

**MINUTES OF MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, MARCH 23, 2015:**

*A meeting of the Finance Committee of the Palmdale Water District was held Monday, March 23, 2015, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. Chair Dizmang called the meeting to order.*

**1) Roll Call.**

**Attendance:**

Finance Committee:  
Gloria Dizmang, Chair  
Vincent Dino, Committee  
Member

**Others Present:**

Dennis LaMoreaux, General Manager  
Matt Knudson, Assistant General Manager  
Mike Williams, Finance Manager  
Dennis Hoffmeyer, Senior Accountant  
Bob Egan, Financial Advisor  
Dawn Deans, Executive Assistant  
0 members of the public

**2) Adoption of Agenda.**

It was moved by Committee Member Dino, seconded by Chair Dizmang, 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 February 9, 2015.**

It was moved by Committee Member Dino, seconded by Chair Dizmang, and unanimously carried to approve the minutes of the Finance Committee meeting held February 9, 2015, as written.

**4.2) Presentation, Consideration, and Possible Action on Acceptance and Filing of 2014 Audit and Management Report. (Financial Advisor Egan/Paul Kaymark, The Pun Group)**

Finance Manager Williams distributed a revised version of the 2014 Audit and Management Report and then provided an overview of the Report including the net position, net results, decreasing patterns due to depreciation and the drought, and recovering costs through consistent rates and charges. He then stated that the District's overall financial position is good, and staff hopes to change the decreasing pattern in 2015.

Financial Advisor Egan then commended the timeliness of the Audit's completion, commended Senior Accountant Hoffmeyer and management staff for providing requested audit information, reviewed trends reported by Finance Manager Williams, and stated that rate increases are needed to prevent decreasing patterns followed by discussion of the importance of preventing decreasing patterns to protect the District's bond rating and the Board and staff's obligation to protect this rating for future bond issues.

Chair Dizmang then requested staff prepare a written summary of the audit and the steps needed to protect the District followed by discussion of the upcoming Fitch surveillance of the District's bond rating, concerns raised by the drought, adjustments needed for assessments, and tracking the Palmdale Recycled Water Authority in the Report. The Committee then concurred to present the 2014 Audit and Management Report to the full Board for consideration at the next Regular Board Meeting.

**4.3) Discussion and Overview of Cash Flow Statement and Current Cash Balances as of February, 2015. (Financial Advisor Egan)**

Financial Advisor Egan reviewed the investment funds and cash flow reports as of February, 2015 and January, 2015 including increasing the term of the District's cds for a better rate, water sales, assessments, the projected year-end balance, and EPA grant funding followed by discussion of municipal bonds and the Committee's concurrence to extend the term of the District's cds in accordance with the District's Investment Policy.

**4.4) Discussion and Overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for February 28, 2015. (Finance Manager Williams)**

Finance Manager Williams reviewed 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 February 28, 2015, along with

the graphic presentations for these reports, and then stated that departments are operating below the targeted expenditure percentage of 16.6% followed by discussion of Other Operating Revenue, Total Operating Revenue, Net Operating Profit/Loss, increases in the Water Conservation and Human Resources Departments, and overtime costs.

**4.5) Discussion and Overview of Committed Contracts Issued and Water Revenue Bond Projects. (Assistant General Manager Knudson)**

Assistant General Manager Knudson reviewed the status of approved 2015 engineering projects included in the Committed Contracts and Payout Schedule, including those projects contractually committed, budgeted projects, and payments for projects funded from the Water Revenue Series 2013A Bonds followed by discussion of funding the next phase of the Palmdale Regional Groundwater Recharge and Recovery Project.

**5) Information Items.**

**5.1) Status of Debt Service Coverage. (Financial Advisor Egan)**

Financial Advisor Egan stated that the District's Debt Service Coverage for 2014 was 1.10 meeting the required Debt Service Coverage, and after discussion of the factors affecting the Debt Service Coverage, he stated that the bonding companies review this information for ratings; that the Debt Service Coverage has been met but is sliding; and that a 3.5% rate increase versus a 5.5% rate increase has a negligible impact on the customer but largely impacts the District's Debt Service Coverage.

**5.2) Other.**

Finance Manager Williams reviewed the detailed listing of Miscellaneous Supplies as requested at the last meeting followed by discussion of revisions to the formatting of the list to include sub-accounts.

He then stated that the Rate Assistance Program has 232 approved participants.

It was determined that the next Finance Committee meeting will be held May 11, 2015 at 10:30 a.m. for reporting through April with the next Finance Committee meeting to be held July 6, 2015 at 10:30 a.m. for reporting through May.

Financial Advisor Egan then stated that he will be working remotely in July, August, and September; that he will prepare reports for these months; and that his partner can attend Finance Committee meetings in his absence.

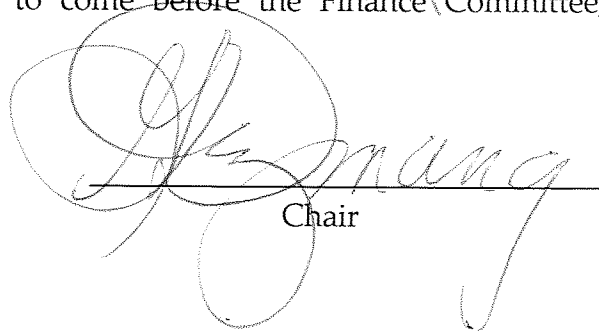
There were no additional information items.

**6) Board Members' Requests for Future Agenda Items.**

There were no further requests for future agenda items.

**7) Adjournment.**

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



Chair