MINUTES OF MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, DECEMBER 13, 2016:

A meeting of the Finance Committee of the Palmdale Water District was held Tuesday, December 13, 2016, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. Chair Henriquez called the meeting to order at 4:03 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
Mike McNutt, Public Affairs & Sustainability Dir.
Jim Riley, Engineering/Grant Manager
Bob Egan, Financial Advisor
Dennis Hoffmeyer, Accounting Supervisor
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 Special Meeting Held November 15, 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 special meeting held November 15, 2016, as written.

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

Financial Advisor Egan reviewed the investment funds report as of October, 2016, including the increase in funds and changes in CDs and then provided an overview of the cash flow statement, anticipated assessments, and year-end cash.

4.3) Discussion and Overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for October, 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 October, 2016 and stated that most departments are operating at or below the targeted expenditure percentage of 83%.

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

Assistant General Manager Knudson provided an update on the Committed Contracts Schedule, which now includes more detail, along with an update on the Water Revenue Bond Series 2013A Bond funds and payments to date, and stated that staff will recommend 2017 projects based on the approved budget.

4.5) Consideration and Possible Action on Resolution No. 16-18 Being a Resolution of the Board of Directors of the Palmdale Water District Establishing Its Investment Policy. (Financial Advisor Egan/Finance Manager Williams)

Financial Advisor Egan provided an overview of Resolution No. 16-18 and his recommendation for approval, and after a brief discussion of investment limits and safety of the District's funds, 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 approval of Resolution No. 16-18, being a Resolution of the Board of Directors of the Palmdale Water District Establishing Its Investment Policy, to the full Board at the December 14, 2016 Regular Board meeting.

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

Chair Henriquez stated that he met with Finance Manager Williams regarding the Request for Proposals; that the Request for Proposals as prepared by staff is acceptable with a few corrections he will provide to Finance Manager Williams; and that this item can then be presented to the full Board.

4.7) Consideration and Possible Action on District Policy Regarding Landlord/Tenant Responsibility for Water Service Accounts. (Chair Henriquez)

Finance Manager Williams stated that staff recommends tenants not be allowed to become responsible for water service accounts, reviewed historical data showing the benefit and cost savings to the District from requiring owners to be responsible for water service accounts, stated that from a financial standpoint, it is not wise to change District policy to allow tenants to become responsible for water service accounts, and provided an overview of the options to the tenant for flexibility in managing water service accounts.

Chair Henriquez then requested alternative options for tenants to become responsible for water service accounts, such as requiring an additional or larger deposit, as this issue has been brought to his attention several times.

Committee Member Alvarado then stated that this is not a new issue, it has been discussed since he became a Board member, and it will continue to be an issue but that changing District policy to allow tenants to become responsible for water service accounts does not make sense financially.

General Manager LaMoreaux then stated that water is a property-based service under Proposition 218 and that current District policy is a benefit to the property owner as they are more aware of the account details.

After a further discussion of deposit requirements, notifications to owners of water bill status, and current District policy, Chair Henriquez requested staff research additional deposits from tenants.

General Manager LaMoreaux then stated that this item will be brought back to the Committee for an update at the next Committee meeting.

At 4:53 p.m., Chair Henriquez called for a two-minute recess. He reconvened the Committee meeting at 4:55 p.m.

4.8) Consideration and Possible Action on Reducing Funds Available for the Rate Assistance Program to Offer Additional Assistance Under the Cash for Grass Program. (Chair Henriquez/Deputy Water & Energy Resources Director Thompson II)

Engineering/Grant Manager Riley provided an overview of an upcoming $75,000 matching funds grant opportunity applicable to the Cash for Grass Program and a status update on grant funding for recycled water projects and the Palmdale Regional Groundwater Recharge & Recovery Project.

Chair Henriquez then recommended the District's Cash for Grass Program cap of $3,000 be reduced to $2,500 to allow more people to participate in the Program followed by discussion of the Program requirements and the reduced water use from participation in the Program.

Staff then recommended the current Cash for Grass Program requirements remain as is for an additional year to allow for better tracking of water savings and this item be held over to the next Finance Committee meeting for staff to provide an overview of 2016 Cash for Grass applications.

4.9) Consideration and Possible Action on Amending the Approved November 7, 2016 Finance Committee Meeting Minutes. (Chair Henriquez)

Chair Henriquez stated that there was some misconception and misunderstanding about this item; that he wanted to make sure there are certain specific items in the minutes; and that originally the item was looked into without sending it with recommendation but then asked to be sent with recommendation to the entire Board.

General Manager LaMoreaux then stated that the minutes were generated from the recording; that the minutes are accurate as to what happened at the meeting; and that various staff requests made at the meeting were to obtain clarity in Chair

Henriquez' position as there were two issues with the item in question, one being to recommend approval and the second being to bring the item to the full Board, and both issues were in the motion which was passed unanimously.

Committee Member Alvarado stated he does not feel the minutes should be changed as he recalls clarifications so Chair Henriquez could understand that the motion was a two part motion to make a recommendation for the 4.25% water rate increase and to send it to the Board.

General Manager LaMoreaux then requested Chair Henriquez submit amended language to the approved minutes for the Committee's consideration, and Chair Henriquez stated that he will submit this to Executive Assistant Deans, and this item can be continued to the January meeting.

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 November, 2015 through October, 2016 is 1.43 and meets the required Debt Service Coverage.

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

Finance Manager Williams stated that there has been no movement on this item.

5.3) Status of Staff's Efforts to Ensure District Efficiencies and Cost Savings. (Committee Member Alvarado/General Manager LaMoreaux)

Committee Member Alvarado stated that he requested this item for a status update after which General Manager LaMoreaux stated that once information has been collected from the 2016 Budget, there will be a better idea of savings achieved for the ratepayers.

Financial Advisor Egan then stated that during the budget process, the savings to the ratepayers became evident with the reduction in staffing levels over the years, the request for additional staff being denied, and employees contributing to both their

benefits and retirement in the amount of $320,000 plus $420,000 resulting in significant annual savings and that financial statements will continue to be reviewed on a monthly basis.

Committee Member Alvarado then stated that this item reinforces the fact that the Board and staff have been saving money and that even if the District pays a consultant as requested in Agenda Item No. 4.6, they will not be able to provide any different information.

5.4) Other.

Finance Manager Williams stated that staff is reviewing a technology lease-purchase agreement to cover hardware and software items included in the 2017 budget and a presentation can be made to the full Board when the agreement has been prepared followed by discussion of items proposed to be included in the lease-purchase agreement.

Committee Member Alvarado inquired if a soda vending machine will be purchased to reduce the cost of sodas for District employees followed by discussion of the District's two soda vending machines and the cost of the drinks.

There were no other information items.

6) Board Members' Requests for Future Agenda Items.

There were no requests for future agenda items.

It was determined that the next Finance Committee meeting will be held January 10, 2016 at 4:00 p.m.

7) Adjournment.

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

Chair