

MINUTES OF MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, JUNE 21, 2022:

A meeting of the Finance Committee of the Palmdale Water District was held Tuesday, June 21, 2022, at 2029 East Avenue Q, Palmdale, CA 93550 and via teleconference. Chair Wilson called the meeting to order at 1:06 p.m.

1) Roll Call.

Attendance:

Committee:

Don Wilson, Chair

Gloria Dizmang, Committee Member

Others Present:

Adam Ly, Assistant General Manager

Dennis Hoffmeyer, Finance Manager

Judy Shay, Public Affairs Director

Angelica Barragan-Garcia, Human Resources Dir.

Diana Gunn, Accounting Supervisor

Bob Egan, Financial Advisor

Dawn Deans, Executive Assistant

2 members of the public

2) Adoption of Agenda.

After a brief discussion, it was moved by Committee Member Dizmang, seconded by Chair Wilson, 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 May 31, 2022.

It was moved by Committee Member Dizmang, seconded by Chair Wilson, and unanimously carried by all members of the Committee present at the meeting to approve the minutes of the Finance Committee meeting held May 31, 2022, as written.

4.2) Consideration and Possible Action on a Recommendation to Receive and File the 2021 Annual Financial Report. (Finance Manager Hoffmeyer/Paul Kaymark, Nigro & Nigro)

Finance Manager Hoffmeyer introduced Mr. Paul Kaymark, of Nigro & Nigro, who provided an overview of the District's 2021 Annual Financial Report, including the statement of revenues, expenses, change in net position, requirements for next year, future debt, and the District's positive cash position followed by a brief discussion of the Report.

The Committee had no questions, and Mr. Kaymark stated that minor final adjustments will be made to the Report prior to presentation to the full Board.

4.3) Discussion and Overview of Cash Flow Statement and Current Cash Balances as of May 2022. (Financial Advisor Egan)

Financial Advisor Egan provided an overview of the monthly Major Account Activity Report, Investment Funds Report, and Cash Flow Statement through May 2022, including assessments, capital improvement funds, and the projected year-end balance followed by discussion of the drought surcharge fee, a potential land purchase for the District's Palmdale Regional Water Augmentation Project, the potential for reduced water sales due to increased water conservation measures, and potential water purchases.

4.4) Discussion and Overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for May 2022. (Finance Manager Hoffmeyer)

Finance Manager Hoffmeyer reviewed in detail the balance sheet, profit and loss statement, departmental budgets versus actual, and individual departmental budgets for the period ending May 2022 and stated that most departments are operating at or near the historical trend average of 36.5% for revenues, the historical trend average of 38.8% for expenses, and the traditional budgetary percentage of 41.7% followed by discussion of department expenditures over these percentages, financial presentations to the full Board, and the process for department expenditures.

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

Finance Manager Hoffmeyer 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 projects paid out through the 2018A Series and 2021A Series Water Revenue Bonds through May 2022.

4.6) Consideration and Possible Action on a Recommendation to Upgrade the District's Financial System. (\$160,000.00 – Budgeted – Finance Manager Hoffmeyer)

Finance Manager Hoffmeyer provided a detailed overview of the need to upgrade the District's financial system and stated that quotations for this upgrade have not yet been received; that he recommends this item be considered at a later date; and that Human Resources be incorporated into the upgrade.

5) Reports.

5.1) Finance Manager Hoffmeyer:

a) The Effect of COVID-19 Event.

Finance Manager Hoffmeyer stated that due to COVID-19 events, as of May 2022, there were 1,013 single family accounts with a balance of \$50 or more and over sixty days past due with a total past due amount of \$369,465, which is a reduction of 33.9% from prior months; that staff continues to offer payment arrangements encouraging the payment of outstanding balances; that the District has enrolled in the California Department of Community Services & Development's Low Income Household Water Assistance Program; and that one customer has utilized this Program.

b) Revenue Projections.

He then stated that based on selling 17,000 AF of water, 2022 revenue is behind projections by approximately \$74,000 as of May 2022.

5.2) Financial Advisor Egan:

a) Debt Service Coverage Status.

Financial Advisor Egan stated that the Debt Service Coverage for June 2021 to May 2022 is 2.34 and remains strong.

5.3) Other.

There were no other items to report.

6) Board Members' Requests for Future Agenda Items.

The status and useful life of the wind turbine, repairing the wind turbine, discussion of this topic at the Resource & Facilities Committee rather than the Finance Committee, and wind turbine status updates included in General Manager LaMoreaux's monthly reports to the Board were discussed.

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 July 19, 2022 at 1:00 p.m.

8) Adjournment.

There being no further business to come before the Finance Committee, the meeting was adjourned at 2:58 p.m.



Chair