MINUTES OF MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, OCTOBER 22, 2020:

A meeting of the Finance Committee of the Palmdale Water District was held Thursday, October 22, 2020, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office and via teleconference. Chair Dizmang called the meeting to order at 1:00 p.m.

1) Roll Call.

Attendance:
Committee:
Gloria Dizmang, Chair (via teleconf.)
Don Wilson, Committee Member

Others Present:
Dennis LaMoreaux, General Manager
Adam Ly, Assistant General Manager
Mike Williams, Finance Manager
Judy Shay, Public Affairs Director (via teleconf.)
Dennis Hoffmeyer, Accounting Spvsr. (via teleconf.)
Bob Egan, Financial Advisor (via teleconf.)
Dawn Deans, Executive Assistant (via teleconf.)
0 members of the public

2) Adoption of Agenda.

It was moved by Committee Member Wilson, seconded by Chair Dizmang, and unanimously carried by all members of the Committee present at the meeting to adopt the agenda, as written.

3) Public Comments for Non-Agenda Items.

There were no public comments for non-agenda items.

4) Action Items: (The Public Shall Have an Opportunity to Comment on Any Action Item as Each Item is Considered by the Committee Prior to Action Being Taken.)

4.1) Consideration and Possible Action on Approval of Minutes of Meeting Held September 24, 2020.

It was moved by Committee Member Wilson, seconded by Chair Dizmang, and unanimously carried by all members of the Committee present at the meeting to approve the minutes of the Finance Committee meeting held September 24, 2020.

4.2) Discussion and Overview of Cash Flow Statement and Current Cash Balances as of September 2020. (Financial Advisor Egan)

Financial Advisor Egan provided an overview of the September 2020 Major Account Activity Report and Investment Funds Report, including the scheduled decrease in cash due to bond principal and interest payments; the quarterly Major Account Activity Report, including capital improvement funds received; and the Cash Flow Statement, including anticipated expenses, 2020 carryover items, anticipated Capital Improvement Funds, and the projected year-end balance.

4.3) Discussion and Overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for September 2020. (Finance Manager Williams)

Finance Manager Williams reviewed in detail the balance sheet, profit and loss statement and trends, and revenue and expense analysis reports for the period ending September 2020 and stated that most departments are operating at or below the targeted expenditure percentage of 75% with the exception of Facilities due to personnel cost overruns and electricity costs for wells and boosters, Operations due to miscoding of invoices, which is being corrected, and Customer Care due to under-budgeting for health insurance costs.

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

Finance Manager Williams provided an overview of the Contractual Commitments and Needs 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 the payout summary for the Water Revenue Bond Series 2018A through September 2020.

5) Reports.

5.1) Finance Manager Williams:

a) Effect of COVID-19 Event.

Finance Manager Williams stated that due to COVID-19 events, as of September 30, there were 1,119 single family accounts with a balance of $50 or more and over sixty days past due with a total past due amount of $475,744, compared to 653 accounts at June 30 with an outstanding balance of $220,780, and that cash received for September 2020 was

$300,714, or 12.2% higher than August 2020, 16.49% higher than July 2020, and 12.22% higher than September 2019 followed by discussion of the effect of delinquencies on the District's recent bond rating, liens placed on delinquent accounts, and special payment arrangements for delinquent accounts.

b) Revenue Projections.

He then stated that revenue is ahead of projections by approximately $965,000.00.

c) Payment Transactions by Type.

He then stated that the third quarter shows a reduction in payments but a huge increase in electronic payments.

d) Accounts Receivable Aging Report.

He then stated that as of September 30, 2020, receivables are $562,000 higher than 2019 reflective of higher water sales with an increase of 60-day delinquencies from 2019 to 2020.

e) Rate Assistance Program Status.

He then stated that as of September 30, 2020, there were 754 participants in the Rate Assistance Program with 405 seniors, nine veterans, and 340 low income.

f) Billing and Collection Statistics.

He then stated that as of August 31, 2020, there was a slight increase in bills issued, a slight decrease in notices mailed compared to August 2019, and no comparisons for shut-off notices and disconnections as of February 2020.

g) Status on Refunding 2020A Series Taxable Water Revenue Bonds.

He then stated that regarding the 2020A Series Taxable Water Revenue Bonds, a successful sale was held refunding a total amount of $14.555 million with a savings of 6.3% and an annual interest savings of $67,000 followed by discussion of confidence in the District's bond team.

5.2) Status on 2021 Annual Budget. (Finance Manager Williams)

Finance Manager Williams provided an overview of the 2021 Budget, including anticipated water sales, anticipated operating revenue and expense, personnel expenses, departmental operating expenses, bad debts, and projected cash flow and stated that staff anticipates presenting a final 2021 Budget to the Committee at the next meeting and presentation to the full Board at the second Regular Board Meeting in November.

Financial Advisor Egan then stressed the importance of maintaining at least a $10 million year-end budget, which will assist the District in obtaining future bonds.

5.3) Financial Advisor Egan:

a) Debt Service Coverage Status.

Financial Advisor Egan stated that the Debt Service Coverage for the period of October 2019 through September 2020 is 1.76.

6) Board Members' Requests for Future Agenda Items.

There were no requests for future agenda items.

7) Date of Next Committee Meeting.

It was determined that the next Finance Committee meeting will be held November 19, 2020 at 1:00 p.m.

8) Adjournment.

There being no further business to come before the Finance Committee, the meeting was adjourned at 1:47 p.m.

Gloria A. Kinsman
Chair