



**BEAUMONT-CHERRY VALLEY WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
560 Magnolia Avenue, Beaumont, CA 92223
Wednesday, May 8, 2019 at 6:00 p.m.**

Call to Order: President Covington

President Covington began the meeting at 6:06 p.m.

Pledge of Allegiance: President Covington

President Covington led the pledge.

Invocation: Vice President Slawson

Vice President Slawson gave the invocation.

Roll Call:

Directors present:	Directors Covington, Hoffman, Slawson, Williams
Directors absent:	Ramirez
Staff present:	General Manager Dan Jagers, Director of Finance and Administration Yolanda Rodriguez, Senior Engineer Mark Swanson; Senior Finance and Administrative Analyst Bill Clayton, Assistant Director of Operations James Bean, Administrative Assistant Erica Gonzales
Legal counsel:	James Markman

Members of the public who registered their attendance: Fran Flanders, Barbara Brown, Derek Hoffman, Dan Haskins, Hamid Roknian, and Lloyd White.

Public Comment: None.

ACTION ITEMS

1. Adjustments to the Agenda: None.

2. Consent Calendar:

The following Consent Calendar items were approved with one motion:

- a. March 2019 Budget Variance Report*
- b. March 31, 2019 Cash/Investment Balance Report*
- c. April 2019 Check Register*
- e. Minutes of the Regular Meeting of April 10, 2019*
- f. Minutes of the Special Meeting of April 25, 2019*
- g. Minutes of the Regular Meeting of April 25, 2019*

MOVED: Slawson	SECONDED: Hoffman	APPROVED 4-0
AYES:	Covington, Hoffman, Slawson, Williams	
NOES:	None.	
ABSTAIN:	None.	
ABSENT:	Ramirez.	

- d. President Covington requested two corrections on the April 2019 Invoices Pending Approval: under fiscal impact, the amount should be \$5,280; and the impact to the District would be paid from the 2019 budget.

Item 2d: April 2019 invoices Pending Approval was approved by the following vote:

MOVED: Hoffman	SECONDED: Slawson	APPROVED 4-0
AYES:	Covington, Hoffman, Slawson, Williams	
NOES:	None.	
ABSTAIN:	None.	
ABSENT:	Ramirez.	

3. Consideration of a Professional Services Agreement with Raftelis Financial Consultants, Inc. for the Beaumont-Cherry Valley Water District 2019 Water Rate and Fee Study update and Request for Budget Amendment in the amount of \$113,651

Director of Finance and Administration Yolanda Rodriguez briefed the Board on the objectives of the study which include a stable financial plan, involving an optimal rate structure based on Board policy to ensure charges reflect current and future costs, while maintaining rates as low as possible to provide clean water to the District's customers.

The District must also maintain compliance with Proposition 218 throughout the process. Ms. Rodriguez explained the process, the need for the study and the District's increased costs and presented the results of the evaluation of the proposals.

Director Slawson asked for detail on some of the costs. General Manager Jagers explained it includes mailing notices. Director Hoffman pointed out that this was omitted from the 2019 budget. He said the recommended firm appears qualified and will be investing many hours, which may result in more accurate results, and asked if there would be tracking of hours. Ms. Rodriguez explained that most provide a timeline to track activity and it will be tracked through accounting.

President Covington pointed to the scope of work and noted outreach to other water agencies; those will be of similar size Ms. Rodriguez explained. In response to Covington, Mr. Jagers indicated the District's objectives will be correlated with the growth projections of the City of Beaumont. President Covington pointed out that the District's Water Management Plan will require revision in 2020 and said he hopes any correlation and determining factors will be included in the 2020 UWMP. Mr. Jagers said he anticipates that next year, the District will have a set of data that provides for more accurate water use analysis. Covington expressed

concern over changing factors such as the SGPWA rate and noted that the timeline for completion ties in to the development of the 2020 budget.

Director Hoffman reminded there is concern of existing ratepayers vs. new ratepayers and how to distribute costs. One of the top issues is the cost of imported water going from \$317 to \$399, which is a direct result of new development needing additional new water to serve the new customers. He asked whether there will be information available to allow the Board to evaluate the different costs. Mr. Jaggars noted that the increased cost of imported water is related to a specific deal which cannot be funded with alternative sources. Other water sources have been paid for by the SGPWA using ad valorem taxes which are paid by the new development. If the deal had been structured differently, it would not have been such a great cost to the ratepayers.

Legal Counsel Markman pointed out that Proposition 218 does not allow the District to distinguish costs based upon when the customer received a meter. The cost of water delivery to a connection is proportionate to all other connections, he said, and a court would not likely approve a sanction based on when a customer received service.

