

**MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE
PALMDALE WATER DISTRICT, NOVEMBER 13, 2013:**

A regular meeting of the Board of Directors of the Palmdale Water District was held Wednesday, November 13, 2013, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. Vice President, Gordon Dexter, called the meeting to order.

1) Pledge of Allegiance.

Director Dexter led the pledge of allegiance.

2) Roll Call.

Attendance:

Kathy Mac Laren, President –
(arrived late)
Gordon Dexter, Vice President
Gloria Dizmang, Treasurer
Robert Alvarado, Secretary
Steve Cordova, Director

Others Present:

Dennis LaMoreaux, General Manager
Jim Ciampa, Attorney
Vincent Dino, Director-Elect
Joe Estes, Director-Elect
Mike Williams, Finance Manager
Matt Knudson, Engineering Manager
Tim Moore, Facilities Manager
Peter Thompson II, Operations Manager
Kelly Jeters, Systems Supervisor
Mynor Masada, Treatment Supervisor
Dennis Hoffmeyer, Senior Accountant
Bob Egan, Financial Advisor
Dawn Deans, Executive Assistant
3 members of the public

3) Adoption of Agenda.

It was moved by Director Alvarado, seconded by Director Dizmang, and unanimously carried to adopt the agenda, as written.

4) Public Comments for Non-Agenda Items.

There were no public comments.

5) Presentations:

5.1) No Presentations Scheduled at This Time.

There were no presentations.

6) **Action Items – Consent Calendar: (The Public Shall Have an Opportunity to Comment on Any Action Item as Each Item is Considered by the Board of Directors Prior to Action Being Taken.)**

6.1) **Approval of Minutes of Regular Meeting Held October 23, 2013.**

6.2) **Payment of Bills for November 13, 2013.**

6.3) **Ratification of Lowering Palmdale Lake Below Water Elevation Specified in Rules and Regulations Section 14.02. (Systems Supervisor Jeters)**

6.4) **Approval of Attorney Conflict Waiver for Palmdale Recycled Water Authority. (General Manager LaMoreaux)**

It was moved by Director Dizmang, seconded by Director Cordova, and unanimously carried to approve those items included in the Consent Calendar.

7) **Action Items – Action Calendar: (The Public Shall Have an Opportunity to Comment on Any Action Item as Each Item is Considered by the Board of Directors Prior to Action Being Taken.)**

7.1) **Status Report on Cash Flow Statement and Current Cash Balances as of September 30, 2013. (Financial Advisor Egan/Finance Committee)**

Financial Advisor Egan reviewed the investment funds and cash flow reports as of September 30, 2013, including the decrease in cash due to the bond principal and interest payments, and stated that previously restricted accounts have been moved to the investment accounts; that year-end cash is anticipated less due to grant funds now anticipated for receipt in 2014 and the payment of prepaid insurance; but that the budget is tracking as expected, and year-end cash is anticipated approximately \$1 million over budget.

7.2) **Status Report on Financial Statements, Revenue and Expense and Departmental Budget Reports for September 30, 2013. (Finance Manager Williams/Finance Committee)**

Finance Manager Williams reviewed 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 September 30, 2013 and stated

that all departments, with the exceptions of Operations, Engineering, and Finance are operating at or below the targeted expenditure percentage of 75% or less and then reviewed the line items over budget.

Meter change-outs and the cost for meter replacement projects were then discussed.

7.3) Status Report on Committed Contracts Issued. (Engineering Manager Knudson)

Engineering Manager Knudson reviewed payments included in the Committed Contracts and Payout Schedules for capital projects, projects funded by the Water Quality Fee, and projects funded from the Water Revenue Series 2013A Bonds and then informed the Board of upcoming water main replacement projects.

7.4) Consideration and Possible Action on Reserve Policy. (Finance Manager Williams/Finance Committee)

Finance Manager Williams provided an overview of the proposed Reserve Policy, and after a brief discussion of budgeting for increasing reserves and of repairing Littlerock Dam in the event of future catastrophic damages, it was moved by Director Dizmang, seconded by Director Cordova, and unanimously carried to adopt Resolution No. 13-13 being Palmdale Water District's Reserve Policy.

A copy of said Resolution No. 13-13 is hereby made a portion of the minutes of this meeting.

