

**MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE
PALMDALE WATER DISTRICT, SEPTEMBER 14, 2011:**

A regular meeting of the Board of Directors of the Palmdale Water District was held Wednesday, September 14, 2011, 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 Godin led the pledge of allegiance.

2) Roll Call.

Attendance:

Gordon Dexter, President
Raul Figueroa, Secretary
Linda Godin, Treasurer
Jeff Storm, Director

Steve Cordova, Vice President--
EXCUSED ABSENCE

Others Present:

Dennis LaMoreaux, General Manager
Tom Bunn, Attorney
Mike Williams, Finance Manager
Matt Knudson, Engineering Manager
Peter Thompson II, Operations Manager
Tim Moore, Facilities Manager
Jeannie Burns, Human Resources Manager
Jim Stanton, Information Technology Mngr.
Ed Boka, Treatment Plant Supervisor
Dawn Deans, Executive Assistant
38 members of the public

3) Adoption of Agenda.

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

4) Public Comments for Non-Agenda Items.

Ms. Joan Guyer, Ana Verde Rural Association, stated that our local governments are no different than state or federal politics with name-calling and finger-pointing without problem solving; that the public is tired of the bickering; that she speaks in particular of Director Jeff Storm; that in 2009 Director Storm, as Board Chairman, was the driving force behind the existing water rate structure and the compensation package paid to former General Manager Randy Hill; that these were extremely costly to the ratepayers not only in water usage costs but in legal fees to fight lawsuits with the City of Palmdale and the buy-out of Randy Hill's contract; that now Director Storm wants the public to

believe he is on the ratepayer's side and has somehow forgotten his responsibility with the disastrous decisions made while he was Chairman of the Board; that it was Director Storm's Chairmanship, along with former Board members Dave Gomez and Dick Wells, that caused the fiasco the Palmdale Water District now faces; that the issues at hand can be solved with cooperation and negotiation and urged Director Storm to work with the existing Board and stop the juvenile attitude; and that his time can be better spent bringing forth positive ideas for the financial sound of the Palmdale Water District.

Mr. Joseph Yore, Palmdale resident, stated that he has lived in Palmdale for 25 years; that the District has served him fantastically; that it is not known when we will have rainstorms; that many years ago he would visit Littlerock Dam; that he is not aware if that area needs to be dredged, but the water does flow over the top of the Dam; and then thanked the District for 25 years of great service.

There were no further public comments.

5) 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.)

5.1) Approval of Minutes of Special Meeting Held August 19, 2011.

5.2) Approval of Minutes of Regular Meeting Held August 24, 2011.

5.3) Payment of Bills for September 14, 2011.

5.4) Approval of Association of California Water Agencies Committee Appointment Nominations for the 2012-2013 Term for Lagerlof, Senecal, Gosney & Kruse LLP. (President Dexter)

It was moved by Director Figueroa, seconded by Director Storm, and unanimously carried to approve those items included in the Consent Calendar.

6) 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.)

6.1) Consideration and Possible Action on Resolution No. 11-10 Approving the Antelope Valley State Water Contractors Association Budget for Fiscal Year 2011/12. (\$13,740.00 – Budgeted – Engineering Manager Knudson)

Engineering Manager Knudson, who also serves as Interim General Manager for the Antelope Valley State Water Contractors Association, reviewed the budget for the Antelope Valley State Water Contractors Association and a breakdown of member agency contributions after which it was moved by Director Godin, seconded by Director Figueroa, and unanimously carried to approve Resolution No. 11-10 Approving the Antelope Valley State Water Contractors Association budget for fiscal year 2011/12.

A copy of Resolution No. 11-10 is hereby made a portion of the minutes of this meeting.

6.2) Consideration and Possible Action on Association of California Water Agencies Committee Appointment Nominations for the 2012-2013 Term for Director Godin. (President Dexter)

After a brief discussion of Director Godin's request for appointment to the Association of California Water Agencies Communications Committee, it was moved by Director Storm, seconded by Director Figueroa, and unanimously carried to approve the Association of California Water Agencies Committee Appointment Nomination for the 2012-2013 term for Director Godin.

