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

A regular meeting of the Board of Directors of the Palmdale Water District was held Wednesday, December 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 7:00 p.m.

1) Pledge of Allegiance.

At the request of President Mac Laren, Director Dino led the pledge of allegiance followed by a moment of silence for those in the San Bernardino tragedy.

President Mac Laren then acknowledged the attendance of Keith Dyas, President for the Antelope Valley East Kern Water Agency (AVEK), John Cariel, Board member for Westside School District, Vladimer Gomez, Board member for Wilsona School District, Jim Root, former Palmdale City Councilmember, Patricia Shaw, Board member for Westside School District, Danny Bazzell, Field Rep. for Senator Sharon Runner, Joe Beach, President for the Palmdale Fin & Feather Club, Kimball DeLeon, DCHD Vice President, and Helen Velador, Director for the Palmdale Recycled Water Authority.

2) Administering of Oath of Office to Elected Directors Followed by Five-Minute Recess. (General Counsel Dunn)

General Counsel Dunn administered the Oath of Office to Director-Elects Kathy Mac Laren, Robert Alvarado, and Marco Henriquez and congratulated each of them on their position as a Director for the Palmdale Water District.

At 7:08 p.m., President Mac Laren called for a fifteen-minute recess. She reconvened the Regular Board meeting at 7:23 p.m.

3) Roll Call.

Attendance:
Kathy Mac Laren, President
Robert Alvarado, Vice President
Joe Estes, Secretary
Vincent Dino, Director
Marco Henriquez, Director

Others Present:
Dennis LaMoreaux, General Manager
Matt Knudson, Assistant General Manager
Eric Dunn, General Counsel
Tom Bunn, Special Litigation Counsel
Mike Williams, Finance Manager
Jennifer Emery, Human Resources Director
Jim Riley, Engineering/Grant Manager
Tim Moore, Facilities Manager
Mynor Masaya, Operations Manager
Dawn Deans, Executive Assistant
50 members of the public

4) Adoption of Agenda.

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 adopt the agenda, as written.

5) Public Comments for Non-Agenda Items.

There were no public comments.

6) Presentations:

6.1) None at This Time.

There were no presentations.

7) 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.)

7.1) Approval of Minutes of Regular Meeting Held November 25, 2015.

7.2) Payment of Bills for December 9, 2015.

7.3) Approve Absence of Director Dizmang From November 25, 2015 Meeting Due to Illness. (General Counsel Dunn)

7.4) Approval of Resolution No. 15-15 Amending Appendix C to the Rules and Regulations of the Palmdale Water District and Adopting a 4.0% Rate Adjustment for Calendar Year 2016. (Finance Manager Williams)

President Mac Laren announced the items included in the Consent Calendar 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 approve those items included in the Consent Calendar.

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

8) 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.)

8.1) Consideration and Possible Action on Resolution No. 15-16 Honoring and Congratulating Randy Hardenbrook on his Retirement. (General Manager LaMoreaux)

General Manager LaMoreaux stated that Randy Hardenbrook, the District's Equipment Mechanic Supervisor, has retired after which Facilities Manager Moore commended Mr. Hardenbrook on his many accomplishments and contributions to the District during his twelve years of service.

Mr. Hardenbrook then thanked Facilities Manager Moore and General Manager LaMoreaux for the opportunity for his time at the District and stated that it has been a great experience, a tremendous education, and quite the journey.

The Board then congratulated Mr. Hardenbrook on his retirement and stated that they appreciate his service, his efforts to make every penny count, and his contributions to the Facilities Committee after which it was moved by Director Estes, seconded by Director Henriquez, and unanimously carried by all members of the Board of Directors present at the meeting to approve Resolution No. 15-16 Honoring and Congratulating Randy Hardenbrook on his retirement.

A copy of said Resolution No. 15-16 is hereby made a portion of the minutes of this meeting.

