

**MINUTES OF MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE  
WATER DISTRICT, NOVEMBER 4, 2015:**

*A meeting of the Finance Committee of the Palmdale Water District was held Wednesday, November 4, 2015, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. Chair Dizmang called the meeting to order at 10:30 a.m.*

**1) Roll Call.**

**Attendance:**

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

**Others Present:**

Dennis LaMoreaux, General Manager  
Kathy Mac Laren, PWD Director  
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 Special Meeting Held October 19, 2015.**

It was moved by Committee Member Dino, seconded by Chair Dizmang, and unanimously carried to approve the minutes of the Special Finance Committee meeting held October 19, 2015, as written.

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

Financial Advisor Egan reviewed the investment funds and cash flow reports as of September, 2015, including the \$2.3 million decrease in cash due to semi-annual bond payments and a reduction in operating cash of \$200,000 and reviewed 2016 planned grant funds and potential and committed amounts for 2016 projects.

He then stated that projected year-end cash is \$774,602 less than the budgeted amount of \$11,500,000 and re-emphasized the importance of maintaining at least \$10,000,000 at year-end, which is critical for future years.

**4.3) Discussion and Overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for September 30, 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 September 30, 2015 and then stated that most departments are operating at or below the targeted expenditure percentage of 65%. He then reviewed line items over-budget and stated that the Drought Surcharge Fee is essential to the District's financial stability to offset the loss in revenue.

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

Assistant General Manager Knudson reviewed the status of the 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, and payments for projects funded from the Water Revenue Series 2013A Bonds followed by discussion of some projects being carried over to 2016, funds committed over the Water Revenue Series 2013A Bond amount, and a proposed 2016 meter replacement project followed by discussion of the security improvement project.

**4.5) Consideration and Possible Action on 2016 Budget. (Finance Manager Williams)**

Finance Manager Williams stated that staff previously presented a 2016 Budget with staff's recommendation of a 5.5% rate adjustment according to the Proposition 218



Rate Study; that the Committee requested calculations for a 3.5% rate adjustment; and then reviewed year-end cash with a 3.5% rate adjustment and the amount of projects that can be completed under this scenario, projected Debt Service Coverage ratios with both a 5.5% and a 3.5% rate adjustment and the assumption of selling 16,500 acre feet of water, and rate comparisons with other agencies, which indicate the District's rates are very reasonable.

Financial Advisor Egan then stated that year-end cash in 2014 was \$12,989,000; that projected year-end cash in 2016 is \$9,900,000 with a 5.5% rate adjustment; that this is a \$3,000,000 significant decrease in cash reserves over two years; and that it is important to increase, rather than decrease, cash reserves.

Assistant General Manager Knudson then stated that he and Engineering/Grant Manager Riley met yesterday with state agencies in charge of grant funding regarding the District's Palmdale Regional Groundwater Recharge and Recovery Project, the next phase of the recycled water pipeline through the Palmdale Recycled Water Authority, and the Littlerock Dam Sediment Removal Project, which are all large dollar projects; that the meetings were promising as far as the District's ability to receive up to 35% grant funding for each of the pipeline projects; that additional funds will need to be borrowed through either public financing, private partnerships, or low-interest loans from the state; and that staff recommends a long-term focus for budgeting rather than year to year followed by discussion of the District's current favorable Fitch Rating, potential unsatisfactory Debt Service Coverage ratios, adhering to the District's Proposition 218 plan under the approved Rate Study to avoid future higher rate adjustments, and the need for a 5.5% rate adjustment to meet long term planning needs and to afford long-term debt needed for critical large projects.

After a further discussion of additional cuts to requested department projects and proposed monthly water bills under a 5.5% rate adjustment, the Committee recommended the 2016 Budget be presented to the Board at the November 9, 2015 Board meeting for consideration.

## **5) Information Items.**

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

Financial Advisor Egan reviewed the current Debt Service Coverage of 1.38, which is at this rate because of Capital Improvement Fees received.

Financial Advisor Egan reviewed the current Debt Service Coverage of 1.38, which is at this rate because of Capital Improvement Fees received.

**5.2) Other.**

There were no other information items.

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

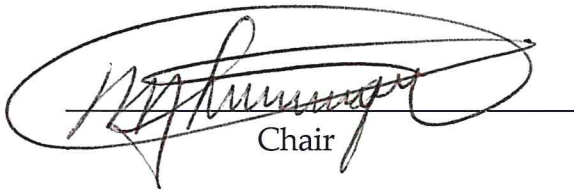
There were no requests for future agenda items.

It was then determined that no Finance Committee meeting will be held in December.

Chair Dizmang then stated that she has enjoyed working with staff on this Committee; that she has learned a lot; and then thanked staff for their effort on this Committee. Staff then thanked Chair Dizmang for her support.

**7) Adjournment.**

There being no further business to come before the Finance Committee, the meeting was adjourned at 11:45 a.m.



Chair