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

MINUTES OF THE FINANCE AND AUDIT COMMITTEE SPECIAL MEETING
Thursday, October 16, 2025 at 2:00 p.m.

CALL TO ORDER

Chair Hoffman called the meeting to order at 2:15 p.m.

Attendance

Directors present:	Director David Hoffman and Director Lona Williams
Directors absent:	None
Staff present:	General Manager Dan Jaggers Director of Information Technology & Cybersecurity Robert Rasha Director of Finance and Administration Sylvia Molina Director of Engineering Mark Swanson Human Resources and Risk Manager Ren Berioso Customer Service & Utility Billing Manager Sandra Flores Management Analyst II Melisssa 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. **Water Capacity Charges (Facility Fees) and Water Supply Fee Study Update**

Finance Manager William Clayton introduced the item, explaining that the Water Capacity Charges and Water Supply Fee Study performed by Raftelis Financial Consultants had reached completion after several years of development. He stated that staff intended to present the study to the Engineering Workshop on October 29 as an informational item, followed by a proposed public hearing in December for Board consideration of adoption. Clayton noted that this update represented the culmination of work by Finance staff,

consultants, and Engineering personnel to finalize the new capacity charges (formerly facilities fees) schedule.

General Manager Dan Jaggers confirmed that the study had concluded and that all necessary work had been completed. Director Hoffman asked whether the District would continue to conduct such studies in the future, and staff clarified that while this phase was complete, periodic updates would still occur as needed. Director of Engineering Mark Swanson then provided historical context, noting that the last full update occurred in 2007 and that the new study was initiated with Raftelis in 2019. He said that legislative changes related to California's "Conservation as a Way of Life" regulation necessitated a review of water supply and infrastructure planning to align the District's master plan with new, lower indoor and outdoor water use standards.

Swanson and Jaggers explained that drought cycles and state-mandated conservation goals had altered water demand projections, leading to reduced infrastructure requirements. The updated model reflected fewer wells, smaller storage and transmission needs, and reprogrammed funding for projects such as imported water supplies. He emphasized that the current proposed fee of $11,077 per equivalent dwelling unit (EDU)—up from $10,122—was significantly lower than prior estimates that exceeded $25,000 per connection when the Sites Reservoir project was included.

Swanson continued that the revised plan was based on a recalculation of growth projections through buildout, estimating approximately 20,000 new EDUs. He described how the total estimated facility cost of approximately $221 million, after accounting for previously collected funds, was divided by the projected 20,000 EDUs to determine the per-unit charge. He summarized that the updated fee would fund 13 major infrastructure elements, including wells, treatment plants, storage, recycled water facilities, booster stations, and transmission mains. Clayton and Swanson confirmed that the analysis incorporated inflation and cost escalation assumptions for labor and materials.

Swanson confirmed for Director Williams that inflationary factors had been accounted for in the fee calculations. He added that while costs could vary in the long term, the study provided a realistic five- to ten-year outlook. Swanson compared the District's proposed fees with neighboring agencies, noting that most were in the $10,000–$15,000 range, while some agencies such as Yucaipa's—with combined water, sewer, and recycled water fees—approached $30,000 per unit. He emphasized that the District had prioritized cost efficiency and integrated long-term planning across departments to maintain consistency in project tracking and budgeting.

Director Williams inquired about the fee applied to multi-family or accessory dwelling units (ADUs). Swanson explained that for state-defined ADUs under approximately 1,200 square feet, capacity charges generally could not be assessed under state law. If a structure exceeded that threshold, it was treated as a second dwelling and charged a prorated amount. Jaggers clarified that a second unit on a single lot is charged approximately two-thirds of a full EDU, resulting in a combined charge of about one and one-third EDUs for both structures. Swanson and Jaggers elaborated that this approach was consistent with District policy and state legislation promoting affordable housing and water-use efficiency.

Committee members discussed how the construction of additional units affects conservation calculations. Swanson explained that when new structures replace landscaped areas, outdoor water use declines while indoor use increases, which aligns with state conservation goals. He described that the District tracks water use through geographic information systems (GIS) and aerial imagery to ensure compliance with the state's conservation mandates. He further noted that state indoor water use limits would decrease from 55 to 42 gallons per capita per day

between 2025 and 2035, translating to a reduction of approximately 990 acre-feet annually for the District's 68,000 residents.

Additional detail about recycled water and non-potable systems was provided. Director Hoffman asked whether the $52 million allocated to recycled water facilities included funding for booster stations and distribution infrastructure, and staff confirmed that it did. Swanson explained that even if the District did not receive recycled water from the wastewater treatment plant, the facilities—such as storage tanks and pipelines—would still be necessary to move non-potable water within the system. He noted that any adjustments to the source water would not change the overall facility needs.

Director Hoffman noted that it would be important for the other three Board members to have an understanding of this item.

The Committee recommended presenting the 2025 Water Capacity Charges (Facilities Fees) and Water Supply Fee Study 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	

3. **Review of the Draft Fiscal Year 2026 Operating Budget Revenues and Expenses**

Director of Finance and Administration Sylvia Molina presented the preliminary Fiscal Year 2026 Operating Budget, including revenues, expenses, and a draft portion of the budget document to be submitted later to the full Board. Molina stated that the proposed budget was balanced, with net revenues exceeding net expenses by approximately $1.3 million. She explained that capacity charge revenues were excluded from operations revenue, as those funds are restricted to development costs. Molina also noted that the figure included depreciation and other non-cash accounting items, and that the current year's performance had been stronger than projected due to increased water consumption and the delayed but implemented rate adjustment.

