MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT, OCTOBER 23, 2013:

A regular meeting of the Board of Directors of the Palmdale Water District was held Wednesday, October 23, 2013, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. President, Kathy Mac Laren, called the meeting to order.

1) Pledge of Allegiance.

President Mac Laren led the pledge of allegiance.

2) Roll Call.

Attendance:	**Others Present:**
Kathy Mac Laren, President	Dennis LaMoreaux, General Manager
Gordon Dexter, Vice President	Tom Bunn, Attorney
Gloria Dizmang, Treasurer	Vincent Dino, Director-Elect
Robert Alvarado, Secretary	Joe Estes, Director-Elect
	Mike Williams, Finance Manager
Steve Cordova, Director –	Matt Knudson, Engineering Manager
EXCUSED ABSENCE	Jon Pernula, Water & Energy Resources Manager
	Kelly Jeters, Systems Supervisor
	Dawn Deans, Executive Assistant
	3 members of the public

3) Adoption of Agenda.

It was moved by Director Dexter, 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 October 9, 2013.

6.2) Payment of Bills for October 23, 2013.

6.3) Ratification of Change Order No. 1 Under Specification No. 1101-A Being the Construction of Site Improvements for the Granular Activated Carbon Adsorption System Located at the Underground Booster Station. ($31,017.00 – Budgeted – Engineering Manager Knudson)

It was moved by Director Alvarado, seconded by Director Dexter, 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) Public Hearing Regarding Resolution No. 13-12, Resolution of the Board of Directors of Palmdale Water District Modifying the Policy Regarding Capital Improvement Fees for New Water Service Connections and Adopting New Water Supply Fee. (Engineering Manager Knudson)

It was moved by Director Dexter, seconded by Director Dizmang, and unanimously carried to open the public hearing.

Engineering Manager Knudson provided an overview of the public notification process for the proposed Water Supply Fee and Resolution No. 13-12 Modifying the Policy Regarding Capital Improvement Fees for New Water Service Connections and Adopting a New Water Supply Fee, including revised Appendix H, and staff's recommendation to adopt Resolution No. 13-12 and to accept and file the Water Supply Fee Analysis dated October 17, 2013 prepared by Carollo Engineers.

Ms. Marta Golding-Brown, of the Building Industry Association Los Angeles Ventura County East Chapter Antelope Valley Office (BIA), stated that the BIA fully supports Resolution No. 13-12; that they appreciate staff's and the Board's time in meeting with the BIA to consider their concerns regarding modifications to the Resolution; that she

thanks the Water Supply & Reliability Committee for the meetings held to discuss this matter; and that they appreciate the back and forth work to come together with a document that is mutually beneficial for everyone in the community.

Hearing no further public comment, President Mac Laren closed the public hearing.

7.2) Consideration and Possible Action to Adopt Resolution No. 13-12, Resolution of the Board of Directors of Palmdale Water District Modifying the Policy Regarding Capital Improvement Fees for New Water Service Connections and Adopting New Water Supply Fee. (Engineering Manager Knudson)

It was moved by Director Dexter, seconded by Director Dizmang, and unanimously carried to adopt Resolution No. 13-12, Resolution of the Board of Directors of Palmdale Water District Modifying the Policy Regarding Capital Improvement Fees for New Water Service Connections and Adopting New Water Supply Fee.

A copy of Resolution No. 13-12 is hereby made a portion of the minutes of this meeting.

7.3) Consideration and Possible Action on Approving a Professional Services Agreement With Kennedy/Jenks Consultants for Preparation of Palmdale Water District's Littlerock Creek Groundwater Recharge and Recovery Project Feasibility Study. ($899,493.00 – Budgeted – 2013A Water Revenue Bonds – Water & Energy Resources Manager Pernula/Engineering Manager Knudson)

Water & Energy Resources Manager Pernula provided an overview of the proposal received from Kennedy/Jenks Consultants, and after a brief discussion, it was moved by Director Dexter, seconded by Director Alvarado, and unanimously carried to approve a Professional Services Agreement with Kennedy/Jenks Consultants for the preparation of Palmdale Water District's Littlerock Creek Groundwater Recharge and Recovery Project Feasibility Study in the not-to-exceed amount of $899,493.00.

7.4) Consideration and Possible Action on Proposal Received From Charles Z. Fedak & Company, CPAs for Providing Auditing Services. ($18,250.00 Per Year for Three Years – Budgeted – General Manager LaMoreaux/Finance Committee)

General Manager LaMoreaux stated that Financial Advisor Egan received proposals for providing the District's auditing services and that Financial Advisor Egan,

staff, and the Finance Committee recommend accepting the proposal received from Charles Z. Fedak & Company, CPAs after which Director Dexter questioned the urgency of this item, stated that the new Board needs an understanding of the audit, and moved to table this item. The motion failed for lack of a second.

