

**MINUTES OF THE SPECIAL MEETING  
OF THE BOARD OF DIRECTORS  
IDYLLWILD WATER DISTRICT**

*The Board of Directors of the Idyllwild Water District met in special session on February 14, 2018.*

**CALL TO ORDER:**

The Special Meeting was called to order by President Charles Schelly at 6:00 p.m.

**ROLL CALL:**

Directors present: President Charles Schelly, Vice President Peter Szabadi, and Catherine Dearing. Also present were General Manager Jack Hoagland, Chief Financial Officer Hosny Shouman, Board Secretary Erica Gonzales and Kim Boehler from NBS Financial.

Directors Geoffrey Caine and Steve Kunkle had excused absences.

General public present: (- 6 -)

**PUBLIC COMMENT:**

**MARGE MUIR** – Would like the Sewer Capacity Fee to be reconsidered. Believe it is a misnomer and that customers have already paid a connection fee on their property taxes.

**ITEM 1 – PRESENTATION AND DISCUSSION WITH REVENUE AND COMPLIANCE  
CONSULTANT NBS FINANCIAL**

Recommendation: That the Board of Directors review the presentation by NBS Financial and offer their opinions regarding priorities for the assumptions in developing the revenue models for the water and wastewater enterprises and the Water Shortage Contingency Plan (WSCP).

Background: The Board of Directors selected NBS Financial at the January 3, 2018 Special Meeting to assist the District in developing revenue strategies for the water and wastewater enterprises and the WSCP while remaining in compliance with various state requirements and regulations. The NBS team will be present to describe their work plan, review the utility rate development process and to receive input from the Board of Directors to assist in developing the underlying assumptions upon which the revenue programs will be based.

Kim Boehler gave a presentation on the basics of a Rate Study, what the rates will be based on, what criteria NBS will be using to determine user classes and how they will be determining costs. The slideshow is attached.

**COMMENT:**

**VICE PRESIDENT SZABADI** – Asked for clarification on using the rates and a tier structure for water conservation in a drought situation. Asked for clarification about the formula used to calculate the final rate and how easy it would be to change the amount of revenue based on what the Board would like to spend on CIP.

**JP CRUMRINE** – Asked how long NBS Financial would be available after setting the rates and if someone challenges the rates after they are implemented.

**ADJOURNMENT:**

A MOTION was made by Vice President Szabadi to adjourn the meeting and Director Dearing seconded. The vote was as follows:

**AYES**

**Peter Szabadi  
Catherine Dearing  
Charles Schelly**

**NAYS**

**ABSTAIN**


**ABSENT**

**Geoffrey Caine  
Steve Kunkle**

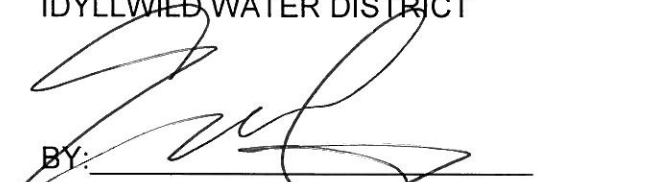
**Motion approved.**

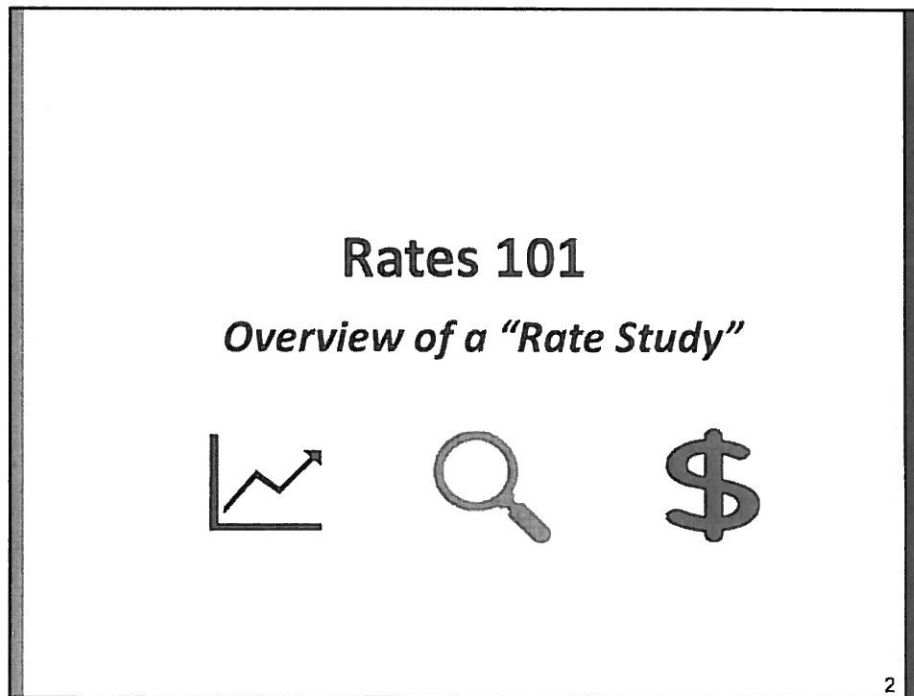
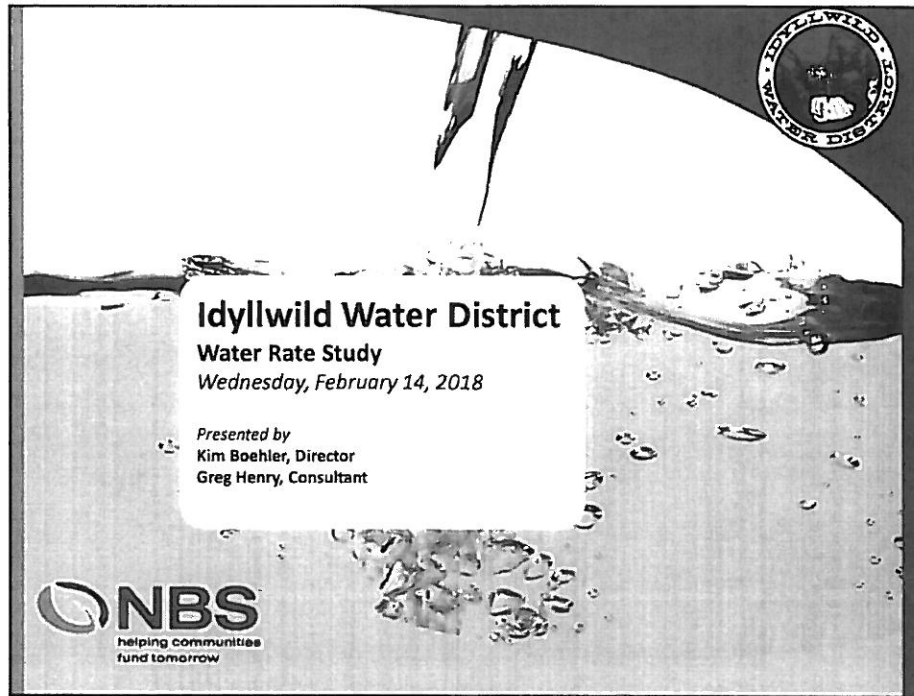
**The meeting was ADJOURNED at 6:43 pm.**

IDYLLWILD WATER DISTRICT





BY:   
DR. CHARLES SCHELLY-  
BOARD PRESIDENT

IDYLLWILD WATER DISTRICT

BY:   
ERICA GONZALES-  
BOARD SECRETARY



### Major Factors Influencing Rate Update

-  Drought
-  Capital Projects
-  Customer Classes
-  Legal Constraints

3

### Overview of Proposition 218

1. ***“Right to Vote on New Taxes.”***  
(Constitutional Amendment passed in 1996)
2. **Rates should reflect “Cost-of-Service”**
  - ✓ No subsidies between customer classes
  - ✓ Precision by parcel is not required
3. **Rates are approved by a protest ballot Process**
4. **District can adopt rate adjustments for next five years**

