



**BEAUMONT-CHERRY VALLEY WATER DISTRICT
MINUTES OF MEETING OF THE FINANCE AND AUDIT COMMITTEE
Thursday, August 1, 2019 at 3:00 p.m.
560 Magnolia Avenue, Beaumont, CA 92223**

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

CALL TO ORDER

Director Hoffman called the meeting to order at 3:05 p.m. at 560 Magnolia Avenue, Beaumont, California.

PUBLIC INPUT: *None.*

ACTION ITEMS

1. Adjustments to the Agenda:

Mr. Clayton pointed to a typo on item 6: the title should refer to Tax Rate Setting Data, not Tas Rate Setting.

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

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

3. Receive and File the Check Register for the Month of June 2019

The Committee received and filed the June 2019 Check Register as presented.

4. Financial Reports/Recommendations

- a. Review of the June 2019 Budget Variance Report
- b. Review of the Quarterly Statement of Cash Flows for June 30, 2019
- c. Review of the June 30, 2019 Cash/Investment Balance Report
- d. Review of Check Register for the Month of July 2019
- e. Review of July 2019 Invoices Pending Approval

Director Hoffman reminded the Committee that at the last meeting, the General Manager had pointed out that water sales were lagging this year. Mr. Clayton confirmed sales are down \$400,000 from 2018, but up from 2016 during the effects of the drought. General Manager Jagers pointed to variables such as landscaping and cool weather.

Expenses are on schedule for halfway through the year, Hoffman noted. Mr. Jagers reminded about the increase in cost of water purchases and advised that he expects expenses to rise. Money will be taken from reserves this year to buy available water and put it in storage for future sales, he said. Director Hoffman asked about the reduction in volume for water delivery, and Mr. Jagers noted the constraint to 20 cubic feet per second.

Director Hoffman pointed to the Quarterly Statement of Cash Flows and noted a reduced net cash position. GM Jagers noted that more water is being bought at higher cost, and less is being sold. He predicted the variance will trend back to zero. In response to Director Hoffman, Ms. Rodriguez noted the sale of a backhoe and trucks resulting in some income.

General Manager Jagers advised that the District will soon be spending \$15 million on reservoirs and wells, and additional funds will be consumed by participation in the Sites Reservoir and the recycled water project with booster stations.

Director Hoffman asked about the rate study timeline, noting that the District is paying more for water than its sale price, and this cannot continue. Mr. Jagers indicated the rates will be addressed later this year.

Director Slawson asked about purchase of chemicals. Assistant Director of Operations James Bean noted the items in question are chlorine tablets.

Director Slawson asked about a payment to ARC Riverside. Mr. Jagers explained that a 6-inch fire service to a building was miscued in the system prior to the tenure of current staff. This resulted in overcharge for a 12-inch service which became very substantial. A refund check was issued for 14 years of overcharge.

Mr. Jagers noted a payment to CV Strategies and explained an effort to improve communication to the Board and establish a way to get everyone's messages out together. This will be addressed at the next Board meeting, he said.

In response to Director Hoffman, Mr. Clayton and Ms. Rodriguez explained the District's sales and use tax obligations. An annual report is filed with the state, noted Mr. Clayton. On the installation of a meter, the District passes through the sales tax paid.

After review and discussion, the Committee recommended presenting the Financial Reports to the Board for approval.

5. Analysis: Monthly electricity expenditures related to production

Mr. Jagers reiterated efforts to reduce power use during peak times and discussed Edison's new rates.

6. Update and discussion regarding San Geronio Pass Water Agency (SGPWA) Tax Rate Setting Data, Water Supply Opportunities, Water Funding Strategies and Costs, and Potential Impacts on BCVWD Ratepayers

Mr. Jagers reminded the Committee about the July 22 Board meeting and shared the corrected spreadsheet. The SGPWA anticipates the BCVWD paying its share of the Sites Reservoir while the water is not yet available to be sold, Jagers explained. This means the BCVWD must fund \$28 million. The new information obtained from the SGPWA will allow BCVWD to come to a clearer understanding, he said, and elaborated on the spreadsheet numbers.

Mr. Jagers said he anticipated the need for one or two budgeting workshops to address the upcoming costs.

7. Review of investment policies and procedures: Long-term investments

Director of Finance and Administrative Services Yolanda Rodriguez requested the approval of the Committee to engage an investment advisor, then two brokers. She presented a sample portfolio report from another district.

Although the District has been doing well with CalTrust and LAIF, she said, additional vehicles will allow the potential for higher return. The District has an investment policy in place, she noted. Mr. Jagers explained the analysis of short-term and long-term needs to be done by an investment advisor. A monthly report would be provided to the Board.

Director Slawson indicated support. Director Hoffman told staff that there will be an expense involved with the investment advisor, but the expense needs to be offset by additional earnings. If the work of the advisor is earning money for the District, then the advisor is entitled to earn money.

This will move forward to the full Board, said Jagers.

8. Action List for Future Meetings:

- Update on Water Supply Conditions
- Water rates
- Capacity fees
- Review of investment policies and procedures

ANNOUNCEMENTS

Director Hoffman read the following announcements:

- Beaumont Basin Watermaster Committee Meeting: August 7, 2019 at 10:00 a.m.
- Regular Board Meeting: August 14, 2019 at 6:00 p.m.
- Engineering Workshop: August 22, 2019 at 6:00 p.m.
- District Offices will be closed on Monday, September 2, 2019 in observance of Labor Day
- Collaborative Agencies Committee Meeting: September 4, 2019 at 5:00 p.m.
- Finance and Audit Committee Meeting: September 5, 2019 at 3:00 p.m.
- Personnel Committee meeting: September 23, 2019 at 5:30 p.m.

ADJOURNMENT

Director Hoffman adjourned the meeting at 4:18 p.m.

A handwritten signature in blue ink, appearing to read "David Hoffman", is written over a horizontal line.

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