After a brief discussion, it was moved by Director Alvarado, seconded by Director Dizmang, and carried on a 3 – 1 vote, with Director Dexter opposed, to approve the proposal received from Charles Z. Fedak & Company, CPAs for providing auditing services in the amount of $18,250.00 per year for three years.

7.5) Consideration and Possible Action on Approving a Professional Services Agreement With Exante 360 for Providing Consulting and Project Management Services Relative to the Physical Security and Video Surveillance Infrastructure Improvement Project. ($58,730.00 – Non-Budgeted – Engineering Manager Knudson)

Engineering Manager Knudson provided an overview of the proposal received from Exante 360 and staff's and the Facilities Committee's recommendation to accept this proposal, and after a brief discussion, it was moved by Director Dexter, seconded by Director Alvarado, and unanimously carried to approve a Professional Services Agreement With Exante 360 for providing consulting and project management services relative to the Physical Security and Video Surveillance Infrastructure Improvement Project in the not-to-exceed amount of $58,730.00.

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

a) Remote 2013 Monitoring & Control Conference to be Held December 12 – 13, 2013 in Las Vegas, Nevada.

It was moved by Director Dizmang, seconded by Director Alvarado, and unanimously carried to approve Board and staff attendance at the Remote 2013 Monitoring & Control Conference to be Held December 12 – 13, 2013 in Las Vegas, Nevada.

8) Information Items.

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

Director Dizmang reported that on October 11, she attended the Water Supply & Reliability Committee special meeting regarding the Water Supply Fee; that BIA representatives attended this meeting; and that staff, the Committee, and the BIA representatives were able to compromise regarding the Water Supply Fee; that on October 16, she attended the Personnel Committee meeting; that on October 21, she attended the Water Supply & Reliability Committee regular meeting; that on October 22, she attended a Board briefing; and that she appreciates the Staff Conference Report Forms included with the Department Status Reports.

Director Alvarado reported that on October 11, he attended the special meeting of the Water Supply & Reliability Committee; that on October 12, he attended and spoke at the Antelope Valley Conservancy Open House, and this was a very successful event; that on October 14, he attended the Facilities Committee meeting; that on October 22, he attended a Board briefing; and that on October 24, he will be attending the Antelope Valley State Water Contractors Association meeting.

Director Dexter reported that the items considered by the Board earlier this evening were from the Committee meetings he attended; that at the October 11 Water Supply & Reliability Committee special meeting with the BIA, he was very pleased with General Manager LaMoreaux's participation and negotiation skills regarding the Water Supply Fee as he was able to think quick on his feet and come up with a plan agreeable to the District and the BIA; that the Water Supply & Reliability Committee reviews State Water Project (SWP) allocations; that this year's SWP allocation was 35%; and that the best guess for next year's initial SWP allocation is 15%, and it will be another dry year.

President Mac Laren reported that on October 10, she met with BIA representatives regarding the Water Supply Fee prior to the October 11 Water Supply & Reliability Committee special meeting; that she attended that Committee meeting as an observer, and it was very good to be able to listen to the negotiations and see how the District was able to compromise and come to an agreement with the BIA in a win-win for each side; and that on October 16, she attended the Personnel Committee meeting, and they continue to work on several items.

There were no further reports from Directors.

8.2) Report of General Manager.

a) District Vacancies. (No Changes)

General Manager LaMoreaux reported that there is now one additional vacancy as of yesterday, and this will be shown on next month's chart.

b) Palmdale Recycled Water Authority Status.

He reported that the Palmdale Recycled Water Authority will meet in November, and they are still waiting for the recycled water reallocation to be formalized.

He then reported that Water & Energy Resources Manager Pernula has negotiated an extension of the District's two-year water lease contract with Butte County; that this extension will be presented to the full Board at a future meeting for consideration; and that Butte County Supervisors approved this extension yesterday.

c) Monthly Department Reports.

He then reported that the Monthly Department Status Reports were included in the agenda packets if there are any questions on same.

d) Update on Monitoring of Wind Turbine Through Black & Veatch. (Engineering Manager Knudson)

Engineering Manager Knudson provided an overview of the wind turbine's performance for the period of July 1 – September 30, 2013, including production being close to consumption, the energy value, and the details of the performance of the wind turbine during this period, followed by discussion of accounting for electricity savings through the budget process.

President Mac Laren then stated that the District has received the Customer Partnership Award 2013 from NeoGov after which General Manager LaMoreaux provided an overview of NeoGov and stated that the Award was presented based on the District's input for improving their product.

8.3) Report of Attorney.

