MINUTES OF MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, SEPTEMBER 13, 2016:

A meeting of the Finance Committee of the Palmdale Water District was held Tuesday, September 13, 2016, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. Chair Henriquez called the meeting to order at 4:00 p.m.

1) Roll Call.

Attendance:	**Others Present:**
Finance Committee:	Dennis LaMoreaux, General Manager
Marco Henriquez, Chair	Matt Knudson, Assistant General Manager
Robert Alvarado, Committee Member	Mike Williams, Finance Manager
	Jennifer Emery, Human Resources Director
	Mike McNutt, Public Affairs & Sustainability Dir.
	Dennis Hoffmeyer, Accounting Supervisor
	Bob Egan, Financial Advisor
	Dawn Deans, Executive Assistant
	0 members of the public

2) Adoption of Agenda.

It was moved by Committee Member Alvarado, seconded by Chair Henriquez, and unanimously carried by all members of the Committee present at the meeting to adopt the agenda, as written.

3) Public Comments.

There were no public comments.

4) Action Items:

4.1) Consideration and Possible Action on Approval of Minutes of Meeting Held August 9, 2016.

It was moved by Committee Member Alvarado, seconded by Chair Henriquez, and unanimously carried by all members of the Committee present at the meeting to approve the minutes of the Finance Committee meeting held August 9, 2016, as written.

4.2) Discussion and Overview of Cash Flow Statement and Current Cash Balances as of July, 2016. (Financial Advisor Egan)

Financial Advisor Egan reviewed the investment funds report as of July, 2016, including the increase of funds due to interest earnings and assessments received and stated that $234,000 in capital improvement fees was received. He then provided an overview of the cash flow statement for July, anticipated bond payments, and the year-ending cash balance followed by discussion of the maturity of several investment accounts and the District's reserve goal of $16,000,000 in year-end cash and the water rate adjustments and steps needed to achieve this goal.

General Manager LaMoreaux then provided an overview of the tracking of capital improvement fees and the capital improvement fee debt of $11,000,000 owed the District's general fund.

4.3) Discussion and Overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for July, 2016. (Finance Manager Williams)

Finance Manager Williams reviewed in detail the balance sheet, profit and loss statement, year-to-year comparisons, month-to-month comparisons, consumption comparisons, and revenue and expense analysis reports for the period ending July, 2016; stated that most departments are operating at or below the targeted expenditure percentage of 58%; and then reviewed department line items above the targeted expenditure percentage followed by discussion of anticipated payments, increased water sales for July, and the increased cost of chemicals.

4.4) Discussion and Overview of Committed Contracts Issued and Water Revenue Bond Projects. (Assistant General Manager Knudson)

Assistant General Manager Knudson reviewed the projects and payments included in the updated committed contracts schedule and then provided an update on the Water Revenue Series 2013A Bond funds.

4.5) Discussion and Overview of Meter and Pipeline Inventory. (Committee Member Alvarado)

Assistant General Manager Knudson stated that the District's inventory includes various sized meters and pipes and that this inventory will be stocked to meet the minimum requirements included in the District's Emergency Response Plan.

4.6) Discussion and Overview of the District's Internship Program, the Accomplishments of This Program, and Increasing This Program for 2017. (Committee Member Alvarado)

Human Resources Director Emery provided an overview of the successes of the District's existing Internship Program and adding to this program through a Return-to-Work Grant Program and stated that funding for expanding the Internship Program will be presented through the budget process and more education-based internships may be proposed in the next several years.

4.7) Discussion and Evaluation of Key Points and Items for Inclusion in 2017 Budget. (Finance Manager Williams)

Finance Manager Williams reviewed important factors and items of consideration for the 2017 budget process including projected expenses, proposed revenue, deferred capital projects brought forward from the 2016 Budget, carryover from the committed 2013A Water Revenue Bonds, the long-term vehicle lease, maintaining the debt service coverage, and the timeline for completion and adoption of the 2017 Budget.

