MINUTES OF WORKSHOP OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT JANUARY 4, 2013:

A Workshop meeting of the Board of Directors of the Palmdale Water District was held Friday, January 4, 2013, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. President, Gordon Dexter, called the meeting to order.

1) **Pledge of Allegiance.**

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

2) **Roll Call.**

Attendance:	**Others Present:**
Gordon Dexter, President	Dennis LaMoreaux, General Manager
Gloria Dizmang, Vice President	Mike Williams, Finance Manager
Kathy Mac Laren, Treasurer	Matt Knudson, Engineering Manager
Robert Alvarado, Secretary	Peter Thompson II, Operations Manager
Steve Cordova, Director	Jim Stanton, Information Technology Manager
	Bob Egan, Financial Advisor
	Dennis Hoffmeyer, Senior Accountant
	Dawn Deans, Executive Assistant
	1 member of the public

3) **Adoption of Agenda.**

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

4) **Public Comments for Non-Agenda Items.**

There were no public comments.

5) **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.)**

5.1) Discussion and Workshop on 2013 Budget. (General Manager LaMoreaux/Department Heads)

General Manager LaMoreaux gave an overview of the three options included in the draft 2013 Budget package and stated that the District is 7.3% behind the rate of

inflation; that a total of $1,636,000 in cuts have been made from the first draft budget; and then reviewed highlights of 2012 accomplishments and 2013 objectives followed by discussion of the budget options, staff's efforts to make budget cuts, the Board's best efforts to make cuts and the Board's comfort level with these cuts, budget cuts over the past three years, DWR refunds or expenses, consistently raising water rates each year to help avoid larger rate increases, reviewing benefits, and conveying an 8% water rate increase as an effective 3% water rate increase.

Financial Advisor Egan then reviewed budget comparisons and department budget cuts and stated that there is a need to maintain a positive cash flow; that it is not prudent to continue to operate in a deficit situation this year or any year thereafter; that he strongly recommends the Board adopt an 8% water rate increase, which is effectively a 3% water rate increase due to the settlement with the City of Palmdale, and the situation be closely monitored to ensure financial goals are met; and that there is a need for this type of a budget to satisfy lending agencies.

After a further review of the 2013 Budget options and of discussion of additional budget cuts, it was moved by Director Cordova, seconded by Director Dizmang, and unanimously carried to terminate the District's contract with Capitol Dynamics at an annual savings of approximately $72,000.00.

Financial Advisor Egan then, again, reviewed the need for an 8% water rate increase followed by discussion of additional budget cuts and maintaining reserve levels after which it was moved by Director Dizmang, seconded by Director Mac Laren, and unanimously carried to freeze 2013 performance and merit increases and cost of living increases at an annual savings of approximately $240,000.00 with the understanding that if the District's financial condition improves, the freeze can be reconsidered.

After a further discussion of water rate increase options, the changes to the allocation, and Financial Advisor Egan's recommendation to increase water rates by 8%, it was moved by Director Cordova, seconded by Director Dizmang, and carried on a 3 – 2 vote, with Directors Alvarado and Mac Laren opposed, to approve a water rate increase of 8%, which is effectively a 3% water rate increase.

6) Board Members Requests for Future Agenda Items.

There were no requests for future agenda items.

7) Adjournment.

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

Robert E. Abramo

Secretary