



**BEAUMONT-CHERRY VALLEY WATER DISTRICT
MINUTES OF SPECIAL MEETING
OF THE BOARD OF DIRECTORS
560 Magnolia Avenue, Beaumont, CA 92223
Thursday, December 6, 2018 at 6:00 p.m.**

Call to Order: *President Covington began the meeting at 6:04 p.m.*

Pledge of Allegiance: *Led by Director Slawson.*

Roll Call:

Directors present:	President Covington Directors Hoffman, Ramirez, Slawson, Williams
Directors absent:	None.
Staff present:	General Manager Dan Jagers, Director of Finance and Administration Yolanda Rodriguez, Assistant Director of Operations James Bean, Senior Engineer Mark Swanson, Senior Finance and Administrative Analyst William Clayton, Administrative Assistant Erica Gonzales, Information Systems Manager Robert Rasha

Members of the public who registered attendance: Judy Bingham, Libi Uremovic.

Public Comment: None.

1. Review the Draft BCVWD 2019 Operating and Capital Improvement Budget and Direct Staff as Desired

General Manager Jagers introduced the proposed 2019 Operating Budget, and new Capital Improvement Budget. He explained that the schedules from the adopted Capital Improvement Program have been incorporated into a budget, as it was not the intention to adopt the entire CIP plan each year but to add small things and show in a budget. The auditors would like to see an Operating and a CIP budget presented together as a best practice.

Director of Finance and Administrative Services Yolanda Rodriguez drew attention to the five-year CIP budget, which the auditors recommended to show transparency and carry over; with the ten-year CIP Plan adoption every two years or at the pleasure of the Board.

Ms. Rodriguez listed the District's 2018 accomplishments and highlighted the 2019 operating budget and goals.

For the first time, she said, a Comprehensive Annual Financial Report for the 2017 fiscal year was prepared and for submission to the Government Finance Officers Association, for best practices in government accounting and transparency.

Ms. Rodriguez pointed out an expected reduction in revenue by \$2 million from 2018, and expenses are expected to increase by \$1.7 million. For 2019, expected revenue is \$16,528,214 and proposed expenses total \$15,445,197.

Operating revenue proposed is \$13,853,500 and non-operating revenue is proposed at \$2.6 million.

Ms. Uremovic asked about the projected increase in revenue. Ms. Rodriguez described the budget process, and Mr. Jaggars reminded the Board about the increase in investment income in 2018, which was projected forward to 2019.

Ms. Rodriguez continued, describing revenue items. Ms. Rodriguez then detailed expenses. The largest expenditure, at 37 percent of budget, is source of supply. Finance and Administrative Services follows at 33 percent of budget (\$5 million), then transmission and distribution at \$1.9 million.

She presented the new organizational chart showing new positions and proposed human resources manager.

Ms. Rodriguez then drew attention to the five-year Capital Improvement Budget. In 2018, there is a carryover amount for projects such as potable and non-potable infrastructure, IT, and vehicles. President Covington noted the CIP budget was originally approved in 2017 then was amended in March of 2018. He asked if the carryover amounts included 2017; Ms. Rodriguez said they did.

Mr. Jaggars added that the numbers come from a plan brought to the Board twice, and detailed schedules are found in the back of the document. Some of the 136 projects have been delayed, but the District is moving forward and hopes to make headway this year. He expects the CIP to be brought back in 2020.

Ms. Rodriguez explained the \$20 million in carry over funds and President Covington clarified. An additional \$22 million has been proposed for 2019. Mr. Jaggars added that many of the larger projects are development driven. Adjustments will be made to reflect current conditions.

There were nine projects added to the CIP budget in 2019, including the arc flash study and improvements, eyewash stations, well projects, climate control, uninterruptible power supply, server replacement, front office reconfiguration and confined space retrieval system, totaling \$366,000.

Cost saving measures are anticipated, such as grant funding, Rodriguez continued. Goals include establishing financial stability through initiating an overdue water rate study, updating District policies and best practices, improvement of management practices, mitigating hazards, providing professional development opportunities, providing safety equipment and training, ongoing well rehabilitation, maximizing capacity to reduce need for imported water, and obtaining recycled water permits.

