



**BEAUMONT-CHERRY VALLEY WATER DISTRICT
MINUTES OF SPECIAL MEETING
OF THE BOARD OF DIRECTORS
560 Magnolia Avenue, Beaumont, CA 92223
Tuesday, January 7, 2020 at 6:00 p.m.**

Call to Order: *President Covington began the meeting at 6:15 p.m.*

Pledge of Allegiance: *Led by Director Williams.*

Invocation: *Invocation was given by Director Hoffman.*

Roll Call:

| | |
|--------------------|--|
| Directors present: | Covington, Hoffman, Williams |
| Directors absent: | Ramirez, Slawson |
| Staff present: | General Manager Dan Jagers, Director of Finance and Administration Yolanda Rodriguez, Senior Engineer Mark Swanson, Senior Finance and Administrative Analyst William Clayton, Administrative Assistant Erica Gonzales |

Members of the public who registered attendance: Dr. Blair Ball, Nisha Wade of CV Strategies, John Wright and Lauren Demine from Raftelis Financial Consultants.

Public Comment:

Dr. Blair Ball reminded the Board about the recycled water gravity flow issue discussed at the last meeting and said he appreciated the staff's identification of a more cost-effective solution. Dr. Ball also reminded the Board that he spoke about director per diem fees at the last meeting. He provided a handout to clarify his comments regarding average per diem rates excluding state water contractors.

1. Adjustments to the Agenda:

President Covington tabled Item 11, the Closed Session, to the meeting of January 23, 2020 due to the absence of two directors.

2. Consent Calendar:

The following Consent Calendar items were approved with one motion:

- a. November 2019 Budget Variance Report
- b. November 30, 2019 Cash/Investment Balance Report
- c. December 2019 Check Register
- d. December 2019 Invoices Pending Approval
- e. Minutes of the Regular Meeting of December 5, 2019
- f. Minutes of the Regular Meeting of December 18, 2019

| | | |
|----------------|------------------------------|--------------|
| MOVED: Hoffman | SECONDED: Williams | APPROVED 3-0 |
| AYES: | Covington, Hoffman, Williams | |
| NOES: | None. | |
| ABSTAIN: | None. | |
| ABSENT: | Ramirez, Slawson | |

3. Resolution 2020-01 Acknowledging the Review, Receipt and Acceptance of the District’s Investment Policy

General Manager Jagers explained that this is the annual verification of the District’s Investment Policy. There are no changes, he noted.

President Covington asked for comments from the Finance and Audit Committee; Director Hoffman said this is a standard item for approval each year as required by the state. He advised that this year, the District has had its best return on investment, and he believes the policy is good. He recommended approval.

The Board adopted Resolution 2020-01 Acknowledging the Review, Receipt and Acceptance of the District’s Investment Policy by the following vote:

| | | |
|-----------------|------------------------------|--------------|
| MOVED: Williams | SECONDED: Hoffman | APPROVED 3-0 |
| AYES: | Covington, Hoffman, Williams | |
| NOES: | None. | |
| ABSTAIN: | None. | |
| ABSENT: | Ramirez, Slawson | |

4. Resolution 2020-02: A Resolution of Intent to Increase Rates and Charges for the Users of the District’s Water Services and Systems

General Manager Jagers reported that the Rate Study has been completed and explained the Resolution of Intent.

Mr. John Wright of Raftelis Financial Consultants advised that he and Lauren Demine are the principal consultants working on the project.

Mr. Wright explained that rate increases are governed by the Proposition 218 process which assures that no agency can collect more from ratepayers than the actual revenue necessary associated with direct costs, maintaining adequate cash reserves, and appropriate level of debt service coverage. Rates must be correlated to the customers’ use of the system based on their demand characteristics, he explained. For any rate study completed in California, compliance with Prop. 218 is of paramount importance, Wright noted, and said he believes this study has achieved that.

Wright noted the financial plan ensures a level of revenue adequate to maintain the financial integrity of the utility, and identifies the level of revenue to be collected from ratepayers. The study also considers cost allocation, then determines rate design.

