



BEAUMONT-CHERRY VALLEY WATER DISTRICT

560 Magnolia Avenue, Beaumont, CA 92223

MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING

Thursday, October 5, 2023 at 3:00 p.m.

CALL TO ORDER

Chair Hoffman called the meeting to order at 3:24 p.m.

Attendance

Directors present:	Director Hoffman and Director Williams
Directors absent:	None
Staff present:	General Manager Dan Jagers Director of Information Technology Robert Rasha Director of Operations James Bean Assistant Director of Finance and Administration Sylvia Molina Human Resources Manager Ren Berioso Senior Management Analyst Lorena Lopez Management Analyst I Erica Gonzales Water Utility Superintendent Julian Herrera Executive Assistant Lynda Kerney
Members of the public:	None

PUBLIC INPUT:

General Manager Jagers introduced Human Resources Manager Ren Berioso.

ACTION ITEMS

1. Adjustments to the Agenda:

Mr. Jagers identified a correction related to Item 4, requested Chair Hoffman pull Item 7 from the agenda without discussion, and identified page numbers for Item 8.

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 Meeting of September 7, 2023 by consensus.

3. Receive and file the Check Register for the Month of August 2023

The Committee received and filed the August 2023 Check Register as presented.

4. Financial Reports/Recommendations

- a. Review of the August 2023 Budget Variance Reports
- b. Review of the August 30, 2023 Cash and Investment Balance Report
- c. Review of Check Register for the Month of September 2023
- d. Review of September 2023 Invoices Pending Approval

Chair Hoffman pointed to the interest income from Fairway Canyon budgeted at \$252,000 but none received. Finance Manager Bill Clayton noted there is an amortization schedule: Fairway Canyon will be billed in December, and the revenue will be recognized at that time, although the actual funds may not be received until early 2024. General Manager Jagers provided detail on the Agreement.

Chair Hoffman pointed to sales, noting the year is 2/3 over. He indicated that revenues billed for the summer may still not be reflected. Assistant Director of Finance and Administration Sylvia Molina added there will be a big difference once the September numbers are in, but since it was a cool year, not as much as had been realized in the past. Mr. Jagers added that production is expected to be off by 24 or 25 percent, which correlates to an anticipated revenue shortfall. Chair Hoffman stated that budget adjustments can be made.

Mr. Jagers advised that the District's budget must ultimately be averaged over time given weather impacts to water sales.

Mr. Clayton presented the Cash and Investment Balance Report, and drew attention to a change: adding a Difference column. He assured that activity is in line with the Investment Policy.

Staff responded to committee inquiries about the following items:

- Credit report costs
- CV Strategies
- Purchase of rock for dust control
- Asphalt MDs
- DMV registration for boat
- Day and Night Door Repair
- Carpet removal at District residence
- Brass valves for booster stations
- Curb stop lock for meter

General Manager Jagers provided an update on paving costs. He indicated that it may come to the Board at the end of the year for a Proposition 218 process for rate adjustment related to the expenses.

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

The Committee reviewed the Expense and Per Diem Compensation Claims without comment.

6. Acknowledgement of Award: Investment Policy certification from the California Municipal Treasurer's Association

Mr. Clayton shared the certificate and explained the award.

7. Proposed New Policies or Policy Revisions
a. 5031. User Fee Cost Recovery – revision

Chair Hoffman removed this item from the agenda at the request of staff.

8. Preliminary 2024 Budget Review (DRAFT)

Assistant Director of Finance and Administration Sylvia Molina reviewed the budget process.

Ms. Molina and Mr. Jagers provided detail on the following specific budget items and answered questions from the Committee:

- Staffing strategy and change of temporary water positions to regular positions, and additional positions in the Operations Department
- Reserves are funded at 75 percent; money has been taken from reserves to buy water when available
- Revenues are lower than the 2019 Rate Study had anticipated capturing due to:
 - Higher than expected inflation rates
 - Unanticipated paving costs for the City of Beaumont
 - Increased insurance costs
 - Lower than normal water sales due to wet weather
- Budget carryovers and amendments
- Southern California Edison charges higher than expected / pass-through
- Budgeted zero for maintenance fees for the vacant District residence until it is restored to habitable condition
- Increased interest income
- Grant funds for the AMR/AMI project
- Cost of Living Adjustment at 3.7 percent
- Three new divisions created to promote transparency
- Election expenses are typically billed in the year following the election (2025)
- Unfunded liabilities are lower due to the earlier action of the Board to set up the OPEB trusts
- Professional services budget includes the upcoming rate study
- Human Resources department staff and memberships
- IT Department new software to comply with legislation passed
- State Water Project purchases
- Increased costs of electricity for wells
- Increase of 35 percent in Operations
- Increase in budget for inspections (cost to developer)
- Added Senior Water Utility Person
- HR legislation – Increase in sick time for part time employees to 40 hours
- Director compensation. Director Williams asked about the potential for budgeting, and Ms. Molina reminded that direction from the Board was to budget more realistically rather than a maximum amount. Jagers noted that the annual review of the per diem compensation rate is on the Nov. 8 Board agenda. If budgeted at the maximum of 10 meetings per month, \$100,000 would be added to the budget,

he noted. Director Williams said her goal was to budget to avoid needing transfers or budget adjustments later.

Ms. Molina reported an increase in the last couple of months in the occurrence of illegal jumpers. Operations has been locating and stopping them, and there are repeat offenders, she advised. Mr. Clayton recommended Board discussion regarding a potential increase in the \$1,150 penalty. The amount is intended to be punitive, but the number of repeat offenders seems to demonstrate it is not punitive enough. Offenders are mostly developers, Ms. Molina advised. Chair Hoffman asked if it was mostly the developer or subcontractors; Director of Operations James Bean responded.

In response to Chair Hoffman, Ms. Molina confirmed there had been an increase in customer payments on credit cards. She advised there is a new recurring payment option via a third-party vendor; but people still like to come in to the office, and customer service is busy. The credit card per transaction fee charged to customers is \$2.50 and to developers is 3 percent, Ms. Molina answered. The fees charged to the District vary by credit card company, she noted. She said it appears that credit card fees collected are covering the charges.

9. Annual Report: Fleet Maintenance Activity

This item is brought back per request of directors, Mr. Jagers noted. The staff recommendation is no change at this time, he explained. Mr. Bean described the enterprise fleet program.

Director Williams asked about the program's correlation with the upcoming zero emission vehicles mandate. Mr. Bean stated those would be phased in with electric vehicles, but there would need to be significant investment in charging stations, on-call staff, and other costs that remain to be seen.

Mr. Jagers and Mr. Bean elaborated on the future of an electric fleet, and on further anticipated legislation.

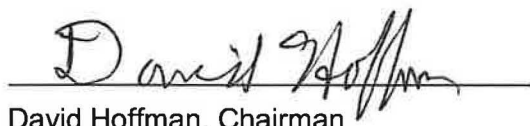
10. Action List for Future Meetings: None added

ANNOUNCEMENTS

Chair Hoffman pointed out the following announcements:

- Regular Board Meeting: Wednesday, Oct. 11 at 6 p.m.
- Personnel Committee Meeting: Tuesday, Oct. 17 at 5:30 p.m.
- Finance & Audit Committee special meeting: Thursday, Oct. 19 at 3 p.m.
- Engineering Workshop: Thursday, Oct. 26 at 6 p.m.
- Finance & Audit Committee meeting: Thursday, Nov. 2 at 3:00 p.m.

ADJOURNMENT: 5:35 P.M.



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