MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT, JUNE 13, 2012:

A regular meeting of the Board of Directors of the Palmdale Water District was held Wednesday, June 13, 2012, 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.

President Dexter led the pledge of allegiance.

2) Roll Call.

Attendance:	**Others Present:**
Gordon Dexter, President	Dennis LaMoreaux, General Manager
Gloria Dizmang, Vice President	Jim Ciampa, Attorney
Kathy Mac Laren, Treasurer	Mike Williams, Finance Manager
Robert Alvarado, Secretary	Peter Thompson II, Operations Manager
Steve Cordova, Director	Matt Knudson, Engineering Manager
	Joe Kerschner, Water Quality Supervisor
	Kelly Jeters, Systems Supervisor
	Ed Boka, Treatment Plant Supervisor
	Randy Hardenbrook, Equipment Mechanic Spvsr.
	Bob Egan, Financial Advisor
	Dawn Deans, Executive Assistant
	4 members of the public

3) Adoption of Agenda.

It was moved by Director Dizmang, seconded by Director Mac Laren, 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) 2011 Draft Audit and Management Report. (Lance, Soll & Lunghard, LLP/Financial Advisor Egan/Finance Manager/CFO Williams)

Mr. Brian Gruber, of Lance, Soll & Lunghard, provided an overview of their firm, the audit process and procedures, their review of the District's internal controls, and the key components of the District's audit and then informed the Board of their findings and the overall positive results of the audit.

Mr. Gruber then addressed several questions from the Board after which Financial Advisor Egan reviewed Lance, Soll & Lunghard's findings.

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 May 23, 2012.

6.2) Payment of Bills for June 13, 2012.

It was moved by Director Mac Laren, seconded by Director Alvarado, 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 Acceptance and Filing of 2011 Audit and Management Report. (Lance, Soll & Lunghard, LLP/Financial Advisor Egan/Finance Manager/CFO Williams)

It was moved by Director Dizmang, seconded by Director Mac Laren, and unanimously carried to accept and file the District's 2011 Audit and Management Report.

7.2) Status Report on Cash Flow Statement and Current Cash Balances as of April, 2012. (Financial Advisor Egan)

Financial Advisor Egan gave an overview of the District's current cash and investments as of April, 2012 including the increase in cash due to expected assessments received, called and redeemed investments, restricted cash, anticipated Butte payments, capital expenditures, capital improvement fees received, and projected cash at December 31, 2012.

7.3) Status Report on 2012 Financial Statements, Revenue and Expense and Departmental Budget Reports for April, 2012. (Finance Manager/CFO Williams)

Finance Manager/CFO Williams reviewed the balance sheet, profit and loss statement, year-to-year comparisons, month-to-month revenue analysis, and expense analysis as of April, 2012 and stated that all departments are at or below the targeted budget level of 33% followed by discussion of GAC purchases and additional monthly reports.

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

Engineering Manager Knudson provided an overview of the Engineering Department Project Payout Schedule including costs projected to be under-budget and then provided an update on the Orion lighting project.

7.5) Status Report on Comparative Personnel Expenses. (Chair Dexter/Finance Manager/CFO Williams)

Finance Manager/CFO Williams provided an overview of the District's personnel expenses compared to the personnel expenses of six other special districts based on the number of full time employees; informed the Board of the difficulties with the comparison due to different reporting procedures, operations, and functions of the various special districts; and stated that the District's information is much more available and accessible than that of the other districts review. Finance Manager/CFO Williams then discussed the difficulties in comparing the District to other special districts due to variances in water delivery and sources of supply, infrastructure, and various other factors.

7.6) Status Report on Level Pay Plans. (Finance Manager/CFO Williams)

Finance Manager/CFO Williams provided an overview of staff's work to date regarding Level Pay Plans; the set-up, difficulties, and extra costs of a Level Pay Plan under the District's current billing system; the ideal of having three years of billing data not including the District's first year under the water budget rate structure; of likely required changes to the Rules and Regulations to implement a Level Pay Plan and eligibility for the program; and staff's recommendation to not implement a Level Pay Plan until 2014 followed by discussion of other utility billing systems, the District's rate structure, and beginning discussions on Level Pay Plan policy and procedures next year.

7.7) Consideration and Possible Action on Resolution No. 12-7 Authorizing the Submission of an Application to the California Department of Water Resources to Obtain a Local Groundwater Assistance Grant for the Littlerock Creek Recharge and Recovery Project and to Enter Into an Agreement With Respect Thereto. (No Budget Impact – Engineering Manager Knudson)

Engineering Manager Knudson provided an overview of Resolution No. 12-7 to apply for the Local Groundwater Assistance Grant, and after a brief discussion, it was moved by Director Dizmang, seconded by Director Mac Laren, and unanimously carried to approve Resolution No. 12-7 Authorizing the Submission of an Application to the California Department of Water Resources to Obtain a Local Groundwater Assistance Grant for the Littlerock Creek Recharge and Recovery Project and to Enter Into an Agreement With Respect Thereto.

