

MINUTES OF SPECIAL MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, OCTOBER 19, 2015:

A special meeting of the Finance Committee of the Palmdale Water District was held Monday, October 19, 2015, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. Chair Dizmang called the meeting to order at 10:38 a.m.

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
Mike McNutt, PIO/Conservation Director
Dennis Hoffmeyer, Accounting Supervisor
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 October 7, 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 October 7, 2015, as written.

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

Chair Dizmang requested clarification on several 2016 Budget items including the \$1,600.00 cap on health benefits, the amount of the cost of living and merit increases,

which are not included in the draft Budget, and current employee contributions towards CalPERS.

Finance Manager Williams then stated that the reserve level is important with a projected 2015 year-end balance of approximately \$9.8 million; that the proposed 2016 Budget maintains a year-end balance of this same amount and maintains the Debt Service Coverage of at least 1.1; that the 2015 Budget is based on 18,000 acre feet of water sales but projections are at 14,700 acre feet; that the 2016 Budget is based on 16,500 acre feet of water sales; that drought conditions are creating many unknowns regarding reductions in water sales; and that because of these factors, staff recommends a 5.5% water rate increase be adopted with the 2016 Budget to maintain reserves and meet the Debt Service Coverage with an absolute minimum water rate increase of 5.0% followed by discussion of staff's calculations and projections for the 2016 Budget.

Financial Advisor Egan then stressed the importance of maintaining the District's Fitch bond rating followed by a review of the basis for the Fitch rating, the negative effect on the District's rating if a budget is adopted that does not meet the Debt Service Coverage, the amount of average water bills, projections from the Water Rate Study to meet reserve levels, proposed 2016 departmental expenditures, and 2015 departmental expenditures.

Chair Dizmang then recommended the Board's budget be reduced as a step to reduce expenditures followed by discussion of increasing employee contributions towards CalPERS, a 3.5% water rate increase, continuing departmental reductions, and the Drought Surcharge Fee after which it was discussed that calculations for a 1% additional employee contribution towards CalPERS, year-end cash with a 3.5% water rate increase, the effect of a 3.5% water rate increase on the Debt Service Coverage, reductions to proposed 2016 expenses, and an update of rate comparisons with other agencies be presented at the Board Budget Workshop.

It was then determined that the next Finance Committee meeting be held November 4, 2015 at 10:30 a.m., that the Board Budget Workshop be conducted on November 9, 2015 as the last item of the November 9, 2015 Regular Board Meeting; and that a public Budget Workshop be held November 16, 2015.

5) Board Members' Requests for Future Agenda Items.

There were no requests for future agenda items.

6) **Adjournment.**

There being no further business to come before the Finance Committee, the meeting was adjourned at 11:55 a.m.



Chair