MINUTES OF SPECIAL BUDGET MEETING OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT, NOVEMBER 22, 2016:

A special budget meeting of the Board of Directors of the Palmdale Water District was held Tuesday, November 22, 2016, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. President, Robert Alvarado, called the meeting to order at 4:03 p.m.

1) Pledge of Allegiance/Moment of Silence.

At the request of President Alvarado, Project Manager Thompson Sr. led the pledge of allegiance followed by a moment of silence in honor of our troops and law enforcement.

2) Roll Call.

Attendance:	**Others Present:**
Robert Alvarado, President	Dennis LaMoreaux, General Manager
Vincent Dino, Vice President	Matt Knudson, Assistant General Manager
Marco Henriquez, Treasurer	Mike Williams, Finance Manager
Joe Estes, Secretary	Jennifer Emery, Human Resources Director
Kathy Mac Laren, Director	Mike McNutt, PIO/Conservation Director
	Tim Moore, Facilities Manager
	Jim Stanton, Information Technology Manager
	Mynor Masaya, Operations Manager
	Jon Pernula, Water & Energy Resources Director
	Peter Thompson Sr., Project Manager
	Tara Peuse, Customer Care Supervisor
	Bob Egan, Financial Advisor
	Dawn Deans, Executive Assistant
	1 member of the public

3) Adoption of Agenda.

It was moved by Director Estes, seconded by Director Henriquez, and unanimously carried to adopt the agenda, as written.

4) 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.)

4.1) Consideration and Possible Action on 2017 Budget. (General Manager LaMoreaux)

General Manager LaMoreaux reviewed the 2017 Budget process to date after which Finance Manager Williams stated that the 2017 Budget as presented provides for $1.3 million in new acquisitions of property, plant, and equipment and maintains a year-end reserve level of $10.2 million.

Director Mac Laren then requested clarification on reductions to the 2017 budget in order to be able to reduce water rates and stated that she highly recommends the Directors look at their insurance benefits as proposed by staff in tonight's budget and that Directors' meetings be limited to six meetings, or $900 per month, as the Board has raised rates for the citizens and employees have taken cuts.

General Manager LaMoreaux recommended Finance Manager Williams continue through the budget summary after which Finance Manager Williams continued that staff's recommended budget cuts amount to $575,000, the budget is based on 18,000 acre feet of water sales, includes the approved 4.25% rate increase, and includes additional capital improvement fees.

General Manager LaMoreaux then reviewed conditions for projected increased water sales, revenue projections and the rate restructuring, and how the District is collecting less money now for the same amount of water used in 2014 after which Director Henriquez expressed his concern with the increase in water sales.

Finance Manager Williams then reviewed individual department reductions and additions, General Manager LaMoreaux provided an overview of the history of departmental staffing since 2011 at the request of the Finance Committee, including staffing changes to each of the departments and the reduction of overall staff from 89 to 83 employees, and Assistant General Manager Knudson provided an overview of the list of needed District projects, consulting and engineering needs, new equipment, and water quality fee projects, which amount to approximately $5 million, and the 2017 Budget only allows for $1.3 million in projects plus $600,000 in carry-over projects.

Succession planning, revisiting unfilled positions on a quarterly basis, annual tank maintenance, billing notices, the new billing software, adjudication costs, iPad deployment, and changes to Director benefits were then discussed after which Financial Advisor Egan stated that increases in any area of the budget will result in a decrease of funds available for infrastructure projects.

At the request of Director Mac Laren, General Manager LaMoreaux reviewed the conditions included in Resolution No. 16-17 for reducing water rates yet maintaining the financial health of the District to meet customer needs.

Director Mac Laren then stated that she expects other people to have input into this budget process, Director Henriquez called for a point of order, President Alvarado granted the point of order, and Director Henriquez stated that this conversation is off subject, the conversation is starting to talk about other Directors, and input needs to be heard from the residents and the ratepayers.

Director Mac Laren then clarified that she is asking questions about the budget and inquiring if there was a way to approve a lower rate increase, and there is not.

Staff's recommended list of projects and options for financing, two year budgeting for long term planning, and continuing monthly financial presentations to the full Board were then discussed.

Director Mac Laren then requested Directors be limited to a maximum of six meetings, or $900, per month after which General Manager LaMoreaux stated that the Directors' budget will have further discussion and requested Director comments or recommendations for all other departments.

Director Henriquez then inquired about employee retention activities and requested this item be reviewed for employees and inquired about the elimination of the student internship program after which Human Resources Director Emery stated that staff is very focused on the longevity of the District and does not want to sacrifice infrastructure projects and that the District is participating in the worksource internship program at no cost and a meeting is scheduled with Antelope Valley College regarding their unpaid student intern program for their water classes.

Director Mac Laren then requested it be conveyed to staff that the Board appreciates their sacrifices, and the Directors will also be making sacrifices.

Director Estes inquired about the Cadillac tax after which Human Resources Director Emery reviewed this high tax.

Director Henriquez then requested a review of the increase in Administration salaries after which General Manager LaMoreaux reviewed changes to the organizational structure resulting in this increase.

