



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

MINUTES OF THE FINANCE AND AUDIT COMMITTEE MEETING
Thursday, May 5, 2022 at 3:00 p.m.

CALL TO ORDER

Chair Hoffman called the meeting to order at 3:02 p.m.

Announcement of Teleconference Participation

Both directors were present in the conference room.

Attendance

Directors present:	Director Hoffman and Director Williams
Directors absent:	None
Staff present:	General Manager Dan Jagers Director of Finance and Administration Kirene Manini, PhD Director of Information Technology Robert Rasha Finance Manager William Clayton Human Resources Administrator Sabrina Foley Senior Management Analyst Sylvia Molina Management Analyst I Erica Gonzales Administrative Assistant Cenica Smith
Members of the public who registered:	None

PUBLIC INPUT: None.

ACTION ITEMS

1. Adjustments to the Agenda: None.
2. Review and Acceptance of the Minutes of the Finance and Audit Committee meeting

The Committee accepted the minutes of the Finance and Audit Committee Regular Meeting of April 7, 2022 by consensus.

3. Receive and file the Check Register for the Month of March 2022

The Committee received and filed the March 2022 Check Register as presented.

4. Financial Reports/Recommendations

- a. Review of the March 2022 Budget Variance Reports
- b. Review of the March 31, 2022 Cash/Investment Balance Report
- c. Review of Check Register for the Month of April 2022
- d. Review of April 2022 Invoices Pending Approval

Chair Hoffman observed that uncollected operating revenue is 81.89 percent, which is a little higher than would have been at the end of the quarter. Dr. Manini noted the inclusion of \$10,050 in account reinstatement fees for the first time since 2020.

Overall expenses at 84.46 percent are consistent with the other numbers, Hoffman added. He noted a \$60,000 month-to-month increase in cash. Dr. Manini pointed out the new report from Chandler Asset Management and indicated that staff is still working toward assuring all reports are correct.

Hoffman pointed out expenses for roof repairs on District residences, and Ms. Gonzales reported the work is complete.

Paving expenses totaled \$25,000 over pipeline-related pavement repairs. President Williams noted that the five repairs within Riverside County totaled \$7,746, but two service line repairs for the City of Beaumont totaled \$15,500.

In response to a question from Hoffman, staff described the Active Assailant Training. President Williams asked about the air conditioning expenses, Mr. Clayton noted it was routine maintenance. Director Hoffman asked about the expense of \$753.17 in stolen tools. Ms. Gonzales noted the Cherry Yard was burglarized. Mr. Rasha explained some Information Technology-related expenses and training. Ms. Foley described the content and locations of trauma kits for more serious injuries.

In response to Director Hoffman, Ms. Molina explained the water arrearages program, approval for the grant, and receipt of funds. Overpayments of customer bills were required to be returned to the State. There will be a new County of Riverside program available to customers, she noted.

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

5. Expense and Per Diem Compensation Claims Submitted for Approval

The Committee acknowledged the reports.

6. UB Statistics and Cash Flows (last report)

Finance Manager Clayton reviewed the report and Senior Management Analyst Sylvia Molina provided detail.

Director Hoffman noted that cash and investments were up approximately \$5 million from the prior year. Mr. Clayton indicated this is primarily due to increased water sales and a decrease in imported water purchases.

7. Other Post-Employment Benefits (OPEB) Trust Provider Discussion and Possible Action

Finance Manager Clayton explained that the OPEB refers to retiree medical and the current amount contributed to retirees per month and associated liabilities. OPEB is the only benefit that the District provides other than pension (CalPERS). It is a monthly fixed contribution of \$474 to retirees.

Director Hoffman asked about interaction with Medicare and expressed concern about duplication. General Manager Jagers advised that the plan is supplemental to Medicare. The District contributes \$474 per month toward a CalPERS health plan for retirees up to age 65, he explained.

Mr. Clayton described the liability on the District's books. The Governmental Accounting Standards Board (GASB) requires an actuarial value on the financial statements, he explained, and detailed the accounting for the benefit. Staff recommends addressing the interest rate in order to lower District liability and help fund those benefits.

The District has an unfunded plan; it is addressed on a pay-as-you-go (PAYGO) basis, Clayton continued. He provided the history of the District's liability and noted an increase from under \$700,000 to \$2.25 million in five years. To fund the benefits would cost approximately \$100,000 per year, based on active employees who are projected to receive benefits in the future, and today's current retirees who are receiving benefits, he noted. The cost reflects a sharp decline in the municipal bond rate which caused an increase in the liability.

Clayton described the function of the trust fund option. Staff recommends consideration of the Section 115 trust fund offered by CalPERS – the California Employers' Retirement Benefit Trust (CERBT), he explained. Benefits of establishing the trust include intergenerational equity, higher rate of return, optional contributions (based on District policy), and lowest cost for reasonable benefit. Downsides are the restriction of deposited funds to benefits payments and fees associated with the account.

Mr. Clayton responded to questions from the Committee members regarding interest and fees. Director Hoffman asked about risk, and Clayton acknowledged there would be additional risk to obtain the higher returns, and described guardrails.

Mr. Jagers advised this will be on the Board agenda next week. He noted that fees are being collected via the rate to fund this activity. He reminded the Committee of discussion about this issue with Urban Futures in 2018, and it was suggested the District establish the trust fund, as the liability was high. By enacting this policy, the vehicle to deliver the program funding is provided and will allow the actuary to reduce the liability, Jagers explained. The Section 115 trust is the industry norm, he said, and staff believes it is the right thing to do.

The reason for the push is the need to establish a policy and have the trust fund in place by June 30 in order to reflect lower liability on the 2022 financial statements, Jagers explained. Director Hoffman noted that the District is already holding \$208,000 that could go into the new trust.

Director Hoffman acknowledged the research and asked about the later ability to make changes. Mr. Clayton said there is a cooling off period of 180 days to get out of

the trust fund. The contributions are discretionary, he reiterated, and may be determined by Board policy.

8. Analysis: Year-to-Date Electric Cost

No further discussion.

9. Report on Public Outreach Expenditures

Director of Finance and Administration Kirene Manini reviewed the revised report of CV Strategies billing of contract expenses. Removed from CV Strategies contract expenses and into different GL accounts was a total of \$6,750.03.

10. Action List for Future Meetings

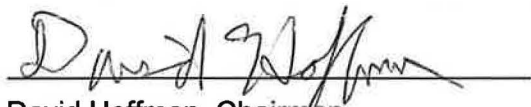
- *Chandler Asset Management update*
- *Procurement of additional water supplies*

ANNOUNCEMENTS

Chair Hoffman read the following announcements:

- Regular Board Meeting: Wednesday, May 11, 2022 at 6 p.m.
- Personnel Committee Meeting: Tuesday, May 17, 2022 at 5:30 p.m.
- Engineering Workshop: Thursday, May 26, 2022 at 6 p.m.
- San Geronio Pass Regional Water Alliance: Wednesday, May 25, 2022 at 5 p.m.
- Beaumont Basin Watermaster Committee: Wednesday, June 1, 2022 at 11 a.m.
- Finance and Audit Committee Meeting: Thursday, June 2, 2022 at 3 p.m.

ADJOURNMENT: 4:38 P.M.



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