6.3) Consideration and Possible Action on Review of the District's Benefits Package. (Director Storm)

Director Storm requested a concise report on the District's benefits package and what the employees' contributions are towards this package after which President Dexter and Director Figueroa, of the Personnel Committee, stated that the Committee is researching benefits and making comparisons to other agencies and has no further report.

President Dexter then requested the public remain civil in their comments.

Mr. Peter Thompson, Palmdale Water District, then stated that his comments are directed to Director Storm and read his statement into the record. A copy of Mr. Thompson's statement is hereby made a portion of the minutes of this meeting.

Mrs. Sandra Lebo, Palmdale Water District, stated that she admires anybody running for public office, and it is a daunting responsibility with complex issues to deal with such as the delta, the smelt, water banking, and groundwater adjudication; that regarding Director Storm's letter to the editor of the Antelope Valley Press implying any

future rate increases are directly tied to the rich benefits of District employees, costs for providing water are increasing because of new government regulations, needed projects to replace aging infrastructure, increasing electricity and gasoline costs, a state of the art water treatment plant ready to meet 2012 regulations, and the costs for replacing a pipeline or rehabbing a well; that District expenses are down 14% because employees have been working to optimize processes, streamline operations, and find cost-saving measures, and the District has a very talented, capable, and well-qualified workforce who know the system and who can troubleshoot and handle issues and problems encountered in the District's complex treatment and distribution system; that it does a disservice to the District's employees to pin benefits as the problem and reason for any future rate increase, and all employees appreciate their jobs and the benefit package provided; and that the public needs to understand that past decisions made by the Board have made the District's financial position what it is now, not the employees or their benefits.

Mr. Edward Boka, Palmdale Water District Treatment Plant Supervisor, stated that he researched the benefits package of the aerospace industry, Metropolitan Water District, and other public agencies within the area; that in companies like Lockheed Martin, 100% of the retirement benefits are paid for by the company, not the employees paying their 7% share; that these companies offer a matching 401k retirement plan, and the District does not have this benefit; that Metropolitan Water District does not pay into social security making up the difference their employees pay for their share of the retirement; that reviewing the benefits of like companies in this area, the District overall is in no way receiving a golden benefit package way far and above anybody else and is very comparable in the water industry; and that he is eligible to retire after 25 years in the Public Employees Retirement System, but the retirement package only amounts to what the government considers poverty levels.

Mr. Ron Cunningham, Palmdale resident, stated that he understands the need to review benefit packages each year in conjunction with budget planning for the next year; that this was done during his twelve years as a Board member for the District; that August or September may be too early for this review but decision-making of any changes makes sense in October; that traditionally every agency he has either worked for or been involved with review such things as employee benefits to determine affordability as part of the budget process; and that he compliments the Board on the review, but it is probably premature to think it should be done already.

Ms. Alisha Semchuck, Antelope Valley Press, inquired of Director Storm who is included when employee benefits are discussed after which Director Storm stated that he

does not answer questions from the press from the board, Ms. Semchuck has been aware of this for four years, and she should back-off.

Ms. Semchuck then stated that all Board members take the insurance package paid for by the District, and if Director Storm feels so strongly about this issue, why did he not decline the coverage after which Director Storm stated that Ms. Semchuck has had much opportunity to talk with him; that she has refused to; and that he has no comment for her.

Director Storm then stated that the issue of civility was discussed prior to receiving public comment; that he was called corrupt and basically made to look like a thief and a few other things; that present tonight is mainly a roomful of District employees, and he understands the hard work that everyone does; that comparisons were made; that he pays close to \$300 per week for his benefits at Lockheed Martin, cannot retire at 25 years, and does not know where the previously stated numbers were obtained; that it is improper to make the comparison especially now that poverty is at its highest level in 50 years; that no one in this agency is hurting for funds, benefits, or anything on that order; that it is not proper to tell the public we have to keep things going like they are and cannot review them when a community has so many empty homes, so many people just making it, and so many people losing their homes; that a person is somehow evil, corrupt, or hateful for saying these things need to be reviewed; and that he has heard five personal attacks tonight yet civility is talked about.