The key issue for utilities is maintaining an adequate level of cash reserves to ensure the financial integrity of the utility, Wright said. He explained minimum requirements of 90 days of reserves, and a maximum of 180 days. He reviewed District expenses, pointing out adequate cash reserves.

Mr. Wright pointed to the recommended rate revenue adjustments of 1 percent starting in March 2020, then 7 percent effective each January from 2021 to 2024. The District also has pass-through costs, he continued, and pointed to the increase in imported water rates from the San Geronio Pass Water Agency, and fluctuating rates from Southern California Edison power costs. The pass-through charges increase by 2.1 percent in 2020, and 6 to 7 percent in ensuing years.

Director Hoffman asked about the formula for determining the combined percentage increases. Mr. Wright said it is a look at total revenue for any given year, and the percentage increase of total revenue from the previous year.

The Capital Improvement Plan was pointed out, and Wright said these are critical costs that require revenue to fund.

After the determination of the financial plan, a cost of service study was performed, Wright continued. Key objectives were to update the fixed charges, and to design a tier structure for single-family residential customers to facilitate conservation pricing, Wright explained. Also developed were uniform charges for multi-family units. Another key objective is the maintenance of fixed bi-monthly charges and the commodity charge, he explained, in order to maintain the financial integrity of the utility.

Wright noted that the cost of service determination for each customer class as outlined by the American Water Works Association (AWWA) is further detailed in the report. He explained the process to arrive at the recommended rate tiers for conservation pricing. Tier 1 was designed to provide an adequate level of water for normal indoor water use. Tier 2 was designed to provide an adequate level of water for the outdoor irrigation needs of typical lot sizes in the BCVWD area. Tier 3 encompasses high consumption customers, he explained.

Mr. Wright contrasted current rates with proposed rates, pointed out the separate pass-through costs, further detailed fixed and volumetric rates, and explained the impact to customers. Director Hoffman observed it appears that a residential customer seems to have a larger impact than commercial. Mr. Wright explained that the cost of service study shows single-family residential is underpaying by approximately 11.8 percent, primarily due to peaks imposed on the system. Ms. Lauren Demine added that single-family residential customers can be impacted more than commercial customers because they are paying a tiered rate while commercial customers are paying a flat rate for usage. Higher consumption single-family residential users will be impacted the most.

President Covington asked about private fire service. Ms. Demine explained that the cost of service analysis showed those were paying more than their demand on the system, therefore their cost is decreasing.

Mr. Wright advised that there is a Town Hall meeting scheduled for February 20, followed by a Prop. 218 Public Hearing on February 27, with rates effective on March 1, should the Board decide to move forward.

President Covington recounted the meetings related to the rates and said this presentation wraps it up. There has been a lot of dialogue and the Board has had several opportunities to review and comment on the study, he said.

Director Hoffman noted he appreciated the work that has been done and indicated the information has become clearer as time has progressed. He said he believes the study has been done in an effective and efficient way and good insight was provided; he finds the study understandable and said he likes what he sees.

President Covington said he understands the District must be charging the cost of service and it seems the rate study meets that threshold. He said this has been discussed many times and he is comfortable with the report as adequate relative to operations and projected revenues.

Mr. Jagers noted that the published version of the rate study contained some errors, and supplemental corrected pages have been printed. The Board and the public have been given a “road map” as to what was changed, he explained, including typos and monthly vs. bi-monthly descriptions to ensure clarity to customers, but no changes were made to the numbers.

