



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

MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING
Thursday, August 7, 2025 at 3:00 p.m.

CALL TO ORDER

Chair Hoffman called the meeting to order at 3:02 p.m.

Attendance

Directors present:	Director David Hoffman and Director Lona Williams
Directors absent:	None
Staff present:	General Manager Dan Jagers Director of Information Technology & Cybersecurity Robert Rasha Director of Finance and Administration Sylvia Molina Customer Service & Utility Billing Manager Sandra Flores Management Analyst II Melissa Elizondo Management Analyst II Erica Gonzales Management Analyst I Edith Garcia Finance Manager William Clayton Field Superintendent Julian Herrera Administrative Assistant Cenica Smith Temporary Administrative Assistant Awnie Orozco
Members of the public:	None

PUBLIC COMMENT: None

ACTION ITEMS

- 1. Adjustments to the Agenda:** None.
- 2. Review and Acceptance of the Minutes of the Finance and Audit Committee**
 - a. July 2, 2025 Regular Meeting

The Committee accepted the minutes as presented by the following vote:

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

3. Receive and file the Check Register for the Month of June 2025

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

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

4. Financial Reports/Recommendations

- a. Review of the June 2025 Budget Variance Reports
- b. Review of the June 30, 2025 Cash and Investment Balance Report
- c. Review of Check Register for the Month of July 2025
- d. Review of July 2025 Invoices Pending Approval

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

- One-page summary appreciated: Committee praised the new one-page financial highlights summary and requested it be included in future reports.
- Front Footage Fees: Questioned increase; staff explained it was due to recent development activity triggering the fee rather than a rate change.
- Interest income: Clarified that the reported 113% refers to revenue exceeding the conservative annual budget projection, not the actual investment yield.
- Grant revenue: Discussed reimbursements beginning to come in, specifically for American Rescue Plan Act (ARPA)-funded "B Line" and Noble projects.
- Election expenses: Recognized higher-than-expected costs and confirmed they had exceeded budget projections.
- Electricity costs: Noted unusually low expenses due to delayed billing from Edison; only five months of costs reflected so far due to vendor billing issues.
- Gas utility charges: Acknowledged high percentage spent due to recent billing delays and vendor system changes.
- Overbilling incident: Staff described a major Edison billing error (over \$3M) that was flagged and resolved internally before payment.
- CalTrust investment: Confirmed strong earnings (~\$6,000 in just a few days) and explained the District can hold funds there indefinitely if rates remain favorable.
- Weighted Average Maturity: Committee confirmed the portfolio complies with investment policy maturity limits.
- CalTrust vs. Chandler: Discussed the CalTrust fund's higher short-term return (~4.36%) and strategy to rebalance based on market conditions.
- Interest income potential: Committee projected that annual interest revenue could exceed \$3 million based on performance to date.
- Legacy Excavating: B-Line Upper Edgar pipeline replacement is nearing completion and is ARPA-funded.

- TT Technologies: Staff clarified this vendor provides boring equipment for trenchless water service installations.
- Damage claim payout: Explained \$1,500 settlement paid to a homeowner for damage allegedly caused by a contractor vehicle; no lawsuit filed, resolved in-house.
- Universal Green landscaping: Staff confirmed performance is satisfactory, and the contract will be renewed.
- Fire suppression inspections: Noted increase in inspections and testing costs at 560 Magnolia due to stricter enforcement by a new fire marshal.
- Legal invoices: Two invoices totaling \$23,093.35 were reviewed and acknowledged for inclusion.

The Committee recommended presenting the financial reports 4a to 4d to the Board of Directors for approval by the following vote:

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

5. 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	

6. Report on Director Event Attendance

The Committee reviewed the report without comment, and it was received and filed by the following vote:

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

7. Policies and Procedures Manual Updates / Revisions

- a. Adopting Policy 5042 Petty Cash

Finance Manager William Clayton provided a brief overview, explaining that while the District currently maintains a petty cash fund and follows established internal procedures, those procedures have never been formally adopted as policy. Policy 5042 is intended to codify the existing practices into a written policy to improve transparency, accountability, and internal controls.

Clayton noted that the fund is used only occasionally and is minimal in size, with a total authorized balance of \$300. The proposed policy sets a per-transaction limit of \$50 and outlines responsibilities for custodianship, including maintaining secure storage, detailed transaction logs, and routine fund balancing. These duties are already being performed by staff.

General Manager Jagers and Director of Finance and Administration Sylvia Molina reinforced that this move strengthens the District's compliance posture. Molina added that although auditors have tested the petty cash fund in prior audits and found it in order, they have recommended the adoption of a formal policy to align with best practices.

