

ENGINEER'S REPORT
FOR
JOSHUA BASIN WATER DISTRICT
2018-2019 FISCAL YEAR
WATER AVAILABILITY CHARGE

JUNE 2018



ENGINEERING RESOURCES OF SOUTHERN CALIFORNIA, INC.
1861 W. REDLANDS BLVD.
REDLANDS, CA 92373

ENGINEER'S REPORT
FOR
JOSHUA BASIN WATER DISTRICT
2018-2019 FISCAL YEAR WATER AVAILABILITY CHARGE

BACKGROUND AND PURPOSE

The Joshua Basin Water District owns and operates significant water-related infrastructure facilities within the District. Purpose of the existence and construction of these facilities and, therefore, responsibility of the District, is to provide potable water to property owners, residents, and businesses within the District.

The District obtains its supply of water from underlying groundwaters. A study completed by the United States Geological Survey (USGS) some years ago determined that the amount of water extracted by the District exceeds the inflow or supply to the District's groundwater basins. In anticipation of the need for additional or supplemental water, the District's voters, in 1960, approved inclusion in the formation of the Mojave Water Agency which would have access to State Water Project (SWP) water. As additional insurance, in 1991, voters of the District together with those of other nearby water districts, approved a bond issue to finance the construction of the 72-mile Morongo Basin Pipeline to convey SWP water to the Morongo Basin area. The pipeline has been constructed and is maintained by the Mojave Water Agency. As one of the beneficiaries and future users, the Joshua Basin Water District signed a contract and is responsible for a portion of the pipeline construction and maintenance costs.

To allow delivery and use of SWP water from the Morongo Basin Pipeline, the District completed design, property acquisition, and construction of a delivery pipeline and recharge basins in 2014. Funding of the \$9.4 million cost was provided substantially by state and federal grants, the Mojave Water Agency, and excess funds in the Morongo Basin Pipeline Reserve Fund. The District funded \$1.3 million or 14%.

The District recharged 0 acre-feet of water in FY 2017/2018, but will budget for delivery of 700 acre-feet of SWP water in FY 2018/2019. As for the 2017/2018 schedule for water delivery, the District and Mojave Water Agency negotiated a water storage agreement that will allow Mojave Water Agency to store additional water in the District's aquifer, until such time as requested by the District. Mojave wanted to store 500 acre-feet of water, in addition to the 500 acre-feet of water the District wanted to purchase, but the low allocation of water available from the State at the time prevented this. The delivery of 700 acre-feet of water purchased by the District and an additional 500 acre-feet of water storage by Mojave Water Agency is scheduled for September, 2018.

Availability of the supplemental water benefits all of the land within the District. Therefore, a water availability charge is collected from all of the ±12,000 parcels within the District, with the exception of those exempt. A primary use of the water availability charge revenues, since enactment in 1996, has been to pay the debt obligation and operation and maintenance costs for the Morongo Basin Pipeline as required by the District's agreement with the Mojave Water Agency. That obligation has now been reduced to debt payment only, and is calculated to be approximately \$220,000 per year. Water availability charge revenues in excess of that amount will be used exclusively for capital costs and operation and maintenance of the District's water facilities benefiting the properties from which the availability charge is collected.

The water availability charge is estimated to generate revenues of \$1,139,000 for the 2018/2019 fiscal year, which revenues are dedicated to the following purposes as authorized by Resolution No. 96-564 under which the water availability charge was enacted.

Morongo Basin Pipeline Debt Payment	\$ 219,881
Power Expense for System Operation	\$ 350,000
Preventative Maintenance Programs: Reservoirs	\$ 58,000
Pumping Plant Repair & Maintenance	\$ 35,000
Production Department Employee Salaries	\$ 354,201
Water Purchase for Recharge	\$ 418,000
Recharge Maintenance/Repair	\$ 3,000
Water Supply Monitoring (USGS)	<u>\$ 40,000</u>
Total	\$ 1,478,082

To the extent that identified expenses exceed water availability charge revenues, they will be paid out of revenues from metered water sales and basic fees. To the extent that water availability revenues exceed expenses indicated above, they will be used for other lawful purposes of the District.

Water availability charge revenues are dedicated to the lawful purposes of (a) meeting the District's expenses of maintaining and operating permanent public improvements constituting the water system, (b) purchasing or leasing supplies, equipment, or material necessary for the operation of the District's water system, (c) meeting debt repayment obligations and financial reserve requirements, and (d) obtaining funds for capital projects necessary to maintain service within existing service areas.

