MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT, NOVEMBER 23, 2011:

A regular meeting of the Board of Directors of the Palmdale Water District was held Wednesday, November 23, 2011, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. President, Gordon Dexter, called the meeting to order.

1) Pledge of Allegiance.

At the request of President Dexter, Director Storm led the pledge of allegiance followed by a moment of silence in remembrance of the men and women who serve our country and are not with us this holiday weekend.

2) Roll Call.

Attendance:	**Others Present:**
Gordon Dexter, President	Dennis LaMoreaux, General Manager
Steve Cordova, Vice President	Tim Gosney, Attorney
Raul Figueroa, Secretary	Mike Williams, Finance Manager
Jeff Storm, Director	Matt Knudson, Engineering Manager
	Peter Thompson II, Operations Manager
Linda Godin, Treasurer --	Claudette Roberts, Water Conservation Spvsr.
EXCUSED ABSENCE	Peter Thompson, Project Manager
	Dawn Deans, Executive Assistant
	5 members of the public

3) Adoption of Agenda.

It was moved by Director Figueroa, seconded by Director Cordova, 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) Cash for Grass Rebates. (Water Conservation Supervisor Roberts)

Water Conservation Supervisor Roberts informed the Board of the three recipients for the Cash for Grass Rebate Program being Willie Owens in the amount of $433.60, Tony & Rosa DeFrancesca in the amount of $1,222.00, and Deborah Clauss in

the amount of $252.40 and then presented Rosa DeFrancesca with her rebate check. Mrs. DeFrancesca then informed the Board of their reasons for removing their grass and thanked the Board for the opportunity to participate in this program.

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 November 9, 2011.

6.2) Payment of Bills for November 23, 2011.

It was moved by Director Cordova, seconded by Director Figueroa, 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) Consideration and Possible Action on Cost Recovery Agreement Between the Palmdale Water District and USDA, Forest Service, Angeles National Forest for Littlerock Reservoir Sediment Removal Project. ($119,416.00 – Budgeted – Engineering Manager Knudson)

Engineering Manager Knudson reviewed the background, purpose, arroyo toad habitat, agencies involved, environmental review process, and the proposed Cost Recovery Agreement for the sediment removal project at Littlerock Reservoir, and after a brief discussion, it was moved by Director Figueroa, seconded by Director Storm, and unanimously carried to approve the Cost Recovery Agreement between the Palmdale Water District and the USDA, Forest Service, Angeles National Forest for the Littlerock Reservoir Sediment Removal Project in the not-to-exceed amount of $119,415.70.

7.2) Consideration and Possible Action on Proposals Received for Preparation of the District's Annual Audit for Years 2011, 2012, and 2013. (Financial Advisor Egan)

President Dexter, Committee Member of the Finance Committee, stated that Financial Advisor Egan and the Finance Committee recommend the lowest proposal from LSL Certified Public Accountants be accepted for preparing the District's annual audit for years 2011, 2012, and 2013 at a cost of $17,750.00 per year, and after a brief discussion, it was moved by Director Figueroa, seconded by Director Cordova, and unanimously

carried to approve the proposal received from LSL Certified Public Accountants for preparing the District's financial audit for years 2011, 2012, and 2013 in the total not-to-exceed amount of $53,250.00.

7.3) Consideration and Possible Action on Financial Advisor Egan Contract. (Finance Committee)

President Dexter, Committee Member of the Finance Committee, reviewed the Finance Committee's discussion and recommendation to terminate Financial Advisor Egan's contract followed by discussion of the District's investments, having the new Board consider a financial advisor contract when there are more funds to invest, Financial Advisor Egan's past management of District monies, his service as an independent voice advising the Board, and having him speak with the Board regarding this matter after which it was moved by Director Storm to table this item until the new Board is seated, and they have the opportunity to discuss Financial Advisor Egan's contract. The motion died for lack of a second.

After a further discussion of the District's limited investments and larger financial staff, it was moved by Director Cordova, seconded by Director Figueroa, and carried on a 3 – 1 vote, with Director Storm opposed, to terminate the District's contract with Financial Advisor Egan.

Director Storm then advised the new Board to bring this item back for consideration.