7.5) Consideration and Possible Action on the Butte Water Lease Extension Contracts. (Water & Energy Resources Manager Pernula)

General Manager LaMoreaux provided an overview of the current and proposed Butte water lease extension contracts, and after a brief discussion of the amount of water available to the District through the Butte contracts, it was moved by Director Dizmang, seconded by Director Alvarado, and unanimously carried to approve the Butte Water Lease Extension Contracts.

President Mac Laren arrived at the meeting.

7.6) Consideration and Possible Action on Safety Footwear Policy. (Facilities Manager Moore/Personnel Committee)

Facilities Manager Moore provided an overview of the proposed Safety Footwear Policy, and after a brief discussion of enforcement of the Policy and replacement of the footwear, it was moved by Director Dexter, seconded by Director Cordova, and unanimously carried to approve the Safety Footwear Policy.

7.7) Consideration and Possible Action on Board and Staff Attendance at Conferences, Seminars, and Training Sessions as Follows:

a) California Special Districts Association Special District Leadership Academy Module 1 – Governance Foundations to be Held December 17, 2013 in Claremont.

It was moved by Director Dizmang, seconded by Director Dexter, and unanimously carried to approve Board and staff attendance at the California Special Districts Association Special District Leadership Academy Module 1 – Governance Foundations to be held December 17, 2013 in Claremont.

8) Information Items.

8.1) Reports of Directors: Meetings/Committee Meetings/General Report.

Director Dizmang reported that on November 12, she attended a Board briefing and that on November 13, she attended a Finance Committee meeting, and the Committee is reviewing the budget.

Director Alvarado reported that on October 24, he attended the Antelope Valley State Water Contractors Association meeting; that on November 4, he attended the Outreach Committee meeting; and that on November 12, he attended a Board briefing.

President Mac Laren reported that on October 24, she attended the Antelope Valley State Water Contractors Association meeting and that on November 12, she attended a Board briefing.

There were no further reports from Directors.

8.2) Report of General Manager.

a) District Vacancies. (No Changes)

General Manager LaMoreaux reported that there are now three vacant funded positions, being one Construction Inspector and two Water Service Workers, and that he will bring filling these vacancies to the Personnel Committee.

He then reported that the Palmdale Fin & Feather Club contacted Director Alvarado regarding an invitation to the CHP 5/10K run/walk to be held at the Club; that this information has been placed before the Directors this evening; that within the next few weeks, the fire department will be burning the cattails at Palmdale Lake to protect the tri-colored blackbird habitat; and that this burning will occur on a Thursday when the Club is closed and will be conducted as a training exercise.

8.3) Report of Attorney.

Attorney Ciampa stated that he has no report.

President Mac Laren then stated that on behalf of the Board of Directors, she is pleased to present appreciation plaques to Director Dexter and Director Cordova for their years of service as Directors for the District; that performing public service is not always the funnest job; that there are disagreements; but that we all appreciate people giving service to their community.

Director Cordova thanked the Board and the Palmdale Water District and stated that it has been an experience working here and a pleasure; that he has a lot of respect for the employees and staff; and that staff is doing an excellent job.

Director Dexter thanked the Board and staff and stated that he has said enough over the years.

9) Public Comments on Closed Session Agenda Matters.

There were no public comments on closed session agenda matters.

At 6:08 p.m., President Mac Laren called for a two-minute recess. She reconvened the regular meeting at 6:10 p.m.

10) Closed Session Under:

10.1) Government Code Section 54956.9(d)(1), pending litigation: *Antelope Valley Ground Water Cases*.

10.2) Government Code Section 54956.9(d)(1), pending litigation: *United States, et al. v. J-M Manufacturing Company, Inc., et al., United States District Court for the Central District of California Case No. ED CV06-0055-GW*.

10.3) Government Code Section 54956.9(d)(1), pending litigation: *Central Delta Water Agency vs. Department of Water Resources, Sacramento Superior Court Case No. 34-2010-80000561*.

10.4) Government Code Section 54956.9(d)(1), pending litigation: *Velez v. City of Palmdale, et al, Los Angeles Superior Court Case No. MC023216*.

10.5) Government Code Section 54957: *Conference with Consultant and General Manager LaMoreaux Regarding General Manager Evaluation*.