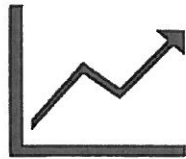
4

## Rate Study Methodology

FINANCIAL  
PLAN

COST-OF-  
SERVICE  
ANALYSIS

RATE DESIGN

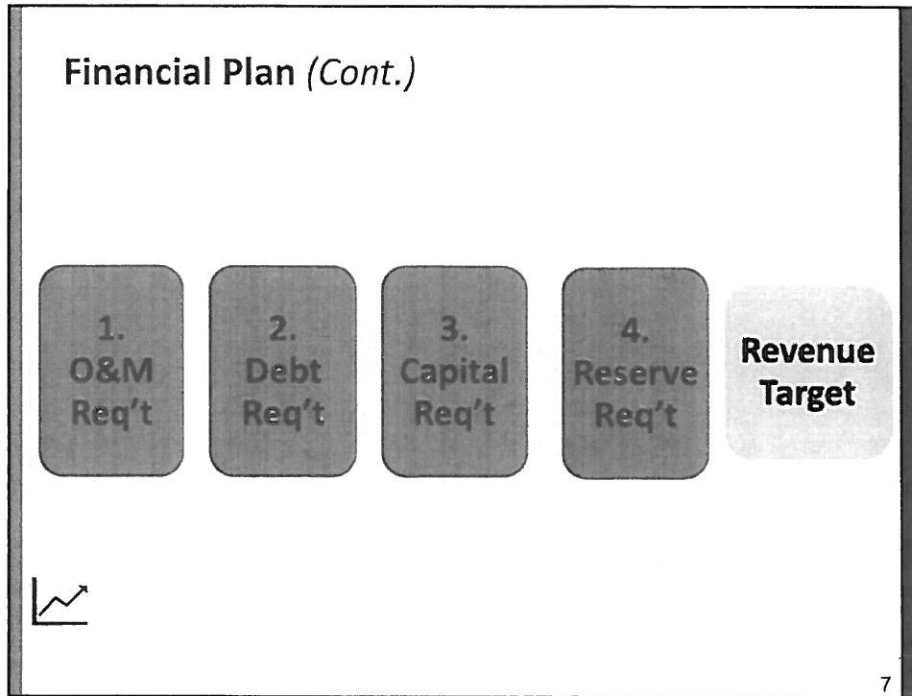


5

## Financial Plan

**How are Annual Rate  
Revenue Requirements  
Determined?**

6



**Financial Plan (Cont.)**

**Funding Priorities:**

- 1. Operations and Maintenance Requirement**
  - Budgeted Expenses
  - Identified by type (labor cost, electricity) and projected forward with a unique inflation factor

8

**Financial Plan (Cont.)**

**2. Capital Improvement Program Requirements**

- Evaluate District’s capital needs
- Determine funding sources:
  - Pay-As-You-Go / Cash reserves
  - Outside financing (i.e. loans or bonds)
  - Rate increases
- Capital improvement plan can be adjusted at the direction of the Board



**Financial Plan (Cont.)**

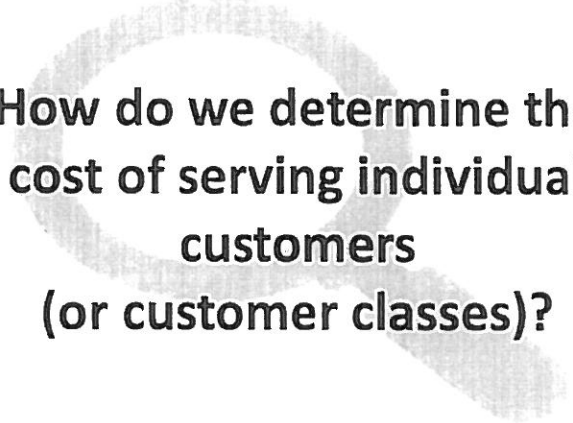
**3. Current Reserve Requirements:**

<b>Reserve Fund</b>	<b>Target</b>
<b>Working Capital</b>	\$750,000
<b>Emergency Reserves Fund</b>	\$500,000
<b>Capital Improvement &amp; Replacement</b>	\$2,000,000
<b>Vehicle &amp; Equipment Replacement</b>	\$750,000
<b>Vacation/Sick/Annual Leave Liability</b>	\$100,000
<b>OPEB</b>	\$900,000



## Cost of Service Analysis

**How do we determine the  
cost of serving individual  
customers  
(or customer classes)?**



11

## Cost of Service Analysis *(Cont.)*

### **What are “Defensible” Water & Sewer Rates?**

- Charges Cannot be More Than Actual Cost of Serving that Customer Class
- Cost-Based - Follow Industry Standards and CA Legal Requirements
- Non-Discriminatory - One Class is Not Subsidizing Another Class

