



**BEAUMONT-CHERRY VALLEY WATER DISTRICT**  
560 Magnolia Avenue, Beaumont, CA 92223

**MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING**  
**Thursday, October 6, 2022 at 3:00 p.m.**

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**CALL TO ORDER**

*Chair Hoffman called the meeting to order at 3:03 p.m.*

**Announcement of Teleconference Participation**

General Manager Dan Jagers confirmed teleconference functionality and provided instruction for call-in.

*Attendance*

Directors present:	Director Hoffman and Director Williams
Directors absent:	None
Staff present:	General Manager Dan Jagers Director of Finance and Administration Kirene Bargas, PhD Director of Operations James Bean Director of Information Technology Robert Rasha Finance Manager William Clayton Management Analyst I Erica Gonzales Senior Management Analyst Sylvia Molina Customer Service Supervisor Sandra Delgadillo Administrative Assistant Cenica Smith
Members of the public:	Dr. Blair Ball, San Geronio Pass Water Agency

**PUBLIC INPUT:** None.

**ACTION ITEMS**

1. Adjustments to the Agenda: None.
2. Review and Acceptance of the Minutes of the Finance and Audit Committee meeting

*The Committee accepted the minutes of the Finance and Audit Committee Regular Meeting of September 1, 2022 by consensus.*

3. Receive and file the Check Register for the Month of August 2022

*The Committee received and filed the August 2022 Check Register as presented.*

#### 4. Financial Reports/Recommendations

- a. Review of the August 2022 Budget Variance Reports
- b. Review of the August 31, 2022 Cash and Investment Balance Report
- c. Review of Check Register for the Month of September 2022
- d. Review of September 2022 Invoices Pending Approval

*Chair Hoffman commented that the Budget Variance appears consistent. Mr. Jagers pointed out the expenditures for State Water Project purchases of imported water.*

*Hoffman noted that the water sales budget was at 35 percent remaining and winter sales will go down. He asked about conservation impacts. Mr. Clayton said sales are 3 percent higher in revenue than last year, but rates increased overall by 7 percent, which reflects some conservation. Jagers explained that the best determination of conservation was comparison of production year over year. There is a slight decline, and 500 to 600 houses have been added, he noted. There is lesser usage per capita but not nearly 20 percent, he added.*

*Jagers explained that of the budget for source of supply (State Water Project) purchases of \$4.39 million, to date the District has purchased only \$152,000 of water as it has not been available. More will be coming at the end of the year, he stated. The San Geronio Pass Water Agency importation charges (pass-through) revenue collected to date is \$2.45 million which is out of balance, he noted. Next, year, water will be purchased when it is available, but water has been sold in advance of having it, and storage must be replenished, he explained. The Board will be asked to approve application of the funds to water purchases next year. Director Hoffman asked for an isolated accounting of the water revenue and expense. Finance Manager Bill Clayton added that water sales is still in a net deficit over the last 10 years.*

*Dr. Bargas reviewed the Cash and Investment Balance report.*

*Director Hoffman highlighted the ongoing expenses for paving at \$15,591. In response to President Williams, Mr. Jagers said staff estimates \$7,500 per repair.*

*Mr. Clayton explained a discrepancy of unit mileage related to the expense for Inner City Auto. Jagers explained prepayment of some materials.*

*In response to President Williams, Dr. Bargas noted that electricity charges are actually lower to date. There was an SCE rate increase, Jagers noted, but due to fire emergencies and other circumstances wells were run at different time of use periods last year. In addition to drought conservation, Operations is managing the run times in a way to realize more savings, he explained.*

*Jagers advised the Committee of thefts at the District's warehouse and explained that a project will be proposed to convert an existing facility to materials storage.*

*In response to President Williams, Jagers explained remedial work on private property at Beau Crest Ranch following installation of a pipeline.*

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

5. Expense and Per Diem Compensation Claims Submitted for Approval

*After acknowledgement, the Committee recommended presenting the Expense and Per Diem Compensation Claims to the Board for approval.*

6. Preliminary (DRAFT) 2023 Budget Review

*Director of Information Technology Robert Rasha provided direction to the Budget handout posted on the District's website.*

*General Manager Jagers prefaced the discussion and described the different budget scenarios to be presented. In consideration are drought surcharges, and the complexity of available imported water. It is concerning to see the budget in the red by \$3 million or more, but monies have been collected from the last two years to fill that void, he noted.*

*Dr. Bargas presented the draft budget scenarios. She and Mr. Jagers detailed the following:*

- *COLA capped at 5 percent based on the Memorandum of Understanding*
- *Reclassification of a customer service position*
- *Public outreach and education*

*Budget scenarios were presented. Details were discussed:*

- *Imported water purchases*
- *Additional paving costs*
- *COLA and Koff study application*
- *Annual recurring AMR / AMI expenses*
- *Drought surcharges (to account for 20 percent reduction in sales)*
  - *If drought surcharges are not enacted, the anticipated budget shortfall is \$1.77 million which would need to come from reserves to balance the books, Jagers explained.*

*Jagers pointed out that although the revenue anticipated by the 2019 rate study is being generated, the financial impacts of employee costs, the City's paving requirements, materials and fuel price increases, and more the District is still above the line, holding its own, and is reasonably healthy. Capital projects are being held off in hopes that the market will improve the next year, he advised.*

*Part of the exercise is setting the stage of expectations for understanding the cost of buying more water, Jagers stated. Staff is looking at every possibility to assure understanding.*

*Dr. Bargas reviewed the budget line items and year to year comparison of the 2022 adopted and 2023 proposed budget.*

The Committee took a short recess at 4:03 p.m.

