MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT, DECEMBER 12, 2012:

A regular meeting of the Board of Directors of the Palmdale Water District was held Wednesday, December 12, 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.

At the request of President Dexter, Director Alvarado led the pledge of allegiance.

2) Roll Call.

Attendance:	**Others Present:**
Gordon Dexter, President	Matt Knudson, Engineering Manager
Gloria Dizmang, Vice President	Tim Gosney, Attorney
Kathy Mac Laren, Treasurer	Mike Williams, Finance Manager
Robert Alvarado, Secretary	Matt Knudson, Engineering Manager
	Peter Thompson II, Operations Manager
Steve Cordova, Director --	Tim Moore, Facilities Manager
EXCUSED ABSENCE	Claudette Roberts, Water Conservation Spvsr.
	Randy Hardenbrook, Equipment Mechanic Spvsr.
	Kelly Jeters, Systems Supervisor
	Bob Egan, Financial Advisor
	Dawn Deans, Executive Assistant
	3 members of the public

3) Adoption of Agenda.

Attorney Gosney recommended that Agenda Item No. 7.11 "Consideration and possible action on consultant contract with Burns Business Solutions" be removed from the agenda and that Agenda Item No. 10.5) "Government Code Section 54956.9(c), Potential Litigation – one item" be added to the agenda after which it was moved by Director Dizmang, seconded by Director Alvarado, and unanimously carried to adopt the agenda, as amended.

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 November 28, 2012.

6.2) Payment of Bills for December 12, 2012.

It was moved by Director Dizmang, seconded by Director Mac Laren, 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 October 31, 2012. (Financial Advisor Egan)

Financial Advisor Egan stated that minimal changes occurred between October and November; that funds will be transferred in November due to the release of restricted funds; and then reviewed several items affecting year-end cash, which is estimated at $7.8 million.

7.2) Status Report on 2012 Financial Statements, Revenue and Expense and Departmental Budget Reports for October 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 October 31, 2012 and then stated that there are no significant changes to assets or liabilities; that all departments are operating at or below the targeted expenditure percentage of 83.3% with the exception of Administrative Services, which is due to the increase in stuck meters and registers.

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

Engineering Manager Knudson reviewed the Projected Payout Schedule for Committed Contracts through December, 2012 and then informed the Board of several projects that will be paid through the 2013 budget.

7.4) Consideration and Possible Action on Annual Community Events for District Participation in 2013. (Water Conservation Supervisor Beck/Outreach Committee)

Water Conservation Supervisor Beck reviewed the events proposed for District participation in 2013, and after a brief discussion of the events, of the benefit to the District, and of measuring the effectiveness of participation, it was moved by Director Dizmang, seconded by Director Alvarado, and unanimously carried to approve District participation in 2013 in the list of annual community events as presented.

7.5) Consideration and Possible Action on Converting the District's Current Kaiser Health Insurance Plan to the ACWA/JPIA Kaiser Health Insurance Plan. (Personnel Committee)

General Manager LaMoreaux reviewed the benefit and cost savings from converting to the ACWA/JPIA Kaiser Health Insurance Plan, and after a brief discussion, it was moved by Director Mac Laren, seconded by Director Alvarado, and unanimously carried to convert the District's current Kaiser Health Insurance Plan to the ACWA/JPIA Kaiser Health Insurance Plan at a savings of approximately $173,000 by 2014.

7.6) Consideration and Possible Action on District Employee Contribution Towards CalPERS Retirement. (Personnel Committee)

General Manager LaMoreaux stated that results from the employee survey were included with the agenda packets but there is no staff or Committee recommendation on this item after which Director Dizmang, Personnel Committee member, stated that the Committee invited staff to make decisions on the Kaiser insurance and CalPERS employee contribution issues through a survey; that state law now mandates that employees will start paying their portion of the CalPERS contribution by 2018; that she feels everyone is aware of the District's budget problem; that the Committee offered staff an opportunity to show they are willing to work with the Board in reducing expenses by at least contributing 2% to CalPERS now but this was overwhelmingly rejected; and that this response was disappointing to her.

Director Mac Laren, Personnel Committee Chair, then stated that reductions were discussed in the budget workshop from all sides, not just in rate increases and budget cuts.

