



PALMDALE WATER DISTRICT

2029 East Avenue Q • Palmdale, California 93550 • Telephone (661) 947-4111
Fax (661) 947-8604
www.palmdalewater.org

Board of Directors

JEFF A. STORM
Division 1
GORDON G. DEXTER
Division 2
LINDA J. GODIN
Division 3
RAUL FIGUEROA
Division 4
STEVE R. CORDOVA
Division 5

LAGERLOF, SENECAI, GOSNEY & KRUSE LLP
Attorneys



December 8, 2011

***Agenda for Regular Meeting
of the Board of Directors of the Palmdale Water District
to be held at the District's office at 2029 East Avenue Q, Palmdale***

Wednesday, December 14, 2011

7:00 p.m.

NOTE: To comply with the Americans with Disabilities Act, to participate in any Board meeting please contact Dawn Deans at 661-947-4111 x103 at least 48 hours prior to a Board meeting to inform us of your needs and to determine if accommodation is feasible.

Agenda item materials, as well as materials related to agenda items submitted after distribution of the agenda packets, are available for public review at the District's office located at 2029 East Avenue Q, Palmdale. Please call Dawn Deans at 661-947-4111 x103 for public review of materials.

PUBLIC COMMENT GUIDELINES: The prescribed time limit per speaker is three-minutes. Please refrain from public displays or outbursts such as unsolicited applause, comments, or cheering. Any disruptive activities that substantially interfere with the ability of the District to carry out its meeting will not be permitted and offenders will be requested to leave the meeting.

Each item on the agenda shall be deemed to include any appropriate motion, resolution, or ordinance to take action on any item.

- 1) Pledge of Allegiance.
- 2) Administering of Oath of Office to elected Directors. (followed by ten-minute recess)
- 3) Roll Call.
- 4) Adoption of Agenda.
- 5) Public comments for non-agenda items.
- 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 special meeting held November 18, 2011.

- 6.2) Approval of minutes of regular meeting held November 23, 2011.
- 6.3) Payment of bills for December 14, 2011.
- 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) Consideration and possible action on cancellation of second regular Board meeting in December. (General Manager LaMoreaux)
 - 7.2) Consideration and possible action on contracting with Sentric for the processing of payroll. (Finance Manager Williams)
 - 7.3) Consideration and possible action on Financial Advisor Egan contract. (Director Dizmang/Director Storm)
 - 7.4) Consideration and possible action on Resolution No. 11-11 Establishing the Palmdale Water District's Investment Policy. (Finance Manager Williams)
 - 7.5) Consideration and possible action on sponsorship of Linda Godin to continue on Association of California Water Agencies (ACWA) Region 8 Board.
 - 7.6) Consideration and possible action on reorganization of the Board of Directors. (Director Storm)
- 8) Information Items:
 - 8.1) Reports of Directors: Meetings, Committee meetings, and general report.
 - 8.2) Report of General Manager.
 - 8.3) Report of Attorney.
- 9) Public comments on closed session agenda matters.
- 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: *City of Palmdale vs. Palmdale Water District, Case No. BC413432 (Rate Litigation)*.
 - 10.3) 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)*.
 - 10.4) Government Code Section 54956.9(a), existing litigation: *Palmdale Water District vs. City of Palmdale, Case No. BC420492 (Recycled Water Litigation)*.
 - 10.5) 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*.

- 10.6) 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.*
- 10.7) Government Code Section 54956.8 Conference with real property negotiator:
Subject: Long-term water supply
Property Negotiator: Dennis LaMoreaux, Jon Pernula
Negotiating Party: Butte County Department of Water and Resource Conservation
Under Negotiations: Price and Terms.
- 11) Public report of any action taken in closed session.
- 12) Board members' requests for future agenda items.
- 13) Adjournment.



DENNIS D. LaMOREAUX,
General Manager

DDL/dd

PALMDALE WATER DISTRICT BOARD MEMORANDUM

DATE:	December 7, 2011	December 14, 2011
TO:	Board of Directors	Board Meeting
FROM:	Michael Williams, Finance Manager/CFO	
VIA:	Mr. Dennis LaMoreaux, General Manager	
RE:	<i>AGENDA ITEM NO. 7.2 – CONSIDERATION AND POSSIBLE ACTION ON CONTRACTING WITH SENTRIC FOR PROCESSING PAYROLL</i>	

Recommendation:

Staff recommends approval of the proposal from Sentric to process the District's payroll including, but not limited to, all federal and state reporting requirements.

Financial Impact:

Startup costs \$7,367.50 (Budgeted 2011, account 1-02-4155-000 Contracted Services). Annual beginning in 2012, ~\$13,400, based on current number of employees (Budgeted 2012, account 1-02-4155-000 Contracted Services).

