



**BEAUMONT-CHERRY VALLEY WATER DISTRICT
MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS
560 Magnolia Avenue, Beaumont, CA 92223
Thursday, December 5, 2019 at 6:00 p.m.**

Call to Order: President Covington

President Covington began the meeting at 6:15 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:	Covington, Hoffman, Ramirez, Slawson, Williams
Directors absent:	None
Staff present:	General Manager Dan Jagers Director of Finance and Administrative Services Yolanda Rodriguez Senior Engineer Mark Swanson Administrative Assistant Erica Gonzales Assistant Director of Operations James Bean Senior Accountant Sylvia Molina Senior Finance and Administrative Analyst William Clayton
Legal counsel:	None.

Members of the public who registered their attendance: Thomas Medina, Norma Medina, and Nisha Wade.

Public Comment: Mr. Thomas Medina reminded the Board that he notified them of a development in his neighborhood and that water lines cross the property. Negotiations between the property owner, Mr. Ortiz, and BCVWD failed, he said, and an easement was granted to be able to access the water lines in case of a leak. So much material has been brought into the area, Mr. Medina reported, that there is no way it will be moved if there is a water leak. He requested the BCVWD re-route the water lines in front of the properties along Elm Avenue.

Ms. Norma Medina said she wants to make sure the residents' water is taken care of. On November 18, she experienced a water outage and called BCVWD and was informed there was an emergency shutoff. On November 19, a BCVWD representative visited to alert of another shutoff. She presented documentation of a visit to BCVWD in August noting that several Board members agreed the water

lines should be run in Elm Avenue and to add a fire hydrant. She requested the BCVWD not forget about the residents.

President Covington noted the residents have not been forgotten and indicated there was a commitment that will be honored.

ACTION ITEMS

- 1. Adjustments to the Agenda:** None.
- 2. BCVWD Fiscal Year 2020 Operating & Capital Improvement Budget Finances**
 - a. Preliminary revenue and expense estimates
 - b. CV Strategies 2019 Activities and Associated Expenses and Projected 2020 Budget line item
 - c. Townsend Public Affairs, Inc. 2019 Activities and Associated Expenses and Projected 2020 Budget line item

General Manager Jagers advised that the Finance and Audit Committee requested discussion of the imported water supply as the increase from \$317 to \$399 per acre-foot (AF) has had a significant effect on the budget. Staff advised the Board of the increases and a budget adjustment of up to \$3,046,426 was approved to purchase available water supply, Jagers reminded. In FY 2019, staff budgeted \$2,818,211 for approximately 8,900 AF of replenishment. With more water available in 2019, the Board authorized up to an additional \$3,046,326.

Funding was to come from capital reserves and should be recoverable in future sales as rates are adjusted and pass-through fees are evenly distributed, Jagers said. This resulted in an amended budget, Jagers explained. Some of the imbalances seen in the 2020 budget are significantly affected by this component, he noted. Staff is projecting \$3.7 million in water purchases for replenishment needs, which is \$900,000 greater than last year's projection of \$2.81 million. Total expenditures for imported water by December 31, 2019 are expected to be \$5.2 or \$5.3 million. Jagers explained the inclusion of this expense within the rate study and detailed replenishment needs. He estimated that the San Geronio Pass Water Agency's (SGPWA) imported water price increase added \$500,000 to 2019. President Covington noted the rate study will include consideration of the cost increase and Mr. Jagers indicated that estimates of the pass-through charge are 71 to 72 cents per unit of sale.

Jagers responded to questions from Directors Ramirez and Hoffman and explained the presentation of an unbalanced budget in anticipation of the rate study. President Covington noted it is painful to be paying from reserves but there will be dry years and said he is glad the Board has been proactive in approving the additional funds. Staff continues to project needs and water deliveries, Jagers assured.

Operating Budget

Director of Finance and Administrative Services Yolanda Rodriguez introduced the 2020 proposed Operating and Five-Year Capital Improvement budgets and

gave an overview of the District. The City of Beaumont is experiencing about 4 percent annual growth, she reported.