Director Hoffman noted there are 13 meetings listed and asked about the purpose. Ms. Rodriguez explained. Mr. Jaggars clarified they are not all meetings with the Board; staff time was not broken out as a separate cost of the project.

President Covington asked about updates for the Board throughout the process. Ms. Rodriguez noted updates are scheduled at certain points during the process and Mr. Jaggars noted some will be given by staff, others by the consultant.

The Board authorized the General Manager to execute a Professional Services Agreement with Raftelis Financial Consultants, Inc. for the Beaumont-Cherry Valley Water District 2019 Water Rate and Fee Study update in an amount not to exceed \$97,077, and approved an amendment to the FY 2019 budget to authorize and appropriate funds in the amount of \$97,077 for completion of the Rate Study by Raftelis and \$16,574 for District costs associated with Proposition 218 compliance for a total of \$113,651 by the following vote:

MOVED: Williams	SECONDED: Slawson	APPROVED 4-0
AYES:	Covington, Hoffman, Slawson, Williams	
NOES:	None.	
ABSTAIN:	None.	
ABSENT:	Ramirez.	

4. Consideration of Request for Extension of Will-Serve Letter for Previously-Approved Development: Tract 32850, a proposed 30-acre single-family residential development located at Assessor's Parcel No. 421-110-014 in the City of Beaumont

General Manager Jaggars explained that the fifth extension was brought before the Board last year and the 2018 staff report included discussion of a potential final extension until the project was ready to move forward. The developer is present with engineer and legal counsel, Jaggars noted. The builder with whom the developer was working did not complete the deal last year and there is now a new

developer looking at the project. The developer would like to secure an extension so that when they enter negotiations they have secured a will-serve letter.

President Covington reminded the Board that one of the issues raised last year was the extension of this WSL was for so many years, and the Board had indicated that the WSL that was granted would be the final for this tract.

Mr. Derek Hoffman, attorney with Gresham Savage representing the developer requested a 12-month extension of the WSL. He expressed appreciation for the patience of the Board and staff, and explained this is a small, 95-unit project. The property has already been annexed and is included in the Water Management Plan, he said, and staff has approved the designs for water and non-potable water. The developer is in the process of selling the tract to a home builder who submitted a letter as reassurance of the likelihood of moving forward within the period requested.

There are conditions of approval in the staff report, attorney Hoffman continued, to which the property owner is amenable. Mr. Swanson confirmed today that the developer is current in its payment of fees, Hoffman said. Alternative options presented such as deferral is effectively a denial. It appears the District is still working through some of the issues such as recycled water, he said. Those are important, but delaying the extension of this matter would jeopardize the negotiations of the project. If the District has the water for this small project, the extension should be granted, he posited.

President Covington noted that the March 14 letter indicates that American Homes plans to build 95 homes and asked if the Board would be having the same conversation with them. Attorney Hoffman said he did not think so. He assured the Board that based on conditions and permits, construction is expected within this extension period. Covington indicated there are others in line for water, so the District must assure that those who have WSLs are executing those projects.

In response to Director Williams, attorney Hoffman indicated the applicant is well into negotiations with the builder. Mr. Hamid Roknian explained the difference between the request last year, and the request this year is the financials were not approved by the corporation. This year, agreement has been reached, and funds have been set aside. All permits are current, and he has been advised that grading may proceed, Mr. Roknian said. He expects groundbreaking by the third quarter of 2019. Attorney Hoffman indicated this WSL is a piece of the critical path.

Director Hoffman asked if the project would be built in phases. Mr. Roknian said yes, depending on marketing. Director Hoffman asked District Counsel Markman if there were grounds to deny the extension of the WSL. Markman said not really; and explained that the risk in extensions is if the developer does not request the extension, rules can change, and requirements and fees can increase so it is to their advantage to perform, but the Board is not restrained in approving the extension.

President Covington indicated that since project milestones have been completed, and they seem likely to make the third quarter deadline, he has no opposition to the extension.

The Board authorized the Extension of Will-Serve Letter for Previously-Approved Development: Tract 32850, a proposed 30-acre single-family residential

development located at Assessor's Parcel No. 421-110-014 in the City of Beaumont by the following vote:

MOVED: Slawson	SECONDED: Hoffman	APPROVED 3-1
AYES:	Covington, Hoffman, Slawson	
NOES:	Williams	
ABSTAIN:	None.	
ABSENT:	Ramirez.	

5. Consideration of Nomination for California Special Districts Association Board of Directors, Southern Network Seat B

General Manager Jaggars explained the opportunity to nominate a candidate to stand for election. Director Williams pointed out the deadline has passed.

President Covington opened the floor for nominations, none were made.

The Board took no action.

6. Discussion regarding the San Gorgonio Pass Water Agency (SGPWA) ongoing Phase 2 Sites Reservoir Participation

General Manager Jaggars reminded the Board that BCVWD has signed an agreement to participate in the Sites Reservoir Phase 2 activities for 2019 only.

