MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT, JANUARY 9, 2013:

A regular meeting of the Board of Directors of the Palmdale Water District was held Wednesday, January 9, 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 Mac Laren led the pledge of allegiance.

2) Roll Call.

Attendance:	**Others Present:**
Gordon Dexter, President	Dennis LaMoreaux, General Manager
Gloria Dizmang, Vice President	Tim Gosney, Attorney
Kathy Mac Laren, Treasurer	Mike Williams, Finance Manager
Robert Alvarado, Secretary	Matt Knudson, Engineering Manager
Steve Cordova, Director	Tim Moore, Facilities Manager
	Jim Stanton, Information Technology Manager
	Claudette Roberts, Water Conservation Spvsr.
	Randy Hardenbrook, Equipment Mechanic Spvsr.
	Dennis Hoffmeyer, Senior Accountant
	Bob Egan, Financial Advisor
	Dawn Deans, Executive Assistant
	8 members 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) Presentations:

5.1) No Presentations Scheduled at This Time.

There were no presentations.

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 December 11, 2012.

6.2) Approval of Minutes of Regular Meeting Held December 12, 2012.

6.3) Ratification of Payment of Bills for December 26, 2012.

6.4) Payment of Bills for January 9, 2013.

It was moved by Director Alvarado, seconded by Director Mac Laren, and unanimously carried 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) Status Report on Cash Flow Statement and Current Cash Balances as of November 30, 2012. (Financial Advisor Egan)

Financial Advisor Egan stated that cash was reduced in November; that restricted funds were released and transferred for available use; and that assessments received in December were higher than anticipated and then reviewed several items affecting year-end cash, which is estimated at $8 million.

7.2) Status Report on 2012 Financial Statements, Revenue and Expense and Departmental Budget Reports for November 30, 2012. (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 November 30, 2012 and then stated that investments increased as stated by Financial Advisor Egan due to the release of restricted cash; that accounts payables and deferred assessments decreased; and that all departments are operating at or below the targeted expenditure percentage of 91.63% with the exception of Administrative Services, which is at 92% due to the increase in stuck meters and registers.

7.3) Status Report on Committed Contracts Issued. (Engineering Manager Knudson)

Engineering Manager Knudson reviewed the Projected Payout Schedule for Committed Contracts through January, 2013.

7.4) Consideration and Possible Action on Adoption of 2013 Budget. (General Manager LaMoreaux/Department Heads)

General Manager LaMoreaux stated that the 2013 budget presented this evening incorporates direction from the last budget workshop including cancelling the Capitol Dynamics contract, placing a hold on employees' cost of living adjustment, placing a hold on merit and performance raise availability, and implementing an 8% water rate increase; that the end result provides $168,000 towards carry-over projects, $1.4 million for new projects, securing financing for critically needed water main replacement projects, and increasing reserves approximately $1,000.00 based on construction of infrastructure projects.

The Board then discussed needed water main replacement projects, operating with a positive revenue as urged by Financial Advisor Egan, budget cuts, further review of labor and benefits, employees sharing risk with the Board, increasing State Water Project costs, and conducting a new water rate study after which Director Mac Laren recommended a 7% water rate increase with employees contributing 2% of their salaries towards CalPERS, and Director Dizmang reviewed her campaign promises, how each of these promises has been met, and the reality of the need to raise water rates.

Audel Narez, PWD Lab Analyst, stated that a 7% rate increase rather than an 8% rate increase results in an approximate savings of $0.40 per water bill; that a 2% employee contribution towards CalPERS is approximately $100 per employee per month; that income taxes increased 2%; that the Board has frozen merit increases, which are 2.5% to 5% based on performance; that times are hard but asking employees to contribute $100 per month to save the customer $0.40 does not seem fair; that foregoing a merit increase is not a problem but increased income taxes combined with a CalPERS contribution creates a hardship and a 4% reduction in pay making a difference in meeting essential needs; and then requested the Board approve an 8% rate increase and avoid employee contributions towards CalPERS.

He then informed the Board that in response to a request from the Personnel Committee for input on employee sacrifices and the effect on employees from past budget cuts and furloughs, he lost his home due to the reduction in income from the furloughs.

Director Mac Laren then advocated for ratepayers stating that in cases where a customer conserves water, a water bill may increase $1.00 to $2.00 with an 8% rate increase; that this may create a hardship for customers on a fixed income; that to save costs, customers may not water their lawns causing property values to decline; and that she appreciates employees but must listen and advocate for the ratepayers.