4.8) Discussion and Possible Action on Long Term Financial Planning and Adoption of Remaining Three Years of Approved Proposition 218 Water Rate Plan to Ensure Future Water Rate Stability and Long-Term Water Sustainability Projects to Meet Current and Future Water Demands. (Assistant General Manager Knudson/Finance Manager Williams)

Assistant General Manager Knudson stated that this item was discussed in detail at the Financial Planning Workshop including the goals that can be accomplished by implementing a 4.25% water rate adjustment for each of the next three years, which is less than the 5.5% amount approved in the Water Rate Plan through the Proposition 218 process; that the draft Resolution has been revised to address comments received at the Financial Planning Workshop; and that staff is requesting the Committee's approval to present the proposed Resolution to the full Board for consideration and support.

Financial Advisor Egan then stated that increased expenses, including the Internship Program, clearly show the need for a water rate adjustment to avoid a deficit situation and expenses and increased programs cannot be offered without budget

availability; that staff's recommendation keeps rates on an even level; and that management has done well to maintain expenses near 2006-2007 levels.

Public Affairs & Sustainability Director McNutt then stated that Rosamond Community Services District is considering a rate increase three times that proposed by staff.

General Manager LaMoreaux then stated that staff's proposal goes beyond meeting normal operations and also meets future debt service for funding for the Palmdale Regional Groundwater Recharge & Recovery Project and Littlerock Sediment Removal Project and that language proposed in the Resolution provides direction to staff to perform an analysis of whether or not rates can be reduced from the 4.25% as part of each year's budgeting process and that this analysis will first be presented to the Finance Committee and then to the full Board followed by discussion of additional detail to be included in the proposed Resolution.

Presenting this item to the full Board for consideration and conducting an additional Financial Planning Workshop were then discussed, and it was determined that an additional Financial Planning Workshop be held to provide the Board with additional detail on the proposed Resolution.

4.9) Consideration and Possible Action on Request for Proposals for Hiring an Outside Consultant to Determine Additional Cost Reductions for the District. (Chair Henriquez)

Finance Manager Williams requested the Committee review the draft Performance Audit Request for Proposals and provide input and direction to staff so the Request for Proposals can be finalized prior to the next Committee meeting and presented to the full Board for consideration.

4.10) Consideration and Possible Action on Proposal Received From TruePoint for Updating the District's Customer Information System. ($180,000.00 – Budgeted – Finance Manager Williams)

Finance Manager Williams provided a brief overview of staff's recommendation to accept a proposal from TruePoint for updating the District's Customer Information System, and after a brief discussion of the proposal, it was moved by Committee Member Alvarado, seconded by Chair Henriquez, and unanimously carried by all

members of the Committee present at the meeting that the Committee concurs with staff's recommendation to accept the proposal from TruePoint for updating the District's Customer Information System and present same to the full Board for consideration.

5) Information Items.

5.1) Status of Debt Service Coverage. (Financial Advisor Egan)

Financial Advisor Egan stated that the Debt Service Coverage looks good at this time.

5.2) Status on Refunding 2012 Installment Purchase Agreement and a Portion of the 2013A Water Revenue Bonds. (Finance Manager Williams)

Finance Manager Williams stated that Resolutions for the refunding will be presented to the full Board for consideration at tomorrow night's Board meeting; that a conference call is scheduled for Thursday regarding the District's credit rating; and that if the Resolutions are approved and a 5% minimum savings can be achieved, the bond sale will proceed.

5.3) Other.

There were no other information items.

6) Board Members' Requests for Future Agenda Items.

There were no requests for future agenda items.

It was then determined that the next Finance Committee meeting will be held October 6, 2016 at 4:00 p.m.

7) Adjournment.

There being no further business to come before the Finance Committee, the meeting was adjourned at 5:40 p.m.

Chair