President Dexter stated that the employees are not responsible for the financial situation of the Palmdale Water District; that he apologizes; and then thanked the employees for their service.

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

6.4.1) Association of California Water Agencies 6th Annual Joint Regions 8, 9, & 10 Fall Event "Feast or Famine: Learning to Survive in Today's Water Climate" to be Held October 19 and 20, 2011 in San Diego. (Director Godin)

After a brief discussion, it was moved by Director Godin, seconded by Director Storm, and unanimously carried to approve Board attendance at the Association of California Water Agencies 6th Annual Joint Regions 8, 9, & 10 Fall Event "Feast or Famine: Learning to Survive in Today's Water Climate" to be held October 19 and 20, 2011 in San Diego.

7) Information Items.

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

Director Storm reported that a Water Supply & Reliability Committee meeting was held; that with the rain, the District has a little extra water this year; that a good report was received on the abatement system preventing flowing water from the hills from entering Palmdale Lake helping to avoid any major turpitude of the water that would cause problems for the water treatment plant; and that debris was taken around and away from the Lake as planned.

Director Godin reported that the Commissioners for the Antelope Valley State Water Contractors Association passed the budget at their last meeting; that they are continuing to look into a feasibility study for a joint recharge project on the east side; and that they are looking at in-lieu water banking agreements.

President Dexter then added that the next Antelope Valley State Water Contractors Association meeting is scheduled for tomorrow night at the District's office at 6:30 p.m.

There were no further reports from Directors.

7.2) Report of General Manager.

General Manager LaMoreaux reported that damages were sustained at the water treatment plant from the recent rain, and a complete report will be provided at the next Board meeting.

7.3) Report of Attorney.

Attorney Bunn reported on a recent opinion of the Attorney General on the Brown Act and on recent legislation regarding the availability of ground water well logs to the public.

8) Public Comments on Closed Session Agenda Matters.

There were no public comments on closed session agenda matters.

9) Closed Session Under:

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

9.2) Government Code Section 54956.9(a), Existing Litigation: *City of Palmdale vs. Palmdale Water District, Case No. BC413432 (Rate Litigation)*.

9.3) Government Code Section 54956.9(a), Existing Litigation: *City of Palmdale vs. Palmdale Water District and Palmdale Water District Public Facilities Corporation, Case No. BC413907 (Validation Action)*.

9.4) Government Code Section 54956.9(a), Existing Litigation: *Palmdale Water District vs. City of Palmdale, Case No. BC420492 (Recycled Water Litigation)*.

9.5) 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*.

9.6) 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*.

9.7) Government Code Section 54956.9(a), existing litigation: *Rosedale-Rio Bravo Water Storage District v. California Department of Water Resources, Sacramento Superior Court Case No. 34-2010-80000703*.

9.8) Government Code Section 54956.9(b), Potential Litigation: Two Cases.

9.9) Government Code Section 54956.8, Conference with Real Property Negotiator:

Subject: Water Storage Rights

Property Negotiator: Dennis LaMoreaux, Jon Pernula

Negotiation Party: Homer, LLC

Under Negotiation: Price and Terms

9.10) Government Code Section 54957, Personnel Matters: *General Manager evaluation*.

