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

A regular meeting of the Board of Directors of the Palmdale Water District was held Wednesday, February 13, 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 Alvarado led the pledge of allegiance followed by a moment of silence in honor of our first responders and their families following the tragedies of the past few days.

2) Roll Call.

Attendance:	**Others Present:**
Kathy Mac Laren, President	Dennis LaMoreaux, General Manager
Gordon Dexter, Vice President	Tim Gosney, Attorney
Robert Alvarado, Secretary	Mike Williams, Finance Manager
Steve Cordova, Director	Matt Knudson, Engineering Manager
	Peter Thompson II, Operations Manager
Gloria Dizmang, Treasurer – EXCUSED ABSENCE	Jim Stanton, Information Technology Manager
	Tim Moore, Facilities Manager
	Bob Egan, Financial Advisor
	Dawn Deans, Executive Assistant
	15 members of the public

3) Adoption of Agenda.

Attorney Gosney recommended Agenda Item No. 10.5) Government Code Section 54956.9(a), pending litigation: *Miller v. Fairweather, et al, Los Angeles Superior Court Case No. MC023677* be added to tonight's agenda after which it was moved by Director Alvarado, seconded by Director Dexter, and unanimously carried to adopt the agenda, as amended.

4) Public Comments for Non-Agenda Items.

Mr. Mike Shahbakati, Vice President, and Mr. Brian Glidden, Director, of the American Public Works Association High Desert Chapter, a non-profit organization comprised of public works agencies dedicated to promoting professional excellence and public awareness through education and advocacy, presented the District with an award for the work recently completed on the Acton Water Treatment Plant Intertie Project.

The Board thanked Mr. Shahbakati and Mr. Glidden for the award, and there were no further 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 January 23, 2013.

6.2) Payment of Bills for February 13, 2013.

6.3) Approval of Resolution No. 13-3 Authorizing Specified Individuals to Transact Business With Citizens Business Bank. (Finance Manager Williams)

6.4) Receive and File Semi-Annual Employee Reimbursement Report for the Period Covering July 1, 2012 Through December 31, 2012. (Finance Manager Williams)

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

A copy of said Resolution No. 13-3 is hereby made a portion of the minutes of this meeting.

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) Consideration and Possible Action on Adoption of Sanitary Survey. (Engineering Manager Knudson/Black & Veatch)

Engineering Manager Knudson reviewed staff's recommendation to adopt the 2012 Sanitary Survey and Drinking Water Source Assessment Update Report after which Mr. Jim Rasmus, of Black & Veatch, reviewed the highlights of the Report including

source protection activities, raw water quality, treated water quality, regulatory compliance, and potential water quality threats along with the recommendations of the Report.

After a brief discussion of the findings of the Report, it was moved by Director Dexter, seconded by Director Alvarado, and unanimously carried to adopt the 2012 Sanitary Survey and Drinking Water Source Assessment Update Report.

7.2) Consideration and Possible Action on Resolution No. 13-4 Concurring in Nomination Melody McDonald to the Executive Committee of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA). (General Manager LaMoreaux)

General Manager LaMoreaux provided an overview of the nomination request received from Melody McDonald after which is it was moved by Director Alvarado, seconded by Director Dexter, and unanimously carried to adopt Resolution No. 13-4 Concurring in Nomination Melody McDonald to the Executive Committee of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA).

A copy of said Resolution No. 13-4 is hereby made a portion of the minutes of this meeting.

7.3) Status Report on Cash Flow Statement and Current Cash Balances as of December 31, 2012. (Financial Advisor Egan)

Financial Advisor Egan reviewed the investment funds report and cash flow statement and informed the Board that aggregate cash increased $2.144 million from November due to higher than anticipated December tax assessments and the carryover of GAC and capital expenditures into 2013 and that 2012 year-end cash flow is higher than the anticipated $8.1 million due to these factors with carryover expenditures to be reflected on the January reports.

