

# Joshua Basin Water District



## Water Rate Study

December 14, 2022, with updates



**BARTLE WELLS ASSOCIATES**  
INDEPENDENT PUBLIC FINANCE ADVISORS



# Presentation Overview



- Rates & Finances
- Financial Challenges
- Rate Scenarios
- Issues for Board Direction
- Rate Study Process

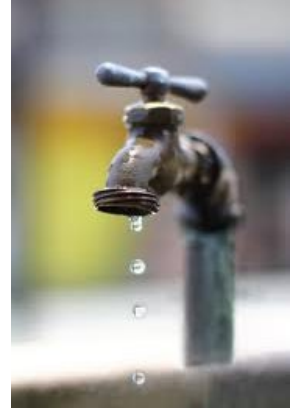
Goal: Seeking Board direction regarding:

- a) rates to include in Prop 218 Notice
- b) move forward with mailing Prop 218 Notices
- c) schedule the Public Hearing for Feb-15, 2023



# Rates & Finances

- JBWD is a financially self-supporting government agency
- Water rates are the main source of revenue and need to be set at levels adequate to fund the costs of providing service
- District has historically provided strong financial management via annual rate increases phased in over many years
- Last rate study completed in early 2018; final year increase effective Jan-1, 2022
  - Evaluated a range of funding and rate alternatives
  - District adopted substantial rate increases phased in over 5 years based on a “Reduced Rate Scenario”
  - Less % increase to fixed charges & more to usage charges, steeper tiers
- Adopted rates were designed to take substantial steps in the right direction with the understanding that significant additional rate increases would be needed to support operating & capital needs including Chromium 6





# Financial Challenges

## ■ Chromium 6 Project (Capital & Operating Costs)

- Needed to meet anticipated new, extremely-stringent regulatory requirements
- Capital project cost estimate = \$18 million (preliminary)
- JBWD seeking grant & low-interest rate funding from the SRF financing program
- Projections assume \$10M grant + \$8M SRF Loan with ~\$400K annual debt svc
- Annual operating & maintenance costs estimated at \$750,000

## ■ Aging Infrastructure & Capital Improvement Needs

- \$2.5+ million (current \$) in annual funding needs for rehabilitation & replacement of aging infrastructure (boosters, wells, tanks, water meters & old pipelines)
- JBWD established a Capital Improvement & Replacement Program (CIRP) with in-house staffing to help construct capital improvements at lower cost

## ■ Long-Term Water Supply

- Ongoing funding needed to import water from Mojave Water Agency to mitigate groundwater overdraft; projections assume = 1,000 Acre-Feet per year

## ■ Ongoing Cost Inflation

- Rate increases are needed to keep revenues in line with cost inflation and escalating costs of providing service



# Rate Scenarios

**NOTE: Scenario A is being proposed.**

- BWA worked with JBWD to develop 10-year cash flow projections to identify future funding needs and evaluate rate increases
- Rate increases needed to support operations, increased capital funding, and projected Chromium 6 debt service and operating costs over the next 5 years
- Evaluated a range of financial & rate scenarios
  - A. Best Management Practice with Reduced Expenses
  - ~~B. Reduced Rate Increases with Partial Drawdown of Fund Reserves~~
  - ~~C. Limit Overall Rate Increases to 9% Per Year & Reduce CIP~~
  - ~~D. Dedicated/Restricted Capital Improvement Charge (On Bill or Tax Roll)~~
- All scenarios provide substantially more funding for capital projects than current rates
  - E.g. Increase from \$1 million to range of \$2 - \$2.5 million per year depending on scenario
  - In addition to funding for CIRP staffing, studies/reports, equip/tech, meter replacements
- All scenarios maintain healthy levels of fund reserves
  - Some scenarios result in partial drawdown of fund reserves to support higher levels of capital funding while rate increases are being phased in



# Rate Scenarios

**NOTE: Scenario A is being proposed.**

OVERALL RATE INCREASES						
	22/23	23/24	24/25	25/26	26/27	TOTAL
2018 Rate Study Projections	16%	14%	12%	6%	6%	66%
A) Best Management Practice	16%	14%	12%	10%	8%	76%
<del>C) 9% Rate Increases (Less CIP)</del>	<del>9%</del>	<del>9%</del>	<del>9%</del>	<del>9%</del>	<del>9%</del>	<del>54%</del>

MONTHLY BILL FOR A TYPICAL HOME WITH 6 HCF OF WATER USE						
	Current	22/23	23/24	24/25	25/26	26/27
A) Best Management Practice	80.05	91.90	104.35	115.70	125.95	135.70
<del>C) 9% Rate Increases (Less CIP)</del>	<del>80.05</del>	<del>87.54</del>	<del>95.42</del>	<del>104.00</del>	<del>112.73</del>	<del>120.84</del>

- Both scenarios provide substantially more funding for capital needs than current rates
  - Increase from \$1 million to range of \$2 - \$2.5+ million per year depending on scenario
  - In addition to funding for CIRP staffing, studies/reports, equip/tech, meter replacements
- Both scenarios maintain healthy levels of fund reserves
- Both scenarios include 5% increases to fixed monthly charges with more increases to volumetric charges



# Tradeoffs

- More near-term rate increases vs. more gradual increases spread over more years
  - More rate increases in first 5 years = less in future & vice versa
  - More near-term rate increases = more capital funding generated in first 5 years, *but both scenarios provide for substantial increase in capital funding*
  
- Balance of competing objectives
  - Amount of increased funding over next 5 years vs. rate affordability
  - JBWD rates are now on higher side compared to other regional agencies

