MINUTES OF MEETING OF THE SPECIAL FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, APRIL 25, 2016:

A special meeting of the Finance Committee of the Palmdale Water District was held Monday, April 25, 2016, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. Chair Henriquez called the meeting to order at 3:37 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
	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 to adopt the agenda, as written.

3) Public Comments.

There were no public comments.

4) Action Items:

4.1) Consideration and Possible Action on Approval of Minutes of Meeting Held April 12, 2016.

It was moved by Committee Member Alvarado, seconded by Chair Henriquez, and unanimously carried to approve the minutes of the Finance Committee meeting held April 12, 2016, as written.

4.2) Presentation, Consideration, and Possible Action on Receiving and Filing of 2015 Audit and Management Report. (The Pun Group/Financial Advisor Egan/Finance Manager Williams)

Chair Henriquez requested an in depth review of the 2015 Audit and Management Report after which Mr. Paul Kaymark, The Pun Group, provided a detailed overview of The Pun Group's independent audit report of the District's financial statements as of December 31, 2015 including their unmodified opinion that the District's overall financial statements are presented fairly in all material aspects regarding the balance sheet, the statement of revenues, expenses, and changes in position, the cash flow statement, the footnotes in the financial statements, and the group report regarding the Palmdale Recycled Water Authority and then provided a detailed overview of the implementation of GASB 68 and 71 regarding adding the liability of long term pension debt to the District's financial statements and how this affects the financial statements.

He then stated that as of December 31, 2015, the cash the District has brought in has covered its operating costs, and the District is in a position to manage its long term pension debt due to the District's conservative retirement benefit.

The Committee then thanked Mr. Kaymark for the presentation after which it was moved by Committee Member Alvarado, seconded by Chair Henriquez, and unanimously carried to receive and file the 2015 Audit and Management Report and to recommend that the Board also receive and file the 2015 Audit and Management Report at their next regular meeting.

5) Information Items.

5.1) Long-Term Financial Planning. (Assistant General Manager Knudson/Finance Manager Williams)

Assistant General Manager Knudson stated that staff recommends an item be placed on the next agenda to discuss the importance of following the District's Rate Study Plan for long term financial planning to ensure the District is in a good position to fund upcoming large capital projects including the Littlerock Dam Sediment Removal Project and the Palmdale Regional Groundwater Recharge and Recovery Project, to review the financial model developed as part of the funding strategy for the Palmdale Regional Groundwater Recharge and Recovery Project, and to demonstrate the need and the benefit of long term financial planning versus annual budget planning.

Finance Manager Williams then stated that the ability to issue bonds will be important in completing large capital projects; that the bond rating and market is based

on the District's good management platform, which includes a long range plan; that District funds were spent developing the five-year Rate Study Plan, and the three remaining years should be implemented to eliminate worry about the District's direction; and that it is vital to have a long term direction for the District.

The Committee then concurred with staff's recommendation that an item be placed on the next agenda to consider long-term financial planning for the District.

5.2) Other.

Chair Henriquez inquired about upcoming grant funding legislation for projects and outreach for the Palmdale Regional Groundwater Recharge and Recovery Project, and after a brief discussion of potential grant funding options, matching funds required for grant funding, low interest loans, and public comments received to date on the Palmdale Regional Groundwater Recharge and Recovery Project, General Manager LaMoreaux stated that Engineering/Grant Manager Riley will review the District's grant funding efforts at the next Finance Committee meeting, and staff will provide an overview on outreach and planning efforts to date for the Palmdale Regional Groundwater Recharge and Recovery Project.

There were no other information items.

6) Board Members' Requests for Future Agenda Items.

It was stated that an item will be placed on the next agenda for "Consideration and possible action on long-term financial planning for the District" and will include a presentation of the financial model for the Palmdale Regional Groundwater Recharge and Recovery Project, and "Information Items" will include "Grant funding efforts" and "Outreach and planning efforts for the Palmdale Regional Groundwater Recharge and Recovery Project."

Committee Member Henriquez then requested a future agenda item for "Consideration and possible action to create a fund for construction related fees for the Rate Stabilization Fund" after which General Manager LaMoreaux provided a general overview of the policy for developer fees, the amount owed the District's general fund from the capital improvement fee fund, and Assistant General Manager Knudson recommended this item be discussed with the update of the Water System Master Plan fee structure.

There were no further requests for future agenda items.

It was then determined that the next Finance Committee meeting will be held May 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 4:46 p.m.



Chair