MINUTES OF MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, MARCH 16, 2017:

A meeting of the Finance Committee of the Palmdale Water District was held Thursday, March 16, 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	Matt Knudson, Assistant General Manager
Robert Alvarado, Committee Member	Vincent Dino, PWD Director
	Mike Williams, Finance Manager
	Laura Gallegos, Public Affairs Specialist
	Bob Egan, Financial Advisor
	Dawn Deans, Executive Assistant
	3 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 January 10, 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 January 10, 2017, as written.

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

Financial Advisor Egan reviewed the investment funds report as of January, 2017, including maturing and replacement CDs, and requested direction from the Committee and management to initiate the purchase of two additional $240,000.00 CDs. After discussion of interest earnings, the Committee and management concurred with Financial Advisor Egan's recommendation, and Chair Henriquez requested this transaction be reported to the full Board at the March 22, 2017 Regular Board Meeting.

Financial Advisor Egan then provided an overview of the cash flow statement, projected 2017 year-end cash, and recommended no additional projects be committed to ensure the year-end cash balance is maintained followed by discussion of water sales and revisions to the cash flow report.

4.3) Discussion and Overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for January, 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 January, 2017 and stated that most departments are operating at or below the targeted expenditure percentage of 8% followed by clarification of plant expenditures.

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 Contractual Commitments and Needs for 2017 capital projects, consulting and engineering support projects, new and replacement equipment, and water quality fee funded projects along with an update on the Water Revenue Bond Series 2013A Bond funds and payments to date followed by discussion of the Palmdale Regional Groundwater Recharge and Recovery Project monitoring well construction and other committed projects.

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

Chair Henriquez distributed his recommended revision to the approved November 7, 2016 Finance Committee meeting minutes and stated that he requests the revision as the minutes were used in a manner that was not appropriate to what had

happened; that he understands the action and what happened and is not denying the action; but that he is denying the manner it was used.

The recommended revision and the approved November 7, 2016 Finance Committee meeting minutes and discussions at that meeting were then reviewed.

Alisha Semchuck, Antelope Valley Press, then stated that what matters is if Chair Henriquez agreed or not agreed with the motion and referred to Roberts Rules regarding approval of agenda items.

After additional discussion of the requested revision and of the audio recording for the November 7, 2016 Finance Committee meeting, it was moved by Chair Henriquez to substitute language for the approved November 7, 2016 Finance Committee meeting minutes under the second paragraph of Agenda Item No. 4.6 as follows: "After further review of Resolution No. 16-17, revenue projections, and covering increasing fixed costs, it was initially moved by Committee Member Alvarado, seconded by chair Henriquez to present to the entire Board. It was then asked by staff if it was with recommendation to the Board. Director Alvarado initially agreed to send with recommendation to the Board. Director Henriquez did not agree initially and after various requests from members of staff he agreed to send to the Board with recommendation clarifying that this decision should be made by the entire Board. It was then unanimously carried by all members of the Committee present at the meeting to recommend approval of Resolution No. 16-17 being a Resolution of the Board of Directors of the Palmdale Water District Adopting a Reduced Water Rate Adjustment of 4.25% for Each Calendar Year 2017, 2018, and 2019, Amending Appendix C to the Rules and Regulations of the Palmdale Water District, and Establishing Prudent Parameters to Consider Further Water Rate Adjustment Reductions." The motion died for lack of a second.

4.6) Consideration and Possible Action on the Meeting Room for Finance Committee Meetings. (Committee Member Alvarado)

Committee Member Alvarado stated that Committees have typically met in the small Board room, and he does not see a need to move Committee meetings to any other location and then moved that Finance Committee meetings continue to be held in the small Board room. The motion died for lack of a second.

Chair Henriquez then stated that he agrees; that some people use these meetings for political purposes; that things transcribe and people are denying these things; that there needs to be a video recording of the meetings for transparency; and that he requests the meetings be moved to the Board room.

Helen Velador, Director for the Palmdale Recycled Water Authority, stated that Committee meetings are recorded, and the set up in the small Board room seems to be more exact for the purposes of reviewing reports and seems to work best for this specific Committee meeting.

After a further discussion, there was no action taken on this item, and Chair Henriquez stated that Finance Committee meetings will remain in the small Board room.

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 January, 2016 through January, 2017 is 1.52 and meets the required Debt Service Coverage followed by discussion of the importance of meeting the Debt Service Coverage for existing and future bond issues, future loans and bonds for needed infrastructure projects requiring a higher Debt Service Coverage, and the importance of consistent rate increases.

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 interest rates are increasing, and refinancing is no longer being considered.

5.3) Status on Financing Grade Control Structure at Littlerock Dam for the Littlerock Dam Sediment Removal Project. (Committee Member Alvarado/Assistant General Manager Knudson)

Assistant General Manager Knudson reviewed the three components of the Littlerock Dam Sediment Removal Project, the costs involved with the construction and proposed schedule of the grade control structure, and the need to determine financing for the grade control structure followed by discussion of the overall Project.

It was then determined that funding options for the construction of the Littlerock Dam Sediment Removal Project grade control structure will be placed on the next agenda for consideration.

5.4) Other.

Financial Advisor Egan inquired about the final audit report followed by discussion of GASBY 68 actuarial calculations.

There were no other information items.

6) Board Members' Requests for Future Agenda Items.

Committee Member Alvarado requested "Consideration and possible action on funding options for the construction of the Littlerock Dam Sediment Removal Project grade control structure" be placed on the next agenda.

Chair Henriquez then requested "Status report on funding for District projects based on funds freed up through the Holman Capital lease" be placed on the next agenda.

There were no further requests for future agenda items.

It was determined that the next Finance Committee meeting will be held April 24, 2016 at 4:30 p.m.

7) Adjournment.

There being no further business to come before the Finance Committee, the meeting was adjourned at 5:53 p.m.



Chair