Director Dizmang again expressed her disappointment with staff's response to the survey and moved to not require District employee contributions towards CalPERS retirement until required by law, leaving staff to deal with the consequences of necessary budget cuts in 2013 and thereafter.

Director Alvarado then requested clarification on the new CalPERS legislation requirements after which Attorney Gosney offered clarification on new hires after January 2013 contributing their full share of CalPERS, with existing employees contributing their full share of CalPERS by 2018 followed by discussion of these legislative requirements and needed cuts to the budget.

The motion died for lack of a second.

The possibility of repeating the survey, discussing options for cuts at future Personnel Committee meetings, the options for Board action on this item, and a minimal 2% employee contribution towards CalPERS, were then discussed.

Operations Manager Thompson II then clarified that staff viewed the survey from a mathematical standpoint and were only asked to either pay into CalPERS now or wait until 2018 when required; that employees chose to not pay now and budget for paying in 2018; that the survey did not say the District was in financial trouble; that employees have been asked to "bleed" at every budget cycle for the past four years; that employees may be resentful of having to shoulder the load; and that he recommends the emotion be removed from this item.

Accounting Technician Lebo concurred with Operation Manager Thompson II's comments on the survey question and stated that the results do not say that employees are not interested in compromise or not interested in helping with budget problems, but rather the question was phrased as to how do employees want the law implemented, and employees chose to plan for the future and that if the question had been phrased for employees to contribute 2% towards CalPERS to avoid certain budget cuts, the answer received may have been different.

Plant Operator 2 Bligh stated that it is his understanding that departments operated in 2012 at a budget level less than the 2006 budget level; that all employees have

been working very diligently and very hard to do absolutely everything Department Heads and General Manager LaMoreaux try to implement to reduce costs; that the survey question was do employees want a cushioned adjustment or an adjustment all at one time, and employees chose all at one time; that this is not a statement that says employees do not care about the District; and that Director Dizmang's inflammatory statements are very destructive.

Water Conservation Supervisor Beck stated that staff did not understand Director Dizmang's goal from the survey; that she agrees with Operations Manager Thompson II and Accounting Technician Lebo and also viewed the survey as simply a mathematical issue; that all employees love the District and really want to make sure it runs, not just today or tomorrow, but for years and years to come; but that when you get down to it, the Board will have to make the decision.

Director Alvarado requested Financial Advisor Egan and Finance Manager Williams provide an economic impact perspective to Director Dizmang's motion after which General Manager LaMoreaux stated that the District will save $122,000 per year with an employee contribution of 2% towards CalPERS.

Director Alvarado then requested options so employees do not have to pay the 2% until the District is ready to comply with the law and questioned if the District can afford this option after which Financial Advisor Egan stated that at the Board workshop last night, he urged an operating income goal of $2.6 million in order to make the 2013 budget work; that General Manager LaMoreaux has presented a 2% CalPERS contribution as a combination of rate increases and expense cuts to reach this budget goal; but that he would urge the Board not to make a decision tonight, but to leave the 2% contribution as an option in terms of the entire budget package for meeting the overall budget goal.

President Dexter stated that the Board needs to find $2.5 million for the 2013 budget; that phasing employee contributions towards CalPERS shows concern for the employees; and then inquired if employee CalPERS contributions can be approved through the budget process, after which Attorney Gosney stated that contributions can be determined through the budget process.

Director Alvarado then moved to table this item until the Board finds options so employees do not have to pay a 2% contribution towards CalPERS. The motion died for lack of a second.

Director Mac Laren then moved to table this item until the next Budget Workshop meeting. The motion was seconded by Director Dizmang.

Finance Manager Williams then clarified that only 67 employees responded to the survey; that the survey was not mandatory, and it is not quite fair to use the survey results to interpret all employees' opinions; that the survey was not worded that the 2% contribution would help in the budget situation; that from a financial standpoint, it absolutely makes sense for employees to contribute 2% towards CalPERS to help balance the budget and work towards infrastructure; but that this would be in addition to consistent rate increases; that if the District had been having consistent rate increases, the District would not be in this situation right now; that a comment was made that the 2% employee contributions to CalPERS be implemented slowly increasing every year; and that it is the same thing with rate increases; rates need to increase slowly every year to avoid a situation of needing a lump sum or large rate increase at some time in the future.