*Administration*

*Jagers noted the planned increase in Miscellaneous Fees, upcoming election expenses, a promotion in the Engineering Department, Beaumont Basin*

*Watermaster, and more. Dr. Manini pointed out variances in training, education and travel, administrative expenses, and media outreach. AMR/AMI assistance has been continued into 2023, Ms. Molina added.*

*The \$237,000 cost of an Assistant General Manager has not been included pending the outcome of the Workforce Planning activity, Jagers advised.*

#### *Human Resources*

*The budget for training and conferences has been increased, Bargas explained. That funding for consultant HR Dynamics has also been included. President Williams pointed out that Director Covington had wanted a different entity to go over efficiency. Jagers indicated this is being covered by the Mejorando Group and the Workforce Planning and Succession study. HR also has a consortium membership, Molina noted.*

#### *Information Technology*

*Items are much the same as the prior year, Bargas stated. Some increased costs are Internet and telephone service, satellite, licenses, security and alarms, and insurance. Mr. Rasha explained the separation of cybersecurity insurance and a separate rider at \$7,000 annually, and responded to questions from the Committee.*

*Jagers explained a change in the method of budgeting pursuant to comments last year by Directors Ramirez and Covington. In response to President Williams, Jagers reminded that the MOU negotiation resulted in monthly incentive pay for certification above the employee's position.*

#### *Imported Water Order*

*This is the key creating significant expenditures, Jagers advised. He advised that the District will need to replace into storage approximately 15,000 acre-feet at \$399 totaling approximately \$6 million. The funds in reserves that were collected to be spent on water should not be spent, he emphasized. If the San Gorgonio Pass Water Agency raises that rate and the water has not been purchased, Jagers continued, the pass-through rate has been under collected and must be raised to close the deficit.*

#### *Operations*

*Bargas noted various cost increases. Mr. Bean referred to hazardous materials plans and certifications. Mr. Jagers advised about the potential need to address Chromium 6, which could be extremely costly.*

*Bargas and Jagers described labor costs in Operations. President Williams asked about budget for street sweeping; Jagers explained that this is part of the significantly increased cleanup requirements on pavement penetrations from the City of Beaumont. This is not something that has historically been paid, but reflects Director Ramirez' admonishment to look for savings using contract labor, he added.*

*Public Outreach and Education: the CV Strategies contract – was moved under Finance, Bargas advised.*

*Dr. Bargas requested the Committee make a choice as to which budget scenario to present to the full Board. Ms. Molina explained the defining factors and Mr. Jagers reiterated the calculations related to imported water and replenishment.*

*President Williams asked about the conditions to have a balanced budget and Dr. Bargas indicated that funds would have to be pulled from reserves. Jagers pointed to the imported water purchases and Director Hoffman opined that would be unlikely; Jagers agreed. Without implementing the drought surcharge, Jagers reiterated, the District will be more than \$1.077 million unbalanced. Implement drought surcharges and the budget is in the black by \$77,000, he explained.*

*Jagers advised that many things had been trimmed from the budget but needs such as temporary staff had been maintained. There are other things that it would be nice to do, that may be done next year, he added. The budget contains what is reasonable and defensible in a tough economic climate with drought, he noted.*

*The Committee discussed the options. Staff recommended Option 2b.*

*The Committee selected Budget scenario 2b as the starting point for discussion with the full Board by the following vote:*

MOVED: Williams	SECONDED: Hoffman	APPROVED 2-0
AYES:	Hoffman, Williams	
NOES:	None	
ABSTAIN:	None	
ABSENT:	None	

*Jagers acknowledged the work of the San Geronio Pass Water Agency and the collaborative efforts.*

**7. Action List for Future Meetings**

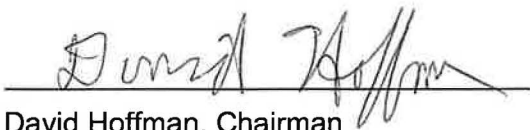
- *Chandler Asset Management update*
- *Procurement of additional water supplies*
- *Budget timeline and potential special meeting*

**ANNOUNCEMENTS**

*Chair Hoffman read the following announcements:*

- Regular Board Meeting: Wednesday, Oct. 12, 2022 at 6 p.m.
- Personnel Committee Meeting: Tuesday, Oct. 18, 2022 at 5:30 p.m.
- Special Meeting of the Finance and Audit Committee: Thursday, Oct. 20, 2022 at 3 p.m.
- Engineering Workshop: Thursday, Oct. 27, 2022 at 6 p.m.
- Collaborative Agencies Committee: Wednesday, Nov. 2, 2022 at 5 p.m.
- Finance and Audit Committee Meeting: Thursday, Nov. 3, 2022 at 3 p.m.
- Beaumont Basin Watermaster Committee: Wednesday, Dec. 7, 2022 at 11 a.m.

**ADJOURNMENT: 6:35 P.M.**



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