8.2) Consideration and Possible Action on Certificate of Appreciation to Mr. Dan Flory, AVEK General Manager. (Director Alvarado)

Director Alvarado and the Board members congratulated Mr. Flory, AVEK General Manager, on his upcoming retirement and thanked him for his years of service and contributions to AVEK after which it was moved by Director Alvarado, seconded by Director Henriquez, and unanimously carried by all members of the Board of Directors present at the meeting to approve the Certificate of Appreciation to Mr. Dan Flory, AVEK General Manager, and for Director Dino, the District's AVEK liaison, to present the Certificate of Appreciation to Mr. Flory at AVEK's December 21, 2015 Board meeting.

Director Alvarado then stated that a Certificate of Appreciation for Mr. Flory will also be considered by the Commissioners of the Antelope Valley State Water Contractors Association at their next meeting.

8.3) Status Report on Cash Flow Statement and Current Cash Balances as of October 31, 2015. (Financial Advisor Egan)

Finance Manager Williams congratulated President Mac Laren and Director Alvarado on their second term as Directors for the District and congratulated Director Henriquez on his election and then reviewed the investment funds and cash flow reports as of October 31, 2015, which indicate a slight increase in funds, potential and committed amounts for 2016 projects, and projected year-end cash, which is $646,370 less than the budgeted amount of $11,500,000, and stated that a 2015 year-end report will be provided in Febuary.

8.4) Status Report on Financial Statements, Revenue, and Expense and Departmental Budget Reports for October 31, 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 October 31, 2015 and then stated that most departments are operating at or below the targeted expenditure percentage of 83%; that a 2015 year-end report will be presented in February; and that the audit is anticipated to be completed shortly thereafter followed by discussion of depreciation.

8.5) Status Report on Committed Contracts Issued. (Assistant General Manager Knudson)

Assistant General Manager Knudson reviewed the status of the approved 2015 engineering projects included in the Committed Contracts and Payout Schedule, including those projects contractually committed, budgeted projects but not yet committed with these projects listed in order of priority, and payments for projects funded from the Water Revenue Series 2013A Bonds followed by discussion of funds for repairing infrastructure, some projects to be carried over to 2016, funds committed over the Water Revenue Series 2013A Bond amount, refinancing bonds, and potential projects based on 2016 Budget funds available.

8.6) Consideration and Possible Action on Resolution No. 15-17 Establishing the Palmdale Water District's Investment Policy. (Financial Advisor Egan)

After a brief discussion of the purpose of establishing an Investment Policy and a review of Resolution No. 15-17, 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 approve Resolution No. 15-17 Establishing the Palmdale Water District's Investment Policy.

A copy of said Resolution No. 15-17 is hereby made a portion of the minutes of this meeting.

8.7) Consideration and Possible Action on Authorizing Required Resolutions for Submitting an Application to State Water Resources Control Board for Planning, Environmental and Design Work for the Littlerock Sediment Removal Project. (Engineering/Grant Manager Riley)

Engineering/Grant Manager Riley provided an overview of Resolution No.'s 15-18 and 15-19 required for the purpose of obtaining low interest loans for planning, environmental and design work for the Littlerock Sediment Removal Project, and after a brief discussion of this funding opportunity, of Forest Service delays, loan terms, and of General Counsel Dunn's revisions to Resolution No. 15-19, it was moved by Director Dino, seconded by Director Estes, and unanimously carried by all members of the Board of Directors present at the meeting to approve Resolution No. 15-18, an Authorizing Resolution, and Resolution No. 15-19, a Pledged Revenues and Funds Resolution, for submitting a low interest loan application to the State Water Resources Control Board for planning, environmental and design work for the Littlerock Sediment Removal Project.

General Manager LaMoreaux then stated that staff is scheduled to brief Congressman Knight's office on the status of this Project.

Copies of Resolution No. 15-18 and Resolution No. 15-19 are hereby made a portion of the minutes of this meeting.

8.8) Consideration and Possible Action on Continuation of Internship Program Pending 2016 Budget Discussions. (Human Resources Director Emery)

After a brief discussion of staff's recommendation to continue the District's Internship Program until January 31, 2016 to allow an opportunity to discuss the spring semester's program at a Budget Workshop, it was moved by Director Alvarado and seconded by Director Dino to authorize the continuation of the Internship Program through January 31, 2016 pending 2016 budget discussions.