Director Williams thanked staff for a thorough report. Director Ramirez asked about actual and proposed budget figures, specifically 2019 expenses of \$15,445,197. He pointed out that Engineering was increased to \$676,648. Ms. Rodriguez indicated the increase is due mainly to added personnel. Mr. Jaggars clarified positions (page 26 of the budget document) and reminded the Board that after

promotion to GM, he was performing dual duties, which reflected in unusual savings.

Director Ramirez asked about the IT Department and the 36 percent budget increase. He noted there were no costs in 2017, but in 2019 expenditures are budgeted at \$449,000. Mr. Jagers noted that previously, there was not a separate budget for IT; it was included in Finance and Administration. Ms. Rodriguez explained the reason for separating IT for tracking purposes. Included are District phones, printing, computers, software and system maintenance, and labor costs. There is no added staff.

Mr. Jagers also noted that due to reporting requirements and updated accounting practices, budgets are also reflecting liabilities for accrued vacation.

President Covington pointed to the water importation surcharge of \$693,000. Mr. Jagers explained imported water is budgeted based on the current SGPWA rate of \$317 per acre-foot. If the SGPWA rate increases, the budget will need to be adjusted.

President Covington noted that Facilities Fees has decreased and noted that, although balanced, this is a significant change from 2018. Mr. Jagers explained that large current projects in process have paid fees, been plan-checked and are in the building phase. Staff expects to see a slowdown, as the market has fallen off in western Riverside County.

President Covington pointed to an increase of \$100,000 in director fees. Ms. Rodriguez confirmed these are anticipated election-related expenses.

President Covington asked about the title of the new human resources position budgeted; Ms. Rodriguez said the consultant has made a recommendation for a Human Resources Manager. Covington said he noticed a \$126,000 increase in the Finance and Administration budget; half of that would then be the HR position.

President Covington pointed to some items in the Capital Improvement Budget. Mr. Jagers noted the projects are large enough to capitalize. Most of the projects have the potential for replacement and depreciation is appropriate for proper accounting.

President Covington noted \$1.5 million for the non-potable booster station. Mr. Jagers indicated this had been included in the CIP and facilities fees collected from developers has included the booster station for the City of Beaumont recycled water project. He reminded the Board that the schedule for the booster station had been presented to the Board and this reflects expenditures through projected completion in 2021.

In response to President Covington, Mr. Jagers confirmed the District has budgeted to replace three more vehicles in 2019. Vehicles older than 10 years and which have reached the end of their service life have been targeted for replacement. A trailer also needs to be replaced for efficiency.

Director Hoffman commented that the California Air Resources Board would soon limit the age of diesel-powered vehicles on the road. The 2018 budget, based on reports to the F&A Committee, was close to what was projected at the end of the year. He also noted the increase in investment income.

Director Slawson noted the detail of the budget and said that he enjoyed the historical images in the budget document. President Covington concurred.

General Manager Jagers commended the Finance and Administrative Services Department on the budget. Director of Finance and Administration Yolanda Rodriguez recognized her staff.

2. General Manager's Report:


Mr. Jagers reported there have been shutdowns on the East Branch Extension resulting in the District receiving less water than anticipated. He noted the SGPWA Rate Study presentation on Monday, December 10, 2018 at 1:30 p.m., which may propose a different rate strategy than that which was proposed in October. He encouraged Board members to attend. In addition, Well 22 has been installed and staff is working to bring it back online.

President Covington said he is hoping to obtain some grant funding to soften the blow of the 2019 budget and the larger projects. Mr. Jagers noted staff has met with the grant writing consultants and supplied them with the District's master plans. They were asked to target those activities. President Covington requested a presentation to the Board during the first quarter of 2019 from the grant writing consultants.

3. Topics for Future Meetings: None.


4. Adjournment

President Covington adjourned the meeting at 7:03 p.m.



Director John Covington, President
to the Board of Directors of the
Beaumont-Cherry Valley Water District

ATTEST:



Director Daniel Slawson, Secretary
to the Board of Directors of the
Beaumont-Cherry Valley Water District