTUNITY NO. BOR-MP-18-F006)**

WHEREAS, Joshua Basin Water District of San Bernardino County ("District") is a municipal water district established pursuant to Section 71000 et seq. of the California Water Code; and

WHEREAS, the District seeks to match local funds with federal funds provided by the United States Department of the Interior Bureau of Reclamation to increase efficient use of water, reduce energy demands; and

WHEREAS, the Board of Directors of the District has reviewed and approves of the application for the Department of the Interior Policy and Administration, Bureau of Reclamation WaterSMART Grant Program: Water and Energy Efficiency Grants FY 2018, Funding Opportunity Announcement# BOR-D0-18-F006 for the Advanced Meter Replacement Project; and

WHEREAS, the District agrees to the administration and cost sharing requirements of the WaterSMART Grant criteria; and

NOW, THEREFORE, be it resolved, determined, and ordered by the Board of Directors of the Joshua Basin Water District, as follows:

Section 1. The District is hereby authorized to receive, if awarded, the WaterSMART Grant Program: Water and Energy Efficiency Grant funding in the amount of \$300,000 and to enter into an agreement with the Bureau of Reclamation for the receipt and administration of said grant funds.

Section 2. If awarded, the General Manager, or his designee, is hereby authorized to take any and all action which may be necessary for the completion and execution of the project agreement and to take any and all other action which may be necessary for the receipt and administration of the grant funding in accordance with the requirements of the Bureau of Reclamation.

Section 3. This resolution officially becomes a component part of the District's grant application.

Section 4. If any section, subsection, clause or phrase in this Resolution is for any reason held invalid, the validity of the remainder of this Resolution shall not be affected thereby, the Board of Directors hereby declares that it would have passed this Resolution and each section, subsection, sentence, clause, or phrase thereof, irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases or the application thereof be held invalid.

PASSED AND ADOPTED at a regular meeting of the Board of Directors of the Joshua Basin Water District held on _____, 2018.

Tom Floen _____
Geary Hund _____
Robert Johnson _____
Mickey Luckman _____
Rebecca Unger _____

Mickey Luckman, President
Joshua Basin Water District

Curt Sauer, General Manager/Secretary
Joshua Basin Water District

RESOLUTION NO. 18-984

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
JOSHUA BASIN WATER DISTRICT OF SAN BERNARDINO COUNTY,
AUTHORIZING THE DISTRICT'S APPLICATION, AND APPROVING
NEGOTIATION AND EXECUTION OF A COOPERATIVE
AGREEMENT WITH THE UNITED STATES BUREAU OF
RECLAMATION FOR A WATERSMART WATER AND ENERGY
EFFICIENCY GRANT
(FUNDING OPPORTUNITY NO. BOR-MP-18-F006)**

WHEREAS, Joshua Basin Water District of San Bernardino County ("District") is a municipal water district established pursuant to Section 71000 et seq. of the California Water Code; and

WHEREAS, the District seeks to match local funds with federal funds provided by the United States Department of the Interior Bureau of Reclamation to increase efficient use of water, reduce energy demands; and

WHEREAS, the Board of Directors of the District has reviewed and approves of the application for the Department of the Interior Policy and Administration, Bureau of Reclamation WaterSMART Grant Program: Water and Energy Efficiency Grants FY 2018, Funding Opportunity Announcement # BOR-DO-18-F006 for the MAINLINE Replacement Project; and

WHEREAS, the District agrees to the administration and cost sharing requirements of the WaterSMART Grant criteria; and

NOW, THEREFORE, be it resolved, determined and ordered by the Board of Directors of the Joshua Basin Water District, as follows:

Section 1. The District is hereby authorized to receive, if awarded, the WaterSMART Grant Program: Water and Energy Efficiency Grant funding in the amount of \$300,000 and to enter into an agreement with the Bureau of Reclamation for the receipt and administration of said grant funds.

Section 2. If awarded, the General Manager, or his designee, is hereby authorized to take any and all action which may be necessary for the completion and execution of the project agreement and to take any and all other action which may be necessary for the receipt and administration of the grant funding in accordance with the requirements of the Bureau of Reclamation.

Section 3. This resolution officially becomes a component part of the District's grant application.