Background:

The District is currently running version 9 of Microsoft Great Plains and Cogsdale Customer Service Utility Billing software. Payroll is processed in-house with Cogsdale's payroll module add on. Version 9 is a legacy version, and Microsoft and Cogsdale no longer support version 9. The District is in the process of upgrading to version 2010 of the software package, but due to delays beyond our control, the upgrade will not be complete prior to December 31, 2011.

Because version 9 is no longer supported, the District will not get federal and state payroll tax updates for the 2012 calendar year and will not be able to calculate payroll correctly nor correctly report payroll deductions and liabilities. By using the services of Sentric, the District will be able to continue to meet its employee obligations after December 31, 2011.

Because time is of the essence in finding a solution, a Request for Proposals was not used. Instead, the Mesa Water District was contacted to find out who they used for their payroll processing. The reason Mesa Water District was selected is because they are a mirror image of PWD in terms of operation. They use Microsoft Great Plains as their financial package and Cogsdale as their utility billing package. Mesa Water District recently participated in a survey in which they indicated they outsource their payroll process. Sentric comes highly recommended by Mesa Water District.

BOARD OF DIRECTORS
PALMDALE WATER DISTRICT

VIA: Mr. Dennis D. LaMoreaux, General Manager

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December 7, 2011

Sentric services are all web based. Employees receive a login and complete their timecard electronically. Routing and approval safeguards are in place to insure accuracy and then time cards are submitted electronically for processing. Once payroll is processed, employees set up for direct pay will have their funds deposited into their account. Employees who receive paper checks will be able to receive their checks as they do now. Sentric will deliver paper checks, direct deposit earnings statements and all reports by courier service on payday. Then the information for posting to our general ledgers is placed on an FTP web site for our pickup and processing using the data integration tool with Great Plains.

If approved, the current strategy for Sentric's use would be for the first quarter of 2012. This will insure that all required quarterly reports are completed and processed with accurate totals. During this first quarter, the upgrade to version 2010 will be complete and ready to resume payroll processing on April 1, 2012. Sentric's pricing proposal is based on a two (2) year agreement. Early termination will result in a three (3) month service fee of ~\$3,350.00. The agreement will be reviewed by legal staff prior to signing.

Supporting Documents:

- Sentric's proposals for Time and Attendance and Payroll Services
- Background and corporate information may be found at: <http://www.sentric.net>

Strategic Plan Element:

4.0 Personnel Management
5.0 Administrative Management
6.0 Financial Planning



Time & Attendance

Proposal

Date: _____

Presented to: _____

Prepared by: _____

ppalomarez@sentric.net

Attention: _____

Product: _____

Description				Start-Up Cost	Recurring Fees
Programming, Implementation & Training Fees					
Programming, Implementation & Training				\$ 3,290.00	
Price Includes:					
Parameter Configuration - Including 24/7 - 9/80 & Mid-day Pay period					
Database and File Integration					
Project Management & Local Travel					
System Implementation and Testing					
Train The Trainer Training for up to 5 Users					
Total P.I.T. Fees				\$ 3,290.00	\$ -
Monthly Subscription Fee					
Quantity	Model	Description	Unit Price		
90	*SentricTLM	SentricTLM	\$ 2.25	\$ 202.50	\$ 2,430.00
20	**User Accounts	Supervisors & Administrators	\$ 8.00	\$ 120.00	\$ 960.00
Total Monthly Estimated Cost				\$ 322.50	\$ 3,390.00
Software License Fees					
Payroll Interface WebPay interface				Included	
Hardware Purchase					
Quantity	Model	Description	Unit Price		
Sales Tax				\$ -	
TOTAL				\$ 3,612.50	\$ 3,390.00

*\$70 Per Month Minimum Applies

**5 Users Included

Client Acknowledgement

By affixing my signature below, I am certifying that I am an authorized signer of the Company and our intent is to utilize the services of Sentric, Inc based on the fees and services presented above. We agree to implement these services based on this agreement.

