



BEAUMONT-CHERRY VALLEY WATER DISTRICT
560 Magnolia Avenue, Beaumont, CA 92223

MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING
Thursday, May 7, 2020 at 3:00 p.m.

***Meeting held via teleconference pursuant to
California Government Code Section 54950 et. seq. and
California Governor's Executive Orders N-29-20 and N-33-20***

CALL TO ORDER

Chair Hoffman called the meeting to order at 3:00 p.m. via teleconference.

Announcement of Teleconference Participation

Director of Finance and Administration Yolanda Rodriguez clarified that this meeting is conducted via teleconference pursuant to California Government Code Section 54953, and under Executive Order N-29-20 and N-33-20 of the Governor of California.

The teleconference capabilities of this meeting have been identified in the Notice and Agenda for this meeting, pursuant to the Brown Act and the Governor's Executive Order. Under the Governor's Executive Order and the Gathering Guidelines of the California Department of Health due to the danger of COVID-19, the teleconference locations are not publicly accessible. The public's right to comment and participate in the meeting is being assured via teleconference capabilities.

The Beaumont-Cherry Valley Water District (BCVWD) will use sound discretion and make reasonable efforts to adhere as closely as reasonably possible to the provisions of the Brown Act, and other applicable local laws regulating the conduct of public meetings, in order to maximize transparency and provide the public access to meetings.

Attendance

Directors present:	Director Hoffman and Director Slawson
Directors absent:	None.
Staff present:	General Manager Dan Jaggars Director of Finance and Administrative Services Yolanda Rodriguez Assistant Director of Operations James Bean Senior Engineer Mark Swanson Senior Finance and Administrative Analyst Bill Clayton Accountant III Lorena Lopez Administrative Assistant Erica Gonzales Human Resources Coordinator Sabrina Foley
Members of the public who registered:	One unidentified member of the public on the teleconference.

Director of Finance and Administration Yolanda Rodriguez verified that all members of the Finance and Audit Committee and staff have indicated that they are able to hear the other members clearly on the teleconference. No committee members or staff expressed any reason to believe, based on voice recognition or otherwise, that those persons representing themselves to be committee members are not truly so.

PUBLIC INPUT: *None.*

ACTION ITEMS

1. Adjustments to the Agenda: *None.*

General Manager Jagers advised there are handouts for Item 8 available on the District's website. Committee members Hoffman and Slawson confirmed they have the document.

2. Review and Acceptance of the April 2, 2020 Minutes of the Finance and Audit Committee

The Committee accepted the minutes of April 2, 2020 as presented.

3. Receive and File the Check Register for the Month of March 2020

The Committee received and filed the March 2020 Check Register as presented.

4. Financial Reports/Recommendations

- a. Review of the March 2020 Budget Variance Report
- b. Review of the March 31 Cash/Investment Balance Report
- c. Review of Check Register for the Month of April 2020
- d. Review of April 2020 Invoices Pending Approval

Director Hoffman reviewed the reports. He noted that it is early in the year to evaluate the budget variances, as the figures appear to be on the short side.

Director Hoffman observed that the District's cash position is slightly better than a year ago. He indicated that investments have also increased, but the cash position is even given water purchases. GM Jagers reminded the Committee that the District purchased 3,119 acre-feet (AF) of water in February and March, the bulk of which goes into the ground to be sold in the hottest parts of the month. Hopefully, he said, the change in rates and the increase in the pass-through rate will balance by the end of the year, despite any payment delinquencies due to COVID-19.

Director Hoffman asked if the San Gorgonio Pass Water Agency rate is expected to be adjusted. Jagers stated that the SGPWA general manager has advocated to hold steady and the Board has taken no action. BCVWD is now in the position to update the pass-through if it is adjusted.

In response to Director Hoffman, Mr. Jagers explained costs of pipeline replacements along 9th and 11th streets. Director Slawson asked about costs of Zoom videoconferencing. Mr. Jagers indicated this was an annual fee paid in case the District

chose to use the service. So far, only the teleconferencing module has been used, he noted. Ms. Lorena Lopez advised that next month, a \$121 credit will be added.

Director Hoffman noted a payment to SGPWA for imported water. Mr. Jagers noted that BCVWD delivered an average of 18 AF per day. To minimize risk to personnel, BCVWD discontinued water deliveries beginning in March and has now been reinitiated. The intent is to deliver about 20 AF per day over the next two months as the County begins to re-open, he said. Mr. Bean and Mr. Jagers responded to questions from Director Hoffman regarding water delivery.