At 7:37 p.m., President Dexter called for a closed session pursuant to Government Code Section 54956.9(a), Existing Litigation – seven cases: *Antelope Valley Ground Water Cases* and *City of Palmdale vs. Palmdale Water District, Case No. BC413432 (Rate Litigation)* and *City of Palmdale vs. Palmdale Water District and Palmdale Water District Public Facilities Corporation, Case No. BC413907 (Validation Action)* and *Palmdale Water District vs. City of Palmdale, Case No. BC420492 (Recycled Water Litigation)* 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 Rosedale-Rio Bravo Water Storage District v. California Department of Water Resources, Sacramento Superior Court Case No. 34-2010-80000703 and pursuant to Government Code Section 54956.9(b), potential litigation: two cases and pursuant to Government Code Section 54956.8, Conference with Real Property Negotiator - Subject: Water Storage Rights, Property Negotiator: Dennis LaMoreaux, Jon Pernula, Negotiation Party: Homer, LLC, Under Negotiation: Price and Terms and pursuant to Government Code Section 54957, Personnel Matters: General Manager evaluation.

He reconvened the regular meeting at 8:08 p.m.

10) 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(a), Existing Litigation – seven cases: *Antelope Valley Ground Water Cases and City of Palmdale vs. Palmdale Water District, Case No. BC413432 (Rate Litigation)* and *City of Palmdale vs. Palmdale Water District and Palmdale Water District Public Facilities Corporation, Case No. BC413907 (Validation Action)* and *Palmdale Water District vs. City of Palmdale, Case No. BC420492 (Recycled Water Litigation)* 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 Rosedale-Rio Bravo Water Storage District v. California Department of Water Resources, Sacramento Superior Court Case No. 34-2010-80000703 and pursuant to Government Code Section 54956.9(b), potential litigation: two cases; that the Board was briefed on the status of each of these matters, and the Board gave staff and Counsel instructions as to how to proceed; but that no reportable action under the Brown Act was taken in closed session on any of these matters.*

He reported further that a closed session had also been held under Government Code Section 54956.8, Conference with Real Property Negotiator - Subject: Water Storage Rights, Property Negotiator: Dennis LaMoreaux, Jon Pernula, Negotiation Party: Homer, LLC, Under Negotiation: Price and Terms; that the Board was briefed on the status of this matter from the Real Property Negotiator; but that no reportable action under the Brown Act was taken in closed session on this matter.

He reported further that a closed session had also been held under Government Code Section 54957, Personnel Matters: General Manager evaluation; but that no reportable action under the Brown Act was taken in closed session on this matter.

11) Consideration and Possible Action on General Manager Evaluation.

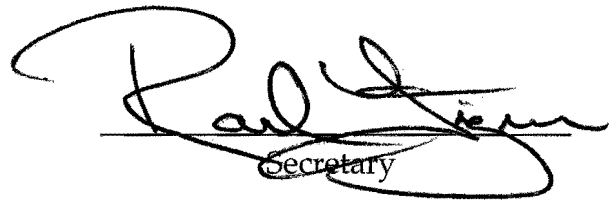
President Dexter stated that the Board has agreed to provide input and allow him to write General Manager LaMoreaux's mid-term evaluation and that this will be completed and reported at the next regular Board meeting.

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.



Secretary

RESOLUTION NO. 11-10

**APPROVING ANTELOPE VALLEY
STATE WATER CONTRACTORS ASSOCIATION
BUDGET FOR FISCAL YEAR 2011/12**

WHEREAS, the Palmdale Water District, along with the Antelope Valley - East Kern Water Agency and the Littlerock Creek Irrigation District, is a member agency of the Antelope Valley State Water Contractors Association formed by a Joint Powers Agreement dated May 26, 1999; and

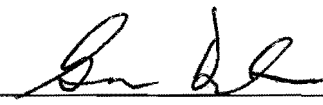
WHEREAS, said Joint Powers Agreement provides for the Formulation and Adoption of a Budget for the Antelope Valley State Water Contractors Association and Approval by Members of said budget; and

WHEREAS, the Antelope Valley State Water Contractors Association unanimously adopted a budget for fiscal year 2011/12 at their regular meeting held August 18, 2011 which budget included an allocation among the member agencies.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Palmdale Water District hereby approves the 2011/12 budget and allocation of budgeted funds adopted by the Antelope Valley State Water Contractors Association.

