MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT, OCTOBER 9, 2013:

A regular meeting of the Board of Directors of the Palmdale Water District was held Wednesday, October 9, 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) Roll Call.

Attendance:	**Others Present:**
Kathy Mac Laren, President	Dennis LaMoreaux, General Manager
Gordon Dexter, Vice President	Jim Ciampa, Attorney
Gloria Dizmang, Treasurer	Tom Bunn, Attorney
Robert Alvarado, Secretary	Vincent Dino, Director-Elect
Steve Cordova, Director	Joe Estes, Director-Elect
	Mike Williams, Finance Manager
	Tim Moore, Facilities Manager
	Bob Egan, Financial Advisor
	Dawn Deans, Executive Assistant
	3 member of the public

3) Adoption of Agenda.

It was moved by Director Dizmang, seconded by Director Dexter, 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 September 25, 2013.

6.2) Payment of Bills for October 9, 2013.

It was moved by Director Dexter, 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 August 31, 2013. (Financial Advisor Egan/Finance Committee)

Financial Advisor Egan reviewed the investment funds and cash flow reports as of August 31, 2013 including the increase in cash due to assessments and capital improvement fees received and stated that the numbers are tracking as anticipated; that expected bond principal and interest payments will occur in September with the next three months anticipated low cash months; that assessments are expected in December; and that the District's cash situation looks positive and exceeds the budget.

7.2) Status Report on Financial Statements, Revenue and Expense and Departmental Budget Reports for August 31, 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 August 31, 2013 and stated that all departments, with the exceptions of Operations and Engineering are operating at or below the targeted expenditure percentage of 66% or less; that the major expense category of Water Purchases is also above the 66% target; and then reviewed and explained the line items over budget.

He then reviewed a recap of total customer service transactions for the first eight months of the last four years and stated that there has been a decrease in mail and night

drop payments and an increase in the use of electronic transaction payments; that front counter and telephone payments have remained consistent; that the average on hold telephone wait time from September, 2012 through August, 2013 is 4.29 minutes with the average service time being 3.24 minutes using 3.35 Customer Service Representative staff positions; that the average front counter customer wait time from September, 2012 through August, 2013 is 6.97 minutes with the average service time being 3 minutes using 2.07 Customer Service Representative staff positions; and then reviewed the reasons and resolutions for wait time spikes.

He then stated that the District has approximately 26,300 customer accounts; that staff serviced approximately 42% of those customers with five Customer Service Representatives; and that customer service does a very good job in serving the customers in a timely fashion followed by discussion of complaints regarding wait times, staff's revisions to telephone software to address these complaints, and revisions to the recap tables.

General Manager LaMoreaux then stated that this information will be further evaluated on a daily rather than on a monthly basis.

7.3) Discussion and Overview of Committed Contracts Issued. (Engineering Manager Knudson)

General Manager LaMoreaux 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.

7.4) Consideration and Possible Action on Second Amendment to the Joint Exercise of Powers Agreement Creating the Palmdale Recycled Water Authority Dated September 26, 2012. (General Manager LaMoreaux)

General Manager LaMoreaux reviewed the Palmdale Recycled Water Authority's current and proposed practice for action items after which it was moved by Director Dizmang, seconded by Director Dexter, and unanimously carried to approve the Second Amendment to the Joint Exercise of Powers Agreement Creating the Palmdale Recycled Water Authority Dated September 26, 2012.

7.5) Consideration and Possible Action on Request for Proposals for Providing the District's Legal Services. (General Manager LaMoreaux/Ad Hoc Legal Committee)

General Manager LaMoreaux reviewed the background for providing the District's legal services and the Ad Hoc Legal Committee's recommendation for the Board to determine whether or not to move forward with a Request for Proposals for legal services after which Director Dizmang, member of the Ad Hoc Legal Committee, stated that she has been pleased with Attorney Ciampa's services and requested Board feedback on going forward with a Request for Proposals.

Director Dexter, member of the Ad Hoc Legal Committee, then reviewed Dr. Mathis' previous comments regarding the number of law firms involved in the adjudication process, which could lead to a low response to a Request for Proposals, and after a brief discussion, it was moved by Director Dexter and seconded by Director Cordova to not go forward with a Request for Proposals for providing the District's legal services and to work with Dr. Mathis to formalize the contract format and the District's relationship with Lagerlof Senecal Gosney & Kruse LLP.

Mr. Steve Chisolm, Palmdale resident, then recommended the Board table this item until after the incoming Directors are sworn into office and related this item to the termination and rehiring of Financial Advisor Egan.

Mr. Joe Estes, Director-Elect, then stated that the most responsible thing to do is send the Request for Proposals for legal services and questioned the need for Agenda Item No. 7.6.

General Manager LaMoreaux then stated that if the Board did not issue a Request for Proposals, Agenda Item No. 7.6 allows the opportunity to change the current Attorney Services Agreement to include cost controls, Board reviews, and a tighter arrangement moving forward after which Attorney Ciampa stated the District can terminate the Attorney Services Agreement on notice.

Director-Elect Estes then stated that he feels it is very wrong for the current Board to take any important action that is forced upon the incoming Board including legal representation; that the process to seek proposals to consider attorney services was in process and should continue; and then referred to the termination and rehiring of Financial Advisor Egan.