Section 4. If any section, subsection, clause or phrase in this Resolution is for any reason held invalid, the validity of the remainder of this Resolution shall not be affected thereby. The Board of Directors hereby declares that it would have passed this Resolution and each section, subsection, sentence, clause, or phrase thereof, irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases or the application thereof be held invalid.

PASSED AND ADOPTED at a regular meeting of the Board of Directors of the Joshua Basin Water District held on _____, 2018.

Tom Floen _____
Geary Hund _____
Robert Johnson _____
Mickey Luckman _____
Rebecca Unger _____

Mickey Luckman, President
Joshua Basin Water District

Curt Sauer, General Manager/Secretary
Joshua Basin Water District

JOSHUA BASIN WATER DISTRICT
MEETING AGENDA REPORT

Meeting of the Board of Directors

April 18, 2018

Report to: President and Board of Directors

Prepared by: Susan Greer



TOPIC:

CONSIDER REVISIONS TO OPERATING BUDGET CYCLE

RECOMMENDATION:

Approve one-year budget cycle.

ANALYSIS:

As best I can tell, the District implemented a 2-year budget cycle in 04/05. That was based upon staff recommendation at the time, for ease of administration. A lot has changed in the ensuing years, not the least of which is the District's financial software, which we are trying to utilize to the fullest extent possible. That software is not designed to accommodate a 2-year budget cycle and it takes a lot of extra effort to make it work. Remember that we adopt a 2-year budget and then, around the end of the first year, make adjustments to the second year. This review process is virtually as much effort as a brand new budget, and because the software doesn't support the 2-year budget cycle, it is actually more effort than starting from scratch.

We believe that focusing on one year at a time, with less detail, especially when new programs and initiatives are being considered, will simplify this process for Staff and the Board. In addition, there will be time savings for Finance Staff who manage the budget.

This topic was discussed by the Finance Committee at their meeting on April 12 and they agree with the recommendation. Staff recommends and the Finance Committee also concurs that looking out even further than two years for the Capital Budget is advised, especially now as we implement a capital improvement program of work.

STRATEGIC PLAN ITEM:

N/A

FISCAL IMPACT:

Staff effort will be reduced

JOSHUA BASIN WATER DISTRICT
MEETING AGENDA REPORT

Meeting of the Board of Directors

April 18, 2018

Report to: President and Board of Directors

Prepared by: Susan Greer



TOPIC:
APPROVAL OF PROPOSED RESERVE FUND POLICY

RECOMMENDATION:
Approve Reserve Fund Policy

ANALYSIS:

A copy of the latest draft Reserve Fund Policy is attached. This proposed policy has been amended several times already, based on feedback from our reserve policy consultant, our rate study consultant, the Finance Committee, the CAC, and staff. Beverly has formatted the policy for inclusion as part of the Administration Code.

To assist staff and the Board in understanding how to administer the policy and how current reserves are impacted, a companion table is being developed to show how the policy impacts current reserves, and we will present that at the meeting.

The Finance Committee reviewed the policy at their April 12 meeting and recommends approval by the Board of Directors. The CAC has recommended that we also prepare a *friendly version* of the policy for public consumption – a simplified policy statement that provides the overview for the public.

FISCAL IMPACT:
N/A

ARTICLE 9

RESERVE FUND POLICY

9.01 PURPOSE. It is the Joshua Basin Water District Board of Director's intent through this Policy to describe how and why specific reserves are established and maintained and to provide District ratepayers and taxpayers with assurance that reserve balances will be maintained at prudent and fiscally responsible levels.

Maintaining adequate cash reserves is an essential part of sound financial management, to meet both short-and long-term financial obligations. Reserves play a critical role in providing reliable service for our ratepayers, financing of long-term capital projects and responding to emergencies. Reserves can provide the savings necessary to balance budgets during periods of diminished revenues, allow for emergency preparedness, assist in maintaining stable water service rates, and preserve the financial stability of the District against present and future uncertainties in an ever-changing environment.

Suggested reserve funding balances are necessary to maintain Joshua Basin Water District's fiscal strength and flexibility and to adequately provide for:

- Compliance with applicable statutory requirements.
- Financing of future capital projects, and repair and replacement of existing assets.
- Cash flow requirements.
- Economic uncertainties, local disasters, and other financial hardships or downturns in the local or national economy.
- Contingencies or unforeseen operating or capital needs.