Publicly owned property including lands owned by the federal government and the local school district were exempted from the water availability charge. In 1996, California voters approved Proposition 218, "The Right to Vote on Taxes Act." Among other things, Proposition 218 provided that property owned by local, state, and federal governmental agencies may not be exempted from a benefit assessment, such as the District's water availability charge, unless the Agency can demonstrate that it receives no special benefit from the services or facilities for which that charge is

levied. (California Constitution Article XIII D, § 4(a).) When the District sent an assessment notice to the U.S. Bureau of Land Management ("BLM"), which owns extensive property within the District, the BLM responded by claiming exemption under the California Statehood Act and declined to pay. The local school district was not assessed based upon the California Supreme Court decision in San Marcos Water District v. San Marcos Unified School District. Subsequent to 1996, as local, state and federal government agencies have acquired lands which were previously privately-owned, the District has initiated water availability charges on those parcels in compliance with Proposition 218.

The water availability charge has been in effect at the current rate since 1996, prior to the enactment of Proposition 218 and is entitled to an exemption from the procedural requirements of Proposition 218 unless and until it is increased. (California Constitution Article XIII D, §5.) Legislation interpreting Proposition 218 clarifies that, as an exempt assessment, the procedure is also exempt from the requirement that government-owned parcels be assessed. (Government Code §53753.5.) Unless and until the water availability charge is increased, it may be re-authorized from year-to-year pursuant to the Uniform Standby Charge Procedures Act (Government Code §54984 *et seq.*), exempt from the Proposition 218 procedures and without requiring assessment of the BLM or other exempt properties.

DESCRIPTION AND METHOD OF AVAILABILITY CHARGE

Procedures and bases of the water availability charges are as set forth in the California Government Code, Sections 54984 to 54984.9, Uniform Standby Charge Procedures Act.

In recognition of the benefit to all properties, the District proposes to assess and collect from each benefiting property, an amount related to the benefit received. Because BLM lands and other publicly owned lands not previously assessed are, for practical purposes, not subject to assessment, the District proposes to clarify that such lands, which are not subject to the water availability charge and are not currently connected to the water system, shall not be entitled to connect to the District's water system or to receive water service from the District, unless a fee is paid which is equivalent to the water standby charge which would have been assessed against the property had it not been exempt and unless the owner agrees to be subject to future assessment of water availability charges.

Availability charge, once determined, will be indicated on the yearly tax bill distributed by the County of San Bernardino, collected by the County, and disbursed to the District.

COMPILATION OF CHARGES

A tabulation of the availability charge for each of the ±12,000 non-exempt parcels in the District, calculated as described herein, is contained in a separate computer printout prepared by the District and maintained at District offices. Contained therein is the dollar amount proposed to be assessed to

each parcel, and the Assessors parcel number, all of which will appear on the County tax bill for each parcel.

METHODOLOGY USED FOR AVAILABILITY CHARGE

All properties within the District receive a general benefit by virtue of the existence of the District in its sole power to purchase, extract and sell water within its boundaries. Properties within the District also receive a special benefit due to the availability of the supplemental SWP water source.

Benefit is related to the size and development potential of each parcel and proximity to an existing usable pipeline. Derivation of an availability amount, therefore, is based on the County's land use zoning, parcel size, and District-designated zone - the location related to a pipeline from which service can be provided. Larger parcels within the same District zone receive a greater benefit and, therefore, will be assessed a larger amount than smaller parcels. Additionally, parcels closer, but not connected to usable pipelines, will be assessed more than those further away as there is greater benefit due to the availability of those existing pipelines, and therefore, accessibility to water. Parcels currently connected will be assessed less than others as they are already paying a basic fee in their user charge, a portion of which is used for system maintenance.

Adoption of the zoning, parcel size and proximity results in the use of three factors by which availability charges are determined.

1. Parcel size,
2. County of San Bernardino zoning for land use,
3. District zone, based on proximity to existing District pipeline.

Attached are exhibits which indicate the bases of the assessment amount per parcel and per acre for lands within the District related to the County zone designation and District zone location.

The adoption and approval of the water availability assessment charges pre-date the passage of Proposition 218 by the State's voters and follows the methodology and rates existing prior to the adoption of Proposition 218.

In my judgment each and every parcel proposed to be assessed an availability charge in the District for Fiscal Year 2018/2019 receives a special benefit.

BY: JOHN G. EGAN, R.C.E. 14853



ENGINEERING RESOURCES OF SOUTHERN CALIFORNIA, INC.



DATE