Financial Advisor Egan concurred with the need to consistently raise water rates and urged the Board leave the 2% as an option to help balance the budget.

The motion then unanimously carried.

7.7) Consideration and Possible Action on Award of Contract for Specification No. 1101 Being the Granular Activated Carbon (GAC) Adsorption System Located at the Underground Booster Station Tabled From the November 28, 2012 Board Meeting. ($89,000 – Budgeted – Engineering Manager Knudson)

Engineering Manager Knudson reviewed the background and cost of this project, and after a brief discussion, it was moved by Director Dizmang, seconded by Director Alvarado, and unanimously carried to award a contract for Specification No. 1101, being the Granular Activated Carbon (GAC) Adsorption System located at the underground booster station, to Prominent Systems, Inc. in the not-to-exceed amount of $88,811.98.

7.8) Consideration and Possible Action on Postponing any Automatic Rate Increases Until After Adoption of the 2013 Budget. (President Dexter)

It was moved by Director Mac Laren, seconded by Director Dizmang, and unanimously carried to postpone any automatic rate increases until after the adoption of the 2013 Budget.

7.9) Consideration and Possible Action on Resolution No. 12-15 Establishing the Palmdale Water District's Investment Policy. (Financial Advisor Egan)

Financial Advisor Egan gave a brief overview of Resolution No. 12-15, and after a brief discussion, it was moved by Director Mac Laren, seconded by Director Alvarado, and unanimously carried to adopt Resolution No. 12-15 Establishing the Palmdale Water District's Investment Policy.

A copy of said Resolution No. 12-15 is hereby made a portion of the minutes of this meeting.

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

a) None Requested at This Time.

There were no conferences, seminars, and training sessions to consider.

8) Information Items.

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

Director Alvarado reported that on December 3, he attended the Outreach Committee meeting where the Committee worked on making cuts on different areas of the budget, and he asked Water Conservation Supervisor Beck to find more areas that could possibly be cut, which she did, and he appreciates that; that on December 8, he attended the 2012 Palmdale Holiday Parade; that our float looked very festive so kudos to staff who worked hard to put together this community event; and then thanked his fellow Directors for participating; fans were shouting their names, but hands down, the one who totally stole the show was Aquadog; that on December 10, he attended a briefing with General Manager LaMoreaux and Engineering Manager Knudson; that on December 11, the Board held the first round of budget workshops, and the Board will continue to find more effective ways to streamline the District's operations; and that he wishes everyone a very Merry Christmas and a very Happy New Year.

Director Dizmang reported that on December 3, she chaired the Outreach Committee meeting; that on December 8, she participated in the 2012 Palmdale Holiday Parade and thanked staff who made the float possible – Tim Moore, Ryan Oates, Peter Henrie, Barry Crawford, Scott Mahoney, Danielle Henry, Bernie Fischenich, Frank

Gonzales, Frank Collett, Dan Menko, John Albrecht, Robert Rosati, Chad Klein, Peter Thompson II, Frank Collett, and Linda Garza; and that on December 11, she attended the budget workshop.

Director Mac Laren reported that on December 8, she participated in the 2012 Palmdale Holiday Parade; that she enjoyed the float, it was very decorative, and then commended President Dexter on attending the parade; that she attended the recent ACWA conference; that she found it very exciting; she learned a lot, and it was worthwhile to obtain the education and attend the seminars; that she attended the ACWA region eight meeting to learn what is happening in the District's area; that she heard different political views, there was a lot of talk about the Delta and the State Water Project, there were good speakers, and people made you feel empowered in what we are doing as Directors; that it was emphasized that serving as a Director is a good thing; we should like what we are doing, and we should be a team, not just a group; that we are trying to work on this, and we are also trying to be a team with staff; and then thanked the Board for the opportunity to attend the conference.

