



**BEAUMONT-CHERRY VALLEY WATER DISTRICT AGENDA  
MINUTES OF MEETING OF THE FINANCE AND AUDIT COMMITTEE  
Thursday, December 7, 2017 at 3:00 p.m.  
560 Magnolia Avenue, Beaumont, CA 92223**

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Directors present:	Chairman Hoffman Director Diaz
Directors absent:	None
Staff present:	General Manager Dan Jagers, Director of Finance and Administrative Services Yolanda Rodriguez, Senior Finance and Administrative Analyst Bill Clayton, Consultant Bruce Kincaid, Accountant III Lorena Gonzales
Members of the public who registered	Tom Todd, Jr. and Fran Flanders

**CALL TO ORDER**

*Chairman Hoffman called the meeting to order at 3:02 p.m. at 560 Magnolia Avenue, Beaumont, California.*

**PUBLIC INPUT**

*No public comment was received.*

**ACTION ITEMS**

1. Adjustments to the Agenda

*The Committee adopted the agenda as presented.*

2. Review and Acceptance of the November 2, 2017 Minutes of the Finance and Audit Committee

*The Committee accepted the minutes of November 2, 2017 as presented.*

3. Receive and File the Check Register for the Month of October 2017

*The Committee received and filed the October 2017 Check Register as presented.*

4. Financial Reports/Recommendations

- a. Review of the October 2017 Budget Variance Report
- b. Review of the October 31, 2017 Cash/Investment Balance Report
- c. Review of the October 2017 Cash Flow Report
- d. Review of Check Register for the Month of November 2017
- e. Review of November 2017 Invoices Pending Approval

*After review and discussion, the Committee recommended presenting the Financial Reports to the Board for approval.*

#### 5. Proposed Amendments to Investment Policy

Chair Hoffman noted there is a lot of detail and definition included.

Director Diaz questioned several areas and received responses from staff.

General Manager Jagers explained the policy was addressed based on comments from the District's auditors and was developed using a recommended model. Mr. Clayton explained that best practices were adapted from the California Municipal Treasurers Association and the California Debt and Investment Advisory Commission investment policy certification program.

Director Diaz asked about current investment vehicles being utilized by the District, and Director of Finance and Administration Rodriguez explained there are two: LAIF and CalTrust. General Manager Jagers drew attention to the table of allowable investments per the California Government Code. Director Diaz suggested use of gender neutral language.

Senior Finance and Administrative Analyst Bill Clayton noted that the Board can further restrict investment activities beyond what is allowed by the California Government Code. This revision parallels what is allowed by the Code and what was contained in the previous policy.

In response to Director Diaz, Ms. Rodriguez assured that the District's internal controls are good.

Chair Hoffman pointed out that the guidelines are based on the objectives of safety, liquidity and yield, and noted the Board previously delegated this responsibility to the general manager; Mr. Jagers noted the revision changes the delegation to the Director of Finance and Administration, but the GM retains ultimate responsibility under the Board.

In response to Chair Hoffman, Ms. Rodriguez explained the currently used investment vehicles and liquidity, and the potential for long term investment options in the future. Chair Hoffman noted the current investments seem secure and reasonable, and said he feels that good choices have been made, including flexibility if needed.

*The Committee recommended presenting the Investment Policy, with changes as discussed, to the Board for approval.*

#### 6. Proposed Amendments to Purchasing Policy

General Manager Jagers drew attention to the current purchasing policy, and contrasted it with the revised version. He noted the impetus for this work was also due to the comments of the District's auditor. The District has new auditors coming in, and staff would like to have this in place.

Chairman Hoffman indicated he liked the chart delegating levels of purchasing authority. Mr. Jagers drew attention to the goals of the policy and the clarifications to give guidance to staff. There are two additional parts of the Policies and Procedures

which pertain to contracting bids and solicitation of professional services, which will be revisited in the future.

General Manager Jagers explained the sections of the policy regarding approvals, informal bids, proposals, and non-discretionary purchases.