Director Williams asked for clarification on the budgeting of the fund. Staff explained that the \$300 represents the total balance of physical cash maintained, not a line-item expenditure, and that the fund is replenished as expenses are incurred and documented. Williams also inquired about the frequency of use, to which staff responded that in 2025 there had been no use to date, and in 2024, only minimal usage of typically under \$50 per month.

The Committee recommended Policy 5042 to move forward 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. 2026 Imported Water Order from the San Geronio Pass Water Agency

General Manager Jagers explained that retail agencies must submit their desired water purchase volumes for the upcoming year to the San Geronio Pass Water Agency (SGPWA) in August. Jagers and Finance staff reviewed the proposed quantities of imported water and relationship to the District's long-term water supply strategy.

Jagers stated that for 2025, the District ordered 11,200 acre-feet (af) of water for groundwater replenishment and up to 2,800 af for storage. For 2026, staff recommends the same total of 14,000 af. He explained that the District's groundwater storage account currently holds around 38,000 af. With expected additions from current-year imports, BGVWD anticipates that by the end of 2025 it will have roughly 40,700 af in storage—exceeding its storage position at the beginning of the 2020 drought, when it held just under 39,750 af.

Jagers emphasized the importance of continuing to build up the District's storage reserves as part of its long-term water reliability planning. He noted that storage levels are a critical buffer against dry-year reductions in imported water availability and provide the District with flexibility to respond to future supply constraints. The District's approach remains conservative,

aiming to maximize its imported water allocation while maintaining operational and financial prudence.

In response to Committee questions, staff clarified that the recommended volumes are based on projected demand, recharge capacity, and available funding. Jagers also noted that the District's storage capacity is not physically constrained at this time, and there have not been any indications of any policy changes that would limit future storage. This reinforces the rationale for ordering the full 14,000 af while it remains available and affordable. He added that the region's continued reliance on State Water Project supplies makes proactive storage essential.

There was a brief discussion about how the water is allocated between active use and storage. Jagers and Clayton explained that the actual delivery and use of the water will depend on system operations and hydrology throughout 2026, but the order establishes a maximum for planning purposes. The storage component specifically contributes to the District's banked reserves in the Beaumont Basin for future use.

The Committee commented on the unpredictability of California's water supply conditions. Jagers highlighted that the District's water order strategy has proven effective, especially during the recent drought cycles. He reiterated that the ability to store water in wet years and draw on it in dry years remains one of the District's most powerful tools for ensuring service reliability.

The Committee recommended the 2026 Imported Water Order of 14,000 af to move forward to the full Board by the following vote:

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

9. Quarterly Report: Analysis of Electric Cost to Pump Groundwater in Fiscal Year 2025

Director Williams asked when electric reads would begin for Well 1A, which is still being drilled. General Manager Jagers estimated early 2026.

Clayton reminded the Committee about the earlier discussion about the missing June bill. Director Hoffman noted cost differences in comparison and Jagers provided detail on pumping costs per acre-foot. He noted that Edison costs to pump per acre foot were \$150 in 2021 and 2022, and now are \$225; a 50 percent increase. He reminded that the electric pass-through on water bills increased from 72 to 82 cents per unit of sale with the last rate increase.

10. Quarterly Report: Review of District Contract Expenditures in Fiscal Year 2025

Mr. Clayton reviewed the report through June 30, 2025. Total non-capital improvement contract costs remaining are \$309,123.04, and capital improvement budget contracts total \$16.4 million, he noted. Jagers added that the Michael Baker contract and others in Table 2 actually reflected the total project cost. He recommended revising the report.

The Committee recommended the Quarterly Report: District Contract Expenditures to move forward to the full Board by the following vote:

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

11. Quarterly Report: Grants

Ms. Molina reported that \$419,000 in reimbursables listed had been recently received. She advised that staff had applied for some grants but had not been successful. Staff monitors for potential grant funds and the goal is to find a new approach moving forward.

12. Proposed Miscellaneous Fee Schedule and Multi-Year Escalation (Administrative Cost Recoveries)

General Manager Jagers proposed an update to the District's Miscellaneous Fee Schedule, including the addition of a multi-year cost escalation mechanism. He explained that the existing fee schedule covers a range of administrative charges intended to recover costs related to staff time, materials, and overhead. The current schedule, however, has not been updated recently and no mechanism exists for regular, inflation-based increases.

Finance Manager Clayton outlined the objectives of the proposed update: to revise individual fees to better align with current cost recovery, to introduce a structured process for future updates using the Consumer Price Index (CPI), and to clarify fee titles and descriptions where necessary. Mr. Clayton noted that many of these administrative fees have remained static and are falling short of recovering actual costs. He emphasized that these are not "revenue-generating" fees but are instead designed to ensure the District does not subsidize customer-initiated services with ratepayer funds.