The Board adopted Resolution 2020-02: A Resolution of Intent to Increase Rates and Charges for the Users of the District’s Water Services and Systems and set the date for the Public Hearing on February 27, 2020 by the following vote:

| | | |
|----------------|------------------------------|--------------|
| MOVED: Hoffman | SECONDED: Williams | APPROVED 3-0 |
| AYES: | Covington, Hoffman, Williams | |
| NOES: | None. | |
| ABSTAIN: | None. | |
| ABSENT: | Ramirez, Slawson | |

5. Authorization of General Manager to extend a Contract for Public Relations and Community Outreach Consulting Services with CV Strategies for a One-Year Term in an Amount Not-to-Exceed \$100,000

Mr. Jagers advised that the Ad Hoc Communications Committee reviewed the proposed work set forth in the document previously provided to the Board. An amount was included in the approved budget for public relations activities, he noted. The final recommendation of the Committee was to continue to utilize CV Strategies for the next year in an amount not to exceed (NTE) \$100,000.

There is a lot to do next year, Jagers continued, and this lightens the load for District staff. CV Strategies’ work has been beneficial over the last year, and the Communications Committee agreed, Jagers said.

Director Williams reported that the Ad Hoc Communications Committee acknowledged that CV Strategies is doing a good job and many of the current tasks need to continue. There was discussion on the NTE amount, and the Committee members compromised in the middle at \$100,000, she advised.

Director Hoffman requested information on benefits that the District will receive from this work over the course of the year. He noted the potential increase in director per diem, discussion of medical insurance, and pending rate increase, and expressed concern about another potential expenditure of \$100,000 or more, the

burden of which will be placed on the ratepayers. President Covington commented that the District was lacking in relationships with customers and other public agencies, and he noted the website is now interactive and user-friendly. CV Strategies has also helped prepare for the Prop. 218 process and will provide ongoing support and will help staff with outreach.

Covington noted that this contract was set for renewal each year in order to review consultant performance and accomplishments to assure it is money well spent. Hiring staff to provide these services would likely start at a cost of more than \$100,000, Covington said, and this is work that must be done. He reminded about the RFP process during which CV Strategies came highly recommended and said he has experienced positive interaction and regular updates. The District had committed to improving communication, he noted, but this work can be ratcheted down in the future. Covington said he is comfortable with and supportive of the assistance moving forward, and pointed out the District is not over-staffed, which is apparent in the budget.

Mr. Jagers pointed out that the District controls the cafeteria-style expenditures and the Board created an Ad Hoc Communications Committee to oversee what to do moving forward and to make recommendations to the full Board. He reminded that a lot has happened in the last year including improved messaging and improvements to the website. He explained advantages of leveraging CV Strategies' experience and connections. Continued assistance will be needed to communicate with ratepayers on the rate activity and other upcoming projects. In response to President Covington, Ms. Rodriguez indicated that the 2019 contract year is not over, but estimated \$100,000 spent in 2019.

Ms. Nisha Wade thanked the Board for the comments and said CV Strategies is looking forward to building on the success of the last year. She pointed out the accomplishments which relate to the District's goal of transparency. There are many activities coming up related to the rate action, she added. President Covington said he understands there were no major changes to the contract or scope of work suggested by the Communications Committee and asked about the plan for the remainder of the year. Ms. Wade pointed to the potential scope of work as discussed by the Committee. Resources are flexible and can be allocated as determined, she said, and reviewed the items.

Director Williams pointed out there are many things coming up, noting that recycled water is a large project. She opined that Beaumont is no longer a town of 6,000; the District must be able to inform customers and staff is already inundated. She expressed support for the creation of an informational welcome packet.

President Covington called on Dr. Blair Ball for public comment. Dr. Ball advised that when he was previously on the Board, some directors sought to aggrandize themselves during an election year. He requested the Ad Hoc Communications Committee assure that messages are factual. He suggested sharpening the pencil to assure the best use of funds, as \$100,000 is a lot of money.

Dr. Ball asked about spokesperson training. Director Williams noted that the training was to assure that the same message is delivered as a District, and all are on the same page. President Covington indicated he felt the training is important and felt it would be beneficial in communication with constituents as the rate activity progresses.

President Covington acknowledged Director Hoffman's concern. He noted various expenses and pointed out that Sacramento is making it more difficult for the District to do business. The Board can look at hiring a staff person to do this in the future.

