MINUTES OF MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, OCTOBER 6, 2016:

A meeting of the Finance Committee of the Palmdale Water District was held Thursday, October 6, 2016, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. Chair Henriquez called the meeting to order at 4:00 p.m.

1) **Roll Call.**

Attendance:
Finance Committee:
Marco Henriquez, Chair
Robert Alvarado, Committee Member

Others Present:
Dennis LaMoreaux, General Manager
Matt Knudson, Assistant General Manager
Mike Williams, Finance Manager
Jennifer Emery, Human Resources Director
Bob Egan, Financial Advisor
Dawn Deans, Executive Assistant
0 members of the public

2) **Adoption of Agenda.**

It was moved by Committee Member Alvarado, seconded by Chair Henriquez, and unanimously carried by all members of the Committee present at the meeting 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 13, 2016.

It was moved by Committee Member Alvarado, seconded by Chair Henriquez, and unanimously carried by all members of the Committee present at the meeting to approve the minutes of the Finance Committee meeting held September 13, 2016, as written.

4.2) Discussion and Overview of Cash Flow Statement and Current Cash Balances as of August, 2016. (Financial Advisor Egan)

Financial Advisor Egan reviewed the investment funds report as of August, 2016, including the increase of funds due to assessments received and water receipts, last month's large DWR payment, and reduced water receipts and then provided an overview of the cash flow statement for August, interest earnings and market decline, and anticipated year-end cash.

4.3) Discussion and Overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for August, 2016. (Finance Manager Williams)

Finance Manager Williams reviewed in detail 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 July, 2016 and stated that most departments are operating at or below the targeted expenditure percentage of 67% followed by discussion of the Director's budget, vacation expenses, and the purchase of additional vacation time.

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

Assistant General Manager Knudson reviewed the projects and payments included in the updated committed contracts schedule and then provided an update on the Water Revenue Series 2013A Bond funds.

4.5) Discussion and Review of Draft 2017 Budget. (Finance Manager Williams)

Finance Manager Williams distributed the 2017 preliminary budget and then provided an overview of proposed revenue, projected year-end cash balance for 2017, department budgets and increases due to changes in the Organization Chart, increases in line items from 2016 to 2017, and depreciation followed by discussion of updates to the main office building and the Rate Assistance Program.

4.6) Discussion and Possible Action on Long Term Financial Planning and Adoption of Remaining Three Years of Approved Proposition 218 Water Rate Plan to Ensure Future Water Rate Stability and Long-Term Water Sustainability Projects to Meet Current and Future Water Demands. (Assistant General Manager Knudson/Finance Manager Williams)

Assistant General Manager Knudson stated that an updated Resolution for implementing a 4.25% water rate adjustment for each of the next three years addressing concerns raised at the Financial Planning Workshop was included with the agenda packets and that an additional Financial Planning Workshop is scheduled for October 19, 2016 at 7 p.m.

General Manager LaMoreaux then requested the Committee review the Resolution and provide any revisions by next Wednesday.

4.7) Consideration and Possible Action on Request for Proposals for Hiring an Outside Consultant to Determine Additional Cost Reductions for the District. (Chair Henriquez)

Finance Manager Williams distributed a draft Performance Audit Request for Proposals and requested input from the Committee followed by discussion of removing the cost limit from the Proposal, and Chair Henriquez requested a separate meeting with Finance Manager Williams to review the Performance Audit Request for Proposals.

General Manager LaMoreaux then stated that the Performance Audit Request for Proposals will be submitted to the full Board for consideration along with all back-up materials once it is approved by the Committee and informed the Committee that staff conducts efficiency evaluations, reviews the budget, and shifts personnel to increase efficiency on an ongoing basis.

5) Information Items.

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

Financial Advisor Egan stated that the Debt Service Coverage looks good at this time.

5.2) Status on Refunding 2012 Installment Purchase Agreement and a Portion of the 2013A Water Revenue Bonds. (Finance Manager Williams)

Finance Manager Williams stated that the Final Audit is expected to be complete by the end of the week; that the Preliminary Official Statement will be updated and ready for posting October 11; that bonds will go to market October 17 for pricing; that

savings as of today are only 3.6%; and that bonds will not sell unless the target savings of 5% is met.

He then reviewed S&P's rationale for maintaining the District's bond rating at A- and stable.

General Manager LaMoreaux then reviewed bond insurance which will help in the sale of the bonds.

5.3) Other.

Finance Manager Williams stated that the IVR and kiosk are leased, payments are processed through Paymentus, and the District pays a cost for each transaction and that to save costs, staff will be recommending the District purchase its own IVR and kiosk combining the processing of all electronic payments under one processor followed by discussion of actual usage of the kiosk and its cost.

There were no other information items.

6) Board Members' Requests for Future Agenda Items.

Committee Member Alvarado requested an update on staff's efforts to make the District more efficient and approximate dollar amount of savings, including shifting positions, keeping positions unfilled, departmental innovations, employee benefit packages, in-house projects, and other efficiencies.

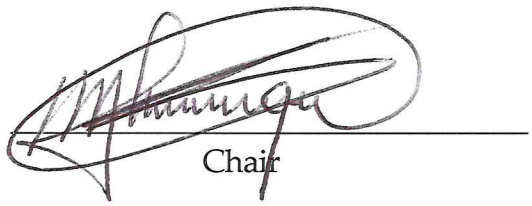
Chair Henriquez then requested an item to discuss improvements to the Cash for Grass Program so more customers can benefit from the Program, and after discussion of the Cash for Grass Program and the appropriate Board Committee to review the Program, General Manager LaMoreaux stated that an informational report on how the Program operated for 2016 can be presented at the next Committee meeting.

There were no further requests for future agenda items.

It was then determined that the next Finance Committee meeting will be held November 7, 2016 at 4:00 p.m.

7) Adjournment.

There being no further business to come before the Finance Committee, the meeting was adjourned at 5:45 p.m.



Chair