

MINUTES OF MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, OCTOBER 7, 2015:

A meeting of the Finance Committee of the Palmdale Water District was held Wednesday, October 7, 2015, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. Chair Dizmang called the meeting to order at 10:31 a.m.

1) Roll Call.

Attendance:

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

Others Present:

Dennis LaMoreaux, General Manager
Mike Williams, Finance Manager
Dennis Hoffmeyer, Accounting Supervisor
Bob Egan, Financial Advisor
Danielle Henry, Administrative 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 September 3, 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 September 3, 2015, as written.

4.2) Discussion and Overview of Cash Flow Statement and Current Cash Balances as of August, 2015. (Financial Advisor Egan)

Financial Advisor Egan stated that cash increased due to capital improvement fees and assessments received; that the next few months will show a decrease due to typical operating expenditures; that matured cds have been replaced; and then

reviewed the cash flow statement, expenditures related to grant funding, anticipated assessments, reduced water revenues, the projected year-end balance, and stressed the importance of maintaining at least a \$10 million cash balance as the 2016 Budget is considered.

4.3) Discussion and Overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for August 31, 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 August 31, 2015 and then stated that most departments are operating at or below the targeted expenditure percentage of 67%. He then reviewed line items over-budget followed by discussion of the completed meter replacement project, year-to-date Other Operating Revenue, reduced water sales, and the necessity of the Drought Surcharge Fee.

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

General Manager LaMoreaux reviewed the status of approved 2015 engineering projects included in the Committed Contracts and Payout Schedule, including those projects contractually committed, budgeted projects but not yet committed with these projects listed in order of priority, payments for projects funded from the Water Revenue Series 2013A Bonds, and payments from District funds for the preliminary design and CEQA work for the Palmdale Regional Groundwater Recharge & Recovery Project followed by discussion of projects that may be postponed to the 2016 Budget, GAC payments, the upcoming shutdown of the water treatment plant, and reduction of the level of Palmdale Lake to make room for anticipated El Nino rainfall.

4.5) Discussion and Review of 2016 Budget. (Finance Manager Williams)

Finance Manager Williams stated that staff is reviewing 2016 Budget submissions from Department Managers and that preliminary revenue projections are at \$1.2 million for new projects and/or expenditures.

Chair Dizmang inquired about current reserves after which Finance Manager Williams stated that staff concurs with Financial Advisor Egan to maintain the current cash balance of \$10 million by year-end; that the draft 2016 budget includes a 5.5% water

rate increase, which provides a \$9.8 million cash balance at 2016 year-end; that the 2015 Budget was based on selling 18,800 acre feet of water, which will fall short due to drought conditions; that the 2016 Budget is based on 16,500 acre feet; and that from a revenue standpoint, a 5.5% water rate increase for the 2016 Budget is necessary.

Reviewing a more detailed 2016 Budget at a Special Finance Committee meeting was then discussed, along with the \$5 million needed in reserves for Little Rock Dam leaving a reserve of \$6 million, and it was determined that a Special Finance Committee meeting be scheduled for October 19, 2015 at 10:30 a.m.

5) Information Items.

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

Financial Advisor Egan stated that the District continues to meet the Debt Service Coverage, which is now 1.27, and the 2016 Budget must project 1.1 or more to continue to meet the Debt Service Coverage.

5.2) Other.

Finance Manager Williams stated that there are now 481 participants in the Rate Assistance Program.

General Manager LaMoreaux then stated that over 400 water waste fines have been issued with over 20 appeals received.


There were no additional 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 at 11:15 a.m.


Chair