MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT, NOVEMBER 9, 2015:

A regular meeting of the Board of Directors of the Palmdale Water District was held Monday, November 9, 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 at 5:00 p.m.

1) Pledge of Allegiance.

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

2) Roll Call.

Attendance:	**Others Present:**
Kathy Mac Laren, President	Dennis LaMoreaux, General Manager
Robert Alvarado, Vice President	Marco Henriquez, Director-Elect
Gloria Dizmang, Treasurer	Matt Knudson, Assistant General Manager
Joe Estes, Secretary	Eric Dunn, General Counsel
Vincent Dino, Director	Jim Riley, Engineering/Grant Manager
	Mike McNutt, PIO/Conservation Director
	Mike Williams, Finance Manager
	Jennifer Emery, Human Resources Director
	Jon Pernula, Water & Energy Resources Director
	Peter Thompson II, Deputy Water & Energy Res. Dir.
	Dennis Hoffmeyer, Accounting Supervisor
	Bob Egan, Financial Advisor
	Dawn Deans, Executive Assistant
	5 members of the public

3) Adoption of Agenda.

It was moved by Director Alvarado, seconded by Director Dino, 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) None at This Time.

6) Action Items – Consent Calendar: (The Public Shall Have an Opportunity to Comment on Any Action Item on the Consent Calendar as the Consent Calendar is Considered Collectively by the Board of Directors Prior to Action Being Taken.)

6.1) Approval of Minutes of Regular Meeting Held October 28, 2015.

6.2) Payment of Bills for November 9, 2015.

6.3) Approval of Change Order No. 1 to Work Order No. 15-608 Being the Emergency Repair of the Well 18/19 Reservoir. ($55,000.00 – Budgeted – Project Manager Thompson)

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) Consideration and Possible Action on Request for Reconsideration Received From Charlene Coney of October 15, 2015 $50.00 Water Waste Fine Appeal Determination. (General Manager LaMoreaux)

President Mac Laren stated that this item will be considered later in the meeting.

7.2) Consideration and Possible Action on Request for Resignation of Director Estes. (President Mac Laren)

President Mac Laren stated that the Board has taken many courses for the Districts of Distinction and Transparency Certificates and had many conversations about how a Board should act and the different items required of a Director for the betterment of the District and the people the Board serves and quoted from the publication Boards That Make a Difference, "Remember that excellence begins in the Boardroom. Boards can be successful strategic leaders if they nurture their group responsibility. That responsibility must be accepted by every Board member, not just officers. All members must participate in the discipline and productivity of the group."

She then addressed Director Estes as follows:

"Being an elected official comes with a great responsibility to the community of Palmdale, our employees, and your fellow Board of Directors. We all have been voted into office to perform our job at a high level. The same expectations that we have for every employee at the District we have for you and all fellow Directors. It is our job to ensure that we all collectively make tough choices for both the direction of the District and its image to our community. Often the public expects more from us than they do of themselves. We are held to an even higher standard of honesty and conduct especially when it comes to upholding the integrity of the office which we have been elected to serve in. Your tenure here at the Palmdale Water District has been littered with expectations of favoritism, bullying to employees, at the Fin & Feather Club, unprofessional behavior toward your fellow Directors, and an overall attitude of indifference to the Oath of Office that you took as you were sworn in. As you know, the District has been a target of dishonest attacks that jeopardize the community's view of this agency as being a caring and integral part of this community. Your recent actions that have been publicized throughout the valley, one being in the Antelope Valley Press; the other is on Channel 3."

Director Estes called for a point of order referring to an active investigation and requested General Counsel Dunn to comment.

President Mac Laren continued, "As you know, the District has been a target of dishonest attacks that jeopardize the community's view so these actions do not represent the kind of leadership that the District represents or wants to portray to other communities and the young minds that look up to us as role models. Today, we have a big problem with bullying in our community and schools so the fact that you use bully tactics, we feel we need to stand up to you for those tactics. As I read this to you, I find myself filled with disappointments and amazement that you would stoop to such a grade school level of action as stealing political signs to increase your candidate's chances of winning an election."

Director Estes called for a point of order referring to an active investigation.

