

## **MINUTES OF MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, APRIL 21, 2020:**

*A meeting of the Finance Committee of the Palmdale Water District was held Tuesday, April 21, 2020, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. Chair Dizmang called the meeting to order at 10:01 a.m.*

### **1) Roll Call.**

#### **Attendance:**

Committee:

Gloria Dizmang, Chair

Don Wilson, Committee Member

#### **Others Present:**

Dennis LaMoreaux, General Manager

Adam Ly, Assistant General Manager

Mike Williams, Finance Manager

Judy Shay, Public Affairs Director

Bob Egan, Financial Advisor (via teleconference)

Danielle Henry, Management Analyst

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 February 18, 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 February 18, 2020.

#### **4.2) Consideration and Possible Action on Refinancing Private Placement Outstanding 2013A Water Revenue Term Bonds Maturing 2038 and 2043. (\$8.81 Million – Non-Budgeted – Finance Manager Williams, Mark Northcross of NHA Advisors)**

Mr. Mark Northcross, NHA Advisors, provided an overview of the District's outstanding debt, the definition of Water Revenue Bonds and the Rate Stabilization Fund, the benefits of the recent Water Rate Study, the process for issuing debt, and the opportunity to refinance existing Water Revenue Bonds at a lower interest rate.

After a brief discussion of the District's finances due to the COVID-19 event, the District's current debt, and the next steps for proceeding with this refinancing through a private placement, 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 refinance outstanding 2013A Water Revenue Term Bonds maturing 2038 and 2043 through private placement.

**4.3) Discussion and Overview of Cash Flow Statement and Current Cash Balances as of March 2020. (Financial Advisor Egan)**

Financial Advisor Egan provided an overview of the Investment Funds Report through March 2020, including assessments received, planned debt payments, and interest income, and then reviewed the cash flow statement, including year-end projections and the importance of maintaining a strong cash balance, followed by discussion of the Rate Stabilization Fund, projects included and approved in the Water Rate Study, staging projects to maintain year-end cash, and a \$20 million 2021 bond issue for projects.

**4.4) Discussion and Overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for March 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 March 2020 and stated that most departments are operating at or below the targeted expenditure percentage of 25% with the exception of Information Technology due to the COVID-19 event and software license renewals followed by discussion of the effect of COVID-19 on the District's finances.

**4.5) 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 March 2020 followed by discussion of moving water from Littlerock Reservoir to Palmdale Lake, the Forest Service potentially opening the area for recreation, and the former concessionaire at Littlerock Dam.

**5) Information Items.**

**5.1) Finance Manager Williams:**

**a) Effect of COVID-19 Event.**

Finance Manager Williams stated that due to COVID-19 events, collection efforts have stopped as of March 17, 2020; that no reminder or shut-off notices have been mailed; that there have been no disconnections for non-payment of bills; that as of today, approximately \$41,000 in penalties have been deferred and are being tracked in the event FEMA funds become available; and that at this point, there is no noticeable reduction in cash flow.

**b) Rate Assistance Program Status.**

He then stated that as of March 31, there were 634 participants in the Rate Assistance Program with 297 seniors, 6 veterans, and 331 low income; that the Customer Care Department took the initiative to reach out to seniors previously enrolled in the Program to ensure they continue to stay enrolled; and that staff anticipates all available Program funds will be used this year.

**c) Billing and Collection Statistics.**

He then stated that comparing December 2019 to December 2018, there is a slight increase in bills issued and invoices mailed but a decrease in the percentage of shut off's for non-payment.

**d) Revenue Projections.**

He then stated that as of March 31, revenue projections for 2020 are ahead by approximately \$200,000 based on the rate model.

**e) Accounts Receivable Aging Report.**

He then stated that as of March 31, 2020, the aging report shows receivables are approximately \$300,000 higher than 2019 and is reflective of higher water sales in 2020; that there is a slight increase in 60-day delinquencies from February 2020; and that the effects of SB 998 are unknown at this time as collection activities have been halted due to the effects of COVID-19 followed by discussion of cash payment alternatives for customers.

**f) Payment Transactions by Type.**

He then stated that as of March 31, 2020, total payments have been reduced by approximately 2,500, which may be due to closing the office the second half of March, but that electronic payments via Pay-Near-Me have almost doubled from March to April.

**5.2) Financial Advisor Egan:**

**a) Debt Service Coverage Status.**

Financial Advisor Egan stated that the Debt Service Coverage for the period of April 2019 through March 2020 is 1.59 and that the District is in a strong position followed by discussion of the past Debt Service Coverage.

**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 the next Finance Committee meeting will be held May 5, 2020 at 10:00 a.m. to review bank proposals for refinancing the 2013A Water Revenue Bonds and that the regular Finance Committee meeting will be scheduled for the third week in May.



8) **Adjournment.**

There being no further business to come before the Finance Committee, the meeting was adjourned at 11:47 a.m.

  
Chair