Attorney Bunn stated that he has no report.

9) Public Comments on Closed Session Agenda Matters.

There were no public comments on closed session agenda matters.

10) Closed Session Under:

10.1) Government Code Section 54956.9(d)(1), pending litigation: ***Antelope Valley Ground Water Cases.***

10.2) Government Code Section 54956.9(d)(1), pending 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(d)(1), 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(d)(1), pending litigation: ***Velez v. City of Palmdale, et al, Los Angeles Superior Court Case No. MC023216.***

At 7:40 p.m., President Mac Laren called for a closed session pursuant to Government Code Section 54956.9(d)(1), 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 v. City of Palmdale, et al, Los Angeles Superior Court Case No. MC023216.*

She reconvened the regular meeting at 8:05 p.m.

11) Public report of any action taken in closed session.

Attorney Bunn reported that a closed session had been held under Government Code Section 54956.9(d)(1), Pending Litigation – One Case: *Antelope Valley Ground Water Cases* and that there is a reportable action under the Brown Act on this matter being that the Board approved a partial settlement with the Wood class subject to court approval by a unanimous vote.

Attorney Bunn reported that a closed session had also been held under Government Code Section 54956.9(d)(1), Pending Litigation – Three 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 v. City of Palmdale, et al, Los Angeles Superior Court Case No. MC023216; that the Board heard a report from counsel on each of these items of pending litigation; 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.

There were no 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.

Robert C Arnold

Secretary

RESOLUTION OF THE BOARD OF DIRECTORS OF PALMDALE WATER DISTRICT MODIFYING THE POLICY REGARDING CAPITAL IMPROVEMENT FEES FOR NEW WATER SERVICE CONNECTIONS AND ADOPTING NEW WATER SUPPLY FEE

RESOLUTION NO. 13-12

WHEREAS, following an update of its master plan in 1989, Palmdale Water District ("District") adopted a Capital Improvement Plan ("CIP") and a Capital Improvement Fee Policy ("Policy") which is set forth in Exhibit "H" to the District's Rules and Regulations; and

WHEREAS, the Policy established Capital Improvement Fees ("CIF") to be paid in connection with new service connections within the District's service area; and

WHEREAS, the new capital improvements identified in the CIP are the basis for determining the CIF under the Policy; and

WHEREAS, the purpose of the CIF is to create a fund to finance the estimated reasonable cost of capital improvements shown on the CIP to meet anticipated demand for water service arising from new connections; and

WHEREAS, as required under California Government Code Section 66002(b), the District has annually reviewed and, when necessary, updated the CIP and, based upon changes to the CIP, has modified the Policy and adjusted the CIF in accordance therewith; and

WHEREAS, since the initial planning period for the CIP would have expired in 1996, the District engaged Montgomery Watson in June, 1995, to review, study and update its master plan and to make recommendations to modify the CIP to meet projected needs and demands through the year 2005; and

WHEREAS, in January, 1996, Montgomery Watson submitted its final report entitled Water System Master Plan ("1996 Master Plan"), which report, among other things, made recommendations concerning the CIP to meet projected growth and development through year 2005; and

WHEREAS, on September 19, 1996, the District adopted the 1996 Master Plan which contained an updated CIP; and

WHEREAS, the 1996 Master Plan constituted an updating of the CIP, which update included the identification of recommended capital improvements to the District's water system and the estimated cost of constructing the capital facilities required to accommodate projected growth and development through year 2005; and

WHEREAS, following properly noticed and conducted public hearings in 1997, 1998, 1999, and 2000, the District duly adopted resolutions which updated the Capital Improvement Policy and modified the CIF; and

WHEREAS, in 2000, the District retained Montgomery Watson to review, study, and update the 1996 Master Plan and, among other things, make recommendations concerning the CIP to meet projected needs through year 2010; and

WHEREAS, in March 2001, Montgomery Watson submitted its final report entitled Water System Master Plan ("2001 Master Plan") including recommended modifications of the CIP, and the District has approved that report and adopted it as the District's 2001 Master Plan; and

WHEREAS, following properly noticed and conducted public hearings in 2001, 2002, 2003, 2004, 2005, and 2006 the District adopted Resolutions which updated the Capital Improvement Policy and modified the CIF; and

WHEREAS, in light of the economic slowdown which impacted growth and development within the District between 2007 and 2012, the District did not make changes to the CIP over those years; and

WHEREAS, following a properly noticed and conducted public hearing in March, 2013, the District adopted a Resolution which updated the Capital Improvement Policy and modified the CIF; and

WHEREAS, the District has adopted a Strategic Water Resources Plan ("SWRP"), which sets forth recommended water supply acquisitions and projects necessary to meet future anticipated growth within the District; and