Debbie Dino, Palmdale resident, stated that the Internship Program is one of the most important programs for reaching into the community; that she would have a hard time if it was taken away as there are not many opportunities for youth in the Antelope Valley; and that she hopes the Board takes this into consideration when they consider the 2016 Budget after which the motion was unanimously carried by all members of the Board of Directors present at the meeting.

8.9) Discussion and Possible Action on Streamlining Standing and Ad Hoc Board Committees and Board Appointments. (Director Alvarado)

Director Alvarado stated that the Board will be faced with budget cuts; that staff has made cuts; and that the Board could consider streamlining its Standing Committees as a way to reduce the budget followed by discussion of eliminating the Outreach Committee and having PIO/Conservation Director McNutt provide a report to the full Board once a month, the Board's budget comprising less than 1% of the District's budget, how often Board Committees meet, the Board providing direction to Committees, and combining Committees, and staff was directed to provide the Board a streamlined list of Committees without affecting the Director's budget and present this information at the Budget Workshop for further discussion and definition.

There was no action taken on this item.

8.10) 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.

9) Information Items.

9.1) Reports of Directors:

a) Meetings/General Report.

Director Estes stated that he has no report.

President Mac Laren then reminded Director Estes about his attendance at the recent ACWA Conference and the requirement to report this attendance in order to receive payment after which General Counsel Dunn clarified Director reporting on conference attendance.

Director Estes then stated that he attended the ACWA Conference.

Director Alvarado reported that on December 2, he chaired the Air Force Environmental Restoration Advisory Board (ERAB) meeting, they discussed clean-up efforts for the nitrate plume, extraction wells, letters of support for emergency funding, and it was a lively meeting; that on December 4, he attended the meet and greet at the LDS Church with other local elected officials in Lancaster, and this was a very nice event; that on December 5, he participated in the Lancaster Christmas parade; and that on December 7, he attended a Board briefing with General Manager LaMoreaux.

Director Dino reported that on November 30 through December 4, he attended the ACWA/JPIA Conference, it was very informative, he brought literature back for those Directors not able to attend, and this Conference gets better every year; that on December 7, he attended a Board briefing with General Manager LaMoreaux; and that on December 8, he attended the AVEK Board meeting.

Director Henriquez reported that on November 24, he attended a facilities tour with General Manager LaMoreaux, Assistant General Manager Knudson, and Director Estes, and it was a great tour and that on December 7, he attended a Board briefing with General Manager LaMoreaux.

President Mac Laren reported that on November 30 through December 4, she also attended the ACWA/JPIA Conference where she attended training sessions on ergonomics, benefits, pensions, and key factors important to the District, and the District's commercial will be entered into a contest as ACWA representatives were unable to play the commercial at the Conference and that she had several telephone briefings with General Manager LaMoreaux.

There were no further reports from Directors.

b) Standing Committee/Assignment Reports (Chair):

1) None at This Time.

President Mac Laren stated that there are no further Standing Committee/Assignment Reports.

9.2) Report of General Manager.

a) November, 2015 Written Report.

General Manager LaMoreaux reported that distributed this evening is a status report on all projects associated with the Strategic Plan if there are any questions; that the District has a team for the January 23, 2015 5K Color Run at Marie Kerr Park if any Directors are interested in participating; and that the District is collecting Toys for Tots in honor of Frank Collett through next Wednesday.

9.3) Report of General Counsel.

General Counsel Dunn stated that he has no report.

10) Public Comments on Closed Session Agenda Matters.

There were no public comments on closed session agenda matters.

11) Break Prior to Closed Session.

At 9:18 p.m., President Mac Laren called for a ten-minute recess. She reconvened the regular meeting at 9:28 p.m.

12) Closed Session Under:

12.1) 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.***

12.2) 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 9:28 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 with 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 11:16 p.m.

13) 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 with the title of such litigation being the *Antelope Valley Ground Water Cases;* that a status report on this matter was provided by Special Litigation Counsel; and that no reportable action was taken in closed session on this matter.

General Counsel Dunn stated that a closed session was held pursuant to Government Code §54956.9 (d)(4) to confer with District General Counsel regarding to determine whether to initiate litigation, one case; that District General Counsel provided a status update on this matter; and that the Board voted unanimously in closed session to authorize District General Counsel to file a complaint against the Lagerlof firm, the former District Counsel.