*Note that JBWD has smaller customer base & roughly double the miles of pipeline per connection compared to HDWD and 29 Palms WD*
  - Joshua Tree has a 23.6% Poverty Rate based on 2020 Census Data



## Projected Water Rates A

**NOTE: Scenario A is being proposed.**

Current Water Rates	Projected Rates Effective				
	Mar-1 2023	Jan-1 2024	Jan-1 2025	Jan-1 2026	Jan-1 2027

### BASIC MONTHLY FEE

*Fixed monthly charge based on meter size*

#### Meter Size

3/4 & 1 inch	\$41.35	\$43.40	\$45.55	\$47.80	\$50.20	\$52.70
1-1/2 inches	137.83	144.67	151.83	159.33	167.33	175.67
2 inches	220.53	231.47	242.93	254.93	267.73	281.07
3 inches	413.50	434.00	455.50	478.00	502.00	527.00

### MONTHLY WATER FLOW CHARGES

*Billed based on metered water use, as measured in units of one hundred cubic feet (\$/hcf)*

#### For 3/4" and 1" Meters

Tier 1	0 - 5 units	\$6.20	\$7.80	\$9.50	\$11.00	\$12.30	\$13.50
Tier 2	5.01 - 10 units	7.70	9.50	11.30	12.90	14.25	15.50
Tier 3	10.01 - 20 units	9.20	11.20	13.10	14.80	16.20	17.50
Tier 4	20.01 + units	10.70	12.90	14.90	16.70	18.15	19.50

#### For 1-1/2", 2" and 3" Meters

Unit rate for all water use	\$7.70	\$9.50	\$11.30	\$12.90	\$14.25	\$15.50
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*Note: 1 unit = one hundred cubic feet (hcf), or approximately 748 gallons.*



## Projected Water Rates C

	Current Water Rates	Projected Rates Effective					
		Mar-1 2023	Jan-1 2024	Jan-1 2025	Jan-1 2026	Jan-1 2027	
<b>BASIC MONTHLY FEE</b>							
<i>Fixed monthly charge based on meter size</i>							
<u>Meter Size</u>							
3/4 & 1 inch	\$41.35	\$43.40	\$45.55	\$47.80	\$50.20	\$52.70	
1-1/2 inches	137.83	144.67	151.83	159.33	167.33	175.67	
2 inches	220.53	231.47	242.93	254.93	267.73	281.07	
3 inches	413.50	434.00	455.50	478.00	502.00	527.00	
<b>MONTHLY WATER FLOW CHARGES</b>							
<i>Billed based on metered water use, as measured in units of one hundred cubic feet (\$/hcf)</i>							
<b><u>For 3/4" and 1" Meters</u></b>							
Tier 1	0 - 5 units	\$6.20	\$7.10	\$8.05	\$9.10	\$10.15	\$11.08
Tier 2	5.01 - 10 units	7.70	8.64	9.62	10.70	11.78	12.74
Tier 3	10.01 - 20 units	9.20	10.18	11.19	12.30	13.41	14.40
Tier 4	20.01 + units	10.70	11.72	12.76	13.90	15.04	16.06
<b><u>For 1-1/2", 2" and 3" Meters</u></b>							
Unit rate for all water use		\$7.70	\$8.64	\$9.62	\$10.70	\$11.78	\$12.74
<i>Note: 1 unit = one hundred cubic feet (hcf), or approximately 748 gallons.</i>							



- JBWD has partnered with United Way of the Desert to manage an assistance program to help customers having financial difficulties paying their water bill
- Annual credit is under review to potentially increase from \$50 to \$100 per eligible applicant **NOTE: Change to \$100 credit has been Board approved and is expected to be available to customers by March 1, 2023.**

For info about the program & other community resources

- Visit JBWD's website at: [www.jbwd.com/assistance](http://www.jbwd.com/assistance)
- Contact United Way of the Desert: (760) 323-2731 ext. 100



# Board Direction

- Seeking Board direction regarding:
  - 1) Level of rate increases to include in Prop 218 Notice
  - 2) Direction to move forward with Prop 218 Noticing & rate increase process
  - 3) Schedule Public Hearing for Feb-15, 2023 (at regularly scheduled Board Meeting)

*Not taking action on rate adoption until Feb-15 Public Hearing*
- Prop 218 process establishes maximum authorized rates
  - Adopted rates cannot exceed levels shown in Prop 218 Notice, *but can be lower*
  - Rates implemented each year cannot exceed rates adopted, *but can be lower*
- JBWD to evaluate rates & finances each year & only implement rate increases as needed



# Rate Study Process

- **Aug-31** Board Meeting – Water rate study introduction & receive initial input
- **Sep-13** CAC Meeting – Water rate study introduction & receive initial input
- **Oct-12** Special Joint Board & CAC Workshop – Discuss preliminary findings and draft alternatives and receive input
- **Nov-8** CAC Meeting – Continue evaluating & honing recommendations
- **Nov-9** Special Joint Board & CAC Workshop - Continue evaluating & honing recommendations
- **Dec-14** Special Board Meeting – Receive direction for rates to include in Prop 218 Notice & direction to move forward with Prop 218 process
- **Late-Dec** Mail Prop 218 Notices at least 45 days prior to date of Public Hearing
- **Jan-10** Community Workshop: 5:00 pm at the Joshua Tree Community Center
- **Feb-15** Board Meeting – Public Hearing on proposed rates
- **Mar-1** Goal: New rates effective starting March 1, 2023 with future increases effective January 1 each year

# Questions & Discussion