In his presentation to the BCVWD Board earlier this, year, SGPWA General Manager Jeff Davis advised there would be additional costs for 2020, 2021 and 2022. He pointed to the staff report showing the estimated costs of about \$335 million to be shared by the Reservoir participants and those costs may be funded several ways.

The Department of Water Resources has identified that the State Water Contractors are willing to add the costs to statement charges for the Phase 2 participation only, Jaggars explained, which means the SGPWA share of the funding is about \$24 million on a pay-as-you-go basis. Alternatively, he said, there is an interest-only option.

The SGPWA Board selected the interest-only option which would push larger payments to 2035 when there is more growth to support the payments, Jaggars said. The taxes will pay the costs over the next couple of years but is expected to come back to the SGPWA Board for final approval to continue in the Phase 2 participation. Jaggars indicated he believes this is the best solution.

SGPWA has 7.3 percent of the subscribed water, which equates to a Phase 2 total of interest-only funding of \$910,000. The PAYGO solution would have been \$24 million, which would be difficult for BCWVD to absorb, Jaggars explained.

President Covington noted the \$910,000 is spread over three years. Mr. Jaggars pointed to the spreadsheet showing the payments. He noted that there has been no commitment by BCVWD other than to the statement of charges. Covington confirmed the District is on the hook for the \$910,000. Mr. Jaggars pointed out the estimated increases in ad valorem tax revenue which will be applied to the costs.

7. Discussion regarding SGPWA 2019 Water Rate Increase, Water Delivery Schedule to BCVWD, and Discussion of BCVWD Delivery Options

General Manager Jagers briefly described the history of the recent San Geronio Pass Water Agency rate increase. On Friday, the SGPWA passed a resolution to increase the imported water rate from \$317 to \$399 effective May 1, 2019 to pay for 50 percent of the Nickel Water lease, Jagers explained.

BCVWD had ordered 9,700 acre-feet of replenishment water and 6,300 acre-feet (AF) of supplemental water if available; for a total of 16,000 AF. The SGPWA projected that there should be 15,000 AF available. There should have been more, Jagers continued, but water stored in the San Luis Reservoir was released due to the need for stormwater protection, therefore the water purchased through the Nickel Water lease was lost this year.

Jagers explained that BCVWD had sent a conditional water order to the SGPWA indicating if the rate was raised, the District reserves the right to reduce its order. He noted that 103 AF have been recharged from January to April at the Noble Creek connection. It could have been more if the turnout had been upgraded in a timely manner, he said. He offered a plan to bring the recharge amount up to the 15,000 AF available.

At its meeting this week, Jagers advised, the Yucaipa Valley Water District chose to curtail their water deliveries until it has the opportunity to complete a Proposition 218 process and notify its ratepayers. BCVWD does not have that opportunity and must take the cost as a debit, then overcharge once the rate is established to re-collect it. Anything purchased above this year's need will be banked and the cost will be recovered in the rate moving forward, Jagers explained.

The current pass-through is 46 cents per AF, Jagers pointed out. He said it appears that the \$399 cost would change the pass-through rate to 75 cents per unit of sale (one hundred cubic feet). Staff calculates that the impact to the average household bill would increase by \$7.76 per month. Newer homes are more water efficient, he said, so in reality, this cost will shift more to existing ratepayers (older houses).

General Manager Jagers provided an analysis of the SGPWA finances and Beaumont Basin recharge activities. He said that it appears there is \$1.5 million of recharge water purchases which SGPWA GM Davis indicated was paid with general fund money. If there is an overcharge on the rates, those funds would go into the general fund, therefore BCVWD ratepayers have helped fund that recharge activity. The rate increase, therefore, is unfortunate given the general fund contributions, Jagers concluded.

Mr. Jagers advised the Board that the SGPWA should take note of the \$1.5 million contributions and apply it to smoothing of the rate increase. In relation to the BCVWD rate study, he said, it is important to get it right and to communicate with the ratepayers.

President Covington reiterated the recharge numbers and suggested there is an unfunded \$1,115,200 increase in pass-through. Mr. Jagers indicated the cost would be moved forward. He said he believes it is important to try to accept all 15,000 AF to see how the recharge ponds respond and suggested a gradual

increase in water deliveries. He suggested the District cannot afford not to take the water deliveries this year, but it will be costly.

8. Reports For Discussion

a. Ad Hoc Committees:

2x2 Recycled Water Committee: Director Slawson reported that the Committee did not meet this month.