14) Board Members' Requests for Future Agenda Items.

President Mac Laren requested a letter be sent to Supervisor Antonovich updating the June, 2015 letter regarding reallocation of recycled water to ensure grant funding can be applied for.

It was stated that staff will present the Board with a streamlined list of Committees without affecting the Director's budget at the Budget Workshop for further discussion and definition.

Director Henriquez stated that recognizing a retiring employee was a nice gesture and recommended employees be recognized on a regular basis such as with an employee of the month program and Board recognition after which General Manager LaMoreaux reviewed the District's P.A.C.E. Program.

There were no further requests for future agenda items.

14) Adjournment.

There being no further business to come before the board, the meeting was adjourned at 11:22 p.m.

Secretary

PALMDALE WATER DISTRICT
RESOLUTION NO. 15-15

A RESOLUTION OF THE BOARD OF DIRECTORS OF PALMDALE WATER DISTRICT AMENDING APPENDIX C TO THE RULES AND REGULATIONS OF THE PALMDALE WATER DISTRICT AND ADOPTING A 4.0% RATE ADJUSTMENT FOR CALENDAR YEAR 2015

WHEREAS, the District's current water rates for Calendar Years 2015 – 2019 are set forth as Appendix C of the Rules and Regulations of the Palmdale Water District;

WHEREAS, in 2014 District staff undertook a review of the District's financial position and determined the current water rate revenues are not sufficient to offset the cost of providing the water service, including, among other things, increased operation and maintenance expenses, increased costs for necessary infrastructure repairs and enhancements, increased water quality regulations, and increased water supply costs;

WHEREAS, on April 17, 2014, the District retained Bartle & Wells, an independent water rate consultant, pursuant to an open bid process to perform a financial study of the District's existing water rates and rate structure and the District's existing and future reasonably estimated costs of providing water service;

WHEREAS, on July 16, 2014 and July 23, 2014, Bartle & Wells made presentations to the Board of Directors that concluded the current rates and rate structure will not be sufficient to cover the reasonably estimated costs of providing the District's water service over the next five fiscal years and proposed a revised rate structure and annual rate increases options depending on the level of maintenance and improvements expected to take place in the next five years, including 5%, 5.5% and 6% annual rate increases;

WHEREAS, the District's charges and fees for water service are subject to the requirements of Proposition 218 (Cal. Const. Art. XIIID, Section 6), including notice, hearing, and protest requirements applicable to increases of water rates;

WHEREAS, on July 23, 2014, pursuant to Proposition 218, the Board approved and directed staff to provide notice of the proposed rate structure changes and 5.5% annual rate increases;

WHEREAS, on September 17, 2014, the District held a public hearing at which District staff presented a total of 340 valid protests to the Board, resulting in less than a majority protest pursuant to Article XIII D, Section 6 of the California Constitution;

WHEREAS, although the lack of a majority protest authorizes the Board to adopt the Proposed Rates up to 5.5% for the next five fiscal years, the Board is not required to implement all of the annual rate increases;

WHEREAS, each year through its budget process, the Board reviews the estimated costs of providing the District's service in the ensuing year and determines at that time the amount of the increase it will implement for the ensuing year;

WHEREAS, if the Board determines not to implement the full 5.5% rate increase, it must adopt an amended Appendix C of the Rules and Regulations of the Palmdale Water District;

WHEREAS, on November 25, 2015, the Board approved a 4.0% rate increase for calendar year 2016;

WHEREAS, the adoption of this resolution is exempt from the requirements of the California Environmental Quality Act ("CEQA") pursuant to Public Resources Code Section 21080(b)(8) and Section 15273 of the State CEQA Guidelines codified at 14 CCR §15273 because the resolution pertains to the adoption of charges necessary to maintain services within the District's existing service area.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED that the Board of Directors of the Palmdale Water District does hereby resolve as follows:

1. The foregoing recitals are hereby found to be true and correct and incorporated herein by this reference.

2. The Board has determined to implement a 4.0% annual rate increase for Calendar Year 2016 instead of the full 5.5% annual rate increase authorized by the Proposition 218 rate setting process.

