

## MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT, DECEMBER 11, 2013:

*A regular meeting of the Board of Directors of the Palmdale Water District was held Wednesday, December 11, 2013, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. President, Kathy Mac Laren, called the meeting to order.*

### 1) Pledge of Allegiance.

At the request of President Mac Laren, Director Dizmang led the pledge of allegiance.

### 2) Administering of Oath of Office to Elected Directors. (Followed by Five-Minute Recess)

City of Palmdale Mayor, James C. Ledford, Jr., administered the Oath of Office to Director-Elects Vincent Dino and Joe Estes and then introduced new Palmdale Water District Directors Vincent Dino and Joe Estes.

At 7:34 p.m., President Mac Laren called for a six-minute recess. She reconvened the regular meeting at 7:40 p.m.

Director Dino and Director Estes gave acceptance speeches expressing their thanks to their families and supporters after which President Mac Laren introduced the Palmdale Water District's new Board of Directors.

At 7:46 p.m., President Mac Laren called for a four-minute recess. She reconvened the regular meeting at 7:50 p.m.

### 3) Roll Call.

#### Attendance:

Kathy Mac Laren, President  
Gloria Dizmang, Treasurer  
Robert Alvarado, Secretary  
Vincent Dino, Director  
Joe Estes, Director

#### Others Present:

Dennis LaMoreaux, General Manager  
Jim Ciampa, Attorney  
Matt Knudson, Assistant General Manager  
Mike Williams, Finance Manager  
Peter Thompson II, Operations Manager  
Tim Moore, Facilities Manager  
Mynor Masada, Treatment Supervisor  
Dennis Hoffmeyer, Senior Accountant  
Robert Egan, Financial Advisor  
Dawn Deans, Executive Assistant  
60 members of the public

**4) Adoption of Agenda.**

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

**5) Public Comments for Non-Agenda Items.**

There were no public comments.

**6) Presentations:**

**6.1) No Presentations Scheduled at This Time.**

There were no presentations.

**7) 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.)**

**7.1) Approval of Minutes of Regular Meeting Held November 27, 2013.**

**7.2) Payment of Bills for December 11, 2013.**

**7.3) Approval of Revisions on Compensation Plan Section of Employee Handbook. (Human Resources Manager Emery/Personnel Committee)**

**7.4) Approval of Revisions to Alcohol-Drug Free Workplace Section of Employee Handbook. (Human Resources Manager Emery/Personnel Committee)**

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

**8) 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.)**

**8.1) Consideration and Possible Action on Reorganization of the Board of Directors. (President Mac Laren)**

It was moved by Director Alvarado, seconded by Director Estes, and unanimously carried that Kathy Mac Laren remain President of the Board of Directors.

It was then moved by Director Estes, seconded by Director Dizmang, and unanimously carried that Robert Alvarado become Vice President of the Board of Directors.

It was then moved by President Mac Laren, seconded by Director Alvarado, and unanimously carried that Gloria Dizmang remain Treasurer of the Board of Directors.

It was then moved by Director Alvarado, seconded by President Mac Laren, and unanimously carried that Joe Estes become Secretary of the Board of Directors.

The officers of the Board of Directors of the Palmdale Water District for 2014 are as follows:

Kathy Mac Laren, President  
Robert Alvarado, Vice President  
Gloria Dizmang, Treasurer  
Joe Estes, Secretary  
Vincent Dino, Director

**8.2) Status Report on Cash Flow Statement and Current Cash Balances as of October 31, 2013. (Financial Advisor Egan)**

Financial Advisor Egan congratulated Directors Dino and Estes and welcomed them to the District and then reviewed the account groupings included on the Investment Funds Report as of October 31, 2013, the balance on the bond funds, and the cash flow report, which indicates a projected year-end balance approximately \$1.5 million over budget.

**8.3) Status Report on Financial Statements, Revenue and Expense and Departmental Budget Reports for October 31, 2013. (Finance Manager Williams)**

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 October 31, 2013 and stated that all departments, with the exceptions of Operations, Engineering, and Finance are operating at or below the targeted expenditure percentage of 83% or less.

**8.4) Status Report on Committed Contracts Issued. (Assistant General Manager Knudson)**

Assistant General 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 Committee of upcoming water main replacement projects.

**8.5) Consideration and Possible Action on Resolution No. 13-14 Establishing the Palmdale Water District's Investment Policy. (Financial Advisor Egan)**

Financial Advisor Egan reviewed the key objectives of the proposed Investment Policy, and after a brief discussion, it was moved by Director Alvarado, seconded by Director Estes, and unanimously carried to approve Resolution No. 13-14 Establishing the Palmdale Water District's Investment Policy.

