

BOARD OF DIRECTORS
INDIAN WELLS VALLEY WATER DISTRICT

FINANCE COMMITTEE
REGULAR MEETING
REPORT

TUESDAY, NOVEMBER 6, 2018 – 3:00 PM

BOARD ROOM
500 W. RIDGECREST BLVD., RIDGECREST

ATTENDEES: Don Cortichiato, Peter Brown, Don Zdeba, Ty Staheli, and Renee Morquecho

1. Call to Order

The Finance Committee Meeting was called to order at 3:04 pm.

2. Committee/Public Comments

None

3. Fraud Risk Discussion

Description: Discuss potential or actual fraud risks within the organization.

None to report.

4. Cost of Service Study

Description: Staff report on the Prop 218 process. Notifications have all been mailed out.

5. 2016 Solar Loan

Description: Staff reported that Mission Bank was agreeable to the changes requested, elimination of the Debt Service Reserve Fund requirement and waving penalty for prepayment in an amount equal to the previously required DSRF.

Committee recommends Board approval of the amendment to the 2016 Solar Loan.

6. 2018 COP's

Description: Staff provided the Committee the draft documents required for the approval to issue the 2018 COP's.

By approving Resolution the Board will be approving as to form, the following legal documents for the 2018 COPs financing, prepared by James Wawrzyniak, Jr. of Jones Hall, the District's bond counsel that are attached herewith and listed below:

- 1) Form of Installment Sale Agreement between the District and the Corporation (Public Property Financing Corporation) under which the Corporation agrees to provide funds to refinance the outstanding 2009 COPs and provide new money in consideration of semi-annual payments to be made by the District.

- 2) Form of Trust Agreement among the Corporation, Bank of New York Mellon as trustee (“BNYM” or “Trustee”) where Trustee agrees to execute and deliver the 2018 COPs.
- 3) Form of Irrevocable Refunding Instructions given by the District to the Trustee to refund the 2009 COPs.
- 4) Form of the Preliminary Official Statement is the prospectus and is in near final form except for some miscellaneous information of District which will be inserted prior to the dissemination to perspective buyers. The final pricing, interest rates, bond yields, final financing amounts will be inserted after the 2018 COPs are priced (sold) which is to occur on or about 12/12/18.

James Wawrzyniak, Jr., of Jones Hall, in the role as Disclosure Counsel has prepared the Preliminary Official Statement with information provided by District staff, Rate Consultant and financing team members to insure as much accuracy as possible.

- 5) Form of First Amendment to 2016 Installment Purchase Agreement between the District and Mission Bank to eliminate the requirement that any obligations issued by the District on parity (equal claim on net water revenues of the District) must have a Debt Service Reserve Fund (“DSRF”) and to release the DSRF associated with the 2016 Mission Bank Loan (“2016 Loan”).
- 6) Form of Termination Agreement Terminating the 2016 Trust Agreement between the District and BNYM to eliminate the requirement that any obligations issued by the District on parity (equal claim on net water revenues of the District) must have a DSRF and to release the DSRF associated with the 2016 Loan.
- 7) Form of Certificate Purchase Contract. Approves negotiated sale of 2018 COPs to Alamo Capital as the bond underwriter with a not to exceed underwriting discount of 0.80% and true interest cost not to exceed 4.75% with net present value savings of not less than 3%. Based on current market conditions, net present value savings is about 17%. The blanks in the Form of the Certificate of Purchase Contract will be filled in after the Series 2018 COPs are sold (priced) on 12/12/18 and final nos. inserted, prior to closing, scheduled to occur on 12/27/18.
- 8) Resolution adopting a Debt Management Policy in Compliance with CA Senate Bill 1029 (SB 1029).

Committee recommends Board approval of the resolutions necessary for the issuance of the 2018 COP's.