3. The current Appendix C shall be replaced by the attached Appendix C, attached hereto, which includes a 4.0% rate increase in Calendar Year 2016 and a 5.5% rate increase in Calendar Years 2017 – 2019.

4. The General Manager is authorized and directed to give due notice of exemption of this resolution from the provisions of CEQA, pursuant to Title 14 California Code of Regulations section 15062.

7. Effective Date. All sections of this Resolution shall be in full force and effect as of January 1, 2016.

PASSED AND ADOPTED on this 9th day of December, 2015 by the Board of Directors, the governing body of the Palmdale Water District.

PALMDALE WATER DISTRICT

KATHY MAC LAREN, President

ATTEST

JOE ESTES, Secretary

APPROVED AS TO FORM:

By: _____
Aleshire & Wynder, General Counsel

Palmdale Water District Proposed Rate Structure

Water Quality Fee ($/ccf): 5-yr moving average of (GAC costs) / (billed water usage [hcf])

User Classification	Water Budget Allocation - Essential Usage
Single Family Residential "SFR"	Indoor Allocation
Multi Family Residential "MFR"	3-yr average of minimum monthly usage
Commercial-Industrial "CI"	3-yr average of minimum monthly usage
Irrigation Only "IRR"	Essential Outdoor Allocation
Other "OTHER"	3-yr average of minimum monthly usage

User Classification	Water Budget Allocation - Efficient Usage
Single Family Residential "SFR"	Indoor Allocation + Efficient Outdoor Allocation
Multi Family Residential "MFR"	3-yr moving average by month
Commercial-Industrial "CI"	3-yr moving 3 month average
Irrigation Only "IRR"	Efficient Outdoor allocation
Other "OTHER"	3-yr moving average by month

Service Charge

Meter Size	Monthly Service Charge
1" and Below	$31.27
1-1/2"	$93.80
2"	$143.85
3"	$260.62
4"	$427.44
6"	$844.50
8"	$1,344.96
10"	$1,928.84

Commodity Rates ($/ccf*)

Tiers	CY 2014
Tier 1	$0.73
Tier 2	$0.84
Tier 3	$2.37
Tier 4	$3.57
Tier 5	$4.61
Tier 6	$5.93

Elevation Booster Surcharge ($/ccf*)

Area	CY 2014
B	-
A1	5-Year Moving Average of Actual Pumping Costs
A2	5-Year Moving Average of Actual Pumping Costs
A3	5-Year Moving Average of Actual Pumping Costs

**Water use is metered in units of ccf (hundred cubic feet)*

All Classes

Tier	Water Budget Allocation
Tier 1	0 - 100% Essential Usage
Tier 2	100% Essential Usage - 100% Efficient Usage
Tier 3	101-130% Efficient Usage
Tier 4	131-160% Efficient Usage
Tier 5	161-190% Efficient Usage
Tier 6	Above 191% Efficient Usage

APPENDIX C

Meter Charges	% Increase	2.50%	4.00%	5.50%	5.50%	5.50%
Meter Size	**CY 2014**	**CY 2015**	**CY 2016**	**CY 2017**	**CY 2018**	**CY 2019**
1" and Below	$31.27	$32.05	$33.33	$35.17	$37.10	$39.14
1.5"	$93.80	$96.15	$100.00	$105.50	$111.30	$117.42
2"	$143.85	$147.45	$153.35	$161.78	$170.68	$180.07
3"	$260.62	$267.14	$277.83	$293.11	$309.23	$326.23
4"	$427.44	$438.13	$455.66	$480.72	$507.16	$535.05
6"	$844.50	$865.61	$900.23	$949.75	$1,001.98	$1,057.09
8"	$1,344.96	$1,378.58	$1,433.72	$1,512.58	$1,595.77	$1,683.54
10"	$1,928.84	$1,977.06	$2,056.14	$2,169.23	$2,288.54	$2,414.41