President Mac Laren continued, "The integrity of this District, where 86 employees give 110% of themselves to serve our community is more important than any personal agenda that any of us Directors have for ourselves and our politics. I am steadfast in my request to ask you to immediately resign from your position on this Board. Not only is it the right thing to do, it is what you should do."

She then referred to alleged threats to Fin & Feather Club members and opened the meeting to public comment after which Elvis Barajas, Jennifer Navarro, Ruth Tinajero, Patty Shaw, Bo Bynum, Doug Wilson, Elsie Estes, Kamal Al-Khatib, and Joyce Bruce spoke either in support of or not in support of Director Estes.

Director Dizmang then stated her concern of bullying and threats made by Director Estes and statements of being afraid of Director Estes; that she has made every effort to work with and extend herself to Director Estes; that all people need to be treated with respect; and that many have tried to trust and work with him only to be disappointed.

President Mac Laren then stated that she has received text messages regarding threats to District personnel, to the General Manager, and anti-sematic comments; that every possible method has been made to deal with Director Estes; that she has received threatening and bullying texts from Director Estes; and that no one should be bullied.

Director Alvarado then stated that the Board does not have the power to make a Director resign; that this is a suggestion or recommendation on how people feel about Director Estes' conduct on and off the Board; that the Board hopes to gain input from tonight's meeting; that issues have occurred during Board meetings, breaks, and other portions of the meeting not open to the public; that he is concerned with these issues and would like to reach a fair resolution to ensure no one feels threatened as employees should feel safe and all Directors need to feel comfortable with each other regardless of voting; and that they need to do what is best for the District, the ratepayers, and the community.

Director Dino then clarified that he and Director Estes were not voted into office as they did not have opponents to gain office; that the District's recent transparency awards were received due to the Board's efforts to ensure the public is aware of all matters and can provide input; and that the Board will continue to ensure the public is aware of all District actions.

Director Estes then stated as follows:

"First and foremost, I would like to thank my lovely wife for her incredible statement and my kids are sitting out there and their support is a big thing to me. It is truly at the end of the day they are the ones you have to go home to and they are the ones truly there for you, so thank you for being here.

Dear Board members, staff, ladies and gentlemen: There is no legal recourse for this or any Board to ask for an elected official's resignation. That privilege belongs to the voters. Whether this vote was taken tonight or not, I will not desert the voters who elected me to serve their needs. They need an advocate now more than ever. There will be no resignation and no replacement appointment. I had hoped that after the election all Board members would put their constituents at the forefront and always do what is best for the District, not one person's political agenda and use of common sense. The election is over. We need to put 100% of our efforts towards working as a team and always improve our District. If this election taught us anything, it's that the voters are smart and always get it right. They can see through innuendo, slander, and petty politics. I urge my other fellow Board members to see through that and not follow Ms. Mac Laren blindly and do the right thing for the Palmdale Water District and our ratepayers. Please consider the District's standings in regard to our bond rating. These personal attacks may actually hurt our ratepayers. Look no further than the hospital board that is undergoing financial challenges due to political infighting. One of the areas in the bond rating is the harmony among Board members, and this will not be achieved through infighting and other fellow Board member's censureships. Therefore, let us respect and honor the sheriff's department investigation. Anything less than that would be an obstruction of justice. It is un-American to try to convince people that I'm guilty before an investigation has been concluded and that is evident at tonight's agenda item. I've spent more than 27 years building relationships in this town. You have heard from some of them; fourteen of those years doing some sort of community service including coaching, sitting on my church council, and veteran housing. I'm proud and honored to call Palmdale my home. Speaking on action items, I would like to see the Board vote on electing a new President which is in our standard procedure. There is no such thing as President Emeritus. I would like to thank you for your time and God bless you. Thank you very much, and I will see you at the next meeting."

There was no action taken on this item.

President Mac Laren then stated that Agenda Item No. 7.1 will now be considered.

7.1) Consideration and Possible Action on Request for Reconsideration Received From Charlene Coney of October 15, 2015 $50.00 Water Waste Fine Appeal Determination. (General Manager LaMoreaux)

Ms. Charlene Coney, Palmdale resident, reviewed the events that led to her water waste fine, her efforts to reduce her water use, and request to waive the $50.00 fine, and after a brief discussion of the procedure for processing water waste fines, state

requirements, and Ms. Coney's 56% reduction in water use, President Mac Laren closed the hearing on this request for an appeal, and 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 request for reconsideration received from Charlene Coney of October 15, 2015 $50.00 water waste fine appeal determination waiving the $50.00 fine and removing the fine from her water service account.