Director Estes stated that he has no comments or recommendations for the department budgets, with the exception of the Directors' budget.

Director Dino stated that he has no comments or recommendations for the department budgets, with the exception of the Directors' budget, and staff worked hard on their budgets.

President Alvarado stated that the District is $4 million behind on its projects even with an aggressive infrastructure replacement program; that the Board, as policymakers, approved a three-year water rate increase to better assist staff with long-term planning; that the Board, as elected officials, need to do more to keep the District running more efficiently and allow staff to their job by providing the tools needed to do the job effectively; that the tangible operational needs of the District need to be conveyed to the ratepayers; and that he hopes the Board considers all options when it comes to responsibly representing the ratepayers.

Director Mac Laren stated that the Board sets policy; that she trusts General Manager LaMoreaux, staff, and Financial Advisor Egan with the recommendation to adopt a three-year rate plan; and that she trusts that the 2017 budget as presented, including the Directors' budget, is bare bones and the best staff can provide.

General Manager LaMoreaux then reviewed the cost factors and assumptions in the budget notes, including the annual savings of $372,000 to the District from employees contributing to health care and retirement costs, and clarified that the proposed Directors' budget includes a health insurance revision to cover the Director only, with additional coverage paid out of pocket by the Director, and that travel and meetings has been reduced by half.

Director Estes stated that he does not agree with the projected 2016 Directors' budget amount; that savings to the District from eliminating Director family health coverage and reducing the number of meetings to six per month is not huge; that the state allows Directors to be paid for ten meetings per month, and this number should remain so Directors can attend meetings if needed; that the Directors' budget for the last three years has remained at less than 1% of the budget; that there are other areas of the budget that can be looked at; and that he does not feel the projected 2016 Directors' budget amount is a real number after which Finance Manager Williams clarified that this amount is a real number.

Director Henriquez then stated that the Directors budget is 0.79% of the budget; that all Directors can be responsible to try and do more to save the District money; that health insurance costs depend on the type of insurance and this amount, as well as other parts of the budget such as attending conferences, should be capped; that a cap amount for conferences sets an example for employees; that capping it at a certain level for all Directors in every area would be the appropriate way to handle the Directors' budget; and that every Director would then have a certain amount of money they can use for insurance or other expenses.

General Manager LaMoreaux then stated that the Directors' proposed 2017 budget is comprised of Directors' fees, health insurance, and Directors travel, seminars, and meetings and allows each Director $22,000 to allocate among their budget items.

Director Mac Laren then stated that this option shows the Directors' efforts to save costs by approximately $10,000 per Director for 2017 and sets a good example.

Director Henriquez then stated that he is unsure if the numbers add up to cover enough meetings for Directors; that there should be a higher number for Director meetings; that he is concerned with balancing staffing in the budget; and that administration salary budgets for 2009, 2010, and 2011 are much less than proposed in the 2017 budget.

General Manager LaMoreaux then clarified that for 2017, the overall number of staff has been reduced, nearly $600,000 has been cut from the budget, and department costs versus operating costs remain at the same level or below budget amounts for 2007; that comparing salaries needs to be compared to Organizational Charts as Administration salaries increased but other department salaries decreased; and that the 2017 budget converts a position from part time to full time and reduces staff by three full time positions after which Human Resources Director Emery provided a detailed overview of staffing in all departments since 2011.

Director Estes then stated that he has already cut back; that he only has four meetings per month; that he is the only one on the District's health insurance plan; and that he does not agree with the $22,000 amount.

After a further discussion of reducing the Directors' budget, of each Director managing their own allocated $22,000 amount of the 2017 budget, of serving the community, and of unavoidable operational costs, it was moved by Director Mac Laren

and seconded by Director Dino to approve the 2017 Budget, as presented, including a Director budget of $22,000 per Director.

Director Henriquez then clarified that budget items can be reviewed at any time for analysis as he would not like any Director to not attend any meetings or Committee meetings important to the District, and he does not know if the $22,000 will meet the demand or need.

Director Estes then agreed as there are so many Board Committees and stated that Directors are not doing their constituents any service if they are not here or if meetings are not scheduled if needed; that the Board serves two masters and needs to provide for the District but also needs to serve our constituents; and that 1% of the budget will not make that much difference in the overall budget.

President Alvarado then stated that the point is to let the ratepayers know that the Directors are sacrificing as well and are not balancing the budget on their backs or the backs of the employees; that standing Board Committees have been consolidated reducing the need to meet; that the stipend is a minimal financial compensation for service as a Director, but ideally Directors should be serving without compensation; and that the Directors make decisions best for the District and for the ratepayers.

The motion then carried on a 4 – 1 vote by all members of the Board of Directors present at the meeting, with Director Estes opposed.

5) Board Members' Requests for Future Agenda Items.

President Alvarado requested a future agenda item for "Status of work experience program through the Antelope Valley College."

Director Mac Laren then thanked everyone for all their hard work.

There were no requests for future agenda items.

6) Adjournment.

There being no further business to come before the Board, the meeting was adjourned at 6:27 p.m.

Secretary