MINUTES OF MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, FEBRUARY 26, 2018:

A meeting of the Finance Committee of the Palmdale Water District was held Monday, February 26, 2018, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. Chair Henriquez called the meeting to order at 4:35 p.m.

1) Roll Call.

Attendance:	**Others Present:**
Finance Committee:	Dennis LaMoreaux, General Manager
Marco Henriquez, Chair	Mike Williams, Finance Manager
Robert Alvarado, Committee Member	Judy Shay, Public Affairs Director
	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 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 January 22, 2018.

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 January 22, 2018, as written.

4.2) Discussion and Overview of Cash Flow Statement and Current Cash Balances as of December, 2017. (Financial Advisor Egan)

Debt reporting requirements were discussed after which Financial Advisor Egan reviewed the investment funds report as of December 2017, including assessments received, maturing CDs, RDA pass-through funds, and capital improvement fees received and then provided an overview of the cash flow statement, including assessments, RDA pass-through funds, capital improvement fees, Department of Water Resources refunds, carry-over amounts, and the final 2017 year-end balance followed by discussion of potential drought conditions and revenue.

4.3) Discussion and Overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for December 2017. (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 December 2017 and stated that most departments are operating at or below the targeted expenditure percentage of 100%.

4.4) Discussion and Overview of Committed Contracts Issued. (Finance Manager Williams)

Finance Manager Williams provided an overview of the updated Contractual Commitments and Needs for 2017 Report for new and replacement capital projects, consulting and engineering support projects, new and replacement equipment, water quality fee funded projects, committed and projected capital expenditures, and available funding sources.

4.5) Consideration and Possible Action on Resolution No. 18-3 Being a Resolution of the Board of Directors of the Palmdale Water District Regarding its Intention to Issue Tax-Exempt Obligations for Various Capital Projects. (Finance Manager Williams)

Finance Manager Williams provided an overview of Resolution No. 18-3, and after a brief discussion of reimbursement to the District, 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 approve Resolution No. 18-3 being a Resolution of the Board of Directors of the Palmdale Water District Regarding its Intention to Issue Tax-Exempt

Obligations for Various Capital Projects and that this item be presented to the full Board for consideration at the February 28, 2018 Regular Board 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 January 2017 through December 2017 is 1.47 and meets the required Debt Service Coverage followed by discussion of OPEB reporting.

5.2) Status of the Cost to Paint Exterior of the District's Office Building.

General Manager LaMoreaux stated that several proposals ranging from $15,000.00 to $20,000.00 have been received from local contractors for painting the exterior of the District's office building and are under review.

5.3) Other.

Finance Manager Williams provided information on payment transactions by type for January – December 2017 and reviewed the trend towards electronic forms of payment followed by discussion of adequate customer service staffing.

He then stated that the cost estimate for construction of the Littlerock Dam grade control structure is $5.4 - $6.5 million and that staff is reviewing financing options.

He then stated that the District's financial model is outdated, and options to update the model are being reviewed.

He then stated that a meeting was held with the state regarding financing options and their guidelines regarding OPEB obligations and that it may be beneficial to propose legislation to update the state's financing guidelines followed by discussion of representation of OPEB obligations in the District's audit.

He then stated that the auditors will begin their field work March 26 – 28, 2018 and that the GASBY 68 pension obligation will be calculated by the same firm as last year after which it was recommended that a letter be sent to The Pun Group regarding the cancellation of their auditing services for the District.

General Manager LaMoreaux stated that the Board will be discussing SB 623 at the next Regular Board Meeting and that if this bill passes, it will cost the District's customers $300,000.00 per year, which equals a 1.5% rate increase with no benefit to our customers.

There were no other information items.

6) Board Members' Requests for Future Agenda Items.

Committee Member Alvarado requested "Update on OPEB obligations" be included on the agenda for the next Finance Committee meeting.

There were no further requests for future agenda items.

It was then determined that the next Finance Committee meeting will be held March 26, 2018 at 4:30 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