Mr. Jagers reiterated that staff is leveraging the abilities of CV Strategies and there is much left to do; and expenditures are controlled. Director Hoffman added that he will act on faith that a return on investment and adequate benefit will be realized from the contract. He noted that he has spoken to people in the community and recognizes they have little knowledge of how safe, drinkable water gets to their tap, but wonders if that is something they need to know.

The Board authorized the General Manager to extend a contract for Public Relations and Community Outreach Consulting Services with CV Strategies for a one-year term in an amount Not-to-Exceed \$100,000 by the following vote:

| | | |
|-----------------|------------------------------|--------------|
| MOVED: Williams | SECONDED: Hoffman | APPROVED 3-0 |
| AYES: | Covington, Hoffman, Williams | |
| NOES: | None. | |
| ABSTAIN: | None. | |
| ABSENT: | Ramirez, Slawson | |

6. Confirmation of Duties of the Ad Hoc Communications Committee

General Manager Jagers introduced the suggested duties of the Ad Hoc Communications Committee as identified at its meeting on December 12, 2019. Ad Hoc committees are established under state law for a specific purpose and this is to confirm clear direction to the Committee.

President Covington confirmed the Ad Hoc Communications Committee shall remain established due to the concerns of Director Ramirez to identify the activities happening or not happening with CV Strategies. He indicated the elements of the suggested duties seem consistent with prior discussion.

Director of Finance and Administration Yolanda Rodriguez noted that an Ad Hoc committee may not take action, it may only make recommendations. President Covington confirmed the Committee should work with staff and bring back updates to the Board. He set a sunset date of December 31, 2020.

General Manager Jagers clarified the suggested duties and noted number 6 to be edited for clear direction and that the Committee may not directly enact a solution: that "the Committee may meet to discuss unforeseen activities that may need to be communicated to the public and make recommendations to the full Board to utilize CV Strategies for those activities."

President Covington reiterated that any Board Directors are not to give direction to consultants and/or staff. Duties confirmed for the Ad Hoc Communications Committee:

1. The Committee will meet monthly or as needed at a time and place to be determined by the members with or without a representative of CV Strategies, the District's contracted public relations consultant.

2. The Committee will review activities completed by CV Strategies and determine progress on the scope of work as included in the Board-approved CV Strategies contract.
3. The Committee may make suggestions to advance the goals of the District's public relations efforts within the framework of the scope of work.
4. The Committee will strive to maintain adherence to the approved budget and maximize accomplishments within the approved budget.
5. The Committee will make monthly reports to the full Board of Directors at a regular meeting.
6. The Committee may meet to discuss unforeseen activities that may need to be communicated to the public and make recommendations to the full Board to utilize CV Strategies for those activities.

7. Update: Landscaping Efforts and Brush Clearing at Bogart Park to Mitigate Transient Encampments

Mr. Jagers reminded the Board that speakers during public comments at the December 18 meeting advised that a couple of fires had taken place in the area at the front of Bogart Park. District staff investigated the next day. Jagers gave an overview of the area and showed some photos. He said he and President Covington toured the site and met with Duane Burk, General Manager of the Beaumont-Cherry Valley Recreation and Park District (RPD). An action plan was formulated to get things done using staff, California Conservation Corps, and Cal FIRE resources.

Jagers noted the fires were along the well-used equestrian trails in the park and it appeared a number of activities could create a fire situation. Jagers said that Burk indicated that the RPD patrols for vagrancy and the transients are ejected from the park. Jagers said improvements have been made and will continue in partnership with the RPD.

President Covington added it was evident that the fires started at the horse trails. Fencing would be difficult, he said, and noted that the fence along Cherry Avenue has been pushed down and suggested repair of the chain link. Mr. Jagers indicated that quotes will be obtained, and a funding source must be identified for fence repair.

President Covington said he appreciated the quick response to the concerns voiced by the public. He requested staff do what is necessary to find funding within the budget, to address the fence repair as a priority. He clarified that his request does not include additional fencing to Altura Bella or limiting equestrian access.