Accepted by: _____
 Name: _____
 Title: _____
 Date: _____



Proposal

Date: _____

Prepared by: _____

ppalamar@sentric.net

Presented to: _____

Attention: _____

Product: *M3 Hosted*

Bi-Weekly

Description	Per Payroll Fees	Annualized 1st Year Fees	Annualized 2nd Year Fees
Implementation Fees			
Company payroll implementation and data conversion for 90 employees; (\$4.00 with no prior comp and import file provided as preferred)		\$ 360.00	
Hosted User Configuration and Data Transfer		\$ 400.00	
Test Time Import File		\$ -	
GP - GL Rules and Chart of Account Rules (Basis for File Export - Integration Manager)		\$ 500.00	
GP File Export - Integration Manager		\$ 595.00	
Payroll & Report Writer Training		\$ 700.00	
Workers Compensation Tracking & Liability Reporting		\$ 100.00	
457 Programming & Testing - Based on 3 Hours (\$185 per)		\$ 295.00	
CalPERS Calculation Programming & Testing - Based on 3 Hours (\$185 per)		\$ 555.00	
Time Off Accrual Table & Calculation Tier Configuration		\$ 250.00	
Payroll Conversion & Implementation Fee - January 2012 Start			
		\$ 3,755.00	
Payroll Processing Fees			
Middle Market Service ("MMS") Fees Based on 90 Employees			
Payroll Processing (add \$1.31 for each additional Employee)	\$ 142.75	\$ 142.75	\$ 142.75
Payroll Employee Self Service (\$.50 per employee) Based on 90	\$ 45.00	\$ 45.00	\$ 45.00
Direct Deposit (\$12.50 base + .27 per item) Based on 80	\$ 34.10	\$ 34.10	\$ 34.10
Check/Voucher Signing and Pressure Sealing (\$6.30 base + .32 per item)	\$ 9.50	\$ 9.50	\$ 9.50
Report Writer	\$ 15.00	\$ 15.00	\$ 15.00
457 Retirement Plan Reporting	\$ 15.75	\$ 15.75	\$ 15.75
GP GL Interface and Rule Basis Maintenance	\$ 31.25	\$ 31.25	\$ 31.25
CalPERS Retirement Plan Reporting	\$ 15.75	\$ 15.75	\$ 15.75
AutoTax Filing Service for Federal, CA	\$ 12.60	\$ 12.60	\$ 12.60
Tax Filing Additional State/Local \$2.10 PER			\$ -
Benefit Accruals	\$ 8.40	\$ 8.40	\$ 8.40
Agency Checks (\$2.10 per) Based on 6	\$ 12.60	\$ 12.60	\$ 12.60
New Hire Reporting (\$3.75 per item)	\$ -	\$ -	\$ -
Workers Comp Tracking & Reporting	\$ 18.00	\$ 18.00	\$ 18.00
Hosted User Fee - 2 Users	\$ 24.25	\$ 24.25	\$ 24.25
Next Business Day Delivery - MARKET	\$ -	\$ -	\$ -
Recurring Payroll Processing Fees	\$ 364.85	\$ 10,008.70	\$ 10,008.70
Year End Service Fees			
Annual W-2s (\$50.00 + \$5.75 per item) - ESTIMATE based on 95 total W-2s		\$ 596.25	\$ 596.25
W-2 Direct Delivery (postage per item)			
Quarterly Processing Fee (\$95.00 per Quarter)		\$ 380.00	\$ 380.00
Annual Tax Returns		\$ 60.00	\$ 60.00
Annual Mag Media		\$ 50.00	\$ 50.00
Annual Data Archive Fee		\$ 15.00	\$ 15.00
Quarterly & Annual Report Delivery Fees (\$25.00 per quarter)		\$ 100.00	\$ 100.00
Total Year End Fees		\$ 1,201.25	\$ 1,201.25
TOTAL		\$ 14,964.95	\$ 11,209.95

Client Acknowledgement

By affixing my signature below, I hereby certify that I have authority to contractually bind the above-named entity, and our intent is to utilize the services of Sentric based on the fees and services presented.

By: _____

Name: _____

Title: _____

Date: Sentric - 17011 Beach Blvd. Suite 700, Huntington Beach, CA 92647 - Voice: 714.969.5555 - Fax: 714.200.0142

INDEPENDENT CONTRACTOR AGREEMENT

This INDEPENDENT CONTRACTOR AGREEMENT ("Agreement") is made, entered into and effective as of September 1, 2011, by and between PALMDALE WATER DISTRICT (hereinafter "District"), and ROBERT M. EGAN (hereinafter "Egan" or "Financial Advisor").

RECITALS

A. Egan is a certified public accountant duly licensed in the State of California and has been performing accounting, financial, investment and other services for the District since November 1, 1994.

B. The District wishes to formalize its arrangement with Egan, as an independent contractor on certain terms as set forth in this Agreement, and Egan is agreeable to the proposed arrangement.

C. The parties are therefore entering into this Agreement to set forth the terms and conditions under which Egan will continue to serve as a financial advisor to the District.

