



**BEAUMONT-CHERRY VALLEY WATER DISTRICT
MINUTES OF MEETING OF THE FINANCE AND AUDIT COMMITTEE
Thursday, February 7, 2019 at 3:00 p.m.
560 Magnolia Avenue, Beaumont, CA 92223**

Directors present:	Chairman Hoffman, Director Slawson (Committee members)
Directors absent:	None
Staff present:	General Manager Dan Jagers, Director of Finance and Administrative Services Yolanda Rodriguez, Assistant Director of Operations James Bean, Senior Finance and Administrative Analyst Bill Clayton, Accounting Technician Sally Hernandez, Administrative Assistant Erica Gonzales
Members of the public who registered	None

CALL TO ORDER

Chairman Hoffman called the meeting to order at 3:03 p.m. at 560 Magnolia Avenue, Beaumont, California.

PUBLIC INPUT: *None.*

ACTION ITEMS

1. Adjustments to the Agenda

The Committee adopted the agenda as presented.

2. Review and Acceptance of the January 3, 2019 Minutes of the Finance and Audit Committee

The Committee accepted the minutes of January 3, 2019 as presented.

3. Receive and File the Check Register for the Month of December 2018

The Committee received and filed the December 2018 Check Register as presented.

4. Financial Reports/Recommendations

- a. Review of the December 2018 Budget Variance Report - Preliminary
- b. Review of the Quarterly Statement of Cash Flows for December 31, 2018
- c. Review of the December 31, 2018 Cash/Investment Balance Report
- d. Review of Check Register for the Month of January 2019
- e. Review of January 2019 Invoices Pending Approval

Director Hoffman noted the budget is close to annual projections and exceeded income projections by 6.2 percent.

General Manager Jagers explained some budget points: the District bought more water than had been anticipated. He posited that state water restrictions in place through July 2016 depressed sales due to conservation and drought, and there was delay in landscaping on new houses. In 2017, there was a lot of rainfall, then in 2018 there was an upswing in production peaking at 2006-2007 levels. The additional pumping likely contributed to the increase in energy costs. Director Hoffman concurred, pointing out that with rainfall; people believe the water is added to the water table when it takes 15 to 20 years for it to percolate naturally.

Mr. Jagers advised that he would report on the snow pack at the next Board meeting.

Chair Hoffman directed attention back to item 4a. Mr. Jagers pointed out this is the end of year report.

Chair Hoffman said he wondered about the efficiency of the electric meter program and staff time. Mr. Bean indicated the staff time gained has been focused on projects that had been neglected in the past, as the department has not been fully staffed until recently. Mr. Jagers advised that the 400 to 500 new houses per year are built with these meters that field staff do not have to read. Additionally, there may be a grant opportunity for 50 percent matching funds to continue the meter program and other projects, he explained.

Director Slawson asked about the \$4,000 expenditure for the grant-writing contract. Ms. Rodriguez indicated this was the kickoff payment; it will be approximately \$4,000 per month. Mr. Jagers indicated that a grant application has already been submitted, which staff could not have accomplished without the consultant.

Ms. Rodriguez pointed out that the District is within 4.25 percent of the budget bottom line, which is very accurate.

Director Hoffman pointed out an overall increase in cash and opined this is a positive direction. Mr. Jagers noted that \$26.3 million of the \$58 million in restricted cash is earmarked to support development-related facilities. The remaining funds are dedicated to deposits for new facilities, which will be quickly expended when anticipated capital projects begin. This will be explained to the public as the rate study moves forward.

Director Hoffman drew attention to \$964,394 earned in interest in 2018. He said he hopes to see interest income increase in 2019.

Director Slawson asked about a specific expenditure. Mr. Jagers explained it was the purchase of a monitor for an anticipated new hire. He noted that the District is in need of engineering assistance with much activity happening now.

Director Hoffman commented on the use of chlorine and asked about the encroachment permit from Riverside County. Mr. Jagers said this is an annual expenditure, and Mr. Bean noted this covers small holes made for leak repair. Mr. Jagers advised there would be a similar expense for the City of Calimesa. With the City of Beaumont, there is a no-cost agreement.