President Dexter stated that he attended the 2012 Palmdale Holiday Parade in the spirit of compromise but feels these types of events are still not measurable; that he attended the ACWA conference; that he recommends all Directors attend this conference and he prefers the fall conference, which is held in southern California; that there are different seminars and tracks to follow; that he attended a seminar on working with the new media where representatives of local television, newspaper, and internet papers attended and insight was provided on how to deal with them; that this morphed into a social media discussion where if agencies do not like their press coverage, they should create a Twitter account and counter the press; that he also attended a discussion on the Sacramento River and the Sanitation District's discharge permit and the effects of ammonia on the ecosystem and more importantly the effect on the Delta Smelt, and there was data and evidence behind the situation; that he picked up samples of hydro-knots, which are check valves and turn off broken sprinkler heads leaving the remaining sprinklers still working; that there are positive effects to the customers from these devices, which are designed for residential use but commercial devices would be helpful; and then provided the sample to Water Conservation Supervisor Beck to investigate.

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 and that he also attended the ACWA conference focusing on financing, the State Water Project, non-potable water that can be added to the recycled water system, and he and Water & Energy Resources Manager Pernula met with a potential suitor for a water purchase along with the Chair of the Water Supply & Reliability Committee.

He then assured Director Dizmang that staff is collecting information to discuss the items she requested a few meetings ago.

8.3) Report of Attorney.

Attorney Gosney stated that he has no report.

9) Public Comments on Closed Session Agenda Matters.

There were no public comments on closed session agenda matters.

At 8:35 p.m., President Dexter called for a five-minute recess. He reconvened the regular meeting at 8:40 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(c), Potential Litigation – one item.

At 8:40 p.m., President Dexter called for a closed session pursuant to Government Code Section 54956.9(a), Existing and 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 vs. City of Palmdale, et al, Los Angeles Superior Court Case No. MC023216* and pursuant to Government Code Section 54956.9(c), potential litigation – one item.

He reconvened the regular meeting at 9:05 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 – four 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;* that the Board was briefed on the current status of each of these matters; but that no reportable action under the Brown Act was taken in closed session on any of these matters.

He reported that a closed session had also been held under Government Code Section 54956.9(c), potential litigation – one item; that the Board was briefed on the circumstances of this matter; that 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.

There were no requests for future agenda items.

President Dexter then thanked the Board for the spirited discussion this evening and stated that the Board's job is to share viewpoints, discuss ideas, and come to some solutions.

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 Alvarez

Secretary

RESOLUTION NO. 12-15

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 National Association of Securities Dealers 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 12, 2012. Resolution No. 12-15 was adopted by the following vote:

AYES: Directors Gordon Dexter, Gloria Dizmang, Kathy Mac Laren, Robert Alvarado

NOES: Directors None

ABSTAIN: Directors

President, Board of Directors
Palmdale Water District

ATTEST:

Secretary of the Board of Directors

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

I, Robert Alvarado, Secretary of the Palmdale Water District, DO HEREBY CERTIFY that the foregoing is a full, true and correct copy of Resolution No. 12-15 of the Board of Directors of Palmdale Water District adopted at a Regular Meeting held on December 12, 2012 and that the same has not been amended or repealed.

Robert E. Alvarado

Secretary, Board of Directors
Palmdale Water District

DATED: December 12, 2012

(S E A L)

FCI
THE SOURCE | FINANCIAL COUNSELORS INC.
Founded 1966

December 3, 2012

Finance Committee
Palmdale Water District
2029 East Avenue Q
Palmdale, CA 35550

RE: Investment Policy Statement

Dear Finance Committee:

This letter certifies that I have read and understand the Palmdale Water District's Investment Policy. Our company will manage the investment holdings according to its terms and conditions, making appropriate transactions as necessary to achieve a reasonable return while providing maximum security and conforming to all statues governing the fund.

Respectfully,

Peter G. Greig, CFA
Senior Vice President
Co-Chief Investment Officer-Fixed Income

PGG/jfb

UBS Financial Services Inc.
777 S. Figueroa Street, Suite 5200
Los Angeles, CA 90017-5519
Tel. 213-972-1511
Toll Free 800-624-9289
Toll Free 800-283-1200
www.ubs.com

www.ubs.com

November 30, 2012

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,

Michael R. Giordano- CIMA
Senior Vice President- Investments

James M. Giordano- CFP
Vice President- Investments

UBS Financial Services Inc. is a subsidiary of UBS AG.