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

5. Analysis: Monthly electricity expenditures related to production

Director Hoffman compared the cost of the city wells this year was \$147.78 per acre-foot produced to last year, at a cost of \$173.89.

6. Status of State Water Project Water Deliveries during the Local Emergency due to COVID-19

General Manager Jagers noted that activities related to COVID-19, water deliveries to receive, minimization of staff exposure and efforts in the field, result in a revised delivery schedule. He explained the District's ideal delivery plan that ensures BCVWD can receive all the water ordered and said he advised SGPWA GM Jeff Davis.

GM Jagers said the District is hopeful that the County will relax some COVID-19 mandates based on Governor Newsom's reports on re-opening. The District's plan is designed to keep BCVWD, SGPWA and San Bernardino Water Agency staff safe, who all run parts of the East Branch Extension.

Jagers said he does not believe there is risk of losing water stored in the San Luis Reservoir, but this District will respond if necessary.

Jagers calculated a monthly imported water bill of \$237,000 under this plan. He said he believes this is a good place to be even considering the uncertainties of delinquencies due to people not having jobs and unable to pay their water bill. Under a current order from the Governor, the District may not disconnect people during the pandemic crisis, Jagers noted.

7. Approval of Amendment to the BCVWD Fiscal Year 2020 Operating Budget

Director of Finance and Administrative Services Yolanda Rodriguez reminded the Committee that the Board approved the 2020 Operating Budget on December 18, 2019. At that time, there was a budget deficit of \$394,012, and the Board approved a contribution from the Operating Reserve fund to cover. It was also noted that the results of the Water Rate Study may require coming back to the Board, and staff now recommends a budget amendment due to \$15.2 million in operating revenue, allowing the District to balance the budget.

At the time of the rate study, the District also had a consultant review Other Post-Employment Benefits, Rodriguez said. The consultant recommended a set-aside for unfunded pension liabilities and allocation of funds for an ongoing Retiree Medical Benefits account, Rodriguez explained.

In the past, Rodriguez noted, the Board's goal has been to cover 100 percent of depreciation (Capital Replacement Reserve Fund) to ensure that as infrastructure ages, funds are available to cover repair expenses. Even with the rate study, 100 percent was not possible at this time, she advised, but \$793,431 has been allocated.

The one percent rate increase resulted in an amended operating budget of \$5.1 million, Rodriguez advised. She explained the detail in each revenue category. GM Jagers added that the total first year rate increase is approximately 10 percent, 9 percent of which is linked to higher imported water costs. Ms. Rodriguez explained detail of the pass-through imported water rate and energy surcharge.

Mr. Jagers pointed out increased expenses due to the COVID-19 pandemic with more people being at home and using water. Currently the budget is being amended to reflect the rate study projections, he stated. The total increase in budgeted revenue is \$912,932, Ms. Rodriguez explained.

Ms. Rodriguez detailed the amended expenses totaling \$16,984,696.

The budget will be monitored monthly, Rodriguez explained, given unknown COVID-19 related expenses and varied rate revenue.

After review and discussion, the Committee recommended presenting the Amendment to the BCVWD Fiscal Year 2020 Operating Budget to the Board for approval.

8. Review of District Staffing Activities as related to the ongoing COVID-19 Local State of Emergency

General Manager Jagers advised that staff is trying to determine which customers may become delinquent in their billing. Demographics, income, and other factors are being examined to determine what might be expected from a potential lack of revenue while moving forward with planned activities and to assure the District is financially stable. Normally, the District has the authority to shut off water for non-payment, which allows losses to be controlled fairly quickly, he pointed out, but that option has been removed in the near term due to state orders prohibiting shut offs during the COVID-19 crisis. The uncertainty is who may not pay their bill and how that will adversely affect the District, Jagers noted.

The City of Beaumont, Jagers stated, just showed a \$2.8 million deficit and must make adjustments in staffing and services. Staff is paying attention, Jagers said, and the District has some reserves and plans to assure reasonable and appropriate response.

Director of Finance and Administrative Services Yolanda Rodriguez pointed to the Raftelis study done in conjunction with the American Water Works Association and explained the potential impact on BCVWD.

General Manager Jagers pointed out that the rate study anticipated a conservative level of growth. If there is a significant recession, there is potential to change the projections. Staffing levels will be impacted, and projected water needs will be reduced, he noted.

Restricted funds such as Capacity Chagres (Facilities Fees) will be adversely affected but overall, he said, the slowdown does not hurt the District from an operational perspective in the near term. He said he believes the District is in a reasonable position.