9.01.01 GUIDING PRINCIPLES

1. The District will prudently manage the resources entrusted to it by our ratepayers.
2. The District will maintain reserve funds in designated accounts in a manner that ensures its financial soundness and provides transparency to its ratepayers.
3. The District will maintain reserve funds that :
 - Are designated for specific purposes;
 - Are consistent with other financial policies, budgetary practices, District programs and legal requirements;
 - Allow the District to provide a high level of emergency preparedness for our ratepayers;
 - Provide funding for well-maintained infrastructure for current and future ratepayers; and
 - Allow the District to respond to an ever-changing environment, such as drought or new water quality mandates.

9.01.01 AUTHORITY. Joshua Basin Water District has authority under Article XIII B of the California Constitution to establish such reserves as are deemed reasonable and proper.

9.01.02 DEFINITIONS

Restricted Reserves - Limitations on the use of restricted reserves are imposed by an outside source such as creditors, grantors, contributors, or laws or regulations of other Governmental entities.

Unrestricted Reserves - Have no externally imposed use restrictions. The use of unrestricted reserves is at the discretion of the Joshua Basin Water District Board of Directors. There are two categories of unrestricted reserves, Designated and Undesignated. Currently, all Unrestricted Reserves at Joshua Basin Water District are Designated Reserves.

Designated Reserves - Set aside for a specific purpose, which is determined at the sole discretion of the Board of Directors. The Board of Directors also has the authority to redirect the use of these reserve funds as the needs of the Joshua Basin Water District change.

9.01.03 RESTRICTED RESERVE FUNDS. Joshua Basin Water District has the following types of restricted reserve funds:

Water Capacity Account – Regulated per Government Code 66013(b)(3). Water capacity charges are used to provide funding for water system infrastructure that will be required in the future or to pay back the District for pre-built water system infrastructure already in existence at the time new water service connection is requested, as a pro-rata share of the costs to construct such facilities. Water capacity charges can fund either future system expansion required because of growth or may be used to reimburse the District for previously funded capital facilities that provide benefit to future users. Investment earnings shall be credited to the water capacity charge reserve fund.

Wastewater/Sewer Capacity Charge Account – Regulated per Government Code 66013(b)(3). Wastewater/sewer capacity charges are used to provide funding for wastewater/sewer system infrastructure that will be required to be constructed in the future, or to payback the District for pre-built water system infrastructure already in existence at the time new wastewater/sewer connection is requested, as a pro-rata share of the costs to construct such facilities. Wastewater/sewer capacity charges can fund either future system expansion required because of growth or may be used to reimburse the District or previously funded capital facilities that provide benefit to future users. Investment earnings shall be credited to the wastewater/sewer capacity charge fund.

Consumer and Project Deposits Account – Good faith guarantee deposits provided by ratepayers for water service accounts or construction projects. Investment earnings shall be credited to the General Fund.

Copper Mountain Mesa Assessment District (CMMAD) Account – The District collects debt service and lien payoffs for the CMMAD, which funds are due to the bondholders. In addition, a reserve fund is established for CMMAD as required by the bonds and those reserve funds will be applied towards the final debt service payment on the bonds. Investment earnings shall be credited to the various CMMAD reserve funds.

9.01.04 UNRESTRICTED RESERVE FUNDS. Joshua Basin Water District has the following types of unrestricted reserve funds:

Operating Reserve Account – The primary purpose of the Operating Reserve is to ensure that the District will, at all times, have sufficient funding available to meet operating and debt service costs. These funds are also available to support operating costs to minimize drastic fluctuations in rates, such as in the event of a drought when water use decreases, thus impacting operating revenues.

The target of the Operating Reserve fund is to maintain a balance equal to three (3) months average operating and debt service expenses excluding depreciation.

Cash Flow Reserve Account – This reserve is considered a cash flow requirement. It bridges the gap between the time expenses are paid, and revenues are collected from ratepayers, ensuring that the District preserves creditworthiness and provides for liquidity throughout the fiscal year.

The target of the Cash Flow Reserve fund is to maintain a balance equal to three (3) months average operating and debt service expenses excluding depreciation.

The combined target balance for both the Cash Flow Reserve and the Operating Reserve is equal to six (6) months average operating and debt service expenses excluding depreciation. As monies are neither received nor spent in twelve even monthly increments, the Cash Flow Reserve balance may exceed this combined balance as monies are received and held temporarily for disbursement at a later date.