AGREEMENTS

Now, therefore, in consideration of the mutual promises herein set forth, the parties agree as follows:

1. INDEPENDENT CONTRACTOR. Egan is retained by the District only for the purposes of and to the extent set forth in this Agreement and Egan's relationship to the District, shall, during the term of this agreement, be that of an independent contractor. Under no circumstances shall Egan look to the District as his employer, or as a partner, agent, or principal. Egan shall not be entitled to any benefits accorded to the District's employees, including workers' compensation, disability insurance, vacation, or sick pay. Egan shall be responsible for providing, at Egan's expense, and in Egan's name, disability, workers' compensation, or other insurance as well as any licenses or permits usual or necessary for performance of the services

Egan renders. Egan may use any employees or subcontractors as Egan deems necessary to perform the services required of Egan by this Agreement and Egan shall be solely responsible for the compensation of such employees or subcontractors. The District shall not control, direct, or supervise Egan's employees or subcontractors in the performance of those services.

Egan shall pay, when and as due, any and all taxes incurred as a result of Egan's compensation, including estimated taxes, and shall provide the District with proof of payment on demand. Egan shall indemnify the District for any claims, losses, costs, fees, liabilities, damages, or injuries suffered by the District arising out of Egan's failure to pay any and all taxes due. This engagement is for an unspecified period of time and subject to termination as allowed by law or as set forth herein.

2. **DUTIES AND OBLIGATIONS OF FINANCIAL ADVISOR.** As the Financial Advisor to the District, Egan shall regularly perform certain duties and functions on a monthly basis, others on a quarterly or annual basis, and as requested by the Board of Directors. Though he is engaged directly by the Board of Directors, Egan shall regularly report to the District's Finance Committee (a standing committee established by the Board of Directors) and coordinate his services with and through the General Manager. The services and duties to be provided by Egan are as follows:

Monthly Services and Duties

1. Prepare 12-month cash-flow projections and cash and investment reports for the Finance Committee;
2. Monitor and report to the Finance Committee on intra-district loans and the State Water Project transactions; and
3. Attend all Finance Committee meetings unless the committee Chairperson specifies otherwise.

Quarterly Services and Duties

Prepare quarterly assessment of District finances.

Annual Services and Duties

1. Prepare annual State Water Project assessment rate calculations and make recommendations regarding the same; and
2. Prepare the annual State Controller report.

Services and Duties as Requested by Board of Directors

1. Provide recommendations on investments, project financings and rate settings as requested by the Board of Directors or the Finance Committee;
2. Participate as a member of the District's financing team on any debt issuance contemplated by the District;
3. Prepare monthly recurring entries and assist as needed on other accounting issues;
4. Assist on the preparation of the annual budget;
5. Assist in the preparation and conduct of the annual audit, including appropriate footnote disclosure; and
6. Such other services and duties as may be requested by the Board of Directors.

3. **COMPENSATION.** Egan shall be compensated for his services on an hourly basis. Commencing with the effective date of this Agreement, his hourly rate for the services described above shall be \$225.00, which rate shall be subject to adjustment at the discretion of the District, but only if, in the opinion of the Board of Directors, Egan's performance has been satisfactory, as determined by the evaluation to be conducted in accordance with Section 5, below.

4. DUTIES AND OBLIGATIONS OF DISTRICT. The District shall provide Egan with an annual performance review, the compensation set forth above, and any expense reimbursements approved in advance by the Board of Directors.

5. ANNUAL REVIEW. The Board of Directors of the District shall conduct an annual evaluation of Egan's performance either by the full Board or by the Finance Committee. At a minimum, the evaluation shall consist of a conference with the Financial Advisor to review his performance. This performance evaluation shall occur during the months of January or February of each year this Agreement is in effect.

6. TERMINATION OF AGREEMENT.

A. This Agreement shall terminate on the death of the Financial Advisor. In addition, this Agreement may be terminated by Egan at any time, without cause, upon no less than 60 days' prior written notice to the District. The Financial Advisor shall be entitled to compensation to and through the effective date of termination, but shall not be entitled to any additional compensation.

B. The District may terminate the Financial Advisor's services and thereby terminate this Agreement, at any time, with or without cause, upon no less than 30 days' prior written notice to the Financial Advisor.

7. GENERAL PROVISIONS.

A. This Agreement constitutes the entire agreement between the parties. No amendments to this Agreement may be made except by a writing signed by both parties.

B. The validity, interpretation, performance and effect of this Agreement shall be construed in accordance with the laws of the State of California.

C. Any notice or communication required or permitted to be given under this Agreement shall be effective when deposited, postage prepaid, in the United States Mail. Any notice shall be addressed as follows:

Palmdale Water District
2029 East Avenue Q
Palmdale, CA 93550

Notice to the Financial Advisor shall be addressed to his last-known address as reflected on the records of the District.

D. If any provisions of this Agreement are held invalid and unenforceable, the remainder of this Agreement shall nevertheless remain in full force and effect.


E. The failure of either party to insist on strict compliance with any of the terms, covenants or conditions of this Agreement by either party shall not be deemed as a waiver of that term, covenant or condition, nor shall any waiver or relinquishment of any right or power at any one time or times be deemed a waiver or relinquishment of that right or power for all or any other time.

F. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which the party may be entitled.

IN WITNESS WHEREOF, the parties have executed this INDEPENDENT CONTRACTOR AGREEMENT as of the date first hereinabove written.

PALMDALE WATER DISTRICT

By: 
Gordon G. Dexter, President


ROBERT M. EGAN

PALMDALE WATER DISTRICT BOARD MEMORANDUM

DATE: December 8, 2011 **December 14, 2011**
TO: BOARD OF DIRECTORS **Regular Board Meeting**
FROM: Mr. Michael Williams, Finance Manager
VIA: Mr. Dennis D. LaMoreaux, General Manager
RE: *AGENDA ITEM NO. 7.4 – CONSIDERATION AND POSSIBLE ACTION
ON RESOLUTION NO. 11-11 ESTABLISHING THE PALMDALE
WATER DISTRICT’S INVESTMENT POLICY*

Recommendation:

Staff recommends that the Board of Directors approve Resolution No. 11-11 establishing the Palmdale Water District’s Investment Policy.

Financial Impact:

Adoption of Resolution No. 11-11 will have no financial impact.

Background:

It is required by law for the District to adopt an annual Investment Policy. There are no recommended changes from the previous Investment Policy which is to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all statutes governing the investment of District funds with the primary objectives of the investment activities being safety, liquidity, and return on investments.

Supporting Documents:

- Resolution No. 11-11 (A) designating Financial Advisor as Deputy Treasurer
- Resolution No. 11-11 (B) designating Finance Manager as Deputy Treasurer

Strategic Plan Element:

6.0 Financial Management

RESOLUTION NO. 11-11

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE PALMDALE WATER DISTRICT
ESTABLISHING ITS INVESTMENT POLICY**

1.0 POLICY

WHEREAS; the Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern; and

WHEREAS; the legislative body of a local agency may invest monies not required for the immediate necessities of the local agency in accordance with the provisions of California Government Code Sections 5922 and 53601 et seq.; and

WHEREAS; the Deputy Treasurer of the Palmdale Water District ("District") shall annually prepare and submit a statement of investment policy and such policy, and any changes thereto, and report same to the Finance Committee, and it shall be considered by the Board of Directors at a public meeting;

NOW THEREFORE; it shall be the policy of the District to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all statutes governing the investment of District funds.

2.0 SCOPE

This investment policy applies to all financial assets of the District. These funds are accounted for in the annual district audit.

3.0 PRUDENCE

Investments shall be made with judgment and care, under circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the District, which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used by investment officials shall be the "prudent investor" standard (California Government Code 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal

responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4.0 OBJECTIVES

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives, in priority order, of the investment activities shall be:

1. Safety: Safety of principal is the foremost objective of the investment program. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

2. Liquidity: The investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated.

3. Return on Investments: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

5.0 DELEGATION OF AUTHORITY

The authority to invest public funds is expressly delegated to the Board of Directors. The Board re-delegates the investment function to the Board President or Vice President and the Deputy Treasurer. The Board President or Vice President designate the District's Financial Advisor as the Deputy Treasurer who shall have the authority to act on behalf of the District with the concurrence of the Board Finance Committee.

The investment of the District's monies is annually delegated by the Board of Directors to the Board President or Vice President and Deputy Treasurer (District Financial Advisor) who shall thereafter assume full responsibility for those transactions until the delegation is revoked or expires. The Board President or Vice President shall delegate the day-to-day operations of investing to the Deputy Treasurer, but not the responsibility for the overall investment program. All transactions will be reviewed by the Finance Committee on a monthly basis to assure compliance with the Investment Policy. (California Government Code Section 53607.)

6.0 ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

7.0 AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Deputy Treasurer will maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience and minimal capitalization authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment and financial advisory services in the State of California. No public deposit shall be made except in a qualified public depository as established by state laws.

For brokers/dealers of government securities and other investments, the District shall select only broker/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers or other applicable self-regulatory organizations.

Before engaging in investment transactions with a broker/dealer, the Deputy Treasurer shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the District's account with that firm has reviewed the District's Investment Policy and that the firm understands the policy and intends to present investment recommendations and transactions to the District that are appropriate under the terms and conditions of the Investment Policy.

8.0 AUTHORIZED AND SUITABLE INVESTMENTS

The District is empowered by California Government Code 53601 et seq. to invest in the following:

- a. Bonds issued by the District.
- b. United States Treasury Bills, Notes and Bonds.
- c. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those

issued by, or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

- d. Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), or by a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30% of the District's money which may be invested pursuant to this policy.
- e. Monies held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.
- f. Bonds, notes, warrants or other evidence of debt issued by a local agency within the State of California, including pooled investment accounts sponsored by the State of California, County Treasurers, other local agencies or Joint Powers Agencies.