7. Financial Statements October 31, 2018 (preliminary)

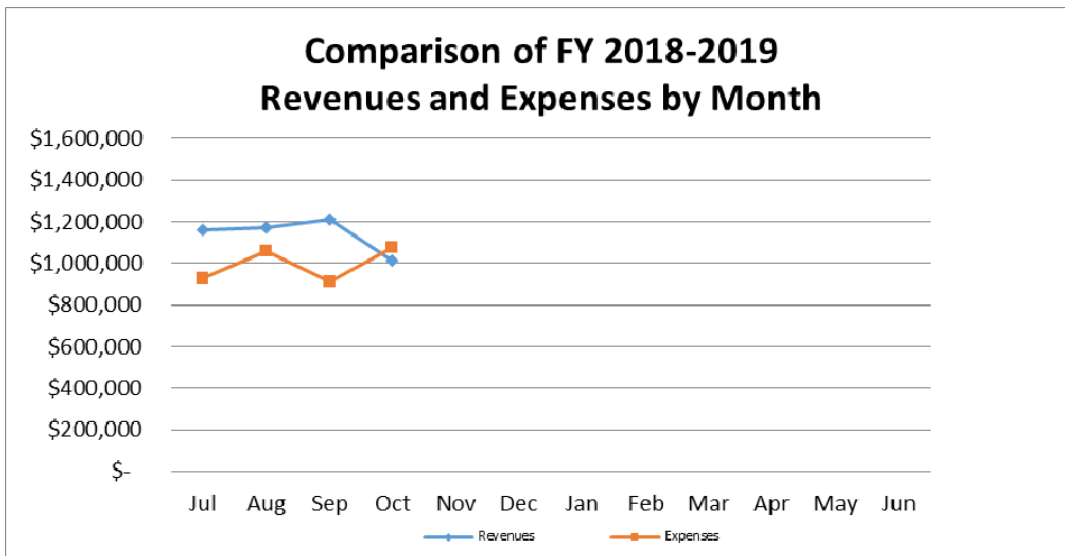
Description: Presentation to Committee financial reports and a graph depicting current revenue and expense trends compared to budget and previous fiscal year actuals.

Estimated year to date revenues as of October 31, 2018 are \$4,554,602 and expenses are \$3,970,251, therefore revenues exceeded expenses by \$584,351, which exceeds budget by \$479,375.

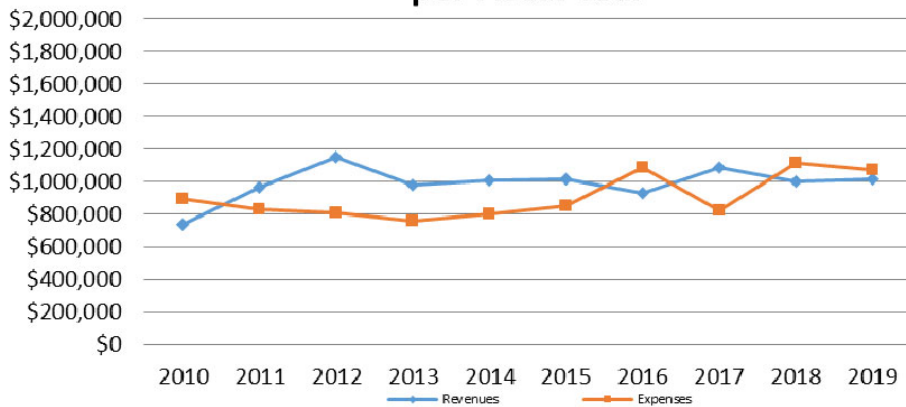
Staff presented the following spreadsheets, which compare October 2018 year-to-date actual to budgeted revenues and expenses by category:

Indian Wells Valley Water District
Revenues vs. Expense
Actuals & Budget through October 2018 (Preliminary)