Commodity Rates	% Increase	2.50%	4.00%	5.50%	5.50%	5.50%
	CY 2014	**CY 2015**	**CY 2016**	**CY 2017**	**CY 2018**	**CY 2019**
Tier 1	$0.73	$0.75	$0.78	$0.82	$0.87	$0.92
Tier 2	$0.84	$0.86	$0.89	$0.94	$1.00	$1.05
Tier 3	$2.37	$2.43	$2.53	$2.67	$2.81	$2.97
Tier 4	$3.57	$3.66	$3.81	$4.02	$4.24	$4.47
Tier 5	$4.61	$4.73	$4.92	$5.19	$5.48	$5.78
Tier 6	$5.93	$6.08	$6.32	$6.67	$7.04	$7.42

Drought Surcharge Per CCF

Stage No.	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019
1	**N/A**	$0.45	$0.47	$0.49	$0.51	$0.53
2	**N/A**	$0.77	$0.80	$0.83	$0.87	$0.90
3	**N/A**	$1.19	$1.24	$1.29	$1.34	$1.39

Resolution No. 15-16
Honoring and Congratulating
Randy Hardenbrook

WHEREAS, the Palmdale Water District was formed in 1918 under the provisions of Division 11 of the Water Code of the State of California and has been providing high quality water to the residents of Palmdale for 97 years;

WHEREAS, the Palmdale Water District's Mission Statement is to: provide high quality water to our current and future customers at a reasonable cost.

WHEREAS, the Palmdale Water District has been fortunate to have dedicated staff committed to this Mission Statement;

WHEREAS, Randy Hardenbrook, PWD Equipment Mechanic Supervisor, is embarking on a new adventure in life and is retiring from the Palmdale Water District;

WHEREAS, the members of the Palmdale Water District Board of Directors recognize his many years of valuable service and wish to extend the Board's utmost appreciation for his work and dedication during twelve years of service to the Palmdale Water District;

NOW, THEREFORE, BE IT RESOLVED that the Board of the Directors of the Palmdale Water District does hereby honor and congratulate Randy Hardenbrook for his twelve years of service to the Palmdale Water District and sincerely wish him well in all future endeavors.

PASSED AND ADOPTED by the Board of Directors of the Palmdale Water District at a regular Board meeting held December 9, 2015.

KATHY MAC LAREN, President,
Board of Directors

ROBERT ALVARADO, Vice President,
Board of Directors

JOE ESTES, Secretary,
Board of Directors

VINCENT DINO, Director
Board of Directors

MARCO HENRIQUEZ, Director,
Board of Directors

RESOLUTION NO. 15-17

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 Financial Industry Regulatory Authority (FINRA) 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 35% 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(j)(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 9, 2015. Resolution No. 15-17 was adopted by the following vote:

AYES: President Mac Laren, Director Alvarado, Director Estes, Director Dino, Director Henriquez

NOES: None

ABSTAIN: None

President, Board of Directors
Palmdale Water District

ATTEST:

Secretary of the Board of Directors

APPROVED AS TO FORM:

Aleshire & Wynder, General Counsel

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

I, Joe Estes, Secretary of the Palmdale Water District, DO HEREBY CERTIFY that the foregoing is a full, true and correct copy of Resolution No. 15-17 of the Board of Directors of Palmdale Water District adopted at a Regular Meeting held on December 9, 2015 and that the same has not been amended or repealed.

Secretary, Board of Directors
Palmdale Water District

DATED: December 9, 2015

(SEAL)

UBS

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December 2, 2015

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 – Wealth Management

James M. Giordano, CFP®, CRPS®
Senior Vice President – Wealth Management

Jessica K. Margetson, CFP®
Financial Advisor

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AUTHORIZING RESOLUTION/ORDINANCE
PALMDALE WATER DISTRICT RESOLUTION NO. 15-18
LITTLEROCK SEDIMENT REMOVAL PROJECT

WHEREAS, Proposition 1, the Water Quality, Supply and Infrastructure Act of 2014 provides funding for water supply reliability projects;

WHEREAS, the State of California provides low interest financing for drinking water projects through the State Revolving Fund (SRF);

WHEREAS, the Palmdale Water District's Strategic Water Resources Plan includes removing sediment from the Littlerock Reservoir to restore the reservoir space used for storage of a portion of the District's municipal water supply;

WHEREAS, the Palmdale Water District has completed an Administrative Draft EIR/EIS and 30% design of the Littlerock Sediment Removal Project;

WHEREAS, the Palmdale Water District needs financial assistance to complete the planning, environmental and design work for the Littlerock Sediment Removal Project.

