MINUTES OF MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, JULY 24, 2012:

A meeting of the Finance Committee of the Palmdale Water District was held Tuesday, July 24, 2012, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. Chair Mac Laren called the meeting to order.

1) **Roll Call.**

Attendance:	**Others Present:**
Finance Committee:	Dennis LaMoreaux, General Manager
Kathy Mac Laren, Chair	Mike Williams, Finance Manager
Gordon Dexter, Committee Member	Bob Egan, Financial Advisor
	Dennis Hoffmeyer, Senior Accountant
	Dawn Deans, Executive Assistant
	2 members of the public

2) **Adoption of Agenda.**

It was moved by Committee Member Alvarado, seconded by Chair Mac Laren, and unanimously carried 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 November 21, 2011.

Committee Member Alvarado moved to approve the minutes of the meeting held November 21, 2011. The motion died for lack of a second.

After a brief discussion of the November 21, 2011 minutes, it was determined that the Committee take no action on this item and the November 21, 2011 minutes be presented to the full Board for approval at the next regular Board meeting.

4.2) Discussion and Overview of Cash Reports. (Financial Advisor Egan)

Financial Advisor Egan reviewed in detail the investment funds report and cash flow report as of June 30, 2012 including assessments, scheduled bond payments, debt reserves, tracking of capital improvement fees, the District's Investment Policy, tracking GAC payments, and estimated cash at year end.

General Manager LaMoreaux then reviewed redevelopment funds and stated that June 30, 2012 financial reports will also be reviewed in detail at the August 1, 2012 Financial Information Workshop after which the Committee requested a detailed review of bonds and the capital improvement fee loan to the general fund also be presented at the Workshop.

4.3) Discussion and Overview of Financial Statements and Departmental Budget Reports. (Finance Manager/CFO Williams)

Finance Manager/CFO Williams reviewed in detail the May 2012 balance sheet including water sales billed, uncollected accounts, assets, restricted cash, and total liabilities and equity; the profit and loss statement indicating the various sources of revenue, revenues related to department expenses, water recovery through the Department of Water Resources, non-cash operating expenses, non-operating revenue, non-operating expenses, and the connection of net earnings to the balance sheet; additional supplemental reports; water sales; and visuals and graphics related to these financial statements, which are presented monthly to ensure no year-end financial surprises.

General Manager LaMoreaux then clarified the difference between Financial Advisor Egan's cash flow reports and Finance Manager/CFO Williams' financial reports, the basis for the District's fees and charges and how they are applied, what rates cover, and sources for building reserves.

The Committee then commended staff on reducing expenses by 16.64% for May 2012 compared to May 2011, recommended this be publicized, and requested a detailed listing of Other Operating Revenue and Other Non-Operating Revenue.

4.4) Discussion and Overview of Engineering Department Project Payout Schedule. (Finance Manager/CFO Williams)

Finance Manager/CFO Williams reviewed in detail the Projected Payout Schedule, which assists Financial Advisor Egan in the preparation of cash flow reports, after which Financial Advisor Egan provided clarification on payments included in the Schedule.

4.5) Discussion and Overview of Accounts Payable Report. (Finance Manager/CFO Williams)

Finance Manager/CFO Williams reviewed in detail cash disbursements for June including payments made by department and expenditure category and stated that this report will be included with the Accounts Payable report for the second regular Board meeting for the entire previous month.

Chair Mac Laren then stated that this report was prepared at her request after which Committee Member Alvarado concurred with the format of the report.

4.6) Discussion of State Water Project Assessment Rate. (Financial Advisor Egan/Finance Manager/CFO Williams)

Financial Advisor Egan informed the Committee of how the District's assessment rates are set after which General Manager LaMoreaux reviewed the purpose of the State Water Project assessment rate and stated that setting the assessment rates will be presented to the Board in August for consideration.

4.7) Discussion of Financial Workshop.

General Manager LaMoreaux informed the Committee that staff's intent for the Financial Workshop is to provide an overview of the District's Strategic Plan and its relation to the budget, the budget as a framework for staff operations and the relation to Financial Advisor Egan's and Finance Manager/CFO Williams' monthly reports, an overview of the bonds, the internal loan from the capital improvement fund to the general fund, and how staff is operating under the budget with the current water rates after which Chair Mac Laren requested a review of the rates.

5) Information Items.

Finance Manager/CFO Williams informed the Committee of the requirement for the Board to receive and file a report of employees reimbursed for personally paid District

expenses and stated that this report will be presented to the Board for consideration at the August 8, 2012 regular Board meeting.

Financial Advisor Egan then informed the Committee of the average interest rates and outstanding balances of the District's bonds.

There were no further information items.

6) Board Members' Requests for Future Agenda Items.

There were no requests for future agenda items.

7) Adjournment.

There being no further business to come before the Finance Committee, the meeting was adjourned.

Chair