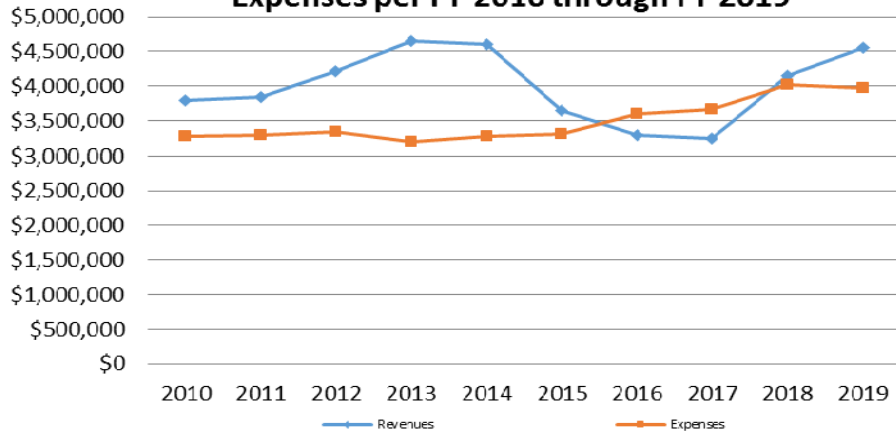
	Budget	Actuals	Δ
Revenues			
Total Water Sales	3,877,550	4,263,907	386,357
Total Water Service Revenue	108,000	114,983	6,983
Total Non-Operating Income	115,700	80,024	-35,676
Capital Contributions	62,250	95,688	33,438
Total Revenues	4,163,500	4,554,602	391,102
Expenses			
Water Supply	250,210	341,835	91,625
Arsenic Treatment Plants	121,242	119,881	-1,361
Transmission & Distribution	588,966	437,877	-151,089
Engineering	138,868	133,721	-5,147
Customer Service	112,240	110,271	-1,969
Field Services	132,744	215,843	83,099
General & Administration	698,948	778,954	80,006
Legislative	31,656	46,231	14,575
Depreciation	1,159,492	1,159,492	0
Non-Operating, Interest	374,334	363,058	-11,276
Non-Operating, Miscellaneous	88,870	136,669	47,799
Non-Operating, Conservation	144,524	17,507	-127,017
Non-Operating, Alternate Water	216,430	108,910	-107,520
Total Expenses	4,058,524	3,970,251	-88,273
Net Revenue Increase (Decrease)	104,976	584,351	479,375



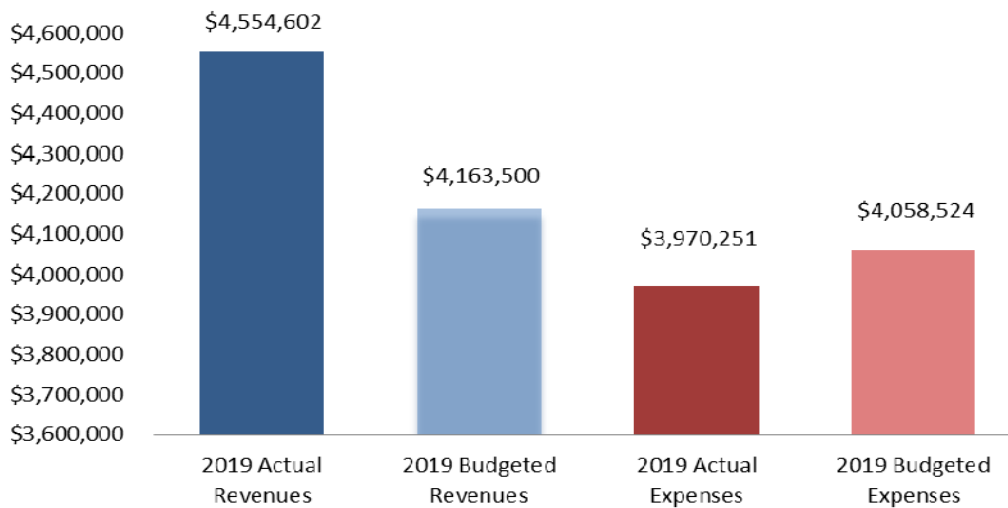
Comparison of October Revenues and Expenses per Fiscal Year



Comparison of October Cumulative Revenues and Expenses per FY 2010 through FY 2019*



Comparison of 2017-2018 Cumulative Actual* and Budgeted Revenues and Expenses through October 2018



*Actual Revenues and Expenses are Estimated

8. Accounts Payable Disbursements

Description: Presentation to Committee of Accounts Payable Disbursements reports for Board approval.

The Committee recommended approval of accounts payable disbursements totaling \$1,104,833.20 as follows:

Checks through:	<u>10/07/18</u>	<u>10/2118</u>
Prepaid	\$ 124,835.92	\$ 455,158.82
Current	<u>406,758.81</u>	<u>118,079.65</u>
Total	<u>\$ 531,594.73</u>	<u>\$ 573,238.47</u>

9. Future Agenda Items

None.

10. Adjournment

The Committee adjourned at 3:17 pm.