The District has experienced some attrition and there are some positions currently open, he said, and these will be held in order to see how the District is affected. The total impact may not be known until July or August when usage comes in, he said. Staff is also paying attention to the situations of civic partners, so the District is not caught unaware and has plans in place.

Director Hoffman requested an aging report. Ms. Rodriguez pointed to page 2 of the report and explained the delinquencies. She said it is difficult to precisely predict impact due to bi-monthly billing but the trend impacting March is a 6 percent increase in customer delinquency. Mr. Jagers pointed out that loss of commercial revenue in Beaumont may or may not decline. Ms. Rodriguez pointed out that residential makes up 94.9 percent of District revenue.

The Board approved the suspension of credit card fees, Rodriguez stated, and they are not being charged to the customer but are absorbed by the District. So far, for March, April and May a total of \$5,565 has been absorbed, which is not a large impact on the overall budget, she said.

Director of Finance and Administrative Services Yolanda Rodriguez shared recommendations for preserving operating cash, including deferring of capital projects which are paid via Capital Replacement Funds, prioritizing projects funded via Capacity Charges (Facilities Fees), hold water purchases in 2020 and sell water from storage in 2021, and reduce non-essential training.

Staff will monitor cash flow and report to the Finance and Audit Committee and the Board, Rodriguez said. Mr. Jagers posited that some projects paid via Capital Replacement Funds have components that should move forward such as replacement pipelines which are close to ready for bid, and well replacements that should be drilled for supply needs. The intent is not to defer all such capital projects, but to make judicious decisions on what is critical in near-term, he noted.

Ms. Rodriguez directed attention to a handout: Statement of Cash Flows. She reviewed the report and advised that there has not yet been a large impact from customers. Net cash in comparison to 2019 has increased by \$77,151, she explained, and noted the District is still in a good place. Mr. Jagers pointed out that some nuances are due to weather and unrealized consequences are being tracked.

Rodriguez noted a net increase in cash and investments of \$1,552,667 over 2019. She pointed out the reserve of three months of budgeted expenses and emergency reserve of 15 percent of budgeted expenses. These funds can be drawn from if necessary, she noted.

GM Jagers noted that the reduction in Capital Replacement Reserves was due to its use to purchase additional imported water. He advised that the SGPWA is working to procure the water ordered by BCVWD and the District should complete its order. Projects can be moved out, he noted, and detailed some opportunities. Staff will come forward with prudent and well-founded recommendations for the Board to consider, he assured.

Director Hoffman requested the handout documents be included in the full Board packet. Ms. Rodriguez assured him there is an agenda item for the next Board meeting. Director

Slawson commented this is a lot of information. Ms. Rodriguez assured the Committee that staff is watching cash flow while trying to protect employees and the public.

9. Action List for Future Meetings:

- 2019 Audit and Comprehensive Annual Financial report
- Update on Water Supply Conditions
- Water rates
- Capacity fees

Senior Finance and Administrative Analyst Bill Clayton reminded the Committee that there were a couple of letters sent as part of the audit as well as the Form 700 and the due date for the Form 700 was extended to June 1 due to COVID-19. The District would not be held back if the forms are not completed but are needed by June 1. In addition, response to the questions in the audit letter must be directed back to the auditors via email, Clayton stated. Mr. Jagers indicated that the auditors have expressed a desire to receive the Form 700s as soon as possible. In response to Director Hoffman, Ms. Gonzales reminded the Committee that the Form 700s require a wet signature on file at the District, but a scan via email will be accepted until the District office re-opens.

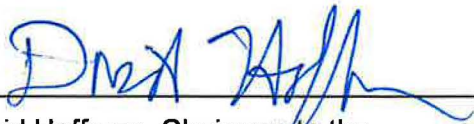
ANNOUNCEMENTS – Pursuant to Governor's Executive Order N-33-20, all BCVWD Board and Committee meetings will be held via Teleconference until further notice

Director Hoffman read the following announcements:

- Regular Board Meeting: Wednesday, May 13, 2020 at 6:00 p.m.
- Personnel Committee Special Meeting: Monday, May 18, 2020 at 5:30 p.m.
- District offices will be closed on Monday, May 25 in observance of Memorial Day
- Engineering Workshop: Thursday, May 28, 2020 at 6:00 p.m.
- Beaumont Basin Watermaster Committee: Wednesday, June 3, 2020 at 10 a.m.
- Finance and Audit Committee Meeting: Thursday, June 4, 2020 at 3:00 p.m.
- Collaborative Agencies Committee Meeting: Wednesday, July 1 at 5:00 p.m.

ADJOURNMENT

Director Hoffman adjourned the meeting at 5:05 p.m.



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