At 6:00 p.m., President Mac Laren called for a closed session pursuant to Government Code Section 54956.9(d)(1), Pending Litigation - Four Cases: *Antelope Valley Ground Water Cases* and *United States, et al. v. J-M Manufacturing Company, Inc., et al., United States District Court for the Central District of California Case No. ED CV06-0055-GW* and *Central Delta Water Agency vs. Department of Water Resources, Sacramento Superior Court Case No. 34-2010-80000561* and *Velez v. City of Palmdale, et al, Los Angeles Superior Court Case No. MC023216* and pursuant to Government Code Section 54957: *Conference with Consultant and General Manager LaMoreaux Regarding General Manager Evaluation*.

She reconvened the regular meeting at 7:18 p.m.

11) Public report of any action taken in closed session.

Attorney Ciampa reported that a closed session had been held under Government Code Section 54956.9(d)(1), Pending Litigation - Four Cases: *Antelope Valley Ground Water Cases* and *United States, et al. v. J-M Manufacturing Company, Inc., et al., United States District Court for the Central District of California Case No. ED CV06-0055-GW* and *Central Delta Water Agency vs. Department of Water Resources, Sacramento Superior Court Case No. 34-2010-80000561* and *Velez v. City of Palmdale, et al, Los Angeles Superior Court Case No. MC023216*; that the Board was briefed on the current status of each of

these four items of pending litigation; but that no reportable action under the Brown Act was taken in closed session on any of these matters.

He reported that a closed session was also held under Government Code Section 54957: *Conference with consultant and General Manager LaMoreaux regarding General Manager evaluation*; that the General Manager's evaluation occurred regarding Mr. LaMoreaux; but that no reportable action under the Brown Act was taken in closed session after the evaluation was completed.

12) Consideration and Possible Action on Increase of General Manager's Compensation.

President Mac Laren stated that in closed session the Board conducted a complete evaluation of the performance of General Manager LaMoreaux; that the evaluation was conducted with the assistance of Dr. Mathis, of The Mathis Group; that it was a very good evaluation; and then opened the floor for additional Board comment.

Director Dexter stated that the evaluation rating was pretty close to outstanding; that the Board is confident in the skills and abilities of General Manager LaMoreaux and thanked him for his service; and then moved to award a 3% cost of living allowance to General Manager LaMoreaux based on the outstanding evaluation. The motion was seconded by Director Cordova.

General Manager LaMoreaux then stated that based on his understanding of the Second Amendment to the General Manager Contract and of applicable law, any cost of living allowance cannot be any greater than the current CPI, which is currently at 2.16%, after which Director Dexter amended his motion, Director Cordova amended his second, and it was unanimously carried to award a 2.16% cost of living allowance to General Manager LaMoreaux based on the outstanding evaluation.

President Mac Laren thanked General Manager LaMoreaux for looking out for the District and congratulated him on a good job after which General Manager LaMoreaux thanked the Board for the evaluation and for the increase.

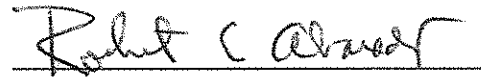
13) Board Members' Requests for Future Agenda Items.

There were no requests for future agenda items.

Director Cordova then stated that in a previous meeting, the Board discussed sending Requests for Proposals for legal counsel and urged the Board to keep in mind that when corporations go out to bid for legal counsel, they do not accept bids based on low bid but accept a bid based on legal counsel's reputation.

14) Adjournment.

There being no further business to come before the Board, the regular meeting of the Board of Directors of the Palmdale Water District was adjourned.


Secretary

RESOLUTION NO. 13-13

PALMDALE WATER DISTRICT'S RESERVE POLICY

WHEREAS, the Board of Directors recognizes the need to ensure that the District will have sufficient funding available to meet its operating, emergency capital, and debt service obligations.

WHEREAS, the Board of Directors recognizes the need for sound financial policies as stewards of our customers' funds.

WHEREAS, the Board of Directors recognizes the need for funds to be held in reserve for unanticipated and unforeseeable expenses.

WHEREAS, the Board of Directors recognizes the need to avoid significant water rate fluctuations.

WHEREAS, the Board of Directors recognizes a need for long term strategic financial policies.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Palmdale Water District hereby rescinds the District's existing Reserve Policy (Resolution No. 09-03) and establishes the Palmdale Water District Reserve Policy as follows:

Legally Restricted Funds:

The Capital Improvement Fees, as modified by District Resolution No. 13-12 to consist of fee components allocated for infrastructure and for water supply and Water Supply Connection Fees, are subject to the requirements of the Mitigation Fee Act (AB 1600). The funds may not be used to support ongoing operations of the District. The District is legally required to account for these funds separately. An annual report is required to show balance forward, fees collected, income earned, expenditures, and future commitments. All funds collected must be committed or expended within five years of being collected or they must be refunded.