NOW THEREFORE LET IT BE RESOLVED by the Board of Directors of the Palmdale Water District (the "District"), AS FOLLOWS:

SECTION 1. Funding for the Littlerock Sediment Removal Project meets the objectives of the Strategic Initiative # 1 – Outstanding Water Management;

SECTION 2. The General Manager (the "Authorized Representative") or designee is hereby authorized and directed to sign and file, for and on behalf of the District, a Financial Assistance Application for a financing agreement from the State Water Resources Control Board for the planning, environmental, and design of the Littlerock Sediment Removal Project (the "Project").

SECTION 3. The Authorized Representative, or his/her designee, is designated to provide the assurances, certifications and commitments required for the financial assistance application, including executing a financial assistance agreement from the State Water Resources Control Board and any amendments or changes thereto.

SECTION 4. The Authorized Representative, or his/her designee, is designated to represent the District in carrying out the District's responsibilities under the financing agreement, including certifying disbursement requests on behalf of the District and compliance with applicable state and federal laws.

CERTIFICATION

PASSED, APPROVED and ADOPTED this 9th day of December, 2015.

Kathy MacLaren, President
Board of Directors
Palmdale Water District

Joe Estes, Secretary
Board of Directors
Palmdale Water District

Approved as to form:

Aleshire & Wynder, LLP
District Legal Counsel

PLEDGED REVENUES AND FUND(S) RESOLUTION

PALMDALE WATER DISTRICT RESOLUTION NO. 15-19

LITTLEROCK SEDIMENT REMOVAL PROJECT

WHEREAS, the Palmdale Water District (Formerly known as Palmdale Irrigation District) was formed in 1918 under the provisions of the Water Code of the State of California;

WHEREAS, the Palmdale Water District's primary functions are to acquire, control, conserve, and distribute water for the beneficial use of inhabitants and water users within the District's service area;

WHEREAS, the Palmdale Water District has the Authority to construct, install, finance, and use/manage water from the Littlerock Sediment Removal Project;

WHEREAS, the Palmdale Water District has ownership of Littlerock Dam and Reservoir;

WHEREAS, the Palmdale Water District has the authority to charge fees for the water delivered from Littlerock Reservoir;

WHEREAS, the Palmdale Water District has the authority to enter into contracts with the State Water Resources Control Board for construction and repayment of the Littlerock Sediment Removal Project.

NOW THEREFORE BE IT RESOLVED, the Palmdale Water District (the "District") hereby dedicates and pledges the Water Sales Revenue Stream (excluding amounts necessary for payment of any operation and maintenance expenses associated with the Littlerock Sediment Removal Project (the "Project")) from the General Funds Category to payment of any and all amounts borrowed from the Clean Water State Revolving Fund for financing the Project.

SECTION 1. The District commits to collecting such revenues and maintaining such fund(s) throughout the term of such financing and until the District has satisfied its repayment obligation thereunder unless modification or change is approved in writing by the State Water Resources Control Board. Nothing contained herein shall commit the District to repayment of amounts borrowed from the Clean Water State Revolving Fund for financing the Project from any source except as specifically pledged hereunder. Additionally, nothing contained herein shall commit the District from payment of any amounts owed to the Clean Water State Revolving Fund in excess of amounts available

from the Water Sales Revenue Stream after payment of operation an maintenance expenses.

SECTION 2. So long as the financing agreement(s) are outstanding, the District's pledge hereunder shall constitute a lien in favor of the State Water Resources Control Board on the foregoing fund(s) and revenue(s) without any further action necessary.

SECTION 3. So long as the financing agreement(s) are outstanding, the District commits to maintaining the fund(s) and revenue(s) at levels sufficient to meet its obligations under the financing agreement(s).

CERTIFICATION

PASSED, APPROVED and ADOPTED this 9th day of December, 2015.

Kathy MacLaren, President
Board of Directors
Palmdale Water District

Joe Estes, Secretary
Board of Directors
Palmdale Water District

Approved as to form:

Aleshire & Wynder, LLP
District Legal Counsel