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

A meeting of the Finance Committee of the Palmdale Water District was held Monday, March 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 4:33 p.m.

1) Roll Call.

Attendance:	**Others Present:**
Finance Committee:	Mike Williams, Finance Manager
Marco Henriquez, Chair	Judy Shay, Public Affairs Director
Robert Alvarado, Committee Member	Bob Egan, Financial Advisor
	Danielle Henry, Administrative 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 February 26, 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 February 26, 2018, as written.

4.2) Discussion and Overview of Cash Flow Statement and Current Cash Balances as of January 2018. (Financial Advisor Egan)

Financial Advisor Egan reviewed the investment funds report as of January 2018, including assessments received and maturing and renewing CDs, and then provided an

overview of the cash flow statement, including assessments, followed by discussion of the Rate Stabilization Fund.

4.3) Discussion and Overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for January 2018. (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 January 2018 and stated that most departments are operating at or below the targeted expenditure percentage of 8.3% followed by discussion of the Directors budgets.

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 2018 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.

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 February 2017 through January 2018 is 1.54 and meets the required Debt Service Coverage followed by a brief discussion of OPEB reporting.

5.2) Status on Funding Options for Construction of Littlerock Dam Sediment Removal Project Grade Control Structure. (Finance Manager Williams/Engineering/Grant Manager Riley)

Finance Manager Williams stated that based on discussions with the District's bond advisors, it has been determined that the District can support a bond issue of $13 million, which will allow for the construction of two water main replacement projects, the grade control structure at Littlerock Dam, repair of various items at the Leslie O.

Carter Water Treatment Plant, and replacement of the curtain at the 6MG clearwell; that a 7.5% water rate increase will be needed by year 2020 to support this bond issue and normal operations; and that this will be included in the 2019 Water Rate Study, which establishes a five-year water rate plan, followed by clarification that the 7.5% water rate increase includes a water rate increase for normal operations, which has been 4.25%, and adds a 3% increase per year to cover construction costs for these mandatory projects.

The Debt Service Coverage, the requirement for these projects, the cost for annual sediment removal from Littlerock Reservoir, documenting increased water storage in Littlerock Reservoir from the removal of the sediment, the effects of outside environmental factors, and future financing for the Palmdale Regional Groundwater Recharge and Recovery Project were then discussed.

5.3) Status on OPEB Obligations. (Committee Member Alvarado)

Finance Manager Williams recommended that meetings be scheduled with local and state legislators to discuss legislation for updating the state's financing guidelines regarding their reporting of OPEB obligations, which could help the District obtain state loans for the Palmdale Regional Groundwater Recharge and Recovery Project, followed by discussion of Board members' legislative connections, local legislators' previous efforts to assist with District projects, the pressing need for Board support of a new bond issue and required water rate increases, the upcoming Proposition 218 process, and the critical need for public outreach events to obtain public approval of the Proposition 218 process.

Finance Manager Williams then provided a detailed spreadsheet outlining the District's ability to continue to meet its Debt Service Coverage followed by discussion of conducting a Financial Model Workshop, the anticipated increase in OPEB obligations, and the timeframe for obtaining state low interest loans.

5.4) Status on Audit. (Chair Henriquez)

Finance Manager Williams stated that the auditors are scheduled to begin the audit on April 9, staff is providing documentation, and the final audit is anticipated to be presented to the Finance Committee and the Board in May.

5.5) Other.

Finance Manager Williams stated that the existing bond and loan payments will be sent tomorrow and that the renewal for the ACWA/JPIA liability insurance has been received with a 10% premium reduction.

There were no further information items.

6) Board Members' Requests for Future Agenda Items.

Committee Member Alvarado requested that a report be provided at the next meeting regarding scheduling meetings with top elected officials to discuss financing for the District's projects; that a Financial Model Workshop be scheduled; and that "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 May 3, 2018 at 4:30 p.m.

7) Adjournment.

There being no further business to come before the Finance Committee, the meeting was adjourned at 5:51 p.m.

Chair