I certify that this is a true copy of Resolution No. 11-10 as passed by the Board of Directors of the Palmdale Water District at its meeting held September 14, 2011 in Palmdale, California.

Date: September 14, 2011



Gordon Dexter, President,
Board of Directors

ATTEST:



Raul Figueroa, Secretary,
Board of Directors

FISCAL RESPONSIBILITY FOR THE ARROGANT

Mr. Storm,

Never in the history of the District has a director, administration, staff, or any group thereof inflicted harm of such magnitude or consequence on the District and its customers as was perpetrated during your two year reign as president of the board. By your actions the bar has been lowered to an unprecedented level inhabited by only the unethical and corrupt.

The concept of backing board candidates in an effort to achieve the quorum necessary to allow the city to control or take over the District has been practiced for many years by your abettors. The Idea did not originate with you, but you were, at the very least, avidly willing to participate in another attempt.

After winning election to the board by dubious means you implemented your plan to remove a highly competent and successful general manager who inadvertently wounded your delicate ego by daring to disagree with your petty logic. The cost to the District associated with this personal vendetta was approximately \$350,000.00.

During the Same board meeting that you and your accomplices, Dick Wells and Dave Gomez, voted to terminate the general manager you produced a contract to enlist the services of one of the "best men you knew", Mr. Bob Toone, the retired city manager of Palmdale. He would assess the District's operation and aid in filling the vacant position with a highly qualified and compensated replacement. The cost to the District for Mr. Toone's services was in excess of \$100,000.00.

Under Mr. Toone's leadership District policies and practices were changed to accommodate the city at the rate payers' expense. The city had finally achieved control of the District with no cost or liability attached. Members of your not so secret society, including Palmdale on the move, union members, developers, as well as Dick and Dave boasted in celebration of the takeover. This cozy arrangement lasted for a while until, as often happens with such sordid affairs, titanic and tender egos clashed and the old lines were redrawn. The cost to the District's reputation for this debacle was immeasurable.

Additionally, while under the city's control you chose to spend down District reserves rather than bond for the treatment plant improvements necessary to meet the 2012 state mandated Stage II Disinfectants and Disinfection by Products Rule. The cost to the District for this lapse of judgment was approximately \$20,000,000.00.

Once Mr. Toone had acquired enough of the rate payers' money the position of general manager was offered to Mr. Randy Hill, a man you described as "scary smart". His arrogance could fill oceans and was only exceeded by his ignorance, which did make him scary, just not smart. His rude, inept, unprofessional behavior served to embarrass the District on countless occasions. During his tenure the District was brought to the brink of bankruptcy, necessary projects were put on hold, employees were furloughed or laid off, the water rates were increased, law suits were filed and countered, and chaos reigned. The cost to the District for this scary smart choice was approximately \$600,000.00 in so called compensation to Mr. Hill. The costs associated with the litigation incurred and initiated during his tenure have yet to be quantified. Let's just say exorbitant, bordering on astronomical.

During Mr. LaMoreaux's absence operations of the District were conducted responsibly, economically, and professionally by the employees with little or no help from, and often in spite of you. Now that you have exhausted your supply of people to blame for the damage you have wrought, you turn your sights on the employees. Poorly done Jeff. Poorly done. Your proposal to make deep cuts to the employees' benefits and threaten their job security might appear more magnanimous if you were willing to shoulder rather than shed the consequences of your actions for others to bear. The cost, if you are interested, for the redemption of your so called integrity or credibility as a public servant or advocate is currently somewhere between \$21,050,000 and astronomical. Perhaps your complicit friends will offer to help. In any case, Jeff, it's time for you to take your ball and go home. You've done enough.

In the mean time the District staff and its rate payers would appreciate it if you and your not so secret society, which now includes those city backed candidates running against Raul Figueroa and Linda Godin, and for your soon to be vacant seat, would refrain from attempting another District take over, since it went so well the last time.

Sincerely,

Peter Thompson Sr.