Such investments shall be limited to securities that at the time of the investment have a term remaining to maturity of five years or less, or as provided above.

The District shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools or any investment that may result in a zero interest accrual if held to maturity.

9.0 COLLATERALIZATION

All certificates of deposit must be collateralized by United States Treasury Obligations. Collateral must be held by a third party trustee and valued on a monthly basis. The percentage of collateralizations on repurchase and reverse agreements will adhere to the amount required under California Government Code 53601(i)(2).

10.0 SAFEKEEPING AND CUSTODY

All security transactions entered into by the District shall be conducted on delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to the District by book entry, physical delivery or by third party custodial agreement.

11.0 DIVERSIFICATION

The District will diversify its investments by security type and institution. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities.

Diversification strategies shall be reviewed and revised periodically. In establishing specific diversification strategies, the following general policies and constraints shall apply:

- a. Portfolio maturity dates shall be matched versus liabilities to avoid undue concentration in a specific maturity sector.
- b. Maturities selected shall provide for stability of income and liquidity.
- c. Disbursement and payroll dates shall be covered through maturities of investments, marketable United States Treasury bills or other cash equivalent instruments such as money market mutual funds.

12.0 REPORTING

The Deputy Treasurer, after review by the Finance Committee, shall submit to each member of the Board of Directors an investment report at least quarterly. The report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed for District by third party contracted managers. The report will also include the source of the portfolio valuation. For funds which are placed in LAIF, FDIC-insured accounts and/or in a county investment pool, the foregoing report elements may be replaced by copies of the latest statements from such institutions. The report must also include a certification that (1) all investment actions executed since the last report have been made in full compliance with the Investment Policy, and (2) the District will meet its expenditure obligations for the next six months. The Deputy Treasurer shall maintain a complete and timely record of all investment transactions.

13.0 INVESTMENT POLICY ADOPTION

The Investment Policy shall be adopted by resolution of the District. Moreover, the Policy shall be reviewed on an annual basis, and modifications must be approved by the Board of Directors.

PASSED, APPROVED, AND ADOPTED at a Regular Meeting of the Board of Directors of Palmdale Water District held on _____. Resolution No. 11-11 was adopted by the following vote:

AYES: Directors

NOES: Directors

ABSTAIN: Directors

President, Board of Directors
Palmdale Water District

ATTEST:

Secretary of the Board of Directors

STATE OF CALIFORNIA)
)
COUNTY OF LOS ANGELES) ss.

I, _____, Secretary of the Palmdale Water District, DO HEREBY CERTIFY that the foregoing is a full, true and correct copy of Resolution No. 11-11 of the Board of Directors of Palmdale Water District adopted at a Regular Meeting held on _____ and that the same has not been amended or repealed.

Secretary, Board of Directors
Palmdale Water District

DATED: _____

(S E A L)



FCI

FINANCIAL COUNSELORS INC.
Founded 1966

December 7, 2011

Finance Committee
Palmdale Water District
2029 East Avenue Q
Palmdale, CA 35550

RE: Investment Policy Statement

Dear Finance Committee:

This letter certifies that I have read and understand the Palmdale Water District's Investment Policy. Our company will manage the investment holdings according to its terms and conditions, making appropriate transactions as necessary to achieve a reasonable return while providing maximum security and conforming to all statutes governing the fund.

Respectfully,

Peter G. Greig, CFA
Senior Vice President
Co-Chief Investment Officer-Fixed Income

PGG/jfb



UBS Financial Services Inc.

777 S. Figueroa St.
50, 51 and 52 floors
Los Angeles, CA 90017
Tel. 213-253-5236
Fax 213-972-1539
Toll Free 800-624-9289

Michael R. Giordano, CIMA®
Senior Vice President - Investments
Advisory & Brokerage Services
Institutional Consultant
mike.giordano@ubs.com

www.ubs.com

December 2, 2010

Finance Committee
Palmdale Water District
2029 East Avenue Q
Palmdale, CA 93550

Dear Sirs:

This letter certifies that I have read and understand the Palmdale Water District Investment Policy. I will present investment recommendations and transactions that are appropriate under its terms and conditions.