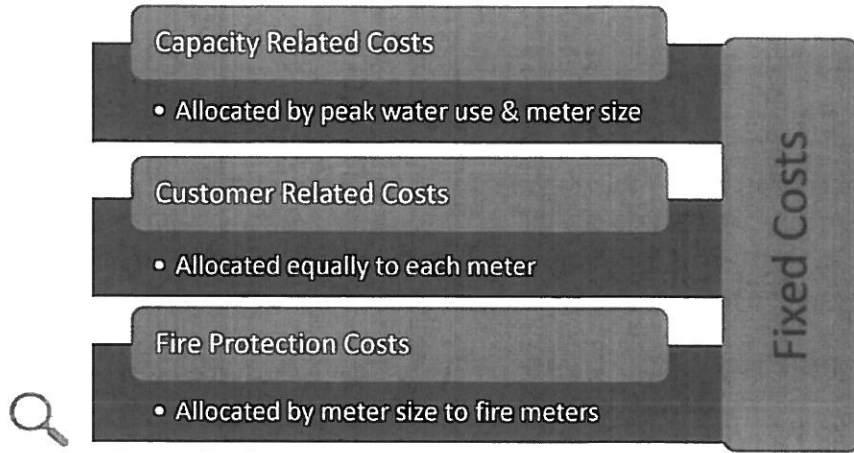


12



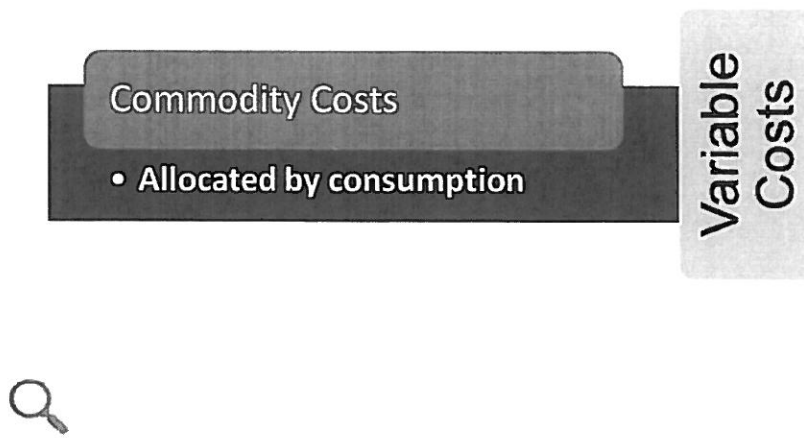
### Cost of Service Analysis (Cont.)

#### Allocating Costs to Customer Classes (Part 1):



### Cost of Service Analysis (Cont.)

#### Allocating Costs to Customer Classes (Part 2):



### Cost of Service Analysis (Cont.)

Revenue Requirements Allocated Each Customer Class:

Total Fixed Costs by Class

+ Total Variable Costs by Class

= Revenue Requirement by Class



15

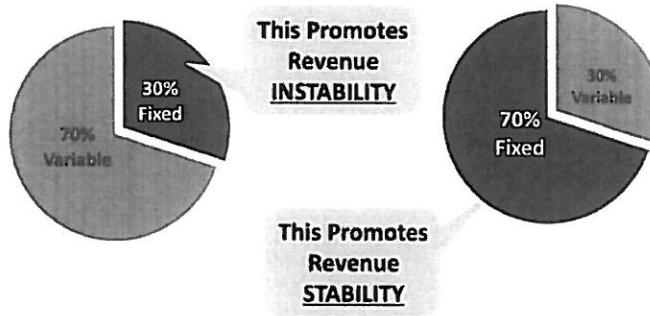
### Rate Design Analysis

How should rate revenue be collected from customers & customer classes?

16

### Rate Design Analysis (Cont.)

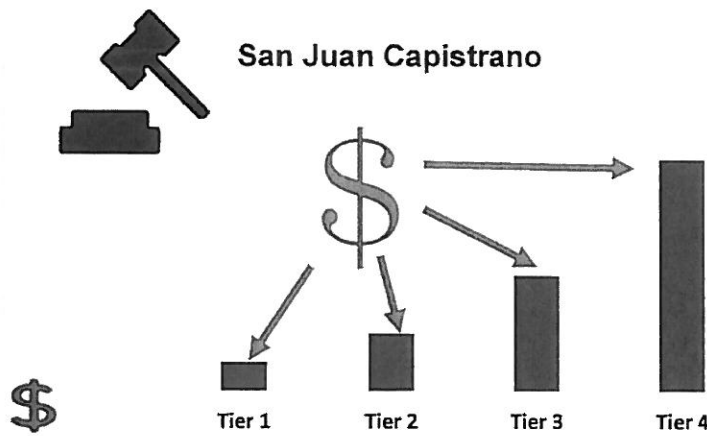
#### Fixed vs. Variable Charges



**\$** Due to Drought/Conservation Impacts, Revenue Stability Now Plays a Bigger Role in Rate Design Than in the Past.

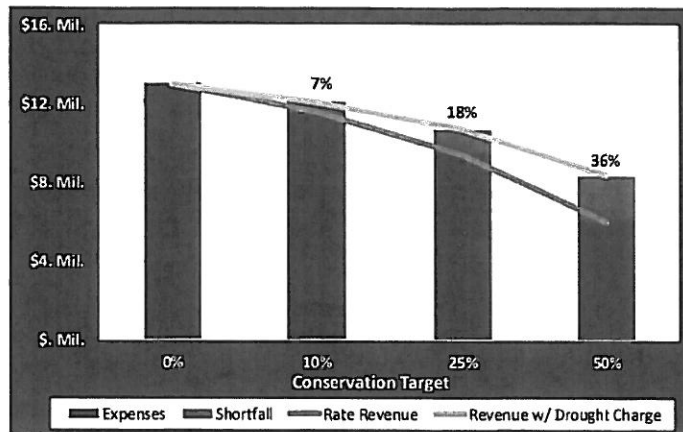
### Rate Design Analysis (Cont.)

#### Volumetric & Tiered Rate Designs:



### Rate Design Analysis (Cont.)

Evaluate Conservation Rates to Offset Decreased Water Sales:



### Questions and Answers