Director Dexter then restated the number of law firms involved in the adjudication process leading to a lack of qualified law firms able to respond to a Request for Proposals and stated his offense to Director-Elect Estes' comments.

President Mac Laren then stated her duty as Board President is to ensure the pros and cons and both sides of a subject are heard after which the motion failed on a 2 – 3 vote, with Directors Alvarado and Dizmang, and President Mac Laren opposed.

It was then moved by Director Dizmang, seconded by Director Alvarado, and carried on a 3 – 2 vote, with Directors Dexter and Cordova opposed, to proceed with the Request for Proposals for providing the District's legal services.

7.6) Consideration and Possible Action on Refining Attorney Services Agreement Between the District and Lagerlof Senecal Gosney & Kruse LLP. (General Manager LaMoreaux/Ad Hoc Legal Committee)

It was stated that no action is required on this item.

Mr. Steve Chisolm, Palmdale resident, stated that General Manager LaMoreaux stated earlier that contract changes would include wording changes and cost increases and inquired if any contract changes would be available for public review prior to Board action. General Manager LaMoreaux repeated his earlier comments regarding cost controls and stated that a written contract for legal services would be available to the public as the current Attorney Services Agreement was presented to the Board for action and was available for public review; and that the final document from the results of the legal services Request for Proposals will be brought before the Board for consideration and will be available for public review.

Director Dizmang then thanked Attorneys Ciampa and Bunn for the hard work on the adjudication and she appreciates what they have done for the District.

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

8) Information Items.

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

Director Alvarado reported that on October 7, he attended the Outreach Committee meeting where he and Director Dizmang heard positive reports and updates from staff, and they are making progress on refining the "Before the First Drop" campaign message and that on October 8, he attended a briefing in which he had an

opportunity to ask General Manager LaMoreaux questions regarding the District's spending practices and bills.

Director Dizmang reported that on October 4, she met with three representatives from the BIA regarding the proposed Water Supply Fee and that culminated in an agreement to have a Water Supply & Reliability Committee meeting this Friday at 2:00 p.m. to further discuss the proposed Water Supply Fee; that on October 7, she attended the Outreach Committee meeting where they are concluding the "Before the First Drop" program, and this will be entered into ACWA's Best in Blue competition in 2014; that packets are being prepared for elected officials regarding the "Before the First Drop" program, and meetings will be scheduled for her and Director Alvarado to personally present this information packet; and that on October 9, she attended the Finance Committee meeting where they discussed the Reserve Policy, which will be presented to the Board for consideration after the consideration of the Water Supply Fee, and they received a preliminary report on the budget.

President Mac Laren reported that she is scheduled to meet with the BIA representatives regarding the proposed Water Supply Fee tomorrow.

There were no further reports from Directors.

Mr. Steve Chisolm, Palmdale resident, then inquired about the water allocation being presented at the Water Supply & Reliability Committee meeting after which Director Dexter, Chair of the Water Supply & Reliability Committee, stated that the allotment for 2014 has not yet been set and the initial allocation will not be available until December after which General Manager LaMoreaux clarified that Friday's Water Supply & Reliability Committee meeting will be only to discuss and review the proposed Water Supply Fee and that the regular meeting of this Committee will be held October 21, 2013 at 5:00 p.m.

8.2) Report of General Manager.

a) Proposed Safety Footwear Policy. (Facilities Manager Moore)

Facilities Manager Moore provided an overview of the proposed Safety Footwear Policy, the background leading to the development of this proposed Policy, and staff's request that this proposed Policy be referred to a Board Committee for further discussion and development, and after a brief discussion of the proposed Policy, President Mac

Laren referred this item to the Personnel Committee for further discussion and development.

Mr. Steve Chisolm, Palmdale resident, clarified that electricians must wear composite toe work boots and steel caps are another option.

8.3) Report of Attorney.

Attorney Ciampa reported that a Public Water Agencies Group meeting was held earlier today; that a legislative overview of the Water Bond and issues with AB145 and the possible reorganization of the Drinking Water Program to the State Board was provided; that in Governor Brown's signing session, he stated that it is his proposal to move the Drinking Water Program and all water quality related issues to the State Board; and that even if legislation does not move forward on this issue, it is possible there will be a Governor's reorganization at the executive branch level that will shift those duties.

He then reported that there is an ongoing effort by the California Energy Commission to begin regulating water meters as their position is that they are water appliances similar to a faucet or showerhead and that various organizations, including AWWA, have taken the position that they are not water appliances because they do not consume water but merely transmit water into a given household.

He then reported that on October 4, the State Board issued a Groundwater Concept Plan which appears to be the first step, particularly in un-adjudicated areas, where the State Board can assume more jurisdiction over groundwater, groundwater quality, and groundwater monitoring and that this Plan is now being circulated for public comment.

At 8:17 p.m., President Mac Laren called for a three-minute recess. She reconvened the regular meeting at 8:20 p.m.

9) Public Comments on Closed Session Agenda Matters.

There were no public comments on closed session agenda matters.

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.*

At 8:20 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 9:06 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 updated on the current status of each of these items of pending 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.

There were no 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