District accomplishments in 2019, Ms. Rodriguez noted, included development of working relationships with regional stakeholders, completion of a Comprehensive Annual Financial Report, increased capacity of the East Branch Extension Noble Creek Turnout to 34 cubic feet per second (cfs), finalization of the Bogart Park lease agreement, celebration of the District's 100-year anniversary, hosting of state legislators on site, maximized interest earnings, and enhanced transparency and communication.

The 2020 budget, Rodriguez explained, proposes revenue of \$16.9 million, and expenses of \$17.1 million, a deficit of \$38,412 before adjusting for capacity fees and depreciation. She explained the assumptions in the budget including growth of 400 homes. Mr. Jagers added that production was higher in 2018 than in 2019 and explained factors affecting the budget estimates. Ms. Rodriguez continued detailing the budget proposal, noting that a conservative approach was taken.

General Manager Jagers pointed to facilities fees projections and noted the District is conducting a fee study. Adjustments may be made with a later budget amendment, he advised.

Ms. Rodriguez explained proposed budget expenditures and responded to questions from the Board. Mr. Jagers offered detail on source of supply and related increased expenses. Ms. Rodriguez explained liabilities of \$1.3 million related to current and future retirees. Recommendations made by the District's hired consultant include establishing a trust for Other Post-Employment Benefits, she noted.

Ms. Rodriguez pointed to net revenue of \$13 million which is what is used to run the District, and explained expenses not including capital replacement at \$14.3 million. The budget is not balanced, she explained, by \$394,012. The District has normally set aside funds for capital replacement, she said, and recommended a one-time use of capital replacement reserves to balance the budget. Mr. Jagers warned that if it is a dry year and the District cannot purchase the water needed for replenishment, and the rates are not adjusted, this remains a problem. A budget amendment will remedy the issue, he said. The choice now is to buy less water, take the money from reserves, or have the adjusted rate satisfy the activities, he said. A significant component is the SGPWA pass-through cost recovery, Jagers reminded. He acknowledged uncertainties.

Several factors affecting the budget were noted by Ms. Rodriguez, including the cost-of-living adjustments outlined by the compensation study, health coverage cost increases, retirement costs, and water purchases. Mr. Jagers added that conscious decisions have been made to buy water which has a sale value.

Projected cash on hand by December 31, 2019 is \$3.3 million for operating reserves. She noted \$23.7 million in capital replacement reserves which will not likely be put aside this year. Unrestricted cash totals \$28.1 million to access for regular operations, she said. Restricted cash totals \$31.9 million for capital commitments, Rodriguez noted.

Mr. Jagers interjected that projects such as the replacement pipeline and well re-drills come out of the \$23 million. Capital commitments include the recycled water booster station, Grand Avenue storm drain project, Noble Tank and transmission pipeline and others, he added; large projects consume the reserves along with the commitment to Sites Reservoir.

Ms. Rodriguez drew attention to the organizational chart. President Covington said he noticed there is no change in full time equivalents. Mr. Jagers reminded that a second Civil Engineering Assistant position to support recycled water was added after last year's budget but has not been filled. Director Ramirez noted that the Director of Engineering position is budgeted but not filled. Mr. Jagers explained that current staffing includes a Senior Engineer and one Civil Engineering Assistant.

Director Ramirez noted there is no Director of Operations and noted the Assistant Director of Operations is fulfilling a hybrid role.

Five-Year Capital Improvement Budget

General Manager Jagers advised the Board that a hard look was taken at the projects in order to smooth expenditures and as part of the facilities fee study. President Covington asked about funding depreciation. Ms. Rodriguez explained that it is being funded in 2019, but not in the 2020 proposed budget. Mr. Jagers pointed to a \$2.86 million deficit in the 2020 budget until the rates are adjusted and the budget cleaned up as part of the rate study. There will be an issue if there is no rate increase, he noted.

Ms. Rodriguez listed goals for 2020 which are to complete the water rate study and facilities fee study, implement the findings, finalize a recycled water purchase agreement with the City of Beaumont, implement the recycled water system, construct the capital facilities such as the Noble Tank and Pipeline, the 2017 replacement pipelines, Wells 1 A and 2A re-drills, apply for certification for delivery of recycled water, design and bid items related to recycled water, revise and update the District's disaster preparedness plan, and pursue grant funding opportunities.

