MINUTES OF MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, JUNE 26, 2017:

A meeting of the Finance Committee of the Palmdale Water District was held Monday, June 26, 2017, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. Chair Henriquez called the meeting to order at 4:30 p.m.

1) **Roll Call.**

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

Others Present:
Dennis LaMoreaux, General Manager
Mike Williams, Finance Manager
Jim Riley, Engineering/Grant Manager
Laura Gallegos, Public Affairs Specialist
Dennis Hoffmeyer, Accounting Supervisor
Tim Moore, Facilities Manager
Peter Thompson Sr., Project Manager
Bob Egan, Financial Advisor (via Skype)
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 on Non-Agenda Items.**

There were no public comments on non-agenda items.

4) **Action Items:**

4.1) Consideration and Possible Action on Approval of Minutes of Meeting Held April 25, 2017.

4.2) Consideration and Possible Action on Approval of Minutes of Informational Meeting Held May 22, 2017.

Chair Henriquez stated that Agenda Item No.'s 4.1 and 4.2 will be considered together after which 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 April 25, 2017, as written, and the minutes of the Informational Finance Committee meeting held May 22, 2017, as written.

4.3) Discussion and Overview of Cash Flow Statement and Current Cash Balances as of April, 2017. (Financial Advisor Egan)

Financial Advisor Egan reviewed the investment funds report as of April, 2017 including the increase in cash of approximately $2,147,000 due to assessments received, a maturing CD, Capital Improvement Fees, and Department of Water Resources refunds received and then provided an overview of the cash flow statement including the upcoming Butte payment, actual water sales, and projected 2017 year-end cash followed by discussion of the operations of the District being best represented through these reports and the reports presented by Finance Manager Williams.

General Manager LaMoreaux then recommended Agenda Item No. 5.1 be considered.

5) Information Items.

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

Financial Advisor Egan stated that the Debt Service Coverage for the period of May, 2016 through April, 2017 is 1.50 and meets the required Debt Service Coverage.

Chair Henriquez then stated that Agenda Item No. 4.4 will now be considered.

4.4) Discussion and Overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for April, 2017. (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 April, 2017 and stated that most departments are operating at or below the targeted expenditure percentage of 33% followed by discussion of departmental line items over budget, pump repairs, wind turbine repairs, lab supplies, and pending adjustments.

4.5) Discussion and Overview of Committed Contracts Issued and Water Revenue Bond Projects. (Finance Manager Williams)

Finance Manager Williams provided an overview of the updated Contractual Commitments and Needs for 2017 capital projects, consulting and engineering support projects, new and replacement equipment, water quality fee funded projects, a summary of committed and projected capital expenditures, and available funding sources along with an update on the Water Revenue Bond Series 2013A Bond funds and payments to date.

4.6) Discussion of Summary of Expenditures for Emergency Repairs for 2016 and 2017 to Date. (Committee Member Alvarado/Facilities Manager Moore/Project Manager Thompson)

Committee Member Alvarado requested this item to stress the importance of up-to-date maintenance and preparing for unexpected repairs and replacements by having the necessary parts, manpower, and expenses after which Facilities Manager Moore reviewed emergency repairs from January 1, 2016 to April 30, 2017 totaling $1,366,503.60 and stated that repairs to Well No. 30, Well No. 25, and Well No. 26 totaling $148,493.00 can be removed as they were scheduled repairs.

In-house emergency repairs, postponement of daily job duties to complete emergency repairs, replacement and maintenance costs, repair items on hold due to budget constraints, and the importance of regular maintenance cycles were then discussed after which Finance Manager Williams stated that dollar amounts for preventative maintenance have been reduced by the Board over the years creating more emergency repairs; that the cost of operations continues to increase; that the Board approved no and reduced water rate increases; that this creates falling behind in revenue, and maintenance cannot be performed; and that following the recommended 5.5% annual water rate increase included in the Water Rate Study could have prevented some of the shortfall.

Project Manager Thompson then informed the Committee that staff is reviewing all District facilities documenting components, life cycle, and the costs to repair, maintain, or replace, and after discussion of an aggressive Preventative Maintenance Program, the Committee concurred this Program is needed, and Chair Henriquez requested a budget be developed within the next two months for review by the Committee.

After a further discussion, staff was requested to make a presentation on this item to the full Board at the second Board meeting in August to ensure all Directors are aware of where we are now and where we want to be with preventative maintenance and water main replacements.

5) Information Items.

5.2) Status on Cash for Grass Program Available Funds. (Chair Henriquez)

Engineering/Grant Manager Riley stated that a contract for a $75,000 matching funds grant with the Bureau of Reclamation has been signed and requests for funds will be made on a quarterly basis; that $40,000 has been spent to date for Cash for Grass applications; and that $120,000 Cash for Grass applications are waiting approval.

5.3) Status on Funding Options for Construction of Littlerock Dam Sediment Removal Project Grade Control Structure. (Engineering/Grant Manager Riley/Finance Manager Williams)

Engineering/Grant Manager Riley stated that a cost estimate for construction of the grade control structure should be available by November or December and staff has requested less expensive options be included in the estimate and that the Record of Decision for removal of the sediment was recently signed by the Forest Service.

5.4) Other.

General Manager LaMoreaux stated that he and Engineering/Grant Manager Riley met with the Bureau of Reclamation in Denver, Colorado to discuss their processes for securing grant funding for the Palmdale Regional Groundwater Recharge and Recovery Project.

He then stated that staff also met with representatives from California Consulting regarding a Needs Assessment Report for the District; that this Report should be available in a month; and that the Needs Assessment Report will be presented to the Committee for discussion.

There were no other information items.

6) Board Members' Requests for Future Agenda Items.

Committee Member Alvarado then requested "Discussion of the value of lost water and the cost of improvements for Palmdale Ditch as part of preventative maintenance" be placed on the next agenda.

It was then stated that "Discussion of budget for a Preventative Maintenance Program" will be placed on a future agenda.

There were no further requests for future agenda items.

It was then determined that the next Finance Committee meeting will be held July 24, 2017 at 4:30 p.m.

7) Adjournment.

There being no further business to come before the Finance Committee, the meeting was adjourned at 5:35 p.m.

Chair