He then stated that the Board's adoption of the 2013 budget with the 8% water rate increase was prudent; that the District's credit rating needs to be increased and positive cash flow budgeting is important for this step; that the District's bond consultants are analyzing the refund of the 2004 bonds, the District's financial situation, and are suggesting adding as much as $10 million to a refinance to have cash available for infrastructure projects; and that this option, as well as other financing options, are being

reviewed to determine the best option for the District followed by discussion of the need to continue analyzing the District's operations as a whole to determine areas that can be streamlined.

He then informed the Board that the District's auditors have resigned; that a proposal has been received from the previous auditor under his own firm; that this proposal will be presented to the Board for consideration at the next regular Board meeting; and that he recommends approval of this proposal.

7.4) Status Report on Financial Statements, Revenue and Expense and Departmental Budget Reports for December 31, 2012. (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 December 31, 2012 and stated that final year-end audited financial reports will be presented to the Board for acceptance after the audit is complete; that investments increased as stated by Financial Advisor Egan; that it was a good year; and that all departments are operating at or below the targeted expenditure percentage of 100% with the exception of Finance due to the increase in the high number of stuck water meters and meter exchanges.

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

Engineering Manager Knudson reviewed the Projected Payout Schedule for Committed Contracts through February 2013.

7.6) Consideration and Possible Action on Social Engineering Testing and Training. ($9,500.00 – Budgeted – Information Technology Manager Stanton)

Information Technology Manager Stanton reviewed staff's efforts to secure social engineering testing and training and recommendation to accept the proposal received from Illumant for this work, and after a brief discussion of the confidentiality of the testing results, of reinforcing the District's existing email and social media policy, of proposed testing methods, of computer hacking and phishing, and of the cost of this testing and training, staff was directed to develop a budget and timeframe for conducting this training in-house and present this information to the Board for consideration at a later date.

7.7) Consideration and Possible Action on Recruitment to Fill Treatment Plant Supervisor Position. (General Manager LaMoreaux/Personnel Committee)

Operations Manager Thompson II reviewed the need to fill the Treatment Plant Supervisor position at this time, and after a brief discussion of the salary range for this position, of comparing this position to similar positions in other water treatment plants, and of pension reform, it was moved by Director Dexter, seconded by Director Cordova, and carried on a 3 – 1 vote, with President Mac Laren opposed, to authorize General Manager LaMoreaux to proceed with the recruitment to fill the Treatment Plant Supervisor position.

7.8) Discussion of and Possible Action on Appointment of the District's Standing Committees. (President Mac Laren)

President Mac Laren stated that after speaking to all Directors, the Standing Committees have remained the same with the exception of the Finance Committee, which now consists of Directors Dizmang and Cordova, and after a brief discussion of the Standing Committees, the Board concurred with the 2013 Standing Committee list, and there was no action taken on this item.

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

a) VMWare and Cisco Certified Network Administrator Boot Camps to be Held March 11 – 15, 2013 and May 13 – 19, 2013 at the Netcom Training Center in Las Vegas, Nevada.

b) 2013 CA-NV American Water Works Association (AWWA) Spring Conference "Sustainability in a Time of Change" to be Held March 25 – 28, 2013 in Las Vegas, Nevada.

After a brief discussion, it was moved by Director Alvarado, seconded by Director Dexter, and unanimously carried to approve Board and staff attendance at the VMWare and Cisco Certified Network Administrator Boot Camps to be Held March 11 – 15, 2013 and May 13 – 19, 2013 at the Netcom Training Center in Las Vegas, Nevada and the 2013 CA-NV American Water Works Association (AWWA) Spring Conference "Sustainability in a Time of Change" to be Held March 25 – 28, 2013 in Las Vegas, Nevada.

8) Information Items.

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

Director Alvarado reported that on February 4, he attended the Outreach Committee meeting; that the Committee is continuing to work on providing customers with current information on available programs and services through technology including videos that are being developed for the front lobby; that articles and information on conservation workshops were reviewed for the Water News; and that the Committee is continuing to work on other outreach options.