A copy of Resolution No. 12-7 is hereby made a portion of the minutes of this meeting.

7.8) Consideration and Possible Action on Palmdale Fin and Feather Club Dock Platform Construction Guidelines and Procedures for New Construction or Replacement of Docks at Palmdale Lake and Approval of Construction of New Dock 29A. (No Budget Impact – Facilities Committee/Treatment Plant Supervisor Boka/ Systems Supervisor Jeters)

Operations Manager Thompson II provided an overview of the Palmdale Fin and Feather Club's new Dock Platform Construction Guidelines and Procedures for New Construction or Replacement of Docks at Palmdale Lake, and after discussion of the importance of protecting Palmdale Lake and of the Facilities Committee's review of this item, it was moved by Director Dizmang, seconded by Director Alvarado, and unanimously carried to approve the Palmdale Fin and Feather Club Dock Platform Construction Guidelines and Procedures for New Construction or Replacement of Docks at Palmdale Lake and to approve construction of new Dock 29A.

7.9) Consideration and Possible Action on Declaring District Vehicles as Surplus and Offering Same for Sale. (Savings Based on Sale Price – Facilities Committee/Equipment Mechanic Supervisor Hardenbrook/Facilities Manager Moore)

Equipment Mechanic Supervisor Hardenbrook provided an overview of the vehicles proposed for surplus, and after a brief discussion of these vehicles and of the

Facilities Committee's review of this item, it was moved by Director Mac Laren, seconded by Director Alvarado, and unanimously carried to declare the specified District vehicles as surplus and offer same for sale.

7.10) Consideration and Possible Action on Professional Services Agreement for Monitoring and Reporting of Wind Turbine. ($10,000/Year – Budgeted – Facilities Committee/Engineering Manager Knudson)

Engineering Manager Knudson provided an overview of the proposed agreement with Black & Veatch for monitoring and reporting of the wind turbine (which will be memorialized on the District's standard professional services agreement), and after a brief discussion of the agreement's scope of work and reporting and of the Facilities Committee's review of this item, it was moved by Director Alvarado, seconded by Director Mac Laren, and unanimously carried to approve a Professional Services Agreement with Black & Veatch for Monitoring and Reporting of the Wind Turbine at a not-to-exceed amount of $10,000/year.

7.11) Consideration and Possible Action on Pipeline Relocation Agreement for APN's 3053-005-902, 903, 905. (No Budget Impact – Facilities Committee/Engineering Manager Knudson)

Engineering Manager Knudson provided an overview of the Pipeline Relocation Agreement between the District and the Antelope Valley Union High School District, and after a brief discussion of the location of the water main and of the Facilities Committee's review of this item, it was moved by Director Dizmang, seconded by Director Mac Laren, and unanimously carried to approve the Pipeline Relocation Agreement for APN's 3053-005-902, 903, and 905 between the Palmdale Water District and the Antelope Valley Union High School District.

8) Information Items.

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

Director Mac Laren reported that the Personnel Committee met and worked on a few more items; that additional work on these items will take place at the Committee's June 20, 2012 meeting; and that the Committee looks forward to bringing items forward for the Board's consideration.

Director Alvarado reported that on May 28, he attended the Memorial Day Ceremony at the Palmdale Cemetery, and the owners of the Cemetery inquired when the District will begin providing recycled water to their location, after which General Manager LaMoreaux stated that he will respond to this inquiry; that on June 4, he attended the adjudication presentation at the District's office; that also on June 4, he attended the Personnel Committee meeting as an observer; that on June 5, he attended the Facilities Committee meeting, the Board considered several of the items discussed this evening, and this Committee will now meet monthly to minimize the length of time for reviewing different projects; that on June 6, he attended the Edwards Air Force Base Plant 42 Restoration Advisory Board meeting and then gave a detailed report on the efforts of the Restoration Advisory Board; and that on June 11, he attended the Outreach Committee meeting, and it is a pleasure to report that we are working together to utilize the latest in technologies to disseminate District information to our customers and to our community.

Director Dizmang reported that she attended the Personnel Committee meeting, which was exciting, and that she attended the Facilities Committee meeting, which was interesting.