WHEREAS, in 2013, the District retained Carollo Engineers to review, study, and calculate a proposed Water Supply Fee necessary to supply the next 14,000 acre feet per year of new water supply that will be necessary to meet anticipated growth and development within the District; and

WHEREAS, the purpose of the Water Supply Fee is to create a fund to finance the estimated reasonable cost of capital projects and water acquisitions necessary to meet anticipated demand for water service arising from new connections; and

WHEREAS, the District has considered the water supply costs and costs of constructing the capital facilities identified in the SWRP and CIP, and the impact on the existing capital improvement fees payable under the Policy and determined that the policy and the fees should be modified; and

WHEREAS, the District has given and published the required notices and conducted a public hearing with respect to the proposed modification of the Policy and CIF payable thereunder; and

WHEREAS, the Board of Directors of Palmdale Water District has found and determined that the establishment of capital improvement fees is exempt from the requirements of the California Environmental Quality Act pursuant to California Public Resources Code Section 21080(b)(8) and further has found and determined that said fees are for the purpose of obtaining funds for capital projects necessary to maintain service within existing service areas.

NOW, THEREFORE, BE IT RESOLVED that, the Board of Directors of Palmdale Water District hereby modifies and amends the Policy by deleting the existing Table 1 from Appendix "H" to the District's Rules and Regulations and inserting in place thereof proposed Table 1 attached hereto and incorporated herein.

FURTHER RESOLVED, that the General Manager of the District be and he hereby is, authorized and directed to implement this modified Policy until further order of the Board.

PASSED AND ADOPTED by the Board of Directors of the Palmdale Water District at a duly called and noticed public meeting of said Board held on October 23, 2013.

President — October 23, 2013 (date)

Secretary — October 23, 2013 (date)

APPENDIX H

CAPITAL IMPROVEMENT FEE

1. *Capital Improvement Fees per Article 10.07C:*

TABLE 1

2014 CAPITAL IMPROVEMENT FEE SUMMARY PER SERVICE ZONE (SINGLE FAMILY DWELLING UNIT)

SERVICE / BENEFIT ZONE	INFRASTRUCTURE ($/SFDU)	WATER SUPPLY* ($/SFDU)	TOTAL
2800' & 2850'	$1,441	$7,288	$8,729
2950' & 3000'	$1,161	$7,349	$8,510
3200' & 3250'	$9,089	$7,041	$16,130
3400' & 3400' +	$12,274	$7,041	$19,315

*FEE BASED ON TYPICAL SFR DEMAND (0.79 AFY)

2014 CAPITAL IMPROVEMENT FEE SUMMARY PER SERVICE ZONE (COMMERCIAL AND INDUSTRIAL)

SERVICE / BENEFIT ZONE	INFRASTRUCTURE ($/EDU)	WATER SUPPLY* ($/AFY)	TOTAL
2800' & 2850'	$1,441	$10,970	BASED ON EDU'S & AFY
2950' & 3000'	$1,161	$10,970	
3200' & 3250'	$9,089	$10,970	
3400' & 3400' +	$12,274	$10,970	

* BASED ON FORECASTED AFY DEMAND

For the period of January 1, 2015 – December 31, 2015, the Capital Improvement Fees will increase to the amounts shown in the following table, plus the percentage based on the published Construction Cost Index for the comparable time frame, plus the difference in the amount of the fee between 2014 and 2015 that would have been collected by all new connections during 2014 and spread out over the remaining single family dwelling units within the first 14,000 AFY water supply.

2015 CAPITAL IMPROVEMENT FEE SUMMARY PER SERVICE ZONE (SINGLE FAMILY DWELLING UNIT)

SERVICE / BENEFIT ZONE	INFRASTRUCTURE ($/SFDU)	WATER SUPPLY* ($/SFDU)	TOTAL
2800' & 2850'	$1,441	$8,665	$10,106
2950' & 3000'	$1,161	$8,665	$9,826
3200' & 3250'	$9,089	$8,665	$17,754
3400' & 3400' +	$12,274	$8,665	$20,939

*FEE BASED ON TYPICAL SFR DEMAND (0.79 AFY)

2015 CAPITAL IMPROVEMENT FEE SUMMARY PER SERVICE ZONE (COMMERCIAL AND INDUSTRIAL)

SERVICE / BENEFIT ZONE	INFRASTRUCTURE ($/EDU)	WATER SUPPLY* ($/AFY)	TOTAL
2800' & 2850'	$1,441	$10,970	BASED ON EDU'S & AFY
2950' & 3000'	$1,161	$10,970	
3200' & 3250'	$9,089	$10,970	
3400' & 3400' +	$12,274	$10,970	

* BASED ON FORECASTED AFY DEMAND