President Mac Laren reported that the Personnel Committee met on February 6; that there were many items discussed; that she purchased a book regarding Obamacare to help gain a better insight into some predicted healthcare issues; and that the Committee is continuing to look at every possible option at this time.

There were no further reports from Directors.

8.2) Report of General Manager.

a) District vacancies.

General Manager LaMoreaux reported that the list of current District vacancies was provided in the agenda packets; that this report remains unchanged at this time; and that staff is continuing the process for filling the three previously authorized positions.

b) Palmdale Recycled Water Authority Status.

General Manager LaMoreaux reported that an agenda for the February 20, 2013 meeting will be sent tomorrow; that this meeting will be held at the City of Palmdale's Council Chambers; and that three applications for the fifth Board member seat of the JPA have been received and will be included with the agenda packets.

He then reported that the District removed debris last year from Palmdale Lake and covered this material; that the County of Los Angeles issued a citation to the Palmdale Fin & Feather Club regarding this material and then rescinded the citation; that the County of Los Angeles may issue a citation to the District for this material; but that the County has no jurisdiction over the District on this matter as it relates to water quality work and the District's core activities.

c) Board of Director I-Pads. (Information Technology Manager Stanton)

Information Technology Manager Stanton informed the Board of the options available to the Board through I-Pad technology including receiving and viewing agenda packets electronically, receiving District-related email rather than through personal electronic devices, securely remotely accessing the District's network, verbal and written note taking, delivering the District on the go, taking photographs, more efficiency, and thousands of other uses.

Potential cost savings from the use of the I-Pads, downloading agenda packets from the District's website, the previous Board decision that Directors do not want I-Pads, the cost of the I-Pads, the Directors' scope of duties and responsibilities, explaining the purchase and use of the I-Pads to the voters, and redirecting the I-Pads purchased for Directors to staff were then discussed after which Director Alvarado requested staff prepare a cost savings estimate to determine any savings by the Directors' use of I-Pads compared to the current system of delivering agenda packets.

8.3) Report of Attorney.

Attorney Gosney reported that legislation has been introduced regarding transferring water quality functions from the Department of Public Health to the State Water Resources Control Board; that he has found no one in favor of this change; that ACWA has taken the position on this legislation of oppose unless amended; and that an official position on this legislation may be requested from the Board at a future meeting.

9) Public Comments on Closed Session Agenda Matters.

There were no public comments on closed session agenda matters.

At 8:43 p.m., President Mac Laren called for a three-minute recess. She reconvened the regular meeting at 8:46 p.m.

10) Closed Session Under:

10.1) Government Code Section 54956.9(a), Existing Litigation: ***Antelope Valley Ground Water Cases.***

10.2) Government Code Section 54956.9(a), Existing 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(a), 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(a), Pending Litigation: *Velez vs. City of Palmdale, et al, Los Angeles Superior Court Case No. MC023216.*

10.5) Government Code Section 54956.9(a), pending litigation: *Miller v. Fairweather, et al, Los Angeles Superior Court Case No. MC023677.*

At 8:46 p.m., President Mac Laren called for a closed session pursuant to Government Code Section 54956.9(a), Existing and Pending Litigation – five 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 vs. City of Palmdale, et al, Los Angeles Superior Court Case No. MC023216* and *Miller v. Fairweather, et al, Los Angeles Superior Court Case No. MC023677.*

She reconvened the regular meeting at 8:58 p.m.

11) Public Report of Any Action Taken in Closed Session.

Attorney Gosney reported that a closed session had been held under Government Code Section 54956.9(a), Existing and Pending Litigation – five cases: *Antelope Valley Ground Water Cases, 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 vs. City of Palmdale, et al, Los Angeles Superior Court Case No. MC023216* and *Miller v. Fairweather, et al, Los Angeles Superior Court Case No. MC023677;* that the Board was briefed on the current status of each of these items of litigation; that where appropriate, staff and counsel were given instructions as to how to proceed; 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.

