

**MINUTES OF MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE
WATER DISTRICT, FEBRUARY 7, 2011:**

A meeting of the Finance Committee of the Palmdale Water District was held Monday, February 7, 2011, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. Chair Godin called the meeting to order at 5:00 p.m.

1) Roll Call.

Attendance:

Finance Committee:
Linda Godin, Chair
Gordon Dexter, Committee
Member

Others Present:

Dennis LaMoreaux, General Manager
Mike Williams, Finance Manager
Robert Egan, Financial Advisor
Matt Knudson, Engineering Manager
Tim Moore, Facilities Manager
Dennis Hoffmeyer, Senior Accountant
Dawn Deans, Executive Assistant
1 member of the public

2) Adoption of Agenda.

It was moved by Committee Member Dexter, seconded by Chair Godin, 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 Meetings
Held December 6, 2010 and January 10, 2011.**

It was moved by Committee Member Dexter, seconded by Chair Godin, and unanimously carried to approve the minutes of the meetings held December 6, 2010 and January 10, 2011, as written.

**4.2) Discussion of Status Report on Cash Report at January 31, 2011 and Cash
Flow Report Through December 31, 2011. (Financial Advisor Egan)**

Financial Advisor Egan stated that the ending cash balance at January 31, 2011 is \$8,800,000, which is an increase of \$676,000 due to the receipt of a scheduled assessment collection and capital improvement fees; that the District's fixed costs for the State Water Project have decreased for the year; that the first lease payment for the capital lease program will be lower than anticipated; that the effect is an increase to cash of approximately \$700,000 for 2011; and that in discussions with General Manager LaMoreaux, he recommended \$200,000 of the cash go for the 9th and 12th Streets water main replacement project and this project be included in the 2011 capital budget with remaining funds applied towards cash reserves.

4.3) Discussion of Status Report on Financial Statements and Departmental Budget Reports for December 2010. (Finance Manager Williams)

Finance Manager Williams reviewed the balance sheet, profit and loss statement, revenue and expenditure year-to-year comparisons, and departmental reports through December 2010 and graphs for these reports and stated that there may be year-end adjustments as the audit is completed; that a full report on year 2010 will be provided to the Board in April once the audit is complete; that the target expenditure percentage is 100% with departments as a whole ending the year at 95% of the 2010 budget; and then reviewed those items over-budget from the individual department budgets.

4.4) Status Report on Water Budget Rate Structure. (Finance Manager Williams)

Finance Manager Williams stated that total revenue for 2010 water sales was \$20,205,659 and then reviewed the breakdown of this revenue by meter fees, water quality fees, elevation fees, and tier charges; the leveling of revenue from the water budget rate structure and seasonal trends for elevation and water quality fees, commodity charges, and tier charges; total water revenue for fiscal years 2006 – 2011; total water revenue for calendar years 2007 – 2010; and the smoothing effect of the water budget rate structure.

4.5) Discussion of Status Report on Committed Contracts Issued. (Finance Manager Williams)

Finance Manager Williams reviewed the updated Committed Contracts schedule and then stated that this report will be refined to include additional contractual project information to better assist Financial Advisor Egan in the preparation of his 12-month cash flow projections.

4.6) Discussion of Status Report on Annual Audit. (Finance Manager Williams)

Finance Manager Williams introduced Mr. Paul Kaymark, Auditor for Charles Z. Fedak & Company, who then reviewed the areas to be covered in the audit process including Auditing Standards No. 115, preparation of the audit binder, the management letter and adjusting entries, inventory and final fieldwork scheduled for the week of March 14 or 21, confirmations and legal letters, final report preparation anticipated to be presented to the full Board at an April Board meeting, the trial balance excel file, and the various footnote disclosures included in the audit report.

4.7) Discussion and Possible Action on Lease Financing Quote From Citizens Business Bank. (Finance Manager Williams)

Finance Manager Williams stated that staff recommends accepting the quote received from Citizens Business Bank for a five year, 3.85% lease purchase plan in the amount of \$1.5 million for the acquisition of equipment and reviewed the budget line items to be included in this plan and the cost of the plan per year, and after a brief discussion, it was moved by Committee Member Dexter, seconded by Chair Godin, and unanimously carried to authorize staff to execute the Lease Financing Quote from Citizens Business Bank.

General Manager LaMoreaux then stated that the final leasing documents will be presented to the full Board for consideration.

5) Information Items.

Finance Manager Williams requested Finance Committee meeting dates be changed to the third Monday of the month with a Committee Chair financial summary presented at the second regular Board meeting to ensure consistency and allow additional time to reconcile monthly reporting documents, and after a brief discussion, the Committee concurred with this request.

Chair Godin then stated that a message will be included on the bills and on the website noting the change in financial reporting to the second regular Board meeting.

There were no further information items.

6) Public Comments on Closed Session Agenda Matters.

There were no public comments on closed session agenda matters.

7) Closed Session Under Government Code Section 54957, Personnel Matters: Financial Advisor Evaluation.

At 5:47 p.m., Chair Godin called for a closed session pursuant to Government Code Section 54957, Personnel Matters: Financial Advisor Evaluation. She reconvened the Committee meeting at 6:25 p.m.

8) Public Report of Any Action Taken in Closed Session.

Chair Godin reported that a closed session had been held under Government Code Section 54957, Personnel Matters: Financial Advisor evaluation and that no action reportable under the Brown Act was taken in closed session on this matter.

9) Board Members' Requests for Future Agenda Items.

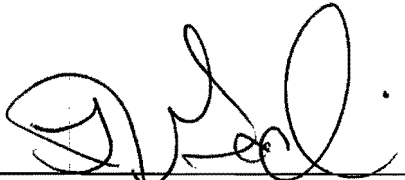
Chair Godin requested that "Closed session under Government Code Section 54957, Personnel Matters: Financial Advisor evaluation" be placed on the next Finance Committee agenda.

There were no further requests for future agenda items.

The next Finance Committee meeting was scheduled for March 21, 2011 at 5:00 p.m.

10) Adjournment.

There being no further business to come before the Finance Committee, the meeting was adjourned at 6:26 p.m.


Chair