She then reported that the Outreach Committee met and is continuing to work on enhancing the District's web site, and she is appreciative of the efforts of Information Technology Manager Stanton, Executive Assistant Deans, Water Conservation Supervisor Roberts, General Manager LaMoreaux, and Facilities Manager Moore, who will be revitalizing Aquadog; that the Committee is reviewing legal issues regarding how much a Director can respond on the social network and how Directors can communicate with the divisions they represent without any legal violations; that General Manager LaMoreaux has done excellent work in developing a speaker's bureau for the District where the District will have a list of programs available for presentations to service clubs and other organizations; that the Committee is moving forward with videos but due to the cost is looking at other associated organization's sites for videos; that the Committee reviewed final plans for the June 23 Plant Sale, and the Directors are welcome to help; that the Committee is considering using an e-newsletter in addition to the six physical newsletters sent each year to keep information flowing to our customers; that Facilities Manager Moore presented ideas for a campaign, and these ideas will be considered at the next meeting; and that the meeting was productive, and the Committee hopes to have information to present to the Board at the next meeting.

Director Alvarado then thanked Director Dizmang, Chair of the Outreach Committee, for the work she does behind the scenes to develop new ideas, and the Committee is working hard to ensure the District will have the latest technology utilized to communicate with the community saving thousands of dollars in the process by going electronically.

There were no further reports from Directors.

8.2) Report of General Manager.

General Manager LaMoreaux stated that he has no report.

8.3) Report of Attorney.

Attorney Ciampa stated that he has no report.

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.***

10.7) Government Code Section 54956.9(a), Existing Litigation: *Aqualliance, et al, v. Butte Water District, Butte County Superior Case No. 156719.*

At 8:27 p.m., President Dexter called for a closed session pursuant to Government Code Section 54956.9(a), Existing Litigation – seven 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. 34-2010-8000056* and *Aqualliance, et al, v. Butte Water District, Butte County Superior Case No. 156719.*

He reconvened the regular meeting at 8:51 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(a), Existing Litigation – seven 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; 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 *Aqualliance, et al, v. Butte Water District, Butte County Superior Case No. 156719;* that the Board was briefed on the current status and developments in each of these cases; 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 Dizmang stated that she discussed a Board Budget Overview with General Manager LaMoreaux, and he recommended this Overview be presented after six

months of the budget are complete and that Financial Advisor Egan and Finance Manager/CFO Williams will provide a detailed report on the budget status.

She then requested a future agenda item for research for obtaining funding for low income ratepayers.

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. 12-7

RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT AUTHORIZING THE SUBMISSION OF AN APPLICATION TO THE CALIFORNIA DEPARTMENT OF WATER RESOURCES TO OBTAIN A LOCAL GROUNDWATER ASSISTANCE GRANT PURSUANT TO PUBLIC RESOURCE CODE §75001, ET. SEQ. FOR THE LITTLEROCK CREEK RECHARGE AND RECOVERY PROJECT AND TO ENTER INTO AN AGREEMENT WITH RESPECT THERETO

WHEREAS, Palmdale Water District ("District") is an irrigation district formed under Division 11 of the California Water Code; and

WHEREAS, the District is a "local agency" within the meaning of California Water Code §10701(a) and therefore is eligible to apply for a Local Groundwater Assistance Grant administered by the California Department of Water Resources; and

WHEREAS, the District is in the process of developing a project known as the Littlerock Creek Recharge and Recovery Project, which will enable the District to more effectively and efficiently manage its groundwater resources for the benefit of its customers; and

WHEREAS, a grant from the California Department of Water Resources under the Local Groundwater Assistance Grant Program will be of significant benefit to the District and its customers in bringing the Littlerock Creek Recharge and Recovery Project to fruition.

NOW THEREFORE BE IT RESOLVED, that the Board of Directors of the Palmdale Water District hereby authorizes and directs that an application be made to the California Department of Water Resources to obtain a Local Groundwater Assistance Grant (the "Grant") pursuant to the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Public Resource Code §75001, et. seq.).

BE IT FURTHER RESOLVED, that the District's Board of Directors authorizes the District's General Manager to enter into an agreement to receive the Grant for the Littlerock Creek Recharge and Recovery Project, and the General Manager, or his designee, is hereby authorized and directed to prepare the necessary data, conduct investigations, file such applications and execute such grant agreements with the California Department of Water Resources as may be appropriate in connection with the Grant.

BE IT FURTHER RESOLVED, that the General Manager and the staff of Palmdale Water District are hereby authorized and directed to take such other and further action that may be necessary or appropriate to carryout and further the purposes of this resolution.

PASSED AND ADOPTED at a meeting of the Board of Directors of Palmdale Water District on June 13, 2012.

President — June 13, 2012 (date)

Secretary — June 13, 2012 (date)

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