

MINUTES OF MEETING OF THE FINANCIAL HEALTH AND STABILITY COMMITTEE OF THE PALMDALE WATER DISTRICT, JULY 17, 2019:

A meeting of the Financial Health and Stability Committee of the Palmdale Water District was held Wednesday, July 17, 2019, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. Chair Dizmang called the meeting to order at 4:00 p.m.

1) Roll Call.

Attendance:

Committee:

Gloria Dizmang, Chair

Don Wilson, Committee Member

Others Present:

Dennis LaMoreaux, General Manager

Mike Williams, Finance Manager

Judy Shay, Public Affairs Director

Dennis Hoffmeyer, Accounting Supervisor

Bob Egan, Financial Advisor (via teleconference)

Dawn Deans, Executive Assistant

1 member 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 June 11, 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 June 11, 2019.

4.2) Presentation, Consideration and Possible Action on Receiving and Filing of 2018 Annual Financial Report. (Nigro & Nigro/Finance Manager Williams)

Finance Manager Williams provided an overview of the positive highlights of the District's 2018 Annual Financial Report, including the increased net position, operating revenue, operating expense, and cash and cash equivalents, followed by discussion of GASB No. 75, commodity charges, capital improvement fees, and Other Post Employment Benefits.

Mr. Paul Kaymark, Nigro & Nigro, then provided a detailed overview of the District's Statements of Revenues, Expenses, and Changes in Net Position comparing 2018 to 2017 after which 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 recommend that the full Board receive and file the 2018 Annual Financial Report as presented at their July 22, 2019 Regular Board Meeting.

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

Financial Advisor Egan provided an overview of the Investment Funds Report through June 2019, including the increase in cash due to assessments received, interest income, and transfers, and then reviewed total cash and the cash flow statement, including the projected year-end balance and delayed capital expenditure projects, followed by discussion of the importance of maintenance.

Chair Dizmang stated that Agenda Item No. 5.1 will now be considered.

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 July 2018 through June 2019 is 1.31 and that this will change as 2019 progresses.

4.4) Discussion and Overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for June 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 June 2019

and stated that most departments are operating at or below the targeted expenditure percentage of 50%, with the exception of Engineering and Human Resources, followed by discussion of the detail included in the financial reports, total expenditures, SCADA expenditures, and overtime.

4.5) Discussion and Overview of Committed Contracts Issued. (Finance Manager Williams)

Finance Manager Williams provided an overview of the development 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 to date followed by discussion of contracted projects, the status of the Littlerock Sediment Removal Project, and potential bonds and grants.

4.6) Presentation of Proposition 218 Process and Timeline. (Finance Manager Williams)

Finance Manager Williams provided an overview of the 2019 Rate Study Schedule, which includes upcoming Board Standing Committee meetings, workshops, an open house, and a potential date for a public hearing regarding the 2019 Rate Study.

4.7) Establishment of 2019 Financial Health and Stability Committee Goals. (General Manager LaMoreaux)

After a brief discussion, the Committee developed 2019 goals as follows:

- 1) Complete the Rate Study and Proposition 218 process as planned;
- 2) Refine staff's financial reports to be more efficient and concise; and
- 3) Develop and complete 2020 Budget in a timely manner.

4.8) Review Structure of Directors' O&M Budgeting and Make Recommendation to the Full Board. (General Manager LaMoreaux)

After a brief discussion of the Directors' budgets, it was determined that budgets for the Directors remain as they are with each Director having a specific budget amount for the year.

5) **Information Items.**

5.2) **Other.**

Finance Manager Williams provided an overview of Payment Transactions by Type for the period January – June; Billing and collection statistics; the Accounts receivable aging report for June 30, 2019; Revenue projections; and statistics for the Rate Assistance Program.

6) **Board Members' Requests for Future Agenda Items.**

It was requested that items be included on the next agenda for "Discussion of the detail included in staff's financial reports" and "Update on grant funding options."

7) **Date of Next Committee Meeting.**

It was determined that the next Financial Health and Stability Committee meeting will be held August 27, 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