7.3) Discussion of Censure of Director Estes. (President Mac Laren)

General Counsel Dunn provided a brief overview of the District's process for censure of Directors under Resolution No. 14-18, which allows for a complaint of an alleged violation along with a public hearing on the matter, and stated that Agenda Item No. 7.3 is for discussion only as no formal written complaint has been submitted.

Director Dizmang then stated that discussions this evening have included bullying and the issue under investigation by the District Attorney; that she would like to see evidence of bullying presented to substantiate any charges; and that this can be a victim submitting a written statement.

Director Alvarado then stated that he and Director Dino met on October 29 as the Ad Hoc Fin & Feather Club Committee to, among other items, discuss the Fin & Feather Club's concern that they had been informed that the District was not happy with the Club and was considering not renewing their lease; and that he and Director Dino were unaware of this rumor and informed the Fin & Feather Club that they knew of no reason the lease should not be renewed, the District is happy with the Fin & Feather Club and its efforts to maintain the facility, and the District is committed to continuing the relationship after which Mr. Ed Hall, of the Fin & Feather Club, stated they are happy with the cooperation with the District and look forward to continuing a good relationship with the District.

President Mac Laren then stated that this rumor will be further investigated to determine if Director Estes is abusing his authority by threatening Fin & Feather Club members, and the outcome of the District Attorney's investigation will be awaited.

Director Alvarado then requested General Counsel Dunn ensure that every Board member receives their due process; that Directors follow policy; and that the process is fair and transparent for everyone.

There was no action taken on this item.

7.4) Consideration and Possible Action on Selection of Consultant for Preparation of 2015 Urban Water Management Plan. ($40,000.00 – Budgeted – Water & Energy Resources Director Pernula/Water Supply & Reliability Committee)

Water & Energy Resources Director Pernula provided an overview of the need for a 2015 Urban Water Management Plan and the proposals received for this work, and after a brief discussion of the budget and the Water Supply & Reliability Committee's recommendation, it was moved by Director Alvarado, seconded by Director Dino, and unanimously carried by all members of the Board of Directors present at the meeting to approve entering into a Professional Services Agreement with Kennedy/Jenks Consultants as the selected consultant for development and completion of the District's 2015 Urban Water Management Plan subject to General Counsel's approval of said Agreement.

7.5) Consideration and Possible Action on Cancelling December 23, 2015 Board Meeting Due to Office Closure. (General Manager LaMoreaux)

After a brief discussion of the District's holiday schedule and office closure, it was moved by Director Dino, seconded by Director Estes, and carried on a 4 – 0 – 1 vote, with Director Dizmang abstaining, to cancel the December 23, 2015 Board meeting due to the office closure.

7.6) 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) None at This Time.

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

8) Information Items.

8.1) Reports of Directors:

a) Meetings/General Report.

Director Estes stated that he has no report.

Director Alvarado stated that as reported earlier, on October 29, he and Director Dino met as the Ad Hoc Fin & Feather Club Committee with Board members of the Fin & Feather Club where the Club members stated that operations are all fine, they have kept up with maintenance, repaired buildings and grounds according to the lease, and requested several items be addressed being: the District's backhoe assistance needed to replace a rusty pipe from the gate to the trap range with new pipe they have purchased; a continuous light is on at the electrical panel at the District's lookout building; they are working to ensure the lease can be renewed, which expires in 2016, and would like to review the issue of paying 5% of all cash register income, memberships, and any items left behind to the District during lease negotiations; and it is a good time to remove reeds and trees as the Lake level is low. The Club members also informed the Committee that they repaired a roof leak at the District's lookout building, rewired the facility in 2013, have 1,776 members with a cap of 2,000, and the lease payment is $30,000 to $35,000 per year without the water bill, which is about $6,000 per year.

