MINUTES OF MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, JANUARY 10, 2017:

A meeting of the Finance Committee of the Palmdale Water District was held Tuesday, January 10, 2017, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. Chair Henriquez called the meeting to order at 4:05 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	Vincent Dino, PWD Director
	Kathy Mac Laren, PWD Director
	Mike Williams, Finance Manager
	Laura Gallegos, Public Affairs Specialist
	Bob Egan, Financial Advisor
	Dawn Deans, Executive Assistant
	2 members of the public

2) Adoption of Agenda.

It was moved by Committee Member Alvarado and seconded by Chair Henriquez to adopt the agenda, as written, and after a brief discussion of Agenda Item No. 4.8, it was unanimously carried by all members of the Committee present at the meeting to adopt the agenda, as written.

3) Public Comments on Non-Agenda Items.

There were no public comments on non-agenda items.

4) Action Items:

4.1) Consideration and Possible Action on Approval of Minutes of Meeting Held December 13, 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 December 13, 2016, as written.

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

Financial Advisor Egan reviewed the investment funds report as of November, 2016, including assessments received, CDs, and interest earnings for December and then provided an overview of the cash flow statement, anticipated assessments for December, RDA Pass-through funds, and projected year-end cash for 2016 and 2017.

4.3) Discussion and Overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for November, 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 November, 2016 and stated that most departments are operating at or below the targeted expenditure percentage of 92%.

General Manager LaMoreaux then stated that through the end of November, operating expenses were up $1.1 million, operating revenue was up $1.17 million, and this indicates a balanced budget and staff is doing a good job of controlling costs to match revenue.

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

Assistant General Manager Knudson provided an update on the Contractual Commitments and Needs for 2017 capital projects, consulting and engineering support projects, new and replacement equipment, and water quality fee funded projects along with an update on the Water Revenue Bond Series 2013A Bond funds and payments to date followed by discussion of $10 million in future debt for projects, private placement funding, and a lab equipment purchase on the January 11, 2017 Regular Board meeting consent calendar.

4.5) Consideration and Possible Action on Lease Agreement with Holman Capital. ($830,000.00 – Budgeted – Finance Manager Williams)

Finance Manager Williams provided an overview of the Lease Agreement with Holman Capital for the purchase of technology related capital improvements over a five-year term, and after a brief discussion of the items included in the Lease Agreement purchase, prepayment penalties, the benefit to the District of improving cash flow, the District's policy for discounts to local vendors, the lease effect on the District's Debt Service Coverage, and data storage space, 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 recommend approval of the Lease Agreement with Holman Capital in the amount of $830,000.00 to the full Board for consideration at the January 11, 2017 Regular Board Meeting subject to final document approval by General Counsel Dunn.

General Manager LaMoreaux then stated that if approved by the full Board, a Resolution regarding this item will be presented to the full Board for approval at the January 25, 2017 Regular Board meeting.

Committee Member Alvarado then requested an update at a future meeting on the status of financing the grade control structure at Littlerock Dam for the Littlerock Dam Sediment Removal Project.

4.6) Consideration and Possible Action on Revisions to Application Process for Rate Assistance Program. (Finance Manager Williams)

Finance Manager Williams provided an overview of staff's recommendation to establish an application period for the Rate Assistance Program, and after a brief discussion of staff's recommendation, of allowing new service applicants to also apply for the Program, and of outreach opportunities to share this information with customers, 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 recommend approval of the revisions to the application process for the Rate Assistance Program to the full Board for consideration at the January 11, 2017 Regular Board Meeting.

4.7) Consideration and Possible Action on Reducing Funds Available for the Rate Assistance Program to Offer Additional Assistance Under the Cash for Grass Program. (Chair Henriquez/Deputy Water & Energy Resources Director Thompson II)

General Manager LaMoreaux stated that a grant application resolution for up to $75,000.00 in matching funds towards the District's Cash for Grass Program will be considered by the full Board at the January 11, 2017 meeting; that this is a better source of additional funding for the Cash for Grass Program rather than reducing funds in the Rate Assistance Program; and that the District will be informed in a few months if the grant is approved.

After a brief discussion of $160,000.00 in funds available for the Rate Assistance Program and of using unused funds for the Cash for Grass Program rather than unused funds being transferred to the following budget year, General Manager LaMoreaux stated that staff will prepare a written report on funding for the Rate Assistance Program to determine any funds over the $160,000.00 cap that can be applied to the Cash for Grass Program.

4.8) Consideration and Possible Action on Amending the Approved November 7, 2016 Finance Committee Meeting Minutes. (Chair Henriquez)

Chair Henriquez stated that he will provide Executive Assistant Deans his requested changes to the November 7, 2016 Finance Committee Meeting minutes and requested this item be tabled to the next Finance Committee meeting after which 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 table this item to the next Finance Committee meeting.

5) Information Items.

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

Financial Advisor Egan stated that the Debt Service Coverage for the period of December, 2015 through November, 2016 is 1.34 and meets the required Debt Service Coverage and the District will continue to meet the Debt Service Coverage with the inclusion of the Holman Capital Lease Agreement and financing for the Littlerock Dam Sediment Removal Project.

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

Finance Manager Williams stated that interest rates are increasing, and there has been no update from the bond team on this item followed by discussion of lowering the 5% savings threshold to a lower amount.

5.3) Status on District Policy Regarding Landlord/Tenant Responsibility and Deposits for Water Service Accounts. (Chair Henriquez/Finance Manager Williams)

Finance Manager Williams stated that renters can be charged a higher deposit for water service applications followed by discussion of the $25.00 application fee, the owner of a property being ultimately responsible for the account as water is a property-based service, current policy providing better protection for the District and the property owner, and the potential high cost of customer deposits, and General Manager LaMoreaux stated that the information gathered will be provided in written format for further discussion.

Committee Member Alvarado requested any Committee recommendations be presented to the full Board for consideration.

5.4) Other.

There were no other information items.

6) Board Members' Requests for Future Agenda Items.

"Consideration and Possible Action on Amending the Approved November 7, 2016 Finance Committee Meeting Minutes" will be placed on the next agenda.

Committee Member Alvarado requested an update at a future meeting on the status of financing the grade control structure at Littlerock Dam for the Littlerock Dam Sediment Removal Project.

There were no further requests for future agenda items.

After discussion of Finance Committee presentations to the full Board, it was determined that the next Finance Committee meeting will be held February 21, 2016 at 4:00 p.m.

7) Adjournment.

There being no further business to come before the Finance Committee, the meeting was adjourned at 5:42 p.m.



Chair