MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT, MARCH 25, 2015:

A regular meeting of the Board of Directors of the Palmdale Water District was held Wednesday, March 25, 2015, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. President, Kathy Mac Laren, called the meeting to order.

She then welcomed Shelly Sorsabal, AVEK Director, to the meeting.

1) Pledge of Allegiance.

At the request of President Mac Laren, Director Estes led the pledge of allegiance.

2) Roll Call.

Attendance:	**Others Present:**
Kathy Mac Laren, President	Dennis LaMoreaux, General Manager
Robert Alvarado, Vice President	Lindsay Tabaian, Assistant General Counsel
Gloria Dizmang, Treasurer	Matt Knudson, Assistant General Manager
Joe Estes, Secretary	Mike Williams, Finance Manager
Vincent Dino, Director	Jim Riley, Engineering/Grant Manager
	Mike McNutt, PIO/Conservation Director
	Tim Moore, Facilities Manager
	Dennis Hoffmeyer, Accounting Supervisor
	Dawn Deans, Executive Assistant
	8 members of the public

3) Adoption of Agenda.

It was moved by Director Alvarado, seconded by Director Estes, and unanimously carried by all members of the Board of Directors present at the meeting to adopt the agenda, as written.

4) Public Comments for Non-Agenda Items.

There were no public comments.

5) Presentations:

5.1) Update on White Sage Garden. (Rich Campbell, Program Coordinator, Antelope Valley Resource Conservation District)

Mr. Rich Campbell, Program Coordinator, Mrs. Claudette Beck, and Ms. Denise Keef, of the Antelope Valley Resource Conservation District, presented an overview of the White Sage Garden project including the location, native plants grown at the Antelope Valley Resource Conservation District nursery, the White Sage Garden's purpose and objectives, tours, design objectives, a children's garden, the Palmdale Water District's donation, and other financial donors.

Mr. Campbell then requested continued financial support from the District, and thanked the Palmdale Water District for the opportunity to update the Board on the White Sage Garden and for their continued support.

5.2) Cash for Grass Rebate Program. (PIO/Water Conservation Director McNutt)

PIO/Conservation Director McNutt reviewed before and after photos of recent Cash for Grass Program recipients, the total amount of rebates, grass removed, and water saved to date and then stated that the Miranda Family received a rebate check in the amount of $5,482.00 for removing 2,741 square feet of grass, the Gutierrez Family received a rebate check in the amount of $3,150.00 for removing 1,575 square feet of grass, the Haggai Family received a rebate check in the amount of $6,676.00 for removing 3,338 square feet of grass, and then presented a rebate check to Mr. and Mrs. Moseley in the amount of $11,302.00 for removing 7,535 square feet of grass.

Mr. Mosely then thanked the District for the opportunity to participate in the Cash for Grass Program and stated that their water bill dropped from $500 per month to $72.00 per month; that they are happy to make a difference in water conservation; and then thanked Water Conservation Aide Trevino and Bill's Landscaping for their assistance during the process.

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 March 11, 2015.

6.2) Payment of Bills for March 25, 2015.

President Mac Laren announced the items included in the Consent Calendar after which it was moved by Director Dino, seconded by Director Dizmang, and unanimously

carried by all members of the Board of Directors present at the meeting 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) Presentation, Consideration, and Possible Action on Acceptance and Filing of 2014 Audit and Management Report. (Financial Advisor Egan/Paul Kaymark, The Pun Group/Finance Committee)

Finance Manager Williams provided an overview of the 2014 Audit and Management Report including the financial highlights, decreasing patterns due to depreciation and the drought, and the need to continue to invest in the District's infrastructure and stated that the District's overall financial position is good and staff hopes to change the decreasing pattern in 2015.

Mr. Paul Kaymark, Audit Partner for The Pun Group, continued review of the Audit and Management Report, which was completed in ninety days, including 2014 year-end, the importance of being aware of decreasing patterns to prevent future decreases, including operating liabilities in future Audit and Management Reports, and sound management decisions when considering revenue and future water rates after which Finance Manager Williams clarified the tracking of future operating liabilities.