Director Diaz asked about petty cash, and Mr. Clayton described the process. Chair Hoffman asked about inventory replenishment. Mr. Jagers explained that the District solicits a biennial bid to choose the best, lowest cost bidder for materials and supplies at a fixed cost for a two-year period. Chair Hoffman followed up, asking about how inventory is tracked. Ms. Gonzales noted that items are tracked electronically and a physical count is done yearly, with spot checks.

Mr. Jagers noted that the section on vehicle purchases was updated to lessen the constraint to purchase through the State's vehicle program due to the potential delay in delivery of items, as had been experienced this year.

*The Committee recommended presenting the Purchasing Policy to the Board for approval.*

## 7. FY 2018 Operating Budget

Director of Finance and Administrative Services Rodriguez presented the balanced budget summary showing \$18 million in revenues, \$13 million in expenses. Director Diaz asked about the reduced estimate of fees; Mr. Jagers explained the figure is for facilities fees and the District does not anticipate as much revenue in 2018. Ms. Rodriguez confirmed that this budget is conservative. Mr. Jagers explained revenue for facilities fees has been under-projected, trying to be realistic but conservative. The strategy is to more accurately forecast.

Director Diaz drew attention to year-to-date total revenue as contrasted with 2018. Mr. Clayton pointed out that the current budget is close to that projection, with \$2 million in facilities fees recently received. Mr. Kincaid noted that developer fees are not part of profit and loss, so budgeting is arbitrary. This income is not for operating revenue. Ms. Rodriguez pointed out developer fees and explained funding of depreciation (capital replacement). The projection of depreciation for 2017 was \$2,554,104. From that, only \$1.8 million will be available to be allocated. Part of the reason for that is for the water purchase which was over budget.

For 2018, the capital replacement expense estimate is \$2.4 million, however only \$1.9 million will be available to allocate to capital replacement; a shortage of \$573,769. Mr. Jagers reminded the Committee that the old rate study under cast the capital replacement needs. There was also a significant amount of developer-built infrastructure that was dedicated to the District which had not been included on the District's asset list, necessitating a significant amount of money added to capital replacement costs. Mr. Jagers noted this will need to be addressed, along with the compensation study and other increased expenses, in a rate study in the next three to nine months.

Ms. Rodriguez detailed the 2018 budget contrasted with the year-to-date actuals of 2017. Mr. Jagers and Ms. Rodriguez explained changes in the staffing plan and the budget impact. Director Diaz clarified that four persons will be added within the

rearrangement of positions, an accounting technician, a water utility person I, an administrative assistant and a senior engineer.

*The Committee recommended presenting the FY 2018 Operating Budget to the Board for approval.*

#### 8. Action List for Future Meetings

*No action items were discussed.*

### ANNOUNCEMENTS

*Chair Hoffman read the following announcements:*

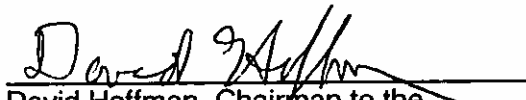
- Engineering Workshop, December 7, 2017 at 7:00 p.m.
- CANCELED: Personnel Committee meeting: December 13, 2017 at 5:30 p.m.
- Regular Board meeting, December 13, 2017 at 7:00 p.m.
- District Offices will be closed Monday, December 25, 2017 in observance of Christmas Day.
- District Offices will be closed Monday, January 1, 2018 in observance of New Year's Day.
- Collaborative Agencies Committee meeting: January 3, 2018 at 5:00 p.m.
- Finance and Audit Committee meeting: January 4, 2018 at 3:00 p.m.
- Regular Board meeting: January 10, 2018 at 7:00 p.m.
- Engineering Workshop: February 1, 2018 at 7:00 p.m.
- Beaumont Basin Watermaster meeting: February 7, 2018 at 10:00 a.m.

*General Manager Jagers noted that in lieu of the Personnel Committee meeting on December 13 there will be a Special Board meeting at 6 p.m.*

*General Manager Jagers advised the group of a meeting of the San Geronio Pass Regional Water Alliance at the City of Banning on January 24 at 5 p.m.*

### ADJOURNMENT

*Chair Hoffman adjourned the meeting at 5:00 p.m.*

  
David Hoffman, Chairman to the  
Finance and Audit Committee of the  
Beaumont-Cherry Valley Water District