Discussion

President Covington asked about activity by the grant consultant. Ms. Rodriguez pointed to updates provided from Townsend and Associates and CV Strategies. Mr. Jagers indicated there are some grant applications pending and there are future opportunities.

Director Ramirez asked if there were options considered to cover the deficit other than to use reserves. Ms. Rodriguez advised that expenses would have to be reduced, perhaps by buying less water. Other operational expenses such as salaries and health benefits are not in the District's control, she pointed out, and Ramirez asked if reductions were feasible. Ms. Rodriguez discussed current staffing and noted that cuts would still not get close to making up the deficit. Mr. Jagers explained that some staff time is recovered through developer deposits due to tasks, like plan checks, done in house. He indicated the District is running lean and described some succession/organizational planning and cost-saving measures. He said he is unsure there are other large expenditures to cut other than water supply costs.

Ramirez suggested continuing to rely on current staff and pointed out that expenditures on IT have significantly increased. He asked about expenditures related to the proposed Emergency Operations Center (EOC). Mr. Jagers reminded the Board of discussion of land acquisition and facilities needs under Capital Replacement Reserves for a facility and planning activities, budgeted at \$1.7 million. It is a factor in the rate.

President Covington pointed out the huge impact of the SGPWA imported water rate and that there are still many unknowns. He supported purchase of as much water as possible and noted the District has water in storage. At mid-year there may be a point when the District must buy less water for a period of time in order to balance, Covington said. Director Ramirez indicated that reducing the purchase of water would be less a priority than the near-term investment in the EOC.

Mr. Jagers reminded the Board about participation in the Sites Reservoir and noted there may be opportunity for additional supply from the Bay-Delta. He noted other water deals made by the SGPWA and reminded the Board about the tools used to project water supply needs moving forward.

In response to President Covington, Mr. Jagers confirmed the source of supply is not included in the rate increase potentially effective in March; the budget is projected from the current rate structure. He further detailed cost savings within the current organizational structure and emphasized succession planning.

Director Ramirez said he commended the GM for the current hybrid solutions but pushed for reductions such as spreading out costs for the EOC or leaving positions vacant. President Covington asked about any effects of the potential rate increase. Ms. Rodriguez said the rate study objective is to balance revenues with the needed budget. Covington pointed out that BCVWD's rates are low, but he said he believes it is reasonable to assume that the proposed rates will close the \$400,000 gap. The District is five years behind, Covington continued, and should be able to catch up by 2020 or 2021 with a rate increase. Mr. Jagers assured the Board that all the costs included in the budget are reflected in the rate, and all the numbers included in the current budget projections are included in the rate study. Ms. Rodriguez added that the rate study also considers the capital replacement reserves.

Mr. Jagers asked the Board to review the detailed budget documents included in the meeting agenda packet and to contact staff with any questions.

Director Ramirez asked about any benefit in spreading out costs; President Covington indicated yes, if feasible. Mr. Jagers explained that staff has examined capital replacement needs in depth. Director Ramirez asked about the current facilities / EOC. Mr. Jagers reviewed District facilities and stated that new solutions are necessary. The first step is to set aside the \$1.7 million for land acquisition, and to do some design and planning, he said.

Director Ramirez suggested the Board look at how much it wants to invest in District facilities this coming year. He said the Board should be able to say that due diligence was done, as costs will be created and passed to residents via the water rate. President Covington asked Mr. Jagers whether the EOC puts the District in a bad spot if the allocation were reduced to \$600,000. All the

numbers are reasonable estimates, Jagers answered, it just moves the project farther away. Covington said it was unlikely that \$1 million would be spent on the EOC in 2020, as the rate may not be approved until March. If the costs are spread, Jagers responded, a bond sale may be avoided, but the revenue must still be collected. He noted the Board had given direction on the EOC at a previous meeting. Director Ramirez indicated that spreading things out allows any rate increase to be less of a shock.

Covington pointed out these numbers must be included in the rate study in order to be collected, but that doesn't mean the District will be spending \$1 million in 2020. The EOC project could go out until 2024, he noted, but the revenue will be collected. Jagers said it will be smoothed as much as possible to avoid declining reserves. Jagers also reminded the Board that Capital Improvement costs are entered into the rate model at only 75 percent due to the Board's concern about rates.

