

MINUTES OF MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, JUNE 20, 2023:

A meeting of the Finance Committee of the Palmdale Water District was held Tuesday, June 20, 2023, at 2029 East Avenue Q, Palmdale, CA 93550. Chair Wilson called the meeting to order at 1:30 p.m.

1) Roll Call.

Attendance:

Committee:

Don Wilson, Chair

Kathy Mac Laren-Gomez,

Committee Member

Others Present:

Adam Ly, Assistant General Manager

Dennis Hoffmeyer, Finance Manager

Bob Egan, Financial Advisor

Diana Gunn, Accounting Supervisor

Danielle Henry, Executive Assistant

1 member of the public

2) Adoption of Agenda.

It was moved by Committee Member Mac Laren-Gomez, 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 16, 2023.

It was moved by Committee Member Mac Laren-Gomez, 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 16, 2023, as written.

4.2) Consideration and Possible Action on 2023-24 WIFIA Loan Consulting. (\$23,375.00 – Non-Budgeted – Finance Manager Hoffmeyer/Mark Northcross, NHA Advisors)

Finance Manager Hoffmeyer stated that staff recommends approval of the proposed Loan Consulting Agreement with NHA Advisors for the completion of Task No. 2 for the 2023-24 Water Infrastructure Finance and Innovation Act (WIFIA) loan application for the Pure Water AV Project, and after a brief discussion of the 2024 Rate Study and clarification that the consulting work provides financial planning assistance directly related to the WIFIA loan application process, it was moved by Committee Member Mac Laren-Gomez, seconded by Chair Wilson, and unanimously carried by all members of the Committee present at the meeting to approve the Agreement with NHA Advisors for 2023-24 WIFIA Loan Consulting in the amount of \$23,375.00.

Finance Manager Hoffmeyer then stated that additional Task Orders may be presented to the Committee for future consideration based on the WIFIA application response by the Environmental Protection Agency (EPA).

4.3) Presentation on 2023 Bond Issue. (Finance Manager Hoffmeyer/Financial Advisor Egan/Mark Northcross, NHA Advisors)

Mr. Mark Northcross, of NHA Advisors, provided a detailed presentation on the Financing Plan for 2023 Water Bonds, including the projects and required funding, the outstanding debt and anticipated structure of 2023 Water Bonds, the financing team, the anticipated timing, and the Bond rating process followed by discussion of interest terms, debt service coverage requirements, inflation, operating costs, capital projects, grant funding, the future of water resiliency, past and future water rate increases, and clarification that the 2023 Bond Issue was factored into the 2019 Rate Study and does not bind the Board on future rate increases or committing to the WIFIA Loan.

The Committee Members then thanked Mr. Northcross for the presentation.

4.4) Discussion and Overview of Cash Flow Statement and Current Cash Balances as of May 2023. (Financial Advisor Egan)

Financial Advisor Egan provided an overview of the monthly Major Account Activity Reports, the Investment Funds Report, and the Cash Flow Statement through May 2023, including account transfers, capital improvement funds received,

assessments received, increased interest income, face and market values, and the projected year-end balance, and then commended Finance Manager Hoffmeyer on the profitable investments made on behalf of the District.

Finance Manager Hoffmeyer then recommended that Agenda Item No. 5.2 be presented by Financial Advisor Egan to conclude his reporting.

5.2) Financial Advisor Egan:

a) Debt Service Coverage Status.

Financial Advisor Egan stated that the Debt Service Coverage for June 2022 to May 2023 is 1.41 and remains strong.

4.5) Discussion and Overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for May 2023. (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 2023, including audit adjustments related to the addition of GASB 87 for leases and GASB 68/75 for pension and Other Post-Employment Benefits (OPEB), and stated that operating revenue is slightly below the historical trend average at 35.3%, that expenses are slightly below the historical trend average at 35.1%, that most departments are operating at or below the traditional budgetary percentage of 41.7%, and that water sales have increased.

4.6) 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 2021A Series Water Revenue Bonds through May 2023 and stated that all bond funding is expected to be funded within the three-year requirement.

5) Reports.

5.1) Finance Manager Hoffmeyer:

a) 2022 Annual Financial Report.

It was determined to review the 2022 Annual Financial Report under Agenda Item No. 5.3.

b) Accounts Receivable Overview.

Finance Manager Hoffmeyer provided a detailed overview of outstanding balances for each account type at sixty and ninety days past due and then stated that fifteen payment arrangements have been made as of May 31.

b) Revenue Projections.

He then stated that based on selling 14,500 AF of water, revenue is behind projections by approximately \$1,082,146 as of May 2023.

5.3) Other.

Finance Manager Hoffmeyer provided an overview of the 2022 Annual Financial Report highlighting the implementation and adjustments for GASB No. 87 for lease revenues and payables, the Amargosa Creek Project water rights, and OPEB liability followed by discussion of pension plans and benefits, S&P ratings, debt service coverage, cell site leases, and future broadband technology and services.

There were no other items to report.

6) Board Members' Requests for Future Agenda Items.

There were no requests for future agenda items.

7) Date of Next Committee Meeting.

Future financial reporting, pension liabilities and expenses, CalPERS member types, balancing operations and personnel expenses, and competitive salaries and benefits were discussed after which it was determined to defer pension and benefit discussions to the Personnel Committee.

It was then determined that the next Finance Committee meeting will be held July 18, 2023 at 1:30 p.m.

8) Adjournment.

There being no further business to come before the Finance Committee, the meeting was adjourned at 3:48 p.m.



Chair