



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

**MINUTES OF THE FINANCE AND AUDIT COMMITTEE SPECIAL MEETING**  
**Thursday, October 17, 2024 at 3:00 p.m.**

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**CALL TO ORDER**

*Chair Hoffman called the meeting to order at 3:15 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 Assistant Director of Finance and Administration Sylvia Molina Director of Operations James Bean Water Utility Supervisor Julian Herrera 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:	Jacob Montagne

**PUBLIC COMMENT:** *None.*

**ACTION ITEMS**

1. Adjustments to the Agenda: *None.*
2. Review of the Fiscal year 2025 Operating Budget (DRAFT)

Assistant Director of Finance and Administration Sylvia Molina provided a detailed overview of the proposed budget.

Revenue Highlights:

- Gross Revenue: Ms. Molina noted that the budget is based on a gross revenue of \$24,097,000, driven by water sales, fixed meter charges, and other service fees. She clarified the distinction between gross revenue (all recorded transactions) and net revenue (cash available for operations)

- Net Revenue: The net revenue, after excluding capacity charges and other restricted funds, is projected at \$22,188,100
- Fixed Meter Charges: These charges are projected to increase, reflecting the growing customer base and additional meter installations. Ms. Molina noted that projections accounted for a 10% disconnection buffer
- Development Income: Ms. Molina explained the decline in development-related revenues, attributing it to a slowdown in large-scale construction projects
- Grant Revenue: She highlighted the district's conservative estimate for grants while acknowledging active applications for cybersecurity, safety training, and infrastructure

#### Expense Highlights:

- Gross Expenses: Total expenses are estimated at \$25,828,000. Ms. Molina emphasized the inclusion of inflation-driven increases for energy and insurance, along with planned personnel costs
- Energy Costs: Electricity costs for wells are expected to increase by \$350,000 due to utility rate hikes
- Insurance: Ms. Molina pointed to a \$200,000 increase in liability and property insurance, primarily driven by higher premiums
- Personnel Costs: The budget incorporates a 2.5% cost-of-living adjustment (COLA), ongoing staffing needs, and the completion of a compensation study. Ms. Molina stressed that these costs are necessary to align with district growth

#### Budget Position:

- Balanced Budget: Despite challenges, Ms. Molina affirmed that the budget remains balanced with a net surplus of \$191,400
- Rate Study Integration: She highlighted that the current financial model includes input from the ongoing water rate study, and the final recommendations from the study will refine long-term planning

#### Additional Remarks:

- Revenue vs. Expenses: Ms. Molina emphasized transparency by breaking down gross and net figures, clarifying the District's reliance on net revenue for operations
- Collaborative Budgeting: She praised the District-wide collaborative effort, noting that department heads contributed significantly to refining the budget
- Conservative Approach: Ms. Molina reiterated the District's conservative approach to projecting revenue, particularly for development charges and interest income

General Manager Dan Jagers provided insight into several major cost centers impacting the budget. He stressed the importance of a holistic, long-term approach to managing costs across all centers. He pointed out the necessity of balancing operational and capital needs, especially in the context of increased regulatory requirements and inflation.

#### Recycled Water:

- Mr. Jagers emphasized the importance of recycled water as a critical future resource to offset the cost of imported water. He explained that integrating recycled water into the District's supply would reduce reliance on costlier sources, improving long-term financial and operational sustainability

Imported Water:

- Jagers elaborated on the District's three primary water sources: imported water, Edgar Canyon, and unused overlie allocations. He noted that imported water costs are a significant expense and are carefully calculated based on projected needs and long-term averages. He indicated that the cost of imported water is expected to remain steady but highlighted the potential impact of future rate adjustments through the rate study
- He further mentioned that factors like drought conditions and atmospheric river events affect the reliance on imported water, making planning and budgeting complex

Unfunded State Mandates:

- Jagers expressed concern over the financial impact of unfunded state mandates, particularly California's "Conservation as a Way of Life" regulations. He explained that if the state's targets are achieved, district-wide water consumption could decrease by 30%, reducing sales revenue. However, he noted that fixed costs such as meter charges and operations would likely increase due to these mandates, requiring future rate adjustments to ensure financial stability
- Additional costs tied to Chromium-6 compliance, zero-emission fleet mandates, and conservation-driven rate changes are upcoming challenges to the District's financial health.

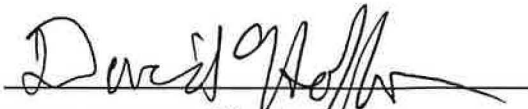
During the discussion, Director Lona Williams raised questions about capacity charges and their connection to development activity, as well as how mandates like California's "Conservation as a Way of Life" might affect water sales and revenue. She also touched on local trends, such as the potential impact of new agricultural developments, on District operations.

Director David Hoffman focused on clarifying accounting practices, including the role of depreciation and pension expenses in the budget. He also explored how the District accounted for changes in water usage behavior in its revenue projections, ensuring they aligned with operational needs.

The Committee's discussion demonstrated a keen interest in the district's financial stability, focusing on key factors like development trends, regulatory compliance, and the assumptions underlying revenue and expense projections. Their questions reflected a desire for transparency and a cautious approach to fiscal planning amidst evolving challenges.

There being no further questions, Chair Hoffman adjourned the meeting.

**ADJOURNMENT: 5:07 P.M.**



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