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

MINUTES OF THE FINANCE AND AUDIT COMMITTEE SPECIAL MEETING
Thursday, October 15, 2026 at 2:00 p.m.

CALL TO ORDER

Chair Hoffman called the meeting to order at 2:14 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 Management Analyst II Erica Gonzales Management Analyst II Melissa Rodriguez-Elizondo Management Analyst I Edith Garcia Finance Manager William Clayton Ren Berioso Human Resources and Risk Manager Administrative Assistant Cenica Smith
Members of the public:	None

PUBLIC COMMENT: None.

ACTION ITEMS

1. **Adjustments to the Agenda**: None.

2. **Review of the Draft Fiscal Year 2027 Operating Budget Revenues and Expenses**

Director of Finance and Administration Sylvia Molina presented the preliminary Fiscal Year (FY) 2027 Operating Budget, reviewing projected revenues, expenditures, personnel costs, and departmental budgets. She advised that the draft remained subject to adjustments, including pending vendor estimates, labor negotiations, and staffing proposals under consideration by the Personnel Committee. The proposed budget was balanced, with projected net revenues exceeding net operating expenses by approximately $807,600.

General Manager Dan Jaggers emphasized that revenue projections were conservative, accounting for potential reductions in water consumption resulting from increased rates, conservation, and anticipated wet weather. He noted that operating expenditures remained slightly below the amounts contemplated in the District's adopted rate study, despite subsequent salary adjustments and inflationary pressures.

The Committee reviewed the following budget components:

Revenue

- Water Sales and Fixed Meter Charges: Ms. Molina explained that seven revenue accounts associated with water sales, fixed meter charges, and importation and power charges represented approximately 90 percent of net operating revenues. Projections were based on a ten-year average of water production, an assumed 7 percent water loss, a 9 percent reduction associated with anticipated El Niño weather conditions, and the approved 2027 water rates. Water sales were projected at approximately $8.1 million, compared with $7.1 million adopted for 2026 and $8.9 million projected for year-end 2026. Fixed meter charges were based on approximately 22,400 customers, with allowances for potential service disconnections.
- Development and Installation Charges: Revenue estimates were based on the development activity quantities provided by Engineering for the prior budget year, adjusted for increased installation charges. Ms. Molina indicated that the projections remained subject to confirmation by Engineering. Capacity charges were projected conservatively and were excluded from net operating revenues because they are restricted funds dedicated to infrastructure associated with future growth.
- Other Charges for Services: Ms. Molina reviewed miscellaneous service charges, including penalties, reinstatement fees, liens, returned payments, after-hours service, and backflow administration. Backflow administration revenue was projected to increase by approximately $44,400, primarily reflecting previously approved fee adjustments. She reported that increased enrollment in electronic billing and automatic payments had reduced second and third delinquency notices, although service disconnections and lien activity had increased. Director of Information Technology and Cybersecurity Robert Rasha reported that 14,146 customer accounts were registered for online payment services.

Chair Hoffman asked about the District's returned-payment procedures, including bank charges, customer notification, and repeat occurrences. Ms. Molina explained that customers are notified through telephone calls, automated messages, or service notices, and that accounts with three returned payments are restricted to cash payments. The Committee also briefly discussed electronic payment methods and the District's responsibility for maintaining backflow testing records. Ms. Molina confirmed that customers arrange their own backflow testing and that the District maintains records for regulatory compliance.

- District Housing, Interest Earnings, and Grant Revenue: District housing revenue reflected existing residences and previously approved maintenance fee adjustments. The recently acquired Young property was not included as a District residence pending formal designation. Interest earnings were budgeted conservatively, recognizing anticipated capital expenditures and potential reductions in invested balances. No grant revenue was included because no awards had been secured.

Expenditure Budget

- Personnel Costs and Budget Assumptions: Ms. Molina explained that personnel projections incorporated the existing employee Memorandum of Understanding (MOU) 3.4 percent cost-of-living adjustment, eligible 5 percent merit increases, and entry-level salaries for vacant positions. The budget also reflected increased CalPERS unfunded accrued liability costs and revised accrued-leave calculations for employees approaching retirement. Several proposed positions and negotiated compensation adjustments remained subject to further consideration.
- Board of Directors: The budget retained the prior year's estimate of 442 annual per diem claims and included funding for three directors to receive health insurance, although only

two were currently enrolled. The principal increase was an estimated $150,000 election expense associated with the November 2026 election, anticipated to be invoiced in 2027.