Director Dizmang then stated that the Board and staff are working on establishing a low-income assistance program through an outside organization; that she is sympathetic to ratepayers' needs; but that the District must make sure the water is delivered and then requested input from Director Alvarado on his stand on water rates.

Director Alvarado then stated that an 8% water rate increase is too high; that staff should go back to the drawing table and find more corners to cut; and then recommended the budget not be adopted tonight and staff present additional budget cuts at the next regular Board meeting followed by discussion of budget cuts determined at the budget workshops by a line by line review of the budget, the need to replace aging infrastructure, keeping the District operating, stable, financially secure, and able to deliver water in the future, the need to adopt a budget this evening, and the need to convey a rate increase and increased allocation to the ratepayers through different outreach methods.

Financial Advisor Egan then stated that the Board heard an impassioned comment from an employee on the impact to his family from a 2% CalPERS contribution; that the District is in an infrastructure crisis that will continue over the next few years; that in the last few budget years, millions of dollars in projects were presented yet allocated next to nothing to avoid raising rates; that the District needs every cent that can be allocated towards infrastructure; that the employees know this, and this is why there were no comments on freezing merit, performance, and cost of living raises; and that employees recognize the situation because they are living it.

An 8% water rate increase, employees foregoing merit and bonus increases as long as increased revenue is applied towards infrastructure projects, and possibly unfreezing merit and bonus increases or cost of living adjustments if the budget situation improves were then discussed after which it was moved by Director Dizmang, seconded by

Director Cordova, and carried on a 3 – 2 vote, with Directors Mac Laren and Alvarado opposed, to adopt the 2013 budget, as presented.

7.5) Consideration and Possible Action on Palmdale Water District 2012 Redistricting. (Engineering Manager Knudson/National Demographics Corporation)

Mr. Doug Johnson, President of National Demographics, reviewed the need and purpose for redistricting elective divisions based on 2010 census materials, demographics based on the census, and the options for redistricting, and after a brief discussion of the purpose of the elective divisions and of the options proposed, it was moved by Director Dizmang, seconded by Director Mac Laren, and unanimously carried to approve Plan A as presented by National Demographics for redistricting the District's elective boundaries with minimal revisions.

7.6) Consideration and Possible Action on Board and Staff Attendance at Conferences, Seminars, and Training Sessions as Follows:

a) Association of California Water Agencies/Joint Powers Insurance Authority "Employment Litigation: Limiting Liability Through Governance" to be Held January 23, 2013 at the Palmdale Water District.

b) CareerTrack Seminar "Dealing With Difficult People" to be Held February 14, 2013 in Lancaster.

c) Antelope Valley Board of Trade Business Outlook Conference to be Held February 22, 2013 in Lancaster.

d) WaterReuse California Annual Conference to be Held March 17 – 19, 2013 in Monterey.

After a brief discussion, it was moved by Director Dizmang, seconded by Director Mac Laren, and unanimously carried to approve Board and staff attendance at the Association of California Water Agencies/Joint Powers Insurance Authority "Employment Litigation: Limiting Liability Through Governance" to be Held January 23, 2013 at the Palmdale Water District; the CareerTrack Seminar "Dealing With Difficult People" to be Held February 14, 2013 in Lancaster; the Antelope Valley Board of Trade Business Outlook Conference to be Held February 22, 2013 in Lancaster; and the WaterReuse California Annual Conference to be Held March 17 – 19, 2013 in Monterey.

8) Information Items.

8.1) Reports of Directors: Meetings/Committee Meetings/General Report.

Director Alvarado reported that on January 4, he attended the second budget workshop where the Board continued to make more cuts; that on January 7, he attended the Outreach Committee meeting where the Committee and staff are working very hard to effectively reach out to the District's customers with the latest information about available programs and services; and that on January 8, he attended a Board briefing with General Manager LaMoreaux and Engineering Manager Knudson.

Director Dizmang reported that she attended all budget workshops; that the Outreach Committee is still working on developing the "Before the First Drop" campaign that shows what goes into producing the District's water and gives the public an understanding of the cost to bring water to the faucet; that the computer program for this campaign is set up on the District's website; that the campaign may be submitted to ACWA for competition as it is excellent work by District staff; that a speaker program is under development and notices have been distributed to various organizations suggesting different topics; that the landscape workshops will begin this Saturday, January 19, at the District's office from 9 a.m. to noon and additional workshop dates will be announced as they become available; and that the District's educational contests have begun.