San Geronio Pass Regional Water Alliance: Director Slawson reported that the Committee did not meet this month.

b. General Manager:

Mr. Jagers reported that the District is very busy and is in the final stages of leasing additional office space. He noted there has been effort to employ some engineering interns and to hire one new field staff member and fill the engineering assistant position. The District is poised to start organizational activities related to recycled water and is looking to leverage some engineering interns to assist over the summer.

In April, the District recharged 1,133 AF at the Noble Creek facility, zero for Banning. The production from the Beaumont Basin for April was 893 AF and Edgar Canyon was 146 AF.

Three wells went out for RFP for repairs and maintenance. Proposals will be presented at the Engineering Workshop, Jagers noted. He described some of the issues.

The recharge is running at 20 cfs, he said. He would like to see how the ponds perform at a high flow rate without external influences. He reminded the Board that a letter was sent to the SGPWA indicating the District believes its recharge activities influence the BCVWD's. Jagers described the plan to increase the flow rate.

Mr. Jagers updated the Board on activities at Well 3 and Well 22. President Covington noted damage to the Well 22 site and Mr. Jagers explained that a driver missed the corner and hit the fence.

Mr. Jagers updated the Board on public relations efforts. To remain focused on the Board's targets, the District is assuring there is nothing missed that can be communicated. Some things discussed with the PR firm are recycled water implementation efforts, the water rate increase by SGPWA, changes in the California Water Fix, commitment to employee safety and wellness, maintenance of quality staff and how that effects the rate, and well maintenance. In addition, a Board member attended the Veterans Celebration, and the District operated a booth at the Fishing Derby. There will also be ongoing effort to position Bogart Park as a jewel for the community.

President Covington asked about staffing the booth, and Jagers acknowledged Ms. Rodriguez, Mr. Clayton, and Mr. Bean. A booth is also being considered for the Cherry Festival, however it is a significant staffing commitment.

President Covington asked about activity by the PR firm. Mr. Jagers indicated the firm is working on a platform for communication and doing some background work. He said he envisions staff and the firm giving regular updates to the Board. Covington asked when the staff and the PR firm would begin holding public meetings to discuss some of the plan elements such as imported and recycled water. Ms. Rodriguez responded that the process is to run through information first with the Board. There will be a community outreach message on the next bill and the firm has made recommendations. Covington expressed concern with getting out the District's message. This item will be added to the agenda for the next meeting.

c. Directors' Reports:

Director Hoffman reported that the staff prepared an analysis of electric costs to pump groundwater. This will be kept on an ongoing basis.

President Covington reported highlights from the Collaborative Agencies meeting on May 1. The City of Beaumont spoke about upcoming traffic improvements and concerns with the Oak Valley interchange project. The Beaumont School District and Library District were both discussing floating a bond in 2020. There are challenges at Bogart Park, but it is moving forward. The County reported that the warehouse slated for the Calimesa area is a done deal. The I-10 bypass report is being recirculated. The County has also received several applications for cannabis growth.

d. Legal Counsel Report: None.

9. Announcements

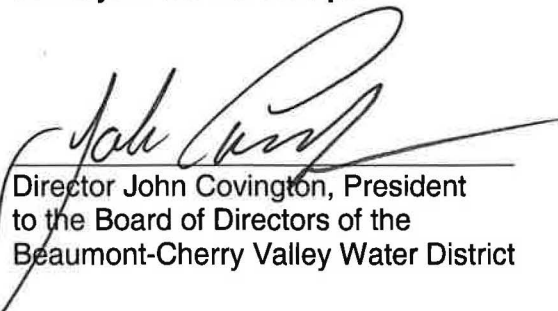
President Covington read the following announcements:

- Personnel Committee Meeting: May 20, 2019 at 5:30 p.m.
- Engineering Workshop: May 23, 2019 at 6:00 p.m.
- Beaumont Basin Watermaster Committee Meeting: June 5, 2019 at 10:00 a.m.
- Finance and Audit Committee: June 11, 2019 at 3:00 p.m. (change of date)
- Regular Board Meeting: June 12, 2019 at 6:00 p.m.

10. Action List for Future Meetings

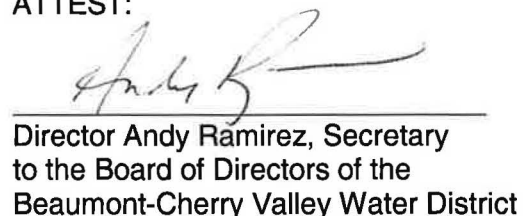
- Water supply for BCVWD and the region
- Will-Serve Letter expiration deadline (extension beyond 12 months)
- Public Relations

11. Adjournment: 7:55 p.m.



Director John Covington, President
to the Board of Directors of the
Beaumont-Cherry Valley Water District

ATTEST:



Director Andy Ramirez, Secretary
to the Board of Directors of the
Beaumont-Cherry Valley Water District