Sincerely,

Michael R. Giordano- CIMA
Senior Vice President- Investments

James M. Giordano- CFP
Vice President- Investments

(B)

RESOLUTION NO. 11-11

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT ESTABLISHING ITS INVESTMENT POLICY

1.0 POLICY

WHEREAS; the Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern; and

WHEREAS; the legislative body of a local agency may invest monies not required for the immediate necessities of the local agency in accordance with the provisions of California Government Code Sections 5922 and 53601 et seq.; and

WHEREAS; the Deputy Treasurer of the Palmdale Water District ("District") shall annually prepare and submit a statement of investment policy and such policy, and any changes thereto, and report same to the Finance Committee, and it shall be considered by the Board of Directors at a public meeting;

NOW THEREFORE; it shall be the policy of the District to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all statutes governing the investment of District funds.

2.0 SCOPE

This investment policy applies to all financial assets of the District. These funds are accounted for in the annual district audit.

3.0 PRUDENCE

Investments shall be made with judgment and care, under circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the District, which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used by investment officials shall be the "prudent investor" standard (California Government Code 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal

responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4.0 OBJECTIVES

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives, in priority order, of the investment activities shall be:

1. Safety: Safety of principal is the foremost objective of the investment program. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

2. Liquidity: The investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated.

3. Return on Investments: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

5.0 DELEGATION OF AUTHORITY

The authority to invest public funds is expressly delegated to the Board of Directors. The Board re-delegates the investment function to the Board President or Vice President and the Deputy Treasurer. The Board President or Vice President designate the District's Finance Manager as the Deputy Treasurer who shall have the authority to act on behalf of the District with the concurrence of the Board Finance Committee.

The investment of the District's monies is annually delegated by the Board of Directors to the Board President or Vice President and Deputy Treasurer (District Finance Manager) who shall thereafter assume full responsibility for those transactions until the delegation is revoked or expires. The Board President or Vice President shall delegate the day-to-day operations of investing to the Deputy Treasurer, but not the responsibility for the overall investment program. All transactions will be reviewed by the Finance Committee on a monthly basis to assure compliance with the Investment Policy. (California Government Code Section 53607.)

6.0 ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

7.0 AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Deputy Treasurer will maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience and minimal capitalization authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment and financial advisory services in the State of California. No public deposit shall be made except in a qualified public depository as established by state laws.

For brokers/dealers of government securities and other investments, the District shall select only broker/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers or other applicable self-regulatory organizations.

Before engaging in investment transactions with a broker/dealer, the Deputy Treasurer shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the District's account with that firm has reviewed the District's Investment Policy and that the firm understands the policy and intends to present investment recommendations and transactions to the District that are appropriate under the terms and conditions of the Investment Policy.

8.0 AUTHORIZED AND SUITABLE INVESTMENTS

The District is empowered by California Government Code 53601 et seq. to invest in the following:

- a. Bonds issued by the District.
- b. United States Treasury Bills, Notes and Bonds.
- c. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those

issued by, or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

- d. Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), or by a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30% of the District's money which may be invested pursuant to this policy.
- e. Monies held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.
- f. Bonds, notes, warrants or other evidence of debt issued by a local agency within the State of California, including pooled investment accounts sponsored by the State of California, County Treasurers, other local agencies or Joint Powers Agencies.

Such investments shall be limited to securities that at the time of the investment have a term remaining to maturity of five years or less, or as provided above.

The District shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools or any investment that may result in a zero interest accrual if held to maturity.

9.0 COLLATERALIZATION

All certificates of deposit must be collateralized by United States Treasury Obligations. Collateral must be held by a third party trustee and valued on a monthly basis. The percentage of collateralizations on repurchase and reverse agreements will adhere to the amount required under California Government Code 53601(i)(2).

10.0 SAFEKEEPING AND CUSTODY

All security transactions entered into by the District shall be conducted on delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to the District by book entry, physical delivery or by third party custodial agreement.

11.0 DIVERSIFICATION

The District will diversify its investments by security type and institution. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities.

Diversification strategies shall be reviewed and revised periodically. In establishing specific diversification strategies, the following general policies and constraints shall apply:

- a. Portfolio maturity dates shall be matched versus liabilities to avoid undue concentration in a specific maturity sector.
- b. Maturities selected shall provide for stability of income and liquidity.
- c. Disbursement and payroll dates shall be covered through maturities of investments, marketable United States Treasury bills or other cash equivalent instruments such as money market mutual funds.

12.0 REPORTING

The Deputy Treasurer, after review by the Finance Committee, shall submit to each member of the Board of Directors an investment report at least quarterly. The report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed for District by third party contracted managers. The report will also include the source of the portfolio valuation. For funds which are placed in LAIF, FDIC-insured accounts and/or in a county investment pool, the foregoing report elements may be replaced by copies of the latest statements from such institutions. The report must also include a certification that (1) all investment actions executed since the last report have been made in full compliance with the Investment Policy, and (2) the District will meet its expenditure obligations for the next six months. The Deputy Treasurer shall maintain a complete and timely record of all investment transactions.

