

JOSHUA BASIN WATER DISTRICT
SPECIAL BOARD OF DIRECTORS MEETING MINUTES
WEDNESDAY, MAY 27, 2021

CALL TO ORDER/PLEDGE OF ALLEGIANCE – President Unger called the meeting to order at 1:00 p.m. via teleconference.

DETERMINATION OF A QUORUM – President Unger, Vice President Floen, Director Doolittle, Director Jarlsberg, Director Reynolds, are in attendance via teleconference.

STAFF PRESENT –Mark Ban, GM, Sarah Johnson, Director of Administration, Anne Roman, Director of Finance, Autumn Rich, Accounting Supervisor, are in attendance via teleconference.

CONSULTANTS PRESENT –Kathleen Radnich, Public Outreach Consultant is in attendance via teleconference.

APPROVAL OF AGENDA – MSC¹ (Reynolds/Jarlsberg) 5/0/0 motion carried to approve the Agenda.

Ayes: Doolittle, Floen, Jarlsberg, Reynolds, and Unger

Noes: None

Absent: None

Abstain: None

PUBLIC COMMENT – None

BUDGET WORKSHOP – Anne Roman, Director of Finance, gave the staff report. Significant areas discussed are listed below:

- REVENUES – As the moratorium on water shut-offs continue, we are faced with collection uncertainties. While we explore what assistance options may be available to us through the American Rescue Plan Act, we have built in some revenue offsets to account for continued slow collections. Major assumptions are listed below:
 1. 20/21 year to date Metered Water Sales revenues are up nearly 11% over last year. However, collections are down significantly, with aging balances sitting at over 31% more than last year. For 20/21 mid-year budget, increased Basic Fees offset by about 1% (\$20,860) for trending shortage and increased Metered Water Sales offset from 5% (\$155,950) to 6% (\$187,140) based on collections aging.
 2. Removed 20/21 Standby collections offset of \$118k due to property tax collections tracking well, likely due to heavy property market activity.
 3. For 21/22, the Basic Fee is budgeted in accordance with the rate study, but the Metered Water Sales offset has been set at 6% (\$205,620) and the Standby collections offset has been maintained at 10% (\$119,130) since it is unknown what the property market will do next year. Total offset: \$324k.
 4. The American Rescue Plan Act includes the following eligible uses, but further information is still needed:

Revenue replacement for the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency, relative to revenues collected in the most recent fiscal year prior to the emergency,

EXPENSES:

Below is information about expenses, adjustments, and amendments:

20/21 Adjustments & Amendments to Operating Budget:

- For 20/21, a move of \$25,500 from the \$60,375 Caselle software budget (a project which has been abandoned) is included to round out the Geoviewer maintenance fees (operating) costs.
- The \$155k debt service payment for the Morongo Basin Pipeline is deferred to 21/22 and amended in this budget.

21/22 Operating Expenses

- Rate study includes a 4% CPI increase and the 21/22 Operating budget is at about 4.3% vs. the original 20/21 budget.
- The Water Recharge program continues with \$571k in funding allocated vs \$691k designated by the Rate Study. This should yield about 858-acre feet based on the published rate of up to \$665 per acre foot for billings in 21/22.
- The Meter Replacement program continues with a budget of \$300k for 21/22. This is offset by \$500k reserve funding designated in the rate study. We anticipate this program will be overbudgeted by about \$577k in the rate study compared with the initial project figures. Upon project completion or upon revision of the Reserve Policy, the use of any excess funds will be determined.
- The final Morongo Basin Pipeline debt payment of \$132,410 is included. This was not in the 21/22 Rate Study since it was a deferred payment from the prior year. Although we have not yet learned of any potential operating and maintenance (O&M) costs that may be borne by the District in the future, I understand that some O&M funding is provided by the ongoing IDM bonded debt #2 property taxes.
- Accelerated payment of CalPERS unfunded liability at 15 Year Amortization level (“additional discretionary employer contributions”) is included for an increase of \$26k. If we can maintain this level of accelerated payment for 15 years, we can save up to \$140,000.
- No early payoff set aside is included for the CIRP loan. Paying off in 2025 would require us to set aside an additional \$370k per year until then for a \$292k interest savings. Paying off in 2028 would require us to set aside an additional \$153k per year until then to yield a \$117k interest savings.

SALARY EXPENSE:

In evaluating the proposed budget, I would remind users that, because JBWD employees wear many hats, salaries are often attributable to more than one department. Thus:

- a salary shown in one department does not necessarily correlate with the number of employees assigned to that department. Please refer to the comparison report for the allocation detail.
- each department’s salaries are further split between regular pay and projected compensated leave, which is recorded in an allocated (or shared) department.

20/21 Salary Adjustments & Amendments:

Public Information Associate’s compensation has been adjusted from Administration Salary budget to Public Information budget. Salaries for vacant Distribution, Finance, and Customer Service positions have been adjusted to Temporary Labor to cover outside labor costs.

21/22 Salary

The 21/22 staffing includes continued reorganization due to succession planning; to partially redistribute the workload created from three 20/21 unbudgeted positions; and to accommodate the increased customer demand. Significant changes include:

- First full year of the previously approved Director of Operations position; Elimination of Distribution Supervisor and succession planning for the Production Department; Reclassification of Distribution, Production, and CIRP Lead positions to Foreman positions for each such department;
- Adding a Customer Service & Development Supervisor position to manage the increased Customer Service demand and the development workload that has shifted to this department.
- First full year of the previously approved Director of Finance position; elimination of the AGM/Controller position; and; Additional Finance Department needs are not addressed at this time pending outcome of current transition of $\frac{3}{4}$ of department staff.

CAPITAL SUMMARY:

- For 20/21, a move of \$42,650 from the budgeted \$50k Efficiency Study to Geoviewer updates (capital) is included. For 20/21, a move of \$20,000 from the remaining abandoned Caselle budget is included to increase the Laserfiche budget.
- The 21/22 budget includes \$1,616,607 in Capital costs, including \$800k to continue the Tilford CIRP project. Also included is a design for the D-1-1 booster station and a sodium hypochlorite generator at Well 10. This budget also includes \$351k in Equipment & Technology costs for items such as a Construction & Maintenance replacement backhoe, a Valve-turning machine, SCADA Phase 4 improvements, and two replacement vehicles.
- Items such as the sodium hypochlorite generator, 410 backhoe and the valve turning machine, are expenditures that maintain a 10/15-year life cycle.
- The Rate Study funds \$1,000,000 in capital costs and the \$170k in Equipment & Technology, \$50k in Studies and Reports, and \$30k in Building Replacement reserve funding.
- No Chromium 6 revenue or expenses is included.

FISCAL IMPACT:

The attached proposed 2021/22 budget includes a \$674,771 operating reserve drawdown. Capital expenditures and reserve use totals \$2,651,378. This includes \$1,101,378 in funding that exceeds the current rate study's proposed funding of \$1,550,000 (\$1,250,000 capital plus \$300,000 operating). In total, as proposed, the District would experience a net drawdown to reserves of \$2,185,379 for both 2020/21 and 2021/22 while providing funding for projects that continue to increase the District's efficiency through continued infrastructure, maintenance, and technology enhancements.

This report was followed by a lengthy Q&A period with the Board of Directors, staff, and the public.

ADJOURNMENT – MSC¹ (Floen/Jarlsberg) 4/0/0 motion carried to adjourn the regular Board of Directors meeting at 3:47 p.m.

Respectfully Submitted,



Mark Barr, General Manager and Board Secretary