Mr. Kaymark then gave the District an A- for its financial status and advised adhering to a strong reserve policy to build reserves followed by discussion of maintaining the District's minimum Debt Service Coverage of 1.10, investing in the District's infrastructure, and maintaining the District's credit rating for future bond issues.

Accounting Supervisor Hoffmeyer was then commended for his assistance in completing the 2014 Audit and Management Report.

It was then moved by Director Alvarado, seconded by Director Estes, and unanimously carried by all members of the Board of Directors present at the meeting to accept and file the 2014 Audit and Management Report.

7.2) Status Report on Cash Flow Statement and Current Cash Balances as of February 28, 2015. (Financial Advisor Egan/Finance Committee)

Finance Manager Williams reviewed the investment funds and cash flow reports as of February, 2015 including the increase in cash and the term of the District's cds and investments for a better rate followed by discussion of the District's 2.5% rate increase and maintaining the District's 1.10 Debt Service Coverage.

7.3) Status Report on Financial Statements, Revenue, and Expense and Departmental Budget Reports for February 28, 2015. (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 February 28, 2015, along with the graphic presentations for these reports, and then stated that departments are operating below the targeted expenditure percentage of 16.6% followed by discussion of expenses in several departments.

7.4) Status Report on Committed Contracts Issued and Water Revenue Bond Projects. (Assistant General Manager Knudson)

Assistant General Manager Knudson reviewed the status of approved 2015 engineering projects included in the Committed Contracts and Payout Schedule, including those projects contractually committed, budgeted projects, approved contract amounts, and payments for projects funded from the Water Revenue Series 2013A Bonds followed by discussion of funding the next phase of the Palmdale Regional Groundwater Recharge and Recovery Project.

7.5) Consideration and Possible Action on Proposal Received From Kennedy/Jenks for a One-Year Work Plan for the Palmdale Regional Groundwater Recharge and Recovery Project (Formerly Littlerock Creek Groundwater Recharge and Recovery Project). ($1,590,000.00 – Budgeted – Partial 2013A Water Revenue Bonds – Assistant General Manager Knudson)

Assistant General Manager Knudson reviewed the proposed Scope of Work, compensation schedule, and project schedule with Kennedy/Jenks Consultants for the next phase of the Palmdale Regional Groundwater Recharge and Recovery Project, and after a brief discussion of funding available for this work and of ensuring public outreach includes discussions with public and private investors to expand partnership opportunities for this Project, it was moved by Director Dizmang, seconded by Director Dino, and unanimously carried by all members of the Board of Directors present at the meeting to approve the Scope of Work, Schedule of Compensation, and Project

Schedule with Kennedy/Jenks Consultants for the Palmdale Regional Groundwater Recharge and Recovery Project in the not-to-exceed amount of $1,530,000.00 and to authorize General Manager LaMoreaux to execute an agreement with Kennedy/Jenks Consultants for this work subject to Legal Counsel approval.

7.6) Consideration and Possible Action on Award of Contract for Security System. ($250,000.00 – Budgeted – Assistant General Manager Knudson)

Assistant General Manager Knudson reviewed the bid process and proposal for security system services received from Siemens Industry, Inc. after which it was moved by Director Estes, seconded by Director Dino, and unanimously carried by all members of the Board of Directors present at the meeting to award a contract to Siemens Industry, Inc. in the not-to-exceed amount of $259,816.00 for the construction and implementation of the Palmdale Water District Site Security Improvement Project under Specification No. 1402-A.

7.5) Consideration and possible action on Authorization of the Following Conferences, Seminars, and Training Sessions for Board and Staff Attendance Within Budget Amounts Previously Approved in the 2015 Budget:

a) 2015 Drought Briefing Webcast to be Held April 9, 2015 at the District Office, 2029 East Avenue Q, Palmdale.