13.0 INVESTMENT POLICY ADOPTION

The Investment Policy shall be adopted by resolution of the District. Moreover, the Policy shall be reviewed on an annual basis, and modifications must be approved by the Board of Directors.

PASSED, APPROVED, AND ADOPTED at a Regular Meeting of the Board of Directors of Palmdale Water District held on _____. Resolution No. 11-11 was adopted by the following vote:

AYES: Directors

NOES: Directors

ABSTAIN: Directors

President, Board of Directors
Palmdale Water District

ATTEST:

Secretary of the Board of Directors

STATE OF CALIFORNIA)
)
COUNTY OF LOS ANGELES) ss.

I, _____, Secretary of the Palmdale Water District, DO HEREBY CERTIFY that the foregoing is a full, true and correct copy of Resolution No. 11-11 of the Board of Directors of Palmdale Water District adopted at a Regular Meeting held on _____ and that the same has not been amended or repealed.

Secretary, Board of Directors
Palmdale Water District

DATED: _____

(S E A L)



FCI

FINANCIAL COUNSELORS INC.
Founded 1996

December 7, 2011

Finance Committee
Palmdale Water District
2029 East Avenue Q
Palmdale, CA 35550

RE: Investment Policy Statement

Dear Finance Committee:

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Respectfully,

Peter G. Greig, CFA
Senior Vice President
Co-Chief Investment Officer-Fixed Income

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December 2, 2010

Finance Committee
Palmdale Water District
2029 East Avenue Q
Palmdale, CA 93550

Dear Sirs:

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Sincerely,

Michael R. Giordano- CIMA
Senior Vice President- Investments

James M. Giordano- CFP
Vice President- Investments

LINDA J. GODIN
4305 Casimo Court
PALMDALE, CA 93552
(661) 810-2047

December 8, 2011

RECEIVED
DEC 08 2011

VIA HAND DELIVERY

Board of Directors
Palmdale Water District
2029 East Avenue Q
Palmdale, CA 93550-4050

Re: ACWA Region 8 Board

Dear Directors:

Earlier this year, I was honored to be re-elected to the Region 8 Board for the Association of California Water Agencies (ACWA), to serve another two-year term, through December 2013. ACWA's Region 8 consists of the ACWA member agencies located in Los Angeles and Ventura Counties.

In light of the outcome of the recent directors' election here at the District (i.e., the loss of my seat as a District director), ACWA is now requiring separate action by the District's Board of Directors to sponsor me so I can continue to fulfill my term. Tonight, I am respectfully requesting the Board to take that action.

In making that request, I want to make the following two things very clear:

1. I will not seek any compensation or reimbursement from Palmdale Water District in connection with service on the Region 8 Board, including any requests for travel reimbursement or ACWA conference or event fees. I will bear all costs related to my service on the Region 8 Board.

2. In my capacity as a Region 8 Board member, I will not be acting as a specific representative of Palmdale Water District. I will instead be acting for the good of Region 8's member agencies. By way of background, the Board should be aware that ACWA is not a "region-driven" organization, in that its decision-making is driven by its operating committees and Board of Directors, rather than by the various region boards.

In closing, my desire to continue to serve on the Region 8 Board arises from my desire to continue to be of service to our region's water agencies. I greatly appreciate your thoughtful consideration of this request and hope that I continue to be of service in Region 8.

Sincerely,



Linda J. Godin

MINUTES OF MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, OCTOBER 24, 2011:

A meeting of the Finance Committee of the Palmdale Water District was held Monday, October 24, 2011, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. Chair Godin called the meeting to order.

1) Roll Call.

Attendance:

Finance Committee:
Linda Godin, Chair
Gordon Dexter, Committee
Member

Others Present:

Dennis LaMoreaux, General Manager
Mike Williams, Finance Manager
Dennis Hoffmeyer, Senior Accountant
Dawn Deans, Executive Assistant
1 member of the public

2) Adoption of Agenda.

It was moved by Committee Member Dexter, seconded by Chair Godin, and unanimously carried to adopt the agenda, as written.

3) Public Comments.

There were no public comments.

4) Action Items:

4.1) Consideration and Possible Action on Approval of Minutes of Meeting Held September 26, 2011.

It was moved by Committee Member Dexter, seconded by Chair Godin, and unanimously carried to approve the minutes of the meeting held September 26, 2011, as written.

4.2) Discussion of Status Report on Cash Report at September 30, 2011 and Cash Flow Report Through December 31, 2011. (Financial Advisor Egan)

In Financial Advisor Egan's absence, Finance Manager Williams reviewed the investment funds report and cash flow report for September 30, 2011 and stated that cash at September 30, 2011 was \$6,350,000.00 and year-end projections indicate \$7,058,000.00 at December 31, