



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

MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING
Thursday, November 2, 2023 at 3:00 p.m.

CALL TO ORDER

Chair Hoffman called the meeting to order at 3:14 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 Engineering Mark Swanson Director of Operations James Bean Assistant Director of Finance and Administration Sylvia Molina Finance Manager Bill Clayton Management Analyst I Erica Gonzales Senior Water Utility Worker Andrew Becerra Water Utility Superintendent Julian Herrera Administrative Assistant Cenica Smith
Members of the public:	None

PUBLIC INPUT: None.

ACTION ITEMS

1. Adjustments to the Agenda: None.
2. Receive and file the Check Register for the Month of September 2023

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

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

Chair Hoffman noted that \$6,510,000 had been budgeted for water sales and \$898,231 received, pointing out the warmer weather and larger landscape consumption. General Manager Jagers acknowledged that revenues will be lower than budgeted. He discussed purchase of imported water and related costs.

In response to Chair Hoffman, Assistant Director of Finance and Administration Sylvia Molina discussed the recording of depreciation for the purposes of transparency. Mr. Jagers added detail on funding of facilities replacement, noting that the Capital Improvement Program is behind schedule due to several factors. Finance Manager Clayton explained the disposition of depreciated assets.

Staff responded to questions regarding capacity charges and increases in the price of materials.

Staff responded to committee inquiries about the following items:

- Media outreach
- Return on investment in government bonds
- Dozer repairs
- John Deere tractor emergency brake repairs
- Encroachment permits
- Lawyer's Title Company for title reports for Elm Avenue right-of-way
- Reissue of rent check
- Excessive cost of one paving repair within the City of Beaumont for \$16,750.13

Ms. Molina explained upcoming funds transfers into LAIF and investments in US Treasuries.

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

4. Expense and Per Diem Compensation Claims Submitted for Approval

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

5. Quarterly Report: Review of District Contract Expenditures in Fiscal Year 2023

Chair Hoffman commented on the concise information presented. Ms. Molina pointed out the savings with CV Strategies and said there will be a report to the Board at the end of the year.

Chair Hoffman pointed out that with the new HR Manager, the services of HR Dynamics will not be needed much longer. Ms. Molina stated that the consultant is currently assisting the new HR Manager with policies and will likely remain through the end of the year. Services are budgeted for 2024, but no plan has been made, she added.

6. Quarterly Report: Electric Cost Analysis

Finance Manager Clayton noted that the table represents the nine months of costs, and further analysis is being performed to determine the actual variable costs given this year's lower production. Analysis shows the fees are inaccurate, Jaggars added, and explained the pass-through costs. A Southern California Edison cost increase with be coming next year, he noted, and staff is looking at the reality if there is return to average year sales.

Chair Hoffman asked about the projection of fixed and variable costs, and Mr. Jaggars responded. He discussed current production and energy costs of pumping in Edgar Canyon vs. Beaumont Basin.

Director Williams asked about the difference in costs for Well 25. Ms. Molina noted the well was down for a period of time. Mr. Clayton also explained the well is co-owned with the City of Banning.

7. 2023 Budget Adjustment Transfer in the amount of \$8,000 for Trainings, Education, Meetings and Travel

Assistant Director of Finance and Administration Sylvia Molina briefed the Committee on the mid-year budget review. Items in the interest of transparency are brought to the Board, she noted. In review of the Trainings, Education, Meetings and Travel, the budget is expected to be under by approximately \$8,000, she explained, and requested transfer from the Election expenses account.

Ms. Molina advised that another \$5,000 increase may be requested due to the potential for a Board member to attend additional training next year. Director Williams asked about the reasons for the increase and Ms. Molina noted there had been more training happening plus more travel and hotel stays than expected. Additional expenses included car rentals, upgrades, and other unplanned costs, she said.

Director Williams requested a copy of the applicable policy and when it was last approved. Ms. Molina indicated that the policy provides some guidelines, but it is up to the Board to police themselves and advise staff. Management Analyst I Erica Gonzales advised that it was last approved in two parts in 2017. It is on the radar to bring to the Board for review, Molina noted.

The Finance and Audit Committee recommended moving this item forward for consideration by the Board of Directors by the following vote:

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

8. Review of the Fiscal Year 2024 Operating Budget and 2024-2028 Capital Improvement Budget (DRAFT)

Assistant Director of Finance and Administration Sylvia Molina reminded the Committee about items that could change. There is a public hearing at the next meeting for potential change to the Director per diem compensation. Staff has used the 3.7 percent COLA as a placeholder, but the Board can approve any increase up to 5 percent. Depending on decisions made about the Trainings budget, that amount may increase.

Ms. Molina pointed out the update of photos in the document and reviewed the budget numbers changed in this draft including the cleaning service increase.

Chair Hoffman asked who oversees the cleaning contractor, and Ms. Molina said she had assigned it to Cenica Smith. Mr. Swanson added that if there are issues at the Engineering office, he reports them to the administration office to maintain one point of contact. Chair Hoffman recommended weekly checks / walk throughs to assure things are being maintained.

Some updates were made to the Capital Improvement Budget, Ms. Molina noted.

Chair Hoffman pointed out the non-potable pipeline projects which will provide recycled water when it is available in the future.

Chair Hoffman asked about the hours of staff time spent preparing the budget. Ms. Molina said the process starts on the first of the new year and involves a 297-item checklist. Everyone contributes to the work, she explained. She assured Chair Hoffman that the predictions were as accurate as possible using staff's best judgment. Chair Hoffman noted the ability to make adjustments when necessary, but the need to be on firm ground / good foundation.

By consensus, the Finance and Audit Committee recommended moving this item forward for consideration by the Board of Directors.

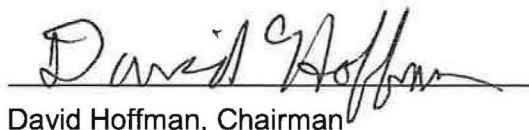
9. Action List for Future Meetings: None added

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: 4:25 P.M.



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