Molina reviewed the structure of the budget worksheets, which included two prior years of data, current-year projections, year-to-date figures as of October 14, and proposed 2026 figures. She described that most projections were based on five-year averages or historical trends, with conservative assumptions for consumption and water loss. She explained that projected revenues reflected higher-than-expected water sales, supported by both the rate increase and elevated demand during the warmer start to the year.

Molina confirmed that total projected water sales volume was close to 5.4 million units, while General Manager Jaggers reminded that variations in consumption could be attributed to climate differences between years. Jaggers and Molina both observed that the higher usage corresponded with hot early-year conditions and would normalize over time. Molina added that September revenues were about $500,000 higher than expected, reflecting both stronger sales and the rate adjustment.

Molina stated that fixed-meter charges were calculated based on the number of active meters as of October 1, less a conservative assumption that 15 percent could be locked off for

nonpayment. Even under this assumption, meter revenue remained $833,000 higher than the prior year. Director Hoffman pointed to the timing of billed consumption and residual usage from customers billed every 60 days. Molina explained that the six-month projection incorporated all accounts and that adjustments had already been made for mid-cycle usage through staff's modeling process.

Molina next discussed development and installation charges, noting a modest slowdown in construction activity but basing estimates on actual meter projections for potable and non-potable connections. She then reviewed pass-through charges such as imported water and power costs, which were also calculated using a five-year average and incorporated the January 1 rate adjustment. She explained that those revenues were designed to offset the corresponding expenses, and Clayton added that staff monitored a long-term running balance to ensure parity over time.

Molina continued with other service-related revenues, including backflow administration, account reinstatement, and returned-check fees. She reported approximately 1,300 active backflow devices, adjusted by a 5 percent loss factor, and explained that late and reconnection fees had increased as more customers struggled with payments. She noted that the District continued to offer payment plans in compliance with SB 998. Molina also discussed an uptick in returned-payment fees due to expired credit cards on autopay accounts, stating that the District planned to issue reminders via social media.

Director Hoffman asked about the timing of automatic payments and whether they were processed before or on the due date. Molina clarified that payments were processed on the actual due date, with reports issued the following day. She confirmed that returned-payment fees were assessed at $25 per transaction and applied to both electronic and paper payments.

Further discussion covered minor revenue items such as customer damages, after-hours service calls, meter bench tests, and the discontinued internal credit-card processing fee due to the transition to the Paymentus platform. Molina noted that credit-card rebate income continued, while recharge-income from the City of Banning had been largely eliminated since the San Gorgonio Pass Water Agency began handling regional recharge operations. Jaggers elaborated that such revenue was unlikely to recur except in unusual operational circumstances.

Molina also addressed the well-maintenance reimbursement line item, explaining that it fluctuated annually and was now budgeted at $74,000. Swanson added that the District co-owned wells with the City of Banning and that a pilot test for Well 25 was planned to evaluate potential Chromium-6 treatment methods, with costs to be shared equally between the two agencies. Molina concluded the revenue review by noting that miscellaneous income reflected recycled materials and small credits, and that projected interest income remained strong but was conservatively reduced.

Transitioning to expenses, Molina discussed personnel-related costs. She reviewed increases for health insurance, retirement, and the 2.9 percent cost-of-living adjustment, as well as merit steps for eligible employees. She reported that the Board budget included modest increases for meeting attendance and insurance coverage, as well as anallocation for a Board training workshop. Director Williams asked about upcoming election costs, and Molina confirmed that three directors would be up for election in 2027 and that the County's per-capita charge model may allow better forecasting of election costs based on population. Molina discussed proposed personnel adjustments, including the conversion of a temporary position to a full-time Administrative Clerk shared between the Engineering and Operations departments. Temporary-labor expenses were correspondingly reduced. Swanson and Jaggers noted that the change reflected the District's practice of investing in skilled staff to

perform more work in-house rather than relying on consultants. Director Williams asked whether outside public-relations contracts such as CV Strategies would continue; Molina responded that the District intended to handle public outreach internally, supported by staff expertise.

Molina concluded the presentation by reviewing department-level changes in Finance, Administration, Human Resources, and Operations. She highlighted the postage expenses to consolidate mailing costs, a decrease in property insurance due to lower rate increases, and adjustments in state water purchase costs and electricity for wells. In response to Director Hoffman's questions, Molina confirmed that no general-liability claims had been filed in the past year and that most vehicle damages were below the $10,000 deductible threshold.

The committee discussed cross-connection and non-potable system costs. Jaggers noted that no new staffing was proposed in 2026 because the City of Beaumont's recycled-water delivery schedule had been delayed to 2029–2030. He stated that once recycled water became available, operations costs would likely increase by $900,000 to $1.1 million, including additional staffing needs. Molina said the only change in that section was an increase in the backflow maintenance account to cover potential notice mailings related to new state fire-sprinkler regulations. Outreach plans for those mandates were still under development.

Molina requested that the Committee members bring questions or red flags to the attention of staff, to be addressed before the November 6 Finance & Audit Committee meeting.

ADJOURNMENT: 4:32 P.M.

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