He then reported that also on October 29, he attended the African American Chamber of Commerce Halloween mixer at the District's office, it was a good time, and this an example of the collaboration the District has with area Chambers of Commerce and other various entities following Strategic Initiative No. 4, Regional Leadership; that on October 30, he attended a scholarship fundraiser at the Palmdale Women's Club with the Hispanic Chamber of Commerce; that on November 5, he attended a Board briefing with General Manager LaMoreaux; and that on November 7, he attended the Landscape Expo at the Antelope Valley Fairgrounds hosted as part of the Antelope Valley State Water Contractors Association for which he and President Mac Laren are Commissioners, and they provided information on water conservation programs and services.

President Mac Laren reported that on October 29, she also attended the African American Chamber of Commerce Halloween mixer at the District's office and a good time was had by all; that on October 30, she also attended the Hispanic Chamber of Commerce Halloween event, which was for a good cause to raise funds for scholarships; and that she attended several Board briefings with General Manager LaMoreaux regarding several items.

Director Dizmang reported that on October 28, she attended a welcome event with the City of Palmdale's new City Manager; that also on October 28, she attended a spaghetti dinner at the Palmdale Women's Club; that on October 29, she also attended the African American Chamber of Commerce Halloween mixer at the District's office, the music was good, and a good time was had by all; that on October 30, she also attended the Hispanic Chamber of Commerce Halloween event; and that on November 4, she

attended the Finance Committee meeting with Director Dino where they reviewed the preliminary 2016 Budget, which will be discussed later in the meeting under Agenda Item No. 15.

Director Dino reported that on October 19, he attended the Ad Hoc Fin & Feather Club Committee meeting with Director Alvarado, and they need the District's services with the installation of 1,500' of pipeline because of underground service alerts; that on October 29, he also attended the African American Chamber of Commerce Halloween mixer at the District's office, and it was great with great music; that on November 4, he attended the Finance Committee meeting with Director Dizmang; that on November 5, he attended a Board briefing with General Manager LaMoreaux; and that also on November 5, he was scheduled to attend a Facilities Committee meeting, but it was cancelled.

There were no further reports from Directors.

b) Standing Committee/Assignment Reports (Chair):

1) Finance Committee

President Mac Laren stated that a report on the Finance Committee meeting was provided earlier in the meeting.

8.2) Report of General Manager.

a) Written Report on Cash Flow Statement and Current Cash Balances as of September, 2015. (Financial Advisor Egan/Finance Committee)

b) Written Report on Financial Statements, Revenue, and Expense and Departmental Budget Reports for September 30, 2015. (Finance Manager Williams/Finance Committee)

c) Written Report on Committed Contracts Issued and Water Revenue Bond Projects. (Assistant General Manager Knudson/Finance Committee)

General Manager LaMoreaux reported that typically financial reports are presented at the first regular Board meeting but that due to budget discussions later in the meeting, financial reports for September, 2015 have been provided in the agenda packets and can be reviewed individually if desired.

He then reported that at the recent A.W.W.A. Fall Conference, Water & Energy Resources Director Pernula was honored by fellow Districts and colleagues for twenty years of service to various competitions within A.W.W.A. in the California-Nevada Section.

8.3) Report of General Counsel.

a) Report on SB 415. (Director Alvarado)

General Counsel Dunn stated that at the request of Director Alvarado, he prepared a written report regarding SB 415 implications for the District's odd-year election cycle, provided an overview of this memo, and stated that SB 415 will not take effect until 2018 and recommends waiting for further clarification from the Attorney General to determine whether or not the District will be impacted by this legislation.

9) Public Comments on Closed Session Agenda Matters.

There were no public comments on closed session agenda matters.

10) Break Prior to Closed Session.

At 6:56 p.m., President Mac Laren called for an eleven-minute recess. She reconvened the regular meeting at 7:07 p.m.

11) Closed Session Under:

11.1) 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.***

11.2) Conference with Legal Counsel – Potential Litigation: A Closed Session Will be Held, Pursuant to Government Code §54956.9 (d)(4), to Confer With District Counsel Regarding to Determine Whether to Initiate Litigation, One Case.

At 7:07 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, the title of such litigation being the *Antelope Valley Ground Water Cases* and pursuant to Government Code §54956.9 (d)(4), to

confer with District Counsel regarding to determine whether to initiate litigation, one case.

She reconvened the regular meeting at 7:26 p.m.