1. Capital Improvement Fund:

PWD will maintain a capital improvement fund with fees collected from developers to pay for the new facilities necessary to deliver water service to newly developed property and to pay for the additional water supplies necessitated to meet the demand for water created by such newly developed property. These fees are for offsite improvements such as the development's fair share cost of wells, reservoirs, transmission mains, treatment plant capacity, and other necessary facilities, as well as to pay for water supply acquisitions and projects associated with new water supplies necessitated by new development. The fees are collected at rates established by the Board of Directors based upon specific engineering studies. The rates charged are based on a project's equivalent capacity unit (ECU) basis. These funds are restricted

to the design and construction of capital facilities for water delivery, and as otherwise provided in Resolution No. 13-12 and in Appendix H to the District's Rules and Regulations.

2. Bond Proceeds Fund(s):

Bond proceeds fund(s) are monies derived from the proceeds of a bond issue. Typically they consist of construction fund monies and a debt service reserve fund. The use of these proceeds is restricted by conditions set forth in the respective legal bond documents. These funds are usually held by the Trustee in favor of the bond holders.

3. Debt Service Reserve Funds:

This fund is governed by legal bond covenants for the District's revenue bonds. Bond covenants require that this fund be maintained at a level sufficient to fund maximum annual debt service payments. These funds are held by the bond trustee during the term of the bonds and are to be used in the event that the District is unable to meet its required semi-annual debt service obligation. Annual interest earnings on bond reserve funds shall be applied to each year's debt service payments.

A Reserve Fund for the 2013A Bonds is established pursuant to the Indenture in an amount equal to the Reserve Requirement. Assured Guaranty Municipal Corp. ("AGM") has committed to issue, simultaneously with the execution and delivery of the 2013A Bonds, a municipal bond debt service reserve insurance policy in an amount equal to the initial Reserve Requirement for deposit in the Reserve Fund.

4. Rate Stabilization Fund:

This fund is governed by legal bond covenants for the District's revenue bonds. The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Water Revenue Fund for application in accordance with an Installment Purchase Agreement.

Board Designated Funds:

Board designated funds are set to accomplish systematic and strategic goals or provide for prudent management of operations. The Board of Directors has complete discretion in the management and designation of self adopted funds. Such funds can be modified, transferred, or altered by Board action.

1. Dam Self Insurance:

The District shall make available \$5 million for self-insurance of the Littlerock Dam as seed money for reconstruction under the terms of the agreement between Palmdale Water District, Littlerock Creek Irrigation District and Palmdale Water District Public Facilities Corporation. The money will be used to begin the reconstruction following the event as applications for FEMA reimbursement are in process.

2. *O&M Operating Reserve:*

The O&M Operating Reserve will vary over time with a goal of maintaining three (3) months average cash operating expenses of \$5.6 million. This reserve is considered a working cash requirement. It bridges the gap between the time expenses are paid and the time revenues from the same service are collected from customers.

3. *O&M Emergency Reserve:*

The O&M Emergency Reserve will vary over time with a goal of maintaining three (3) months average cash operating expenses of \$5.6 million. This reserve is considered a working cash requirement for use in an emergency situation.

4. *Unrestricted Reserves:*

Unrestricted reserves represent a remainder balance of cash that is not yet designated for some use by the Board of Directors.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Palmdale Water District as follows:

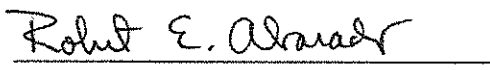
Each fiscal year budget will report on the status of the reserve over the previous year and budget for proposed sources and uses for each reserve.

PASSED AND ADOPTED by the Board of Directors of the Palmdale Water District at a regular meeting held on this 13th day of November, 2013 by the following vote:

Ayes: Director Gordon Dexter, Director Gloria Dizmang, Director
Robert Alvarado, Director Steve Cordova
Noes: None
Absent: President Kathy Mac Laren
Abstain: None


President, Board of Directors

ATTEST:


Secretary, Board of Directors