- Engineering and Development Services: The Engineering budget reflected the proposed conversion of an existing flexible Engineering Assistant/Associate Civil Engineer position to a higher-level civil engineering classification, continued use of two contracted District Engineers, and allocation of 25 percent of an Administrative Clerk position to Engineering. Development Services expenditures remained separately identified to distinguish personnel costs reimbursable through developer-related activities. President Williams asked about the reorganization of professional services accounts, and Ms. Molina clarified that the accounts had been reassigned to their respective departments without changing the underlying expenditures.
- Human Resources and Risk Management: Ms. Molina explained that Human Resources and Risk Management had been established as a separate budget department, with existing accounts transferred from Finance and Administration and other divisions. The reorganization included accounts for MOU representative stipends, property damage and theft, liability insurance, and disaster preparedness. Most expenditures remained consistent with the prior year, with a modest increase for employment testing associated with anticipated recruitment.

  During the review, Chair Hoffman identified a discrepancy in the 2026 projected insurance expenditures. Ms. Molina explained that a newly implemented projection methodology had produced an incorrect estimate and committed to reviewing and correcting the affected calculations before the next budget presentation.
- Finance and Administration: The proposed budget included an Assistant General Manager position beginning approximately July 2027 and a two-month overlap for the Executive Assistant position, contributing to an approximately $175,000 increase in labor costs. Other expenditures remained generally consistent with the prior year, with anticipated reductions in postage and general legal services. Director Williams asked whether the District used bulk mailing rates, and Ms. Molina explained that bulk rates were used where applicable and that electronic notifications were increasingly replacing mailed correspondence.
- Depreciation and Non-Cash Expenses: Chair Hoffman requested clarification regarding the treatment of depreciation in the operating budget. Ms. Molina explained that depreciation and other non-cash accounting expenses were presented for financial reporting transparency but excluded when calculating the operating budget's net cash requirements. Mr. Jaggers and Finance Manager William Clayton further explained that the District depreciates assets and major components according to their estimated useful lives while separately planning for infrastructure replacement costs.
- Jaggers subsequently questioned a substantial reduction in the projected GASB pension expense. Ms. Molina indicated that the figure would be reviewed and an explanation provided at a subsequent meeting.
- Customer Service and Utility Billing: Staffing levels remained unchanged, with most increases attributable to compensation adjustments. The principal expenditure reduction involved utility billing and statement printing, reflecting increased customer participation in electronic billing.
- Information Technology and Cybersecurity: No staffing changes or significant expenditure adjustments were proposed. Ms. Molina noted that the department's budget remained relatively consistent with the prior year.
- Operations – Source of Supply: Ms. Molina reviewed several significant expenditure adjustments, including the proposed State Water Project water purchase, increased

electricity costs, additional water quality testing, pumping equipment maintenance, and regulatory compliance.

- The budget included approximately 12,639 acre-feet of imported water, consistent with the assumptions in the rate study, rather than the full 14,000 acre-feet previously authorized by the Board. President Williams requested clarification regarding the difference, and Jaggers explained that the additional purchase could be funded from reserves and separately documented for the Board. Other proposed increases included $100,000 for electricity, $25,000 for treatment and chemicals, $30,000 for laboratory testing, $22,000 for pumping equipment maintenance, and $65,000 for regulatory mandates and tariffs. Molina indicated that electricity costs would be monitored during the year and evaluated at the mid-year budget review.
- Operations – Cross-Connection Control: The proposed budget included a new Cross-Connection Control Technician position, previously presented to the Personnel Committee, to address expanded backflow testing, certification, recordkeeping, and regulatory requirements. Labor costs increased approximately $86,200, with additional funding for tools, administrative costs, and customer notifications. President Williams requested clarification of the proposed position title. In addition to the personnel change, Ms. Molina also noted that additional state requirements could necessitate future customer notifications, impacting the backflow maintenance account.
- Operations – Transmission and Distribution: No staffing changes were proposed. The budget reflected compensation adjustments and an additional $55,000 for pipeline and hydrant maintenance, principally associated with anticipated continued hydrant theft. Additional funding was included for hydraulic valve and pressure-reducing station maintenance. During discussion of the hydrant maintenance increase, Ms. Molina indicated that she would obtain further information from Operations regarding the underlying cost assumptions and report back at the next meeting.
- Operations – Inspections, Customer Service, and Meter Reading: Inspection costs reflected allocations of existing personnel rather than dedicated positions. No permanent staffing increase was proposed for meter reading, although revised position titles were under consideration by the Personnel Committee. The draft included funding for four temporary Water Utility Worker I positions to assist with an anticipated AMR/AMI project, contributing to an approximately $147,000 expenditure increase. Ms. Molina clarified that the temporary positions had not yet been presented to the Personnel Committee.
- Operations – General Plant and Maintenance: Ms. Molina explained that the former combined Maintenance and General Plant division had been separated into two budget divisions to improve expenditure tracking. General Plant included new accounts associated with the Young property and the Veile office, with preliminary estimates for utilities, maintenance, and related operating costs. Other adjustments included a $15,000 reduction in maintenance at 12th and Palm following completed work, a $30,700 increase for vehicle fuel and related expenses, and additional anticipated costs at the recharge facility and Edgar Canyon. The new Maintenance division included two existing employees and separately identified expenditures for tools, permits, office supplies, and subscriptions.