Director Alvarado requested "Consideration and possible action on Palmdale Water District salary comparison" be added to a future agenda, and after a brief discussion, General Manager LaMoreaux clarified that staff will present the District's salary range comparison methodology based on the 2010 salary survey information.

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.

Robert E. Alvarado

Secretary

RESOLUTION NO. 13-3

**A RESOLUTION OF THE
PALMDALE WATER DISTRICT
AUTHORIZING SPECIFIED INDIVIDUALS TO
TRANSACT BUSINESS WITH CITIZENS BUSINESS BANK**

WHEREAS, the Board of Directors of the Palmdale Water District (the "District") has authorized certain public funds to be deposited with Citizens Business Bank for the purpose of protecting public funds; and

WHEREAS, from time to time the Palmdale Water District has cause to withdraw, deposit, reinvest, or otherwise change the disposition of those invested assets to fulfill the mission of the District; and

WHEREAS, the Board of Directors of the District, at their regular meeting of February 13, 2013, did authorize the President and/or Secretary to execute agreements with respect to accounts of the District held by Citizens Business Bank; and

WHEREAS, the Board of Directors of the District, at their meeting of February 13, 2013, did hereby approve the above described agreements authorizing certain individuals to act on the District's behalf with respect to the certain specified accounts of the District with Citizens Business Bank; and

WHEREAS, the Board of Directors of the District intends and requires two Directors acting together or at least one Director acting with another director or designated staff member to execute authority over designated Treasury Management Agreement.

NOW, THEREFORE, BE IT RESOLVED, that Kathy Mac Laren and Robert Alvarado, acting together, are hereby authorized and directed to open an account with Citizens Business Bank in the District's name and on its behalf, for the purpose of securing services, and that Citizens Business Bank is hereby authorized to act upon any orders and instructions with respect to such accounts listed below and/or the delivery of securities or money therefrom when received from any of the two said individuals, acting together, who are each likewise hereby authorized to sign and deliver in the District's name and in its behalf, receipts for securities and/or funds so delivered or paid.

BE IT FURTHER RESOLVED, that any two of Gordon Dexter, Gloria Dizmang, Kathy Mac Laren, Robert Alvarado, or Steve Cordova acting together are hereby authorized to withdraw funds or to act on behalf of the District with respect to the General Account No. 047031559; Merchant Account No. 047031567; Customer Refund Account No. 047031575.

ADOPTED THIS 13TH DAY OF FEBRUARY, 2013.

Kathy Mac Laren
President, Board of Directors

RESOLUTION NO. 13-4

RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT CONCURRING IN NOMINATION MELODY McDONALD TO THE EXECUTIVE COMMITTEE OF THE ASSOCIATION OF CALIFORNIA WATER AGENCIES/ JOINT POWERS INSURANCE AUTHORITY (ACWA/JPIA)

WHEREAS, this District is a member district of the ACWA/JPIA; and

WHEREAS, the Bylaws of the ACWA/JPIA provide that in order for a nomination to be made to ACWA/JPIA's Executive Committee, three member districts must concur with the nominating district; and

WHEREAS, another ACWA/JPIA member district, the SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT has requested that this District concur in its nomination of its member of the ACWA/JPIA Board of Directors to the Executive Committee of the ACWA/JPIA.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the PALMDALE WATER DISTRICT that this District concurs with the nomination of MELODY McDONALD of the SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT to the Executive Committee of the ACWA/JPIA.

BE IT FURTHER RESOLVED that the District Secretary is hereby directed to transmit a certified copy of this Resolution to the ACWA/JPIA at P. O. Box 619082, Roseville, CA 95661-9082, forthwith.

ADOPTED this 13th day of February, 2013.

BOARD PRESIDENT

ATTEST:

BOARD SECRETARY