A copy of said Resolution No. 13-14 is hereby made a portion of the minutes of this meeting.

**8.6) Consideration and Possible Action on Adoption of 2014 Budget. (General Manager LaMoreaux)**

After a brief discussion, it was determined that a budget workshop will be held in January to review the 2014 budget.

**8.7) Consideration and Possible Action on Board and Staff Attendance at Conferences, Seminars, and Training Sessions as Follows: None at This Time.**

a) California Special Districts Association How to be an Effective Board Member Conference to be Held January 16, 2014 in San Luis Obispo Area; January 23, 2014 in Orange County Area; or January 30, 2014 in Sacramento Area.

b) California Special Districts Association Special District Leadership Academy Module 1 – Governance Foundations to be Held March 18, 2014 in Sacramento or September 29, 2014 in Palm Springs.

c) California Special Districts Association Special District Leadership Academy Module 2 – Setting Direction/Community Leadership to be Held April 25, 2014 in Bakersfield or May 19, 2014 in Sacramento.

d) **California Special Districts Association Special District Leadership Academy Module 3 – Board’s Role in Finance & Fiscal Accountability to be Held January 14, 2014 in Bakersfield or February 7, 2014 in Sacramento.**

e) **California Special Districts Association Special District Leadership Academy Module 4 – Board’s Role in Human Resources to be Held February 6, 2014 in Sacramento or March 7, 2014 in Bakersfield.**

After a brief discussion, it was moved by Director Dizmang, seconded by Director Estes, and unanimously carried to approve Board and staff attendance at the following conferences, seminars, and training sessions: California Special Districts Association How to be an Effective Board Member Conference to be held January 16, 2014 in San Luis Obispo area, January 23, 2014 in Orange County area, or January 30, 2014 in Sacramento area; California Special Districts Association Special District Leadership Academy Module 1 – Governance Foundations to be held March 18, 2014 in Sacramento or September 29, 2014 in Palm Springs; California Special Districts Association Special District Leadership Academy Module 2 – Setting Direction/Community Leadership to be held April 25, 2014 in Bakersfield or May 19, 2014 in Sacramento; California Special Districts Association Special District Leadership Academy Module 3 – Board’s Role in Finance & Fiscal Accountability to be held January 14, 2014 in Bakersfield or February 7, 2014 in Sacramento; and California Special Districts Association Special District Leadership Academy Module 4 – Board’s Role in Human Resources to be held February 6, 2014 in Sacramento or March 7, 2014 in Bakersfield.

9) **Information Items.**

9.1) **Reports of Directors: Meetings/Committee Meetings/General Report.**

Director Dizmang reported that on December 9, she attended the Outreach Committee meeting where they summarized the activities for the year, discussed plans for the Before the First Drop marketing campaign for 2014, reviewed upcoming issues of Water News, the progress of distribution of the e-Water News, and promotions towards the Spanish-speaking community of Palmdale.

Director Alvarado reported that on December 3, he attended the Plant 42 Environmental Restoration Advisory Board (ERAB) meeting where he became the first Palmdale Water District Director elected to Chair the Plant 42 ERAB and then invited everyone to attend these important meetings as the District has wells neighboring the ERAB proposed clean up area and that on December 9, he attended the Outreach

Committee meeting, and it is a pleasure working with Director Dizmang on this Committee as she has valuable ideas on how to promote the District and communicate the District's programs to our customers.

President Mac Laren reported that the ACWA Conference she attended last week was very interesting; that she attended the communications session where they emphasized the importance of Twitter and how most agencies use Twitter in their public relations efforts and in emergency events; that she spoke with different agency members regarding the Proposition 218 process, the message was to begin the public relations process a year in advance, and she received recommendations on who to contact for assistance in this area; that she attended a session regarding reserve policies, and the District's Reserve Policy is very good and up to standards; and that she recommends attending an ACWA Conference.

There were no further reports from Directors.

**9.2) Report of General Manager.**

General Manager LaMoreaux reported that staff has handled over 130 service orders regarding frozen pipes over the last few days; that the Fire Department attempted last week to conduct the burn at Palmdale Lake to improve the habitat of the tri-colored blackbird but the cattails were too moist, and vegetation is being monitored to determine when the burn will occur; and that the state audit of the District as requested by Assemblyman Fox is scheduled to begin next week, and requested materials will be sent prior to their visit.

**9.3) Report of Attorney.**

Attorney Ciampa congratulated Director Estes and Director Dino and stated he looks forward to working with the new Board and scheduling an orientation to explain irrigation district law and Brown Act issues.

