MINUTES OF MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, AUGUST 20, 2020:

A meeting of the Finance Committee of the Palmdale Water District was held Thursday, August 20, 2020, via teleconference. Chair Dizmang called the meeting to order at 1:00 p.m.

1) Roll Call.

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

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

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 July 23, 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 July 23, 2020.

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

Financial Advisor Egan provided an overview of the Major Account Activity Report and Investment Funds Report, including the decrease in ending cash due to State Water Project and Palmdale Recycled Water Authority payments, and then reviewed the Cash Flow Statement, including the Upper Amargosa Recharge Project and upcoming bond payments, anticipated Capital Improvement Fees, and the projected year-end balance.

4.3) Discussion and Overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for July 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 July 2020 and stated that most departments are operating at or below the targeted expenditure percentage of 58%.

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 July 2020.

4.5) Consideration and Possible Action on 2020 Strategic Initiative No. 4 – Financial Health and Stability. (General Manager LaMoreaux/Finance Manager Williams)

General Manager LaMoreaux reviewed the updated goals under Strategic Initiative No. 4 after which the Committee concurred with the goals, as follows:

Strategic Initiative No. 4 – Financial Health and Stability
Strength, Consistency, Balance

- Pursue grant funding for District projects and operations
- Maintain the five-year financial plan adopted as part of the 2019 Water Rate Study, including the five-year Capital Improvement Plan

- Build adequate reserve levels and achieve high-level bond rating
- Seek potential revenue sources from vacant District properties
- Monitor finances, operations, and projects affected by emergencies
- Digitize and document departmental workflows

4.6) Consideration and Possible Action on Change to the District's 457 Annuity Platform to a Lincoln Alliance Product. (Finance Manager Williams)

Finance Manager Williams provided an overview of the District's current Lincoln 457 annuity plan for employees and the proposed Lincoln Alliance Product, and after a brief discussion of this voluntary program and associated fees, it was moved by Committee Member Wilson, seconded by Chair Dizmang, and unanimously carried by all members of the Committee present at the meeting that the Committee concurs with staff's recommendation to change the District's 457 Annuity Platform to a Lincoln Alliance Product and that this item be presented to the full Board for consideration at the September 14, 2020 Regular Board Meeting.

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 July 31, there were 870 single family accounts with a balance of $50 or more and over sixty days past due with a total past due amount of $313,404 compared to 654 accounts at June 30 with an outstanding balance of $220,780; that there is an increase in 90+ day delinquencies; that cash received for July 2020 was $254,006 higher than June 2020 consistent with increased water sales; and that cash received August 1 – 11, 2020 is $226,282 higher than the same 11 day period in June 2020.

b) Revenue Projections.

He then stated that revenue is ahead of projections by approximately $670,000.00 followed by discussion of assistance to customers with the highest delinquency rates.

5.2) Financial Advisor Egan:

a) Debt Service Coverage Status.

Financial Advisor Egan stated that the Debt Service Coverage for the period of August 2019 through July 2020 is 1.82.

Finance Manager Williams introduced Mr. Mark Northcross, of NHA Advisors, who presented a refinancing opportunity and potential savings for the District's 2013 outstanding bonds, and after a brief discussion of this opportunity, associated fees, and a potential 2021 bond issue, it was determined that the Finance Committee will hold a special meeting on September 3, 2020 at 1:00 p.m. to consider refinancing a portion of the District's outstanding debt.

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 a Special Finance Committee meeting will be held September 3, 2020 at 1:00 p.m.

8) Adjournment.

There being no further business to come before the Finance Committee, the meeting was adjourned at 2:10 p.m.

Gloria A. Kemmery
Chair