8) Information Items.

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

8.1.1) Director Godin: Finance Committee Report Summarizing the District's Financial Status.

In Director Godin's absence, Finance Manager Williams informed the Board that the Finance Committee met and discussed and reviewed all financial statements through October, 2011 including the status of the cash report and cash flow report through December, 2011; that these reports indicate the District's financial position is as predicted; that the cash flow report includes approved 2011 projects, carry-over 2010 projects, and potential projects to a projected reserve balance of $7.71 million at

projects, and potential projects to a projected reserve balance of $7.71 million at December 31, 2011; that departmental budget expenditures should be at 83% and as a whole are under this percentage; and then reviewed the slides and charts associated with the balance sheet, profit and loss statement, year-to-year comparison, month-to-month revenue analysis, departmental budget reports, and consumption comparisons.

Director Figueroa then thanked District employees for everything they have done during his terms as Director including the education they provided and all the support and then stated that he truly appreciates it; that he is sorry the employees have to witness such negative comments; that he believes the employees have suffered quite a bit through this whole ordeal; but that the employees have kept on delivering.

President Dexter then reported that the Finance Committee also reviewed the preliminary 2012 Budget; that the Budget will be the main focus in December; and that it is hoped that a 2012 Budget is adopted before the end of the year.

He then reported that the Water Supply & Reliability Committee is working on an agreement to bank up to 10,000 acre feet of water this year, and everything is in place.

There were no further reports from Directors.

8.2) Report of General Manager.

General Manager LaMoreaux reported that regarding the water banking agreement reported on by President Dexter, this is a two-prong agreement to sublease storage space in exchange for water and the state views this as a 2-for-1 agreement with AVEK meaning for every two acre foot of water put into the bank, the District can call for one acre foot of water in the future; that AVEK's Board of Directors approved moving water into the water bank at a special Board meeting last Friday; that water has been flowing since then; and that as much water as possible will be banked prior to the end of the year.

He then reported that the initial State Water Project allocation is very good at 60% of the District's annual allocation; that the District is hopeful this will increase during the course of next year; and that staff will pursue opportunities to bank excess water to save for dry times.

He then reported that the monthly Department Status Report was included with the agenda packets if there are any questions on same.

8.3) Report of Attorney.

Attorney Gosney stated that he has no report and wished everyone a Happy Thanksgiving.

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(a), Existing Litigation: ***Antelope Valley Ground Water Cases.***

10.2) Government Code Section 54956.9(a), Existing Litigation: ***City of Palmdale vs. Palmdale Water District, Case No. BC413432 (Rate Litigation).***

10.3) Government Code Section 54956.9(a), Existing Litigation: ***City of Palmdale vs. Palmdale Water District and Palmdale Water District Public Facilities Corporation, Case No. BC413907 (Validation Action).***

10.4) Government Code Section 54956.9(a), Existing Litigation: ***Palmdale Water District vs. City of Palmdale, Case No. BC420492 (Recycled Water Litigation).***

10.5) 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.***

10.6) 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.***

At 7:38 p.m., President Dexter called for a closed session pursuant to Government Code Section 54956.9(a), Existing Litigation – six cases: *Antelope Valley Ground Water Cases* and *City of Palmdale vs. Palmdale Water District, Case No. BC413432 (Rate Litigation)* and *City of Palmdale vs. Palmdale Water District and Palmdale Water District Public Facilities Corporation, Case No. BC413907 (Validation Action)* and *Palmdale Water District vs. City of Palmdale, Case No. BC420492 (Recycled Water Litigation)* 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.* He reconvened the regular meeting at 7:50 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 Litigation – three cases: *Antelope Valley Ground Water Cases* and *City of Palmdale vs. Palmdale Water District and Palmdale Water District Public Facilities Corporation, Case No. BC413907 (Validation Action)* 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;* that the Board was briefed on the most recent developments on each of these items of litigation; that the Board gave instruction to staff and Counsel as to how to proceed; and 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 Storm requested items be placed on the next agenda for "Consideration and possible action on reorganization of the Board of Directors" and "Consideration and possible action on Financial Advisor Egan contract."

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.

President