Emergency Capital Replacement Reserve Account - This reserve is provided for emergencies or unplanned infrastructure failures.

The target of the Emergency Reserve fund is to maintain a \$2 million balance.

Capital Improvement Plan Reserve (CIP) Account - This reserve provides funding for infrastructure projects in the approved Capital Improvement Plan (CIP.) The CIP identifies annual infrastructure projects for pipelines, wells, boosters, and reservoirs.

Funding for CIP projects is outlined in the Capital Budget. In addition, **50% of annual operating net revenue**, as determined by the annual audit, will be deposited into the CIP Reserve fund after audit acceptance by the Board of Directors. Depending on the District's cash flow requirements, CIP Reserves funded during any fiscal year may or may not be available for use at the start of the fiscal/budget year.

This reserve is to be used for priority capital projects that will be reviewed and approved by the Board of Directors, so *no maximum reserve level is recommended*. Because of the discretionary nature of this reserve, the ability to decide which projects will be funded and when *no minimum balance is required*.

Note that CIP projects may be concurrently funded and constructed within the same fiscal year, or, because infrastructure project costs are significant, projects may take more than one fiscal year to either plan/construct or be fully funded.

Individual Replacement Reserves Account - In addition to the water infrastructure projects funded via the CIP Reserve (above,) the District has other capital replacement requirements. Individual replacement reserves are established for the following purposes, which are not otherwise funded via the Capital Improvement Plan.

Building Replacement Reserve Account – Is designated for future office/shop building expansion or replacement. Target funding level of \$315,000 is based on 1,000 square foot expansion of both shop and office buildings within the next ten years. Replacement cost is based on ACWA/JPIA annually escalated insurance replacement cost.

Equipment & Technology Replacement Account – Provides for regular replacement of vehicles, heavy equipment and computers, software and peripherals, office equipment and SCADA (Supervisory Control and Data Acquisition computerized monitoring system) with a cost of at least \$1,000. Target funding level is \$500,000.

Meter Replacement Account - Targets replacement of water meters approximately every 20 years. Meter replacement is overdue at the time this policy was written, and the District intends to replace meters over the next five fiscal years (2018/19 – 2022/23) at an estimated cost of \$1,500,000, requiring annual funding of \$250,000 through 2022/23. In 2023/24, or after meter replacement is complete, the annual funding will decrease so that the meter replacement fund achieves the appropriate balance after 20 years, (based on an updated estimated future replacement cost apportioned over 20 years), to provide funding for the subsequent meter replacement cycle.

Studies & Reports Replacement Account – Funding for periodic updates to studies and reports such as the Urban Water Management Plan, Rate Studies, Compensation Studies, Water Master Plan. JBWD spends approximately \$50,000 per year on average for such studies and reports, although individual studies and reports can exceed that cost. Target funding level is \$50,000.

In addition, a Wells, Boosters, Reservoir replacement reserve was previously established and currently has a balance of \$382,788 available for funding of appropriate projects. This Reserve will no longer be funded beginning in fiscal 18/19, and the current balance will be transferred to the CIP Reserve account.

Investment earnings from all Unrestricted Reserves - Will be credited to the General Fund.

9.01.05 PROCEDURES

Policy Review - The Reserve Policy and its funding levels shall be reviewed every year, prior to the adoption of the budget.

Utilization of Reserves for Cash Flow Purposes - The Operating Reserves may be used at any time to meet cash flow requirements of District operations, as authorized by the Assistant General Manager/Controller. Authority to use the funds will be consistent with all of the District's financial policies.

Use of the Emergency Reserves can be authorized by the General Manager per Article 4.04.07 of the Administrative Code.

Use of Capital Replacement Reserves must be authorized by the JBWD Board of Directors.

Reallocation of Funds - The Board shall approve any reallocation of funds, transfers among reserve funds, or action that is inconsistent with this policy.

9.01.06 SUMMARY - The Reserve Fund Policy states that designated reserves will be maintained to allow for funding of the District's operating, capital and debt service obligations, as well as funding for unforeseen events. Reserves will be established, replenished, and used only in a manner, which allows the District to fund costs consistent with the Capital Improvement Plan, Financial Plan, and Rate Study, and other Board adopted actions. The District's Reserve Fund Policy shall be periodically reviewed and adjusted to meet the needs of the District.