CV Strategies 2019 Activities and Budget

Director of Finance and Administrative Services Yolanda Rodriguez noted that the District is still in the Proposition 218 process and the rate study activities include staff training and a Town Hall meeting. The cafeteria-style proposal for 2020 totals \$104,115, she noted.

Director Ramirez suggested the proposal go to the Ad Hoc Communications Committee for thorough study. Mr. Jagers noted that the CV Strategies contract extension is currently included in the proposed 2020 budget. President Covington suggested the Committee determine a not-to-exceed amount. How the resources are moved around is up to the Committee, Covington stated, and can be brought back to the Board in January. The meeting date was tentatively set for December 9 at 5:30 p.m.

Townsend Public Affairs

The Board requested an annual evaluation of Townsend, Ms. Ramirez noted. She pointed to the list of services proposed in 2020. The budget is \$48,000 annually.

Mr. Jagers reminded the Board of the site visits by a state senator and assemblyman and noted that Townsend is seeking opportunities for grants. Staff would not have time to do these applications without assistance/guidance, he pointed out.

In response to Director Ramirez, Mr. Jagers indicated it is a multi-year agreement. The Board had wanted an opportunity to unplug if dissatisfied. This is the first year of that opportunity, he said. It is a flat monthly fee and the consultant interfaces with staff and does the heavy lifting on grant applications.

3. Reports For Discussion

a. Ad Hoc Committees: No Report.

b. General Manager:

Mr. Jagers said he is meeting next week with the City Manager to discuss the move-forward position on recycled water and the purchase agreement. He

provided some detail on the project progress. The Ad Hoc committee may meet in January, he added.

Mr. Jagers advised that work was performed at Noble Creek Recharge Facility Phase I near The Grange and has been restored to make parking available for the Winterfest this weekend.

Significant recharge was performed last month but will be slowing down in December due to a shutdown on the East Branch Extension in January. Jagers described maintenance being performed.

c. Directors' Reports:

VP Slawson noted that the San Geronio Pass Water Alliance met and will be determining if the Alliance will dissolve or continue to meet.

Director Ramirez reported that he and Director Hoffman attended the Personnel Committee and reviewed a number of items including Board of Directors compensation and potential medical reimbursements for directors.

Mr. Jagers acknowledged items from the Committee and said the intent is to bring them to the Board, but due to workload there may not be actionable items ready. Ms. Rodriguez confirmed that a benefits broker contract will be before the Board.

Director Ramirez requested staff provide enough information on the items from the Personnel Committee for the Board to give direction or take action at the Dec. 18 meeting.

Director Williams noted she just returned from the Association of California Water Agencies conference and there were many good presentations.

President Covington noted that Winterfest is this weekend at The Grange. There will be a presentation on behalf of former BCVWD Board member Stella Parks. He invited directors to attend.

d. Legal Counsel Report: None.

4. Announcements

President Covington read the following announcements:

- Regular Board Meeting: Wednesday, Dec. 18, 2019 at 6 p.m.
- District Offices will be closed on Wednesday, Dec. 25, 2019 in observance of Christmas Day
- District Offices will be closed on Wednesday, Jan. 1, 2020 in observance of New Year's Day
- Finance and Audit Committee Meeting: Thursday, Jan. 2, 2020 at 3:00 p.m.
- Regular Board Meeting: Wednesday, Jan. 8, 2020 at 6:00 p.m.
- Engineering Workshop: Thursday, Jan. 23, 2020 at 6:00 p.m.
- Personnel Committee Meeting: Monday, Jan. 27, 2020 at 5:30 p.m.
- Beaumont Basin Watermaster Committee Meeting: Wednesday, Feb. 5, 2020 at 10:00 a.m.

5. Action List for Future Meetings


- Water supply for BCVWD and the region
- Board compensation

6. Adjournment: 8:40 p.m.



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

ATTEST:



Director Lora Williams, Secretary
to the Board of Directors of the
Beaumont-Cherry Valley Water District