MINUTES OF MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, OCTOBER 23, 2012:

A meeting of the Finance Committee of the Palmdale Water District was held Tuesday, October 23, 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:
Finance Committee:
Kathy Mac Laren, Chair
Robert Alvarado, Committee Member

Others Present:
Dennis LaMoreaux, General Manager
Mike Williams, Finance Manager
Bob Egan, Financial Advisor
Dennis Hoffmeyer, Senior Accountant
Matt Knudson, Engineering Manager
Peter Thompson II, Operations Manager
Kelly Jeters, Systems Supervisor
Danielle Henry, Administrative Assistant
1 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 July 24, 2012.

It was moved by Committee Member Alvarado, seconded by Chair Mac Laren, and unanimously carried to approve the minutes of the meeting held July 24, 2012.

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 September 30, 2012 including the annual principal and semi-annual interest

bond payments, called investments, reserved funds, scheduled Butte payment, assessments, and capital lease payments.

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

Finance Manager Williams reviewed the balance sheet, profit and loss statement, year-to-year and month-to-month revenue and expense analysis, and individual departmental reports through September 2012, along with the graphs for these reports and a graph comparing personnel costs to operational costs, and stated that the target expenditure percentage should be at or below 75%; that departments are at or below this expenditure with the exception of Administrative Services at 77% due to the purchase of replacement water meters.

The size of the water meters for replacement was then briefly discussed.

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

Engineering Manager Knudson informed the Committee that a payment made to B.V. Construction in October for Specification No. 0902 is not reflected on the spreadsheet and that this payment will adjust the November and December scheduled payment amounts.

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

Finance Manager/CFO Williams stated that this expenditure report includes all cash disbursement details for September, after which General Manager LaMoreaux stated that this same report is included with the agenda packet for tomorrow night's Board meeting.

4.6) Discussion and Overview of Draft 2013 Budget. (Financial Advisor Egan/Finance Manager/CFO Williams)

Senior Accountant Hoffmeyer reviewed in detail the profit and loss statement, the income statement and the cash flow projections through 2013 including all department

budget inclusion items with no water rate increase and the difference in operating revenues with a 5% and 8% water rate increase.

After discussions of uncut department inclusions, of the decrease in revenue due to the base tier adjustment as a result of the City Settlement, of the minimal increase in elevation charges, of projected water sales for 2013, and of long-term projects extended through 2015, Financial Advisor Egan stated that with no water rate increase, operating cash will be decreasing by approximately $1.5 million resulting in a very limited number of projects that can be done.

The 1998 Bond refinance and availability of restricted cash, the financing of projects through loans and grants, and revenue for unexpected emergencies was then briefly discussed.

4.7) Discussion and Overview of Refunding Opportunities for the 1998 Series Certificates of Participation. (Financial Advisor Egan)

Financial Advisor Egan informed the Committee that Mark Northcross of NHA Advisors is expecting a commitment letter from Alliance Bank for the refinancing of the 1998 Bond; that a copy of the District's Budget may be required; and that Citizens Bank will be contacted once the commitment letter is received from Alliance Bank.

5) Information Items.

General Manager LaMoreaux informed the Committee that based on discussions and Board action taken in August on the approval of a one-time cost of living adjustment for the four month period ending December 31, 2012, and the research performed by Human Resources Consultant Burns, the consumer price index of 2.2% through September of this year will be part of the 2013 budget review and discussion.

There were no further information items.

6) Board Members' Requests for Future Agenda Items.

Committee Member Alvarado requested that project financing through loan and grant opportunities be discussed at the next Committee meeting.

After a brief discussion of capital lease refinancing opportunities, it was determined to discuss this item after completion of the 1998 Bond refinance.

There were no requests for future agenda items.

The next Finance Committee meeting was then scheduled for November 20, 2012 at 6:30 p.m.

7) Adjournment.

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

Chair