



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

**MINUTES OF THE FINANCE AND AUDIT COMMITTEE SPECIAL MEETING**  
**Thursday, July 11, 2024 at 3:00 p.m.**

---

**CALL TO ORDER**

*Chair Hoffman called the meeting to order at 3:04 p.m.*

**Attendance**

Directors present:	Director Hoffman and Director Williams
Directors absent:	None
Staff present:	General Manager Dan Jagers Assistant Director of Finance and Administration Sylvia Molina Director of Information Technology Robert Rasha Director of Operations James Bean (3:14 p.m.) Finance Manager William Clayton Management Analyst II Erica Gonzales Management Analyst I Edith Garcia Customer Service Supervisor Sandra Delgadillo Administrative Assistant Cenica Smith
Members of the public:	Evelyn Morentin-Barcena from Rogers, Anderson, Malody & Scott, LLP (District Auditors)

**PUBLIC COMMENT:** *None.*

**ACTION ITEMS**

1. Adjustments to the Agenda: *At the request of staff, Chair Hoffman called agenda item 5 out of order.*

**5. Review of Draft 2023 External Audit and Annual Comprehensive Financial Report**

*Finance Manager Bill Clayton introduced Evelyn Morentin-Barcena of Rogers, Anderson, Malody & Scott (RAMS), the District's auditors.*

*Ms. Morentin-Barcena advised that staff did a good job of providing all needed information and the process was clean and smooth. It was a clean audit, and RAMS is issuing an unmodified opinion, she noted. There are no reportable findings over internal control.*

*Ms. Morentin-Barcena described the audit process. She noted that controls were found to be soundly in place and there were no findings or recommendations. Substantial testing of the numbers (cash balances, etc.) took longer than usual due to items in inventory but the numbers were sound, and it is not believed there are any material misstatements in the financial statements.*

*Overall, the report is very similar to last year, Ms. Morentin-Barcena stated. She advised of a new Governmental Account Standard Board (GASB) requirement and identified no subscriptions in that category.*

*Chair Hoffman asked Ms. Morentin-Barcena how Beaumont-Cherry Valley Water District (BCVWD) compares to other agencies. She said RAMS specializes in governmental audits and BCVWD has a healthy net position and good reserves in place without need to finance larger projects. Fund structures are similar, but every agency takes a different approach as to percentage to fund for capital improvements or emergency reserves. BCVWD's is fairly in line with others' structures.*

*Chair Hoffman noted that the District collects developer fees for recycled water when and if it becomes available, which will be a big impact. He described infrastructure needs, current uncertainty, and the potential four years' time in the process. He noted the basis for the fees will be impacted by current costs and inflation. Mr. Clayton advised that there is a capacity charges study in progress. Director of Operations James Bean acknowledged there are many unknowns.*

*In response to Director Williams, Ms. Morentin-Barcena said unmodified opinions are fairly standard. She pointed out that the District's key staff have been in place for a long time and have been able to keep up with the reporting standards.*

*Mr. Clayton provided some detail from the report (as of December 31, 2023):*

- Total assets were \$215.9 million*
- Total liabilities were \$12.0 million*
- Net position was \$204.9 million*
- Unrestricted net position was \$31.8 million*
- Cash and Investments was \$83.4 million*
- Significant liabilities are Other Post Employment Benefits (retiree health) and net pension liability*
- Operating revenues of \$18.2 million (decreased by \$0.08 million)*
- Total operating expenses of \$23.1 million (increased by \$7.7 million)*

*Chair Hoffman asked about the value of the Bogart Park property. Mr. Clayton indicated there is a line item "Land" valued at \$7.5 million. Mr. Jagers pointed out that the Asset List is not a true representation of today's value.*

*In response to Chair Hoffman, the largest single liability is the developer deposits of approximately \$3.5 million, Mr. Clayton answered.*

*The 2023 ACFR will be submitted to the Government Finance Officers Association for consideration of an award for the seventh year.*

*The Committee recommended presenting the Draft 2023 External Audit and Annual Comprehensive Financial Report to the full Board of Directors by the following vote:*

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

2. Receive and file the Check Register for the Month of May 2024

The Committee received and filed the Check Register as presented by the following vote:

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

3. Financial Reports/Recommendations

- a. Review of the May 2024 Budget Variance Reports
- b. Review of the May 31, 2024 Cash and Investment Balance Report
- c. Review of Check Register for the Month of June 2024
- d. Review of June 2024 Invoices Pending Approval

*Chair Hoffman noted that with the change in weather, more water will be used. He said he observed that schools and parks are running sprinklers during the day and are inefficient. Director of Operations James Bean said staff is in communication and trying to educate those entities.*

*Staff highlighted and/or responded to committee inquiries about the following items:*

- *Cashiering shortages / overages were due to an overpayment left in the drop box. Staff is trying to identify the depositor*
- *Figures for overtime and double time are transfers and have been corrected*
- *Cash Balance Report – General Cash has a negative amount. Transfers were made to ensure funds for the final payment for MDP Line 16 of \$1.78 million. The payment was made by wire transfer within the bank’s confirmation / security process*
- *Discussed Chandler Investment Services market value and yield. Mr. Clayton pointed out notes on the portfolio*
- *Core & Main, LP: Project Kickoff: Close to \$100,000 has been spent on the AMR/AMI project. Mr. Clayton noted that Core & Main had failed to send an earlier invoice and the amount is now being paid*
- *Orange County Winwater Works: brass valve – the amount is large because a quantity of 500 brass valves was purchased*
- *City of Beaumont Encroachment Permit at 461 W. 6th Street*
- *MCC Equipment Rentals – approved contract for pipeline replacement*
- *Sulzer Electro-Mechanical Services – for electric motor repair on Well 21*
- *Kemcorp Construction – refund of deposit on construction meter*
- *Ludwig Engineering check reissue – Ludwig requested a replacement check*
- *SSD Alarm: monthly security for buildings*