It was acknowledged by Director Hoffman and GM Jagers that consultant Human Resources Dynamics and Performance Management provided great value to the District and did extra work at no additional cost.

Director Hoffman asked about the payment to the State Water Resources Control Board. Mr. Jagers explained that the \$44,000 was the fee of processing the annual certification of the drinking water system by the SWRCB, including the oversight of the testing program and results, based on 18,000 connections. In response to Director Hoffman, Mr. Bean explained that all Title 22 samples are reported to the state, which reviews them. The lab sends the test results to the District and to the SWRCB.

5. Ongoing discussion regarding San Geronio Pass Water Agency (SGPWA) water rate study and potential impacts on BCVWD

General Manager Jagers reminded the committee that the SGPWA is seeking funding strategies for the Nickel Water deal. It must be funded through rates. The SGPWA was under pressure from retailers to locate additional water supply for the region. There were some fundamental flaws in how the capacity fee would work, and BCVWD pointed this out to the SGPWA. Then-BCVWD general manager Eric Fraser suggested a moratorium due to lack of certainty of water supply.

In 2014, due to the drought and related state requirements, the BCVWD enacted Resolution 2014-05, which restricted new will-serve letters for more than two dwelling units unless a developer had annexed into the district or had invested in facilities and paid significant deposits to BCVWD, as a way to support ongoing development.

Mr. Jagers advised that in justifying costs for the Nickel Water deal, the SGPWA General Manager Jeff Davis communicates that in 2016, the BCVWD stopped issuing will-serve letters and began telling developers the agency must first find additional water supplies. Director Hoffman indicated that Davis' statement was not true; still, Jagers said, the SGPWA documents deflect the burden to BCVWD.

The SGPWA had not needed to raise rates until the Nickel Water purchase was made. Mr. Clayton explained that the SGPWA audited financial statements appear to show an operating loss but the agency continues to have a positive balance.

Mr. Jagers explained that new homes pay about half of their water bill through taxes to support the SGPWA purchase of State Water Project (SWP) water. The SWP purchase grew substantially in 1999 and in 2020, the payment due on bonds for the East Branch Extension costs is about \$22 to \$25 million through 2035. Therefore, costs are spread over the longer-term homeowners who pay less property tax on assessed value, to the new homeowners paying a greater share, and future homeowners after 2035 potentially paying less. Then the Sites Reservoir comes online with the California Water Fix and the SGPWA hopes to utilize tax based funding to pay for those costs.

Jagers explained the importance of a funding strategy to cover all costs, but said there is not yet a solution. The next step is for the SGPWA to provide several alternatives to its Board. Jagers reviewed a spreadsheet to show the cost of various water supplies across time and water needs for growth, and advocated for a clear plan that is affordable. Mr. Davis has asked for a managers meeting on whether the agency will support a capacity fee, Jagers reported. Jagers said he is uncertain such fee is needed unless the Sites Reservoir costs cannot be rolled into a tax based funding strategy. He said he would prefer to work with them to come to a good solution, and it is equally important to use the

District's new PR firm to educate the public on why the rates are rising. Jagers said he believes the SGPWA is working hard to find solutions. Director Slawson pointed out there has been no progress for a year.

6. Action List for Future Meetings:
- BCVWD rates

ANNOUNCEMENTS

Chair Hoffman read the following announcements:

- Regular Board meeting: February 13, 2019 at 6:00 p.m.
- District Offices will be closed Monday, February 18, 2019 in observance of Presidents' Day
- Engineering Workshop: February 28, 2019 at 6:00 p.m.
- Collaborative Agencies Committee meeting: March 6, 2019 at 5:00 p.m.
(located at the Beaumont-Cherry Valley Recreation and Parks District at Noble Creek Park facility)
- Finance and Audit Committee meeting: March 7, 2019 at 3:00 p.m.

Mr. Jagers added that a Water 2x2 Re-Use Committee will be scheduled.

ADJOURNMENT

Chair Hoffman adjourned the meeting at 4:45 p.m.



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