After a brief discussion of attendance at conferences based on the approved budget, it was moved by Director Dizmang, seconded by Director Estes, and unanimously carried by all members of the Board of Directors present at the meeting to approve Board and staff attendance at the following conferences, seminars, and training sessions within budget amounts previously approved in the 2015 Budget: 2015 Drought Briefing Webcast to be held April 9, 2015 at the District office, 2029 East Avenue Q, Palmdale.

8) Information Items.

8.1) Reports of Directors:

a) Meetings/General Report.

Director Estes reported that on March 12, he attended the Read Across America event at Buena Vista School and thanked PIO/Conservation Director McNutt for

arranging the reading; that on March 13, he attended a meeting with Brent Ives and David Aranda, of BHI Management Consulting; and that on March 25, he attended a Board briefing with General Manager LaMoreaux.

Director Alvarado reported that on March 12, he attended an Open House for Assemblyman Tom Lackey and there was a good representation from the District in attendance; that also on March 12, he attended the Palmdale Planning Commission meeting; that on March 13, he attended a meeting with David Aranda, of BHI Management Consulting; that on March 18, he attended the Palmdale Recycled Water Authority meeting; that on March 20, he attended the Latino Leadership Council meeting with Assemblyman Tom Lackey; that on March 23, he attended a Board briefing with General Manager LaMoreaux; and that on March 24, he attended the Antelope Valley Board of Trade luncheon to which the District sent a strong delegation, the topic was the drought, and Assistant General Manager Knudson was a speaker and made us proud.

President Mac Laren reported that on March 15, 16, and 17, she attended the WateReuse Conference in Los Angeles, this was a very interesting water recycling conference, it was her first time attending, and she is excited about the District's recycled water project; that on March 18, she attended the Palmdale Recycled Water Authority meeting where the Board approved a design contract for the Phase 2 of the recycled water pipeline; that on March 19, she attended the Greater Antelope Valley Economic Alliance Economic Roundtable Luncheon, it was interesting, and PIO/Conservation Director McNutt did a nice job speaking and was complimented by Mr. Norm Hickling of Supervisor Antonovich's office; that on March 24, she attended the Antelope Valley Board of Trade Luncheon where Assistant General Manager Knudson was a speaker, along with AVEK and others, regarding the drought; and that also on March 24, she attended a Board briefing with General Manager LaMoreaux and Director Dizmang.

Director Dizmang reported that on March 13, she attended a meeting with Mr. David Aranda and Mr. Brent Ives, of BHI Management Consulting; that on March 23, she attended the Finance Committee meeting with Director Estes where they discussed the audit, requested the summary highlights presented earlier this evening, and reviewed a detailed list of miscellaneous supply items and options for condensing this list; that also on March 23, she attended the Water Supply & Reliability Committee meeting with Director Dino where they discussed an upcoming meeting with the Forest Service regarding the Littlerock Dam Sediment Removal Project, new mandatory State Water Resources Control Board restrictions regarding the drought and $500.00 fines that can be imposed for violating the restrictions, how well the District's customers are conserving, an upcoming meeting with Supervisor Antonovich regarding recycled water allocations, and

fisheries receiving their full State Water Project allocations but there are no increases to the District's State Water Project allocation; that on March 24, she attended the Antelope Valley Board of Trade Luncheon; that also on March 24, she attended a Board briefing with General Manager LaMoreaux and President Mac Laren; and that on March 25, she attended the employee luncheon, the employees are dedicated, and she considers it an honor to attend these luncheons.

Director Dino reported that on March 13, he attended a meeting with Mr. Brent Ives and Mr. David Aranda, of BHI Management Consulting; that on March 18, he attended the Palmdale Recycled Water Authority meeting; that on March 19, he attended the Greater Antelope Valley Economic Alliance Luncheon, and PIO/Conservation Director McNutt gave a very good and informative presentation; that on March 20, he attended a meeting at the Building Trades Council where they discussed involving A.V. Youthbuild in their trades; that on March 23, he attended the Finance Committee meeting with Director Dizmang; that also on March 23, he attended the Water Supply & Reliability Committee meeting with Director Dizmang; that on March 24, he attended a Board briefing with General Manager LaMoreaux; that also on March 24, he attended the Antelope Valley Board of Trade Luncheon; and that also on March 24, he attended the AVEK Board meeting where they had presentations from the Antelope Valley Resources Conservation District regarding the White Sage Garden and from Nexus Corporation regarding their water separators that separate gray water from black water in new construction, and they passed a resolution in support of Director Dizmang to the CSDA Board of Directors Seat A position with a 7-0 yes vote.