Director Hoffman said he inquired of a nearby resident who said he saw no activity but will continue observation. He noted there has been much improvement and suggested stepping back to see if anything negative develops in the future, then make additional plans if necessary.

Additional fencing may be discussed by the Board at a future meeting if necessary, Covington noted.

8. Reports For Discussion

a. Ad Hoc Committees: None.

b. General Manager

Mr. Jagers commended the Finance and Administration Department for their work on several concurrent items.

Work has been ongoing at the Noble Creek Recharge Facility Phase I, Jagers advised. The material stored at the northwest corner has been processed and returned to the ponds. Director Hoffman said that the area looks excellent. Mr. Jagers advised that staff is seeking a better solution.

The State Water Project, he continued, is currently shut down and flow rates may be diminished for a couple of months due to damage at a pump station upstream.

BCVWD recharged 13,646 acre-feet (AF) at the Noble Creek facility in 2019, Jagers reported, which matched fairly well with what the San Geronio Pass Water Agency (SGPWA) says it delivered. This is a fair amount of water considering the shutdown in the spring, the turnout upgrade and issues, he said. Production from Beaumont Basin was 11,200 AF and from Edgar Canyon, 1,307 for a total of 12,509. This is about 1,200 AF less than what was delivered in 2018, he noted, likely due to cooler weather and rain.

The BCVWD replenishment need is equal to the amount extracted from the basin, less the District's allocation, which totals 9,296 AF in 2019. Jagers explained this means 4,349 AF was added to storage this year, resulting in a storage account of about 39,200 AF in the Beaumont Basin, he reported.

Mr. Jagers reminded the Board of an opportunity to purchase additional water at \$1,000 per AF in 2017, which was declined. Basin storage has improved, and the basin is being managed well, but that does not mean there will not be future need for more water, he cautioned.

The SGPWA had offered BCVWD the opportunity to recharge water at its new facility, Jagers reminded. At the end of December, the Fiesta Recharge Facility reached a 20 cfs delivery rate and it appears to be performing, Jagers noted. It will be available if BCVWD has a need in the future.

c. Directors' Reports: None.

d. Legal Counsel Report: None.

9. Announcements

President Covington read the following announcements:

- Collaborative Agencies Committee Meeting: Wednesday, Jan. 8, 2020 at 4:00 p.m.
- District Offices will be closed on Monday, Jan. 20, 2020 in observance of Martin Luther King Jr. Day
- 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.
- Finance and Audit Committee Meeting: Thursday, Feb. 6, 2020 at 3:00 p.m.
- Regular Board Meeting: Wednesday, Feb. 12, 2020 at 6 p.m.
- District Offices will be closed on Monday, Feb. 17, 2020 in observance of Presidents' Day
- Town Hall Meeting regarding rate action: Thursday, Feb. 20, 2020 at 6 p.m.
- Regular Board Meeting including Public Hearing: Thursday, Feb. 27, 2020 at 6 p.m.

10. Action List for Future Meetings:

None.

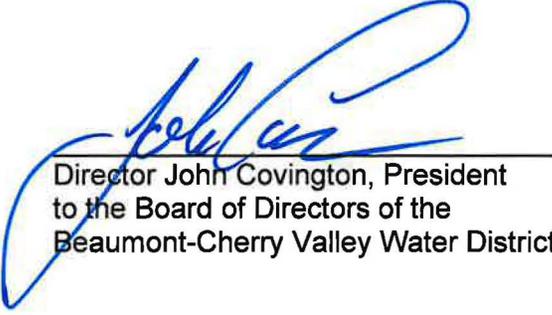
11. Closed Session

- a. PUBLIC EMPLOYEE PERFORMANCE EVALUATION
Pursuant to Government Code Section 54947
Title: General Manager

This item was tabled to the January 23, 2020 meeting.

12. Adjournment

President Covington adjourned the meeting at 8:18 p.m.



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

ATTEST:



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