She then reported that she spent an hour and half with General Manager LaMoreaux, Financial Advisor Egan, and a private citizen reviewing and explaining the 2013 budget.

Director Mac Laren then reported that she attended the budget workshop and a Board briefing and then commended Director Dizmang on the "Before the First Drop" campaign as it has helped the public understand what the District does to deliver water and she is glad to hear the District is entering a competition to showcase the campaign.

President Dexter reported that during December, the District is closed a portion of the month with staff and the Board enjoying the holidays; that the budget was worked on during this time and then thanked staff for a great job on nailing down as much as possible for cuts and General Manager LaMoreaux for his work on developing the budget; that it is not an easy process; that since he has been a Director, the District has been under rough times but he hopes this improves as the economy stabilizes; that to the employees, it is difficult and there has been angst because of the organization chart and

benefits; that more can be expected; that he is sorry and wishes it were different; but that the Board will do its best to keep everyone's best interests in mind, and the main goal is to keep the District running and solvent.

There were no further reports from Directors.

8.2) Report of General Manager.

a) District vacancies.

General Manager LaMoreaux reported that the list of current District vacancies was provided in the agenda packets, and as authorized by the Board, three recruitments are in process; that the first agenda for the Palmdale Recycled Water Authority meeting scheduled for January 16 at 7:00 p.m. at the District's office is being developed; and that a departmental report was also included in the agenda packets.

President Dexter then stated that regarding his previous comments about measuring the effectiveness of water conservation, he appreciates the attempt to measure these efforts included in the departmental report.

8.3) Report of Attorney.

Attorney Gosney stated that he has no report.

9) Public Comments on Closed Session Agenda Matters.

There were no public comments on closed session agenda matters.

At 8:22 p.m., President Dexter called for a five-minute recess. He reconvened the regular meeting at 8:25 p.m.

10) Closed Session Under:

10.1) Government Code Section 54956.9(a), Existing Litigation: ***Antelope Valley Ground Water Cases.***

10.2) Government Code Section 54956.9(a), Existing Litigation: ***United States, et al. v. J-M Manufacturing Company, Inc., et al., United States District Court for the Central District of California Case No. ED CV06-0055-GW.***

10.3) Government Code Section 54956.9(a), Pending Litigation: ***Central Delta Water Agency vs. Department of Water Resources, Sacramento Superior Court Case No. 34-2010-80000561.***

10.4) Government Code Section 54956.9(a), Pending Litigation: ***Velez vs. City of Palmdale, et al, Los Angeles Superior Court Case No. MC023216.***

10.5) Government Code Section 54956.9(c), Potential Litigation – one item.

At 8:25 p.m., President Dexter called for a closed session pursuant to Government Code Section 54956.9(a), Existing and Pending Litigation – four cases: *Antelope Valley Ground Water Cases* and *United States, et al. v. J-M Manufacturing Company, Inc., et al., United States District Court for the Central District of California Case No. ED CV06-0055-GW* and *Central Delta Water Agency vs. Department of Water Resources, Sacramento Superior Court Case No. 34-2010-80000561* and *Velez vs. City of Palmdale, et al, Los Angeles Superior Court Case No. MC023216* and pursuant to Government Code Section 54956.9(c), potential litigation – one item.

He reconvened the regular meeting at 8:52 p.m.

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

Attorney Gosney reported that a closed session had been held under Government Code Section 54956.9(a), Existing and Pending Litigation – four cases: *Antelope Valley Ground Water Cases, United States, et al. v. J-M Manufacturing Company, Inc., et al., United States District Court for the Central District of California Case No. ED CV06-0055-GW* and *Central Delta Water Agency vs. Department of Water Resources, Sacramento Superior Court Case No. 34-2010-80000561* and *Velez vs. City of Palmdale, et al, Los Angeles Superior Court Case No. MC023216;* that the Board was briefed on the status of each of these matters; but that no reportable action under the Brown Act was taken in closed session on any of these matters.

He reported that a closed session had also been held under Government Code Section 54956.9(c), potential litigation – one item; that the Board was briefed on the status of this matter; but that no reportable action under the Brown Act was taken in closed session on any of these matters.

12) Board Members' Requests for Future Agenda Items.

Director Dizmang requested "Status report on establishing a level-pay plan" and "Status report on developing a low-income program" be included on the next agenda.

There were no further requests for future agenda items.

13) Adjournment.

There being no further business to come before the Board, the regular meeting of the Board of Directors of the Palmdale Water District was adjourned.

Secretary