President Williams asked when maintenance expenses for the Young property would be incorporated into the employee residence accounts. Mr. Jaggers indicated that the property's designation was dependent upon establishing a lease agreement.

Budget Summary and Next Steps

Ms. Molina reiterated that the preliminary FY 2027 Operating Budget remained balanced, with an estimated $807,600 positive difference between net revenues and net operating expenses. She

indicated that the draft would be refined to incorporate pending personnel decisions, MOU negotiations, vendor estimates, updated departmental information, and corrections to the expenditure projection methodology.

President Williams confirmed that the revenue projections incorporated the approved rate increase effective January 1, 2027. Mr. Jaggers emphasized that the conservative revenue assumptions provided flexibility to address potential additional expenditures and that the District would continue evaluating water consumption trends, conservation requirements, and the adequacy of its existing rate structure.

3. Review of the Draft Fiscal Year 2027 Operating Budget Narratives Sections

Ms. Molina presented the preliminary narrative sections of the Budget, explaining that staff was bringing forward the descriptive portions of the document separately from the financial schedules to allow additional time for review and refinement. She highlighted revisions intended to improve readability, streamline content, and update District information. The budget document will include a new section for Community Facilities District (CFD) 2025-1, in addition to the Operating Budget and Capital Improvement Budget. Other revisions included a historical timeline, updated photographs and graphics, relocation of Board member biographies to the District Governance section, and updated water service, production, and demographic information.

Molina reviewed comparative financial indicators illustrating the District's progress in improving its operating cost recovery ratio, which had increased from slightly below 0.8 toward the target of 1.0. Jaggers noted that the Board's rate adjustments had improved the District's financial position, although inflation had moderated the anticipated progress. Molina also highlighted the increase in capital expenditures as a percentage of the budget, from approximately 20 percent when the comparison was first introduced to more than 40 percent, reflecting the District's increased investment in infrastructure.

Jaggers requested staff confirm a population of 68,000 for its service area in connection with the indoor water use study submitted to the State and either revise the information to include Cherry Valley or provide a clarifying footnote identifying the geographic area represented. Chair Hoffman supported adding a footnote to avoid inconsistencies between District publications.

Ms. Molina reviewed updates to the District's accomplishments, awards, and goals and objectives. She noted that the District had recently received notification of another award and that the California Special District Association (CSDA) 2025 Excellence in Technology Award was intentionally retained in the document because of its significance. Director Williams requested that the narrative more prominently emphasize that the technology award is presented to only one agency annually. Mr. Jaggers also commented on the District's recognition by the American Heart Association and the importance of employee health and wellness programs.

President Williams asked how District-wide goals and objectives were developed. Ms. Molina explained that the process includes budget preparation training, departmental input, and identification of goals applicable across the organization. She noted that the current document retained the existing staff-developed mission and values statements pending the Board's upcoming review. Once the Board establishes updated mission and values, staff will incorporate them into future goals and strategic planning efforts.

Ms. Molina also reviewed additions to the financial management narrative, including an introductory explanation of CFDs, clarifications to budget planning and preparation terminology, and updated water rate schedules reflecting the Board-approved rate adjustments. She indicated that most remaining revisions involved minor language changes and consistency improvements.

President Williams requested that the terms acre-foot, State Water Project, and 100 cubic feet be emphasized in bold type in the water measurement explanation to improve readability.

Molina advised that staff would incorporate the Committee's comments, update the narrative sections, and integrate the financial schedules following the upcoming Personnel Committee review of proposed staffing changes. A more complete draft, including the CFD and Capital Improvement Budget sections, would be presented at the next Finance and Audit Committee meeting. She emphasized that development of the budget document was a collaborative effort involving multiple departments. Mr. Jaggers acknowledged the improvements in the District's budget preparation process over prior years.

ADJOURNMENT: 4:05 P.M.

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