MINUTES OF MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, OCTOBER 23, 2017:

A meeting of the Finance Committee of the Palmdale Water District was held Monday, October 23, 2017, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. Chair Henriquez called the meeting to order at 4:40 p.m.

1) Roll Call.

Attendance:	**Others Present:**
Finance Committee:	Dennis LaMoreaux, General Manager
Marco Henriquez, Chair	Mike Williams, Finance Manager
Robert Alvarado, Committee Member	Judy Shay, Public Affairs Director
	Tim Moore, Facilities Manager
	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 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 September 25, 2017.

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 25, 2017, as written.

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

Financial Advisor Egan reviewed the investment funds report as of August, 2017 including assessments and capital improvement fees received, a recommended transfer of $1,260,000.00 to the long-term investment account, repayment of debt to the General Fund from the Capital Improvement Fund, and remaining 2013A Water Revenue Bond funds and then provided an overview of the cash flow statement, including actual and projected assessments and capital improvement fees received, the planned principal and interest payments, and projected 2017 year-end balance after which the Committee concurred with the recommended transfer to the long-term investment account.

4.3) Discussion and Overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for August, 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 August, 2017 and stated that there has been little activity since July, 2017 and that most departments are operating at or below the targeted expenditure percentage of 66%.

4.4) 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 Report for capital projects, consulting and engineering support projects, new and replacement equipment, water quality fee funded projects, committed and projected capital expenditures, available funding sources, and remaining Water Revenue Bond Series 2013A funds and payments to date and stated that the Report will be reformatted to better track projects by department followed by discussion of publicizing completed projects by year, annual departmental accomplishments included in the budgets, and upcoming and continuing projects.

4.5) Discussion of a Policy for Setting Energy Costs to Users of the Palmdale Water District's Electrical Vehicle Charging Stations. (Engineering/Grant Manager Riley)

General Manager LaMoreaux stated that the two electrical vehicle charging stations have been installed; that a press conference is scheduled for December 5 to announce the stations are active and ready for use; and that a policy needs to be

adopted establishing the rate, if any, to charge users of the stations, and after a brief discussion of the anticipated annual electricity cost to the District for use of the two stations, 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 recommend the adoption of a policy for providing energy through the Palmdale Water District's two electrical vehicle charging stations at no cost to users from December 5, 2017 to December 5, 2018 as a trial period and that this recommendation be presented to the full Board for consideration at the October 25, 2017 Regular Board Meeting.

4.6) Discussion and Evaluation of Key Points and Inclusion Items for 2018 Budget. (Chair Henriquez/Finance Manager Williams)

Finance Manager Williams stated that staff is able to determine budget projects based on known revenue and on the Strategic Plan thanks to the Board's adoption of water rate increases for the next few years and then provided a detailed review of the draft 2018 Budget, including an overall summary of anticipated revenue and expenses, cycled maintenance, 2017 carryover projects, and individual departmental expenses and anticipated increases after which Financial Advisor Egan stated that $1.5 million is available in 2018 for projects and recommended a cautionary approach to committed projects to ensure revenue is available to complete the projects.

General Manager LaMoreaux then informed the Committee that an Infrastructure Plan to better determine projects to be constructed over the next five years and a five-year Water Rate Plan to determine revenue needed for construction of these projects will be developed and then recommended the November 8, 2017 Regular Board Meeting start at 6:00 p.m. to consider the 2018 Budget, and if not approved, the 2018 Budget presented at the November 20, 2017 Regular Board Meeting for approval.

After a brief discussion of the draft 2018 Budget, anticipated projects, and infrastructure maintenance, the Committee concurred with staff's recommended timeline for approval of the 2018 Budget and suggested Department Managers include a detailed written report on projects and expenses with the November 8, 2017 Board agenda packets.

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 September, 2016 through August, 2017 is 1.47 and meets the required Debt Service Coverage.

5.2) Capital Improvement Funds Owed to the District's General Fund. (Financial Advisor Egan)

Financial Advisor Egan stated that the amount of capital improvement funds owed to the District's General Fund since 2002 is $19,632,000.00, which includes interest, after which General Manager LaMoreaux stated that Capital Improvement Fees are divided into infrastructure and water supply with the portion received for infrastructure applied to the debt owing the District's General Fund and the portion received for water supply applied to projects such as the Littlerock Sediment Removal Project and the Palmdale Regional Groundwater Recharge and Recovery Project.

5.3) Other.

There were no other information items.

6) Board Members' Requests for Future Agenda Items.

Committee Member Alvarado requested a future agenda item for "Discussion of publicizing completed 2017 Budget departmental projects and proposed projects for the 2018 Budget."

There were no further requests for future agenda items.

It was then determined that the next Finance Committee meeting will be held November 16, 2017 at 4:30 p.m.

7) Adjournment.

There being no further business to come before the Finance Committee, the meeting was adjourned at 6:15 p.m.

Chair