The Committee recommended presenting Item 3a May 2024 Budget Variance Reports to the Board for approval by the following vote:

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

The Committee recommended presenting Item 3b May 31, 2024 Cash and Investment Balance Report to the Board for approval by the following vote:

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

The Committee recommended presenting Item 3c Review of Check Register for the Month of June 2024 to the Board for approval by the following vote:

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

The Committee recommended presenting Item 3d Review of June 2024 Invoices Pending Approval to the Board for approval by the following vote:

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

#### 4. Expense and Per Diem Compensation Claims Submitted for Approval

The Committee reviewed the Expense and Per Diem Compensation Claims. The claims were approved by the following vote:

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

5. Review of Draft 2023 External Audit and Annual Comprehensive Financial Report

This item was heard earlier in the meeting.

6. Banking Services Request for Proposal (RFP)

*Assistant Director of Finance and Administration Sylvia Molina explained that Wells Fargo has been the vendor since 2013. As a best practice, California Society of Municipal Finance Officers (CSMFO) recommends a review after 10 years. She described the three responses that were received to the RFP. All banks could meet the District's needs, but the other two were not locally located. Based on scoring, cost savings, and past service, staff recommends Wells Fargo, but services can be split, she noted. She requested a recommendation to the full Board for a new six-year agreement with an option for two additional two-year extensions with Wells Fargo.*

*In response to Director Williams, Ms. Molina confirmed that neither Bank of America nor Chase responded to the RFP; however, they did ask questions. Issues noted were the District's size and quickness of the process (30 days).*

*In response to Chair Hoffman, Ms. Molina indicated she would be the person with the most interaction with the chosen bank. Eventually, those tasks will be passed on to other Finance staff. She said she has had those banking responsibilities since her start with the District, 12 years ago. The most valuable asset working with a bank is the reporting aspect, as she does reports that need to be timely and accurate. There is good communication and good internal controls, she noted.*

*The other RFP respondents had reporting capabilities, but another deciding factor was cost, Ms. Molina stated. She responded in detail to the Committee's specific questions about banking procedures and fees.*

The Committee recommended a new six-year agreement with option for two additional two-year extensions with Wells Fargo to be forwarded to the full Board by the following vote:

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

7. Policies and Procedures Manual Updates / Revisions

a.	Policy 5046	Other Post Employment Benefits (OPEB) Funding Policy
----	-------------	--

*Finance Manager William Clayton explained the proposed policy for annual review. Staff proposes a change to remove the fixed dollar amount and replacing it with a formula based on the rate study consultant's determination.*

The Committee recommended the policy with language change to be forwarded to the full Board by the following vote:

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

8. Update on Policy Tracking Matrix

*Ms. Molina reviewed the monthly report. She noted that finance and customer service-related policies will come to the Committee throughout the year, while taking into account the budget process. Mr. Jagers noted that policy processing activity has doubled.*

*Mr. Jagers advised that he will be proposing an increase to the General Manager's current authorized expenditure amount of \$25,000. During discussion with President Covington about rehabilitation of the mobile unit, he indicated he was interested in seeing something put forward to avoid being hamstrung with Board approval on simple maintenance items.*

*The Purchasing Policy has been on the radar, as some of the limits are low, Ms. Molina indicated. Staff has been looking at the policies of other agencies and seeking guidance on the current standard.*

*Director Williams suggested \$75,000.*

9. 2024 Mid-Year Budget Review

*Ms. Molina introduced this look at revenues and expenses in order to determine if all is on track. She said she is looking for the places where there have been savings and places where there may be shortages.*

*Ms. Molina presented the Budget Variance Report as of June 30 and pointed to the highlighted budget transfers. She noted that Labor items usually move around and drew attention to a few adjustments.*

*General Manager Jagers reminded that the Budget document approved by the Board authorizes the General Manager adjust any one line item up to \$50,000. These transfers are all reviewed internally, and those above \$50,000 are requested approval of the Board (i.e., imported water purchase).*

*The Summary of 2024 Mid-Year Transfers will also be presented to the Board for transparency, Ms. Molina added.*

10. Action List for Future Meetings:

- Chandler Asset Management update
- Information on the Low-Income Household Water Assistance Program (LIHWAP)
- Impacts of "Making Conservation a California Way of Life" regulations
- Policies to be reviewed

**ANNOUNCEMENTS**

*Chair Hoffman pointed out the following announcements:*

- Personnel Committee meeting: Tuesday, July 16 at 5:30 p.m.
- San Geronio Pass Regional Water Alliance: Wednesday, July 24 at 5 p.m.
- Engineering Workshop: Thursday, July 25 at 6 p.m.
- Finance & Audit Committee meeting: Thursday, Aug. 1 at 3 p.m.
- Beaumont Basin Watermaster Committee: Wednesday, Aug. 7 at 11 a.m.
- Regular Board meeting: Wednesday, Aug. 14 at 6 p.m.

**ADJOURNMENT: 4:38 P.M.**



David Hoffman, Chairman

to the Finance and Audit Committee of the Beaumont-Cherry Valley Water District