Chair Hoffman raised questions about specific fees, including customer deposit amounts and reconnection charges, asking whether staff had performed a time-and-cost analysis to support the proposed increases. Mr. Clayton confirmed that staff reviewed labor, materials, and processing times for each item. In some cases, the District was currently undercharging relative to what it actually spends to provide the service. Hoffman expressed support for periodic CPI-based adjustments, stating that it would help the District keep pace with inflation without having to bring each update to the Board as a standalone item.

Director Lona Williams asked whether the changes would apply immediately upon Board adoption or be phased in. Mr. Clayton responded that the new rates would go into effect, assuming Board approval, on January 1, 2026, and that the CPI escalator would be applied annually each January, starting in 2027. The CPI adjustment would be tied to the Riverside-San Bernardino-Ontario index, and each year's increase would be capped to prevent excessive jumps. This automatic escalation would apply only to qualifying fees and could be overridden by Board action if necessary.

There was also a brief discussion about customer-facing impacts. Jagers and Clayton explained that many of the affected fees are paid only when customers request non-routine services, such as a same-day reconnection or a backflow device certification. Customers

would not see any change in their monthly bills. The goal is to ensure that the cost of providing discretionary or compliance-related services is borne by the individuals who request or require them.

Committee members noted the transparency and structure of the proposed revisions. They supported the idea of keeping the fee schedule current through regular indexing rather than ad hoc updates. Hoffman and Williams both acknowledged that the proposed changes reflect good fiscal stewardship and align with the District's policy of fair cost recovery.

13. Review of 2024 Single Audit Report on Federal Awards

Finance Manager William Clayton introduced the results of the District's Single Audit for the fiscal year ending December 31, 2024. He explained that a Single Audit is required when a public agency expends \$750,000 or more in federal funds in a single year. The District prepared the audit due to expenditures related to ARPA grant-funded projects.

The audit was completed by the District's external auditor, Rogers, Anderson, Malody & Scott, LLP (RAMS), and focused on the District's internal controls and compliance with federal grant requirements. The auditors issued an unmodified opinion—the best possible result. However, RAMS reported one significant deficiency related to timeliness of financial reporting. Specifically, the deficiency was associated with the late submission of financial data to the auditors, which impacted the audit timeline. Clayton emphasized that this was a control-related issue, not a compliance failure or a finding of misuse of funds

General Manager Dan Jagers credited the Finance team for their diligence and attention to detail in managing federally funded projects. He noted that the audit process is extensive and can be quite demanding. Jagers explained that having no findings in a Single Audit is a significant accomplishment and reinforces the District's ability to responsibly manage public funds, including future federal or state grant awards.

Committee Chair Hoffman asked whether any procedural improvements were identified during the audit, even if not formally noted. Mr. Clayton detailed the auditors discussions with staff. Clayton also mentioned that the District will likely need to complete a Single Audit again for 2025, depending on the pace of ARPA project expenditures.

In response to Director Williams, Clayton explained that the final audit report is submitted to the Federal Audit Clearinghouse, which maintains a database of audit results for all entities receiving federal funding. He noted that agencies often review these reports when evaluating future grant applications, so a clean audit improves the District's profile and credibility with funding agencies.

The Committee recommended the Single Audit Report to move forward to the full Board by the following vote:

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

14. Policy Tracking Matrix Progress Dashboard

Finance Manager Clayton reviewed the matrix and noted forthcoming policies on credit card usage and purchasing.

The Committee approved the Table of upcoming policy items by the following vote:

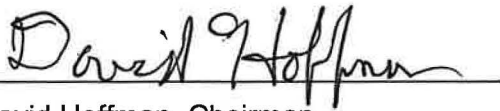
MOVED: Williams	SECONDED: Hoffman	APPROVED 2-0
AYES:	Hoffman, Williams	
NOES:	None	
ABSTAIN:	None	
ABSENT:	None	

ANNOUNCEMENTS

Chair Hoffman pointed out the following announcements:

- Regular Board Meeting: Wednesday, Aug. 13 at 6 p.m.
- Personnel Committee: Tuesday, Aug. 19 at 4:30 p.m.
- Engineering Workshop: Thursday, Aug. 28 at 6 p.m.
- District office will be closed Monday, Sept. 1 in observance of Labor Day
- Collaborative Agencies Committee: Wednesday, Sept. 3 at 5 p.m.
- Finance & Audit Committee meeting: Thursday, Sept. 4 at 3 p.m.
- ~~Regular Board Meeting: Wednesday, Sept. 10 at 6 p.m. - CANCELED~~
- Special Board Meeting: Thursday, Sept. 11 at 6 p.m.
- San Geronio Pass Regional Water Alliance: Wednesday, Sept. 24 at 5 p.m.
- Beaumont Basin Watermaster Committee: Wednesday, Oct. 1 at 11 a.m.

ADJOURNMENT: 5:12 P.M.



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