Director Dizmang thanked AVEK for their support.

There were no further reports from Directors.

b) Standing Committee/Assignment Reports (Chair):

1) Palmdale Recycled Water Authority
2) Finance Committee
3) Water Supply & Reliability Committee

President Mac Laren stated that the Palmdale Recycled Water Authority, Finance Committee, and Water Supply & Reliability Committee meeting reports were provided earlier in the meeting.

8.2) Report of General Manager.

a) Status Report on Strategic Plan Initiative Projects. (Assistant General Manager Knudson)

General Manager LaMoreaux reported that a written report on the status of the Strategic Plan Initiative Projects was distributed this evening.

He then reported that the Palmdale Regional Groundwater Recharge and Recovery Project, draft ideas for remodeling the office, which will be presented to the Facilities Committee on April 6 and to the full Board at the next regular Board meeting, Organization Chart changes, and the Customer Survey Campaign were discussed at today's Employee Luncheon and that a tap-off will be held at the next Employee Luncheon in May to determine a women's hot tapping team to attend the A.W.W.A. National Conference in Anaheim, and two Directors can attend that luncheon.

He then distributed flash drives of all presentations from the recent WateReuse Conference and stated that JPIA has informed staff that a refund check in the amount of $81,000.00 will be presented to the District at the next Board meeting.

8.3) Report of Attorney.

Assistant General Counsel Tabiain stated that she has no report.

9) Public Comments on Closed Session Agenda Matters.

There were no public comments on closed session agenda matters.

At 8:50 p.m., President Mac Laren called for a five-minute recess. She reconvened the regular meeting at 8:55 p.m.

10) Closed Session Under:

10.1) Conference with Legal Counsel – Existing Litigation: A Closed Session Will be Held Pursuant to Government Code §54956.9 (d)(1), to Confer with Special Litigation Counsel Regarding Pending Litigation to Which the District is a Party. The Title of Such Litigation is as Follows: ***Antelope Valley Ground Water Cases.***

10.2) Conference with Legal Counsel – Anticipated Litigation: A Closed Session Will be Held Pursuant to Government Code §54956.9 (d)(2) and (e)(2) Because There is a Significant Exposure to Litigation in One Case.

At 8:20 p.m., President Mac Laren called for a closed session pursuant to Government Code §54956.9 (d)(1) to confer with Special Litigation Counsel regarding pending litigation to which the District is a party being the *Antelope Valley Ground Water Cases* and pursuant to Government Code §54956.9 (d)(2) and (e)(2) to confer with District General Counsel because there is a significant exposure to litigation in one case.

She reconvened the regular meeting at 10:15 p.m.

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

Assistant General Counsel Tabaian reported that a closed session had been held pursuant to Government Code §54956.9 (d)(1) to confer with Special Litigation Counsel regarding pending litigation to which the District is a party being the *Antelope Valley Ground Water Cases*; that the Board received a telephonic update by Special Litigation Counsel on the status of this matter; and that no reportable action was taken in closed session.

She then reported that a closed session had also been held pursuant to Government Code §54956.9 (d)(2) and (e)(2) to confer with District Assistant General Counsel regarding a signification exposure to litigation in one case; that the Board received an update by Assistant General Counsel on the status of this matter; and that no reportable action was taken in closed session.

12) Board Members' Requests for Future Agenda Items.

Director Dino requested Mr. Mark Petroff, of Nexus Corporation, be invited to the next Board meeting to present information on their product.

There were no further requests for future agenda items.

13) Adjournment.

There being no further business to come before the Board, the meeting was adjourned.

Secretary