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

General Manager LaMoreaux stated that a closed session was 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 being the *Antelope Valley Ground Water Cases*; that General Manager LaMoreaux reviewed a written update provided by Special Litigation Counsel on the status of this matter; but that no reportable action was taken in closed session on this matter.

General Counsel Dunn then stated that a closed session was also held pursuant to Government Code §54956.9 (d)(4), to confer with District Counsel regarding to determine whether to initiate litigation, one case; that General Counsel provided a status update on this matter and direction was provided to General Counsel; but that no reportable action was taken in closed session on this matter.

13) Board Members' Requests for Future Agenda Items.

Director Alvarado requested that a Certification of Appreciation or Proclamation be presented to Mr. Dan Flory, outgoing General Manager for the Antelope Valley East Kern Water Agency, at the District's next regular Board meeting.

He then requested that staff compare voter turnout from previous District elections with voter turnout at previous statewide elections and report back to the Board.

There were no further requests for future agenda items.

14) Break Prior to Budget Workshop.

At 7:28 p.m., President Mac Laren called for a thirty-five-minute recess. She reconvened the regular meeting at 8:03 p.m.

15) Consideration and Possible Action on 2016 Budget. (General Manager LaMoreaux/Finance Committee)

PIO/Conservation Director McNutt gave a brief overview of the Board and staff's roles for the District, the approved Proposition 218 Water Rate Plan, which calls for a 5.5% rate adjustment to ensure the stability of the District and to ensure financial responsibility, protecting the District's image and bond rating, previous budget cuts, continued reductions in reserves, staff's continued efforts to reduce operating expenses comparable to 2009 levels, reduced water sales due to the drought resulting in reduced revenue, COLA, merit, and step increases included in the budget, and a comparison of the District's water rates to other agencies.

Finance Manager Williams then provided an overview of meeting the Debt Service Coverage, the dollar amount of projects that can be completed in 2016 with a 5.5% rate adjustment, additional cuts needed to the budget with a 5.5% and lower rate adjustment in order to maintain reserves, the state's willingness to lend the District $70 million for water resource and recharge projects and the need to show the District is capable of repaying this loan, and the need to focus the budget on a long-term basis to ensure financial stability rather than just from year to year.

Financial Advisor Egan then stated that reserves have dropped nearly $3 million since 2014 with a year-end projection for 2016 at $9 million; that $3.5 million has been invested in infrastructure projects; that reserves cannot drop below the 2016 level; and that fixed costs must continue to be met not just next year but for long-term financial responsibility and management planning.

PIO/Conservation Director McNutt then stressed staff's recommendation to approve the 2016 Budget with a 5.5% rate adjustment as outlined and as set forth in the Bartles Wells Proposition 218 Water Rate Study which will allow the District to support current and future growth and planning needs, will ensure sound fiscal management for today and for long-term projects and financing options for these projects, will reinvest into the infrastructure, will ensure the District's bond coverage is satisfied, will allow reserve levels to maintain at the recommended minimum, and will allow District staff to continue to function at a high level by providing adequate tools and safety equipment to both protect and increase efficiency.

Several budget line items, additional employee contributions to CalPERS, the planned five-year Water Rate Plan approved through the Proposition 218 process, the need to show financial stability to fund long-term water projects needed for growth, staff's recommendation of a 5.5% rate adjustment, meeting the Debt Service Coverage and bond obligations, maintaining reserves, staff's budget reductions, staffing consequences if less than a 5.5% rate adjustment is approved, the recent Cultural

Survey, false information circulating in the community regarding the District's water rates, and reductions in operating revenues were then discussed after which it was moved by Director Dizmang and seconded by Director Dino to approve the 2016 Budget with a 5.5% rate adjustment. The motion failed on a 2 – 3 vote with Directors Alvarado and Estes and President Mac Laren opposed.

It was then moved by Director Estes, seconded by Director Alvarado, and unanimously carried by all members of the Board of Directors present at the meeting to schedule a special Board meeting to consider the budget prior to the end of November.

Director-Elect Henriquez then addressed the Board and stated that he is looking forward to working with all Board members and all employees.

14) Adjournment.

There being no further business to come before the Board, the meeting was adjourned at 9:45 p.m.

Secretary