

MINUTES OF MEETING OF THE FINANCIAL HEALTH AND STABILITY COMMITTEE OF THE PALMDALE WATER DISTRICT, AUGUST 27, 2019:

A meeting of the Financial Health and Stability Committee of the Palmdale Water District was held Tuesday, August 27, 2019, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. Chair Dizmang called the meeting to order at 4:30 p.m.

1) Roll Call.

Attendance:

Committee:

Gloria Dizmang, Chair

Don Wilson, Committee Member

Others Present:

Dennis LaMoreaux, General Manager

Adam Ly, Assistant General Manager

Robert Alvarado, PWD Director

Mike Williams, Finance Manager

Judy Shay, Public Affairs Director

Dennis Hoffmeyer, Accounting Supervisor

Bob Egan, Financial Advisor

Claudia Bolanos, Management Analyst

Dawn Deans, Executive Assistant

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 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 July 17, 2019.

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 Financial Health and Stability Committee meeting held July 17, 2019.

4.2) Discussion and Overview of Cash Flow Statement and Current Cash Balances as of July 2019. (Financial Advisor Egan)

Financial Advisor Egan provided an overview of the Investment Funds Report through July 2019, including the decrease in cash due to transfers, assessments, and interest income, and then reviewed the cash flow statement, including the projected year-end balance, potential revenue sources, capital expenditures, the potential to delay capital projects, and water sales followed by discussion of capital projects that could be postponed until 2020.

4.3) Discussion and Overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for July 2019. (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 July 2019 and stated that most departments are operating at or below the targeted expenditure percentage of 58%, with the exception of Engineering, Operations, and Human Resources and reviewed budget line items over-budget in these departments.

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 summary of Water Revenue Bond Series 2018A payouts through July, 2019.

4.5) Review of 2019 Budget to Determine Addition of Step and Merit Changes for District Staff or to Allow Sell-Back of Sick and/or Vacation Leave. (General Manager LaMoreaux)

Finance Manager Williams reviewed the costs for the option of limited vacation and sick leave sell-back and the option of providing step and merit changes for District staff beginning October 1 and then stated that staff's preference is to approve the addition of step and merit incentives for employees.

After a brief discussion of these options, 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 approve the option of providing step, one step maximum, and merit changes for District staff beginning October 1 and that the full Board consider this recommendation at the next Regular Board Meeting with both options presented.

4.6) Review of Staff Financial Reports to be More Concise and Provide Better Efficiency. (Financial Health and Stability Committee Goal)

After a detailed review of staff's financial reports, staff was directed to revise the balance sheet and profit and loss statements for presentation and discussion at the next Committee 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 August 2018 through July 2019 is 1.33 and recommended this be monitored to determine if funds can be transferred to the Rate Stabilization Fund.

5.2) Status of Proposition 218 Process. (Finance Manager Williams)

Finance Manager Williams stated that the Proposition 218 notices were mailed today and then reviewed the meetings that were added to the 2019 Rate Study Schedule.

Financial Advisor Egan then commended RDN on the preparation of the 2019 Water Rate Study and stated that he is pleased the Board of Directors voted for Option No. 1 as this option will place the District in a very strong position over the next five years.

5.3) Status of Grant Funding Options. (Committee Member Wilson)

The status of the District's grant applications was discussed after which Assistant General Manager Ly stated that District staff monitors and applies for all grants for

which the District is qualified and that any grant applications are presented to the full Board for consideration prior to submitting the application.

5.4) Other.

Finance Manager Williams stated that the District filed its Continuing Disclosure with the state for the bond issue as required by the California Debt and Investment Advisory Commission.

6) Board Members' Requests for Future Agenda Items.

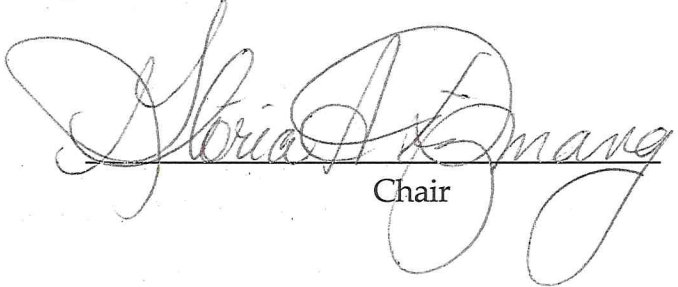
"Discussion of the detail included in staff's financial reports" will remain on the next agenda, and General Manager LaMoreaux recommended an item be placed on the next agenda for "Discussion of prudent parameters to allow the option of water rate adjustment reductions if the District's financial health is achieved."

7) Date of Next Committee Meeting.

It was determined that the next Financial Health and Stability Committee meeting will be held October 22, 2019 at 4:30 p.m.

8) Adjournment.

There being no further business to come before the Financial Health and Stability Committee, the meeting was adjourned at 5:55 p.m.


Chair