MINUTES OF MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, APRIL 26, 2018:

A meeting of the Finance Committee of the Palmdale Water District was held Thursday, April 26, 2018, 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:	**Others Present:**
Finance Committee:	Dennis LaMoreaux, General Manager
Marco Henriquez, Chair	Mike Williams, Finance Manager
Robert Alvarado, Committee Member	Bob Egan, Financial Advisor
	Dennis Hoffmeyer, Accounting Supervisor
	Dawn Deans, Executive Assistant
	1 member 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 March 26, 2018.

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 March 26, 2018, as written.

4.2) Discussion and Overview of Cash Flow Statement and Current Cash Balances as of March 2018. (Financial Advisor Egan)

Financial Advisor Egan reviewed the investment funds report as of March 2018, including the balance reduction due to expected bond payments and then provided an

overview of the cash flow statement, including assessments received and annual capital expenditures.

4.3) Discussion and Overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for March 2018. (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 March 2018 and stated that most departments are operating at or below the targeted expenditure percentage of 25% followed by discussion of State Water Project allocations.

4.4) Discussion and Overview of Committed Contracts Issued. (Finance Manager Williams)

Finance Manager Williams provided an overview of the updated Contractual Commitments and Needs for 2018 Report for new and replacement capital projects, consulting and engineering support projects, new and replacement equipment, water quality fee funded projects, committed and projected capital expenditures, and available funding sources.

4.5) Consideration and Possible Action on Financing Options for Construction of Grade Control Structure for the Littlerock Sediment Removal Project and Other Capital Projects. (Finance Manager Williams/Financial Advisor Egan)

Mr. Mark Northcross, Principal for NHA Advisors, provided a detailed overview of the recommended financing option of publicly offered water revenue bonds for the construction of the grade control structure for the Littlerock Sediment Removal Project and other capital projects; the District's capacity to issue debt and future commitment to increase water rates; water rate adjustments required to continue to meet debt service coverage with the new debt and District operations; and the ongoing need for pay-as-you-go capital projects.

Staff then recommended approval of the issuance of 2018 water revenue bonds be presented to the full Board at the second Regular Board meeting in May, and after a brief discussion of the importance of maintaining cash reserves at a minimum of $10

million, raising the District's bond rating, progress towards meeting the District's Reserve Policy, adopting rates on a five-year basis rather than annually for planning purposes and to increase the District's bond rating, treatment plant and clearwell improvements, fees for the bond issue, and the timeline for bond approval, it was moved by Committee Member Alvarado, seconded by Chair Henriquez, and unanimously carried by all members of the Committee present at the meeting that the Committee concurs with staff's recommendation to approve the issuance of 2018 water revenue bonds for financing the construction of the grade control structure for the Littlerock Sediment Removal Project and other capital projects and that this item be presented to the full Board for consideration at the second Regular Board Meeting in May, 2018.

Chair Henriquez then requested additional information on the bond fee structure.

General Manager LaMoreaux then stated that a Resolution to waive the District's bid policy and negotiate a contract for the construction of the grade control structure for the Littlerock Sediment Removal Project will be presented to the Board for consideration at the May 3, 2018 Special Board Meeting to accelerate the bid process for a July 2018 construction date and that staff recommends approval of this Resolution.

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 April 2017 through March 2018 is 1.59 and meets the required Debt Service Coverage.

5.2) Status on OPEB Obligations. (Committee Member Alvarado)

Finance Manager Williams stated that there are no updates on this item, and staff is pursuing other financing options for the Palmdale Regional Groundwater Recharge and Recovery Project after which General Manager LaMoreaux stated that a planning meeting for this Project was held today to review the pilot project information, reducing project costs to meet the state's cost requirements, and potential financing repayment dates for the Project.

5.3) Other.

Finance Manager Williams reviewed receivables and collection activity; payment transactions by type, which indicates electronic payments continue to increase; the status on recent advertised unclaimed funds; and the cost saving measure of ACH transfers between UBS and Citizens Business Bank.

Committee Member Alvarado requested the next list of unclaimed funds be made available to the Board.

There were no further information items.

6) Board Members' Requests for Future Agenda Items.

Chair Henriquez requested "Discussion of increasing deposits to the District's Rate Stabilization Fund" be included on the agenda for the next Finance Committee meeting.

Chair Henriquez requested information be presented at the next meeting regarding owner and tenant customer deposits.

There were no further requests for future agenda items.

It was then determined that the next Finance Committee meeting will be held May 24, 2018 at 4:30 p.m.

7) Adjournment.

There being no further business to come before the Finance Committee, the meeting was adjourned at 6:00 p.m.



Chair