**10) Public Comments on Closed Session Agenda Matters.**

There were no public comments on closed session agenda matters.

**11) Closed Session Under:**

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

11.2) 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*.

11.3) 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*.

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

At 8:24 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*.

She reconvened the regular meeting at 8:52 p.m.

**12) 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 matters of litigation; but that no reportable action under the Brown Act was taken in closed session on any of these matters.

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

President Mac Laren appointed Director Dino to the Ad Hoc Legal Committee with Director Dizmang to review legal counsel proposals with General Manager LaMoreaux and The Mathis Group.

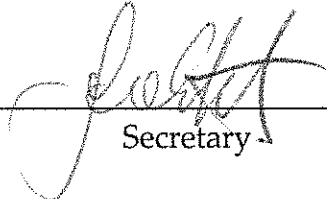
Director Dizmang then requested the low income and senior assistance program implemented by the Walnut Valley Water District be reviewed to determine if this program can be implemented by the District and stated that an Ethics Workshop needs to be held for the full Board.

President Mac Laren then stated that a Roberts Rules of Order workshop also needs to be scheduled, and General Manager LaMoreaux added that a general orientation for the Board will also be conducted at this workshop.

There were no further requests for future agenda items.

**13) 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. 13-14**

### **A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT ESTABLISHING ITS INVESTMENT POLICY**

#### **1.0 POLICY**

**WHEREAS;** the Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern; and

**WHEREAS;** the legislative body of a local agency may invest monies not required for the immediate necessities of the local agency in accordance with the provisions of California Government Code Sections 5922 and 53601 et seq.; and

**WHEREAS;** the Deputy Treasurer of the Palmdale Water District ("District") shall annually prepare and submit a statement of investment policy and such policy, and any changes thereto, and report same to the Finance Committee, and it shall be considered by the Board of Directors at a public meeting;

**NOW THEREFORE;** it shall be the policy of the District to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all statutes governing the investment of District funds.

#### **2.0 SCOPE**

This investment policy applies to all financial assets of the District. These funds are accounted for in the annual district audit.

#### **3.0 PRUDENCE**

Investments shall be made with judgment and care, under circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the District, which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used by investment officials shall be the "prudent investor" standard (California Government Code 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

#### **4.0 OBJECTIVES**

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives, in priority order, of the investment activities shall be:

1. Safety: Safety of principal is the foremost objective of the investment program. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

2. Liquidity: The investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated.

3. Return on Investments: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

#### **5.0 DELEGATION OF AUTHORITY**

The authority to invest public funds is expressly delegated to the Board of Directors. The Board re-delegates the investment function to the Board President or Vice President and the Deputy Treasurer. The Board President or Vice President designate the District's Financial Advisor as the Deputy Treasurer who shall have the authority to act on behalf of the District with the concurrence of the Board Finance Committee.

The investment of the District's monies is annually delegated by the Board of Directors to the Board President or Vice President and Deputy Treasurer (District Financial Advisor) who shall thereafter assume full responsibility for those transactions until the delegation is revoked or expires. The Board President or Vice President shall delegate the day-to-day operations of investing to the Deputy Treasurer, but not the responsibility for the overall investment program. All transactions will be reviewed by the Finance Committee on a monthly basis to assure compliance with the Investment Policy. (California Government Code Section 53607.)

#### **6.0 ETHICS AND CONFLICTS OF INTEREST**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

## **7.0 AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS**

The Deputy Treasurer will maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience and minimal capitalization authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment and financial advisory services in the State of California. No public deposit shall be made except in a qualified public depository as established by state laws.

For brokers/dealers of government securities and other investments, the District shall select only broker/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the Financial Industry Regulatory Authority (FINRA) or other applicable self-regulatory organizations.

Before engaging in investment transactions with a broker/dealer, the Deputy Treasurer shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the District's account with that firm has reviewed the District's Investment Policy and that the firm understands the policy and intends to present investment recommendations and transactions to the District that are appropriate under the terms and conditions of the Investment Policy.

## **8.0 AUTHORIZED AND SUITABLE INVESTMENTS**

The District is empowered by California Government Code 53601 et seq. to invest in the following:

- a. Bonds issued by the District.
- b. United States Treasury Bills, Notes and Bonds.
- c. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by, or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
- d. Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), or by a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30% of the District's money which may be invested pursuant to this policy.
- e. Monies held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease

installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

- f. Bonds, notes, warrants or other evidence of debt issued by a local agency within the State of California, including pooled investment accounts sponsored by the State of California, County Treasurers, other local agencies or Joint Powers Agencies.

Such investments shall be limited to securities that at the time of the investment have a term remaining to maturity of five years or less, or as provided above.

The District shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools or any investment that may result in a zero interest accrual if held to maturity.

## **9.0 COLLATERALIZATION**

All certificates of deposit must be collateralized by United States Treasury Obligations. Collateral must be held by a third party trustee and valued on a monthly basis. The percentage of collateralizations on repurchase and reverse agreements will adhere to the amount required under California Government Code 53601(i)(2).

## **10.0 SAFEKEEPING AND CUSTODY**

All security transactions entered into by the District shall be conducted on delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to the District by book entry, physical delivery or by third party custodial agreement.

## **11.0 DIVERSIFICATION**

The District will diversify its investments by security type and institution. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities.

Diversification strategies shall be reviewed and revised periodically. In establishing specific diversification strategies, the following general policies and constraints shall apply:

- a. Portfolio maturity dates shall be matched versus liabilities to avoid undue concentration in a specific maturity sector.
- b. Maturities selected shall provide for stability of income and liquidity.

- c. Disbursement and payroll dates shall be covered through maturities of investments, marketable United States Treasury bills or other cash equivalent instruments such as money market mutual funds.

## **12.0 REPORTING**

The Deputy Treasurer, after review by the Finance Committee, shall submit to each member of the Board of Directors an investment report at least quarterly. The report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed for District by third party contracted managers. The report will also include the source of the portfolio valuation. For funds which are placed in LAIF, FDIC-insured accounts and/or in a county investment pool, the foregoing report elements may be replaced by copies of the latest statements from such institutions. The report must also include a certification that (1) all investment actions executed since the last report have been made in full compliance with the Investment Policy, and (2) the District will meet its expenditure obligations for the next six months. The Deputy Treasurer shall maintain a complete and timely record of all investment transactions.

## **13.0 INVESTMENT POLICY ADOPTION**

The Investment Policy shall be adopted by resolution of the District. Moreover, the Policy shall be reviewed on an annual basis, and modifications must be approved by the Board of Directors.

**PASSED, APPROVED, AND ADOPTED** at a Regular Meeting of the Board of Directors of Palmdale Water District held on December 11, 2013. Resolution No. 13-14 was adopted by the following vote:

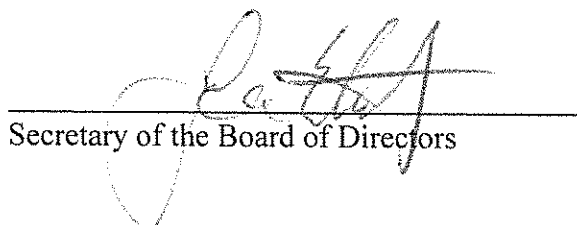
**AYES:** Kathy Mac Laren, Robert Alvarado, Gloria Dizmang, Joe Estes, Vincent Dino

**NOES:** None.

**ABSTAIN:** None.

  
\_\_\_\_\_  
President, Board of Directors  
Palmdale Water District


ATTEST:

  
\_\_\_\_\_  
Secretary of the Board of Directors

STATE OF CALIFORNIA                     )  
   )  
COUNTY OF LOS ANGELES                     )

ss.

I, Joe Estes, Secretary of the Palmdale Water District, DO  
HEREBY CERTIFY that the foregoing is a full, true and correct copy of Resolution No.  
13-14 of the Board of Directors of Palmdale Water District adopted at a Regular Meeting  
held on December 11, 2013 and that the same has not been amended or  
repealed.

  
\_\_\_\_\_  
Secretary, Board of Directors  
Palmdale Water District

DATED: December 11, 2013

(SEAL)



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Los Angeles, CA 90017-5519  
Tel. 213-253-5236  
Fax 855-889-4005  
Toll Free 800-624-9289  
mike.giordano@ubs.com

Michael R. Giordano, CIMA®  
Senior Vice President - Investments

[www.ubs.com](http://www.ubs.com)

December 4, 2013

Finance Committee  
Palmdale Water District  
2029 East Avenue Q  
Palmdale, CA 93550

Dear Sirs:

This letter certifies that I have read and understand the Palmdale Water District Investment Policy. I will present investment recommendations and transactions that are appropriate under its terms and conditions.

Sincerely,

A handwritten signature in cursive script, reading "Michael R. Giordano".

Michael R. Giordano- CIMA  
Senior Vice President- Investments

A handwritten signature in cursive script, reading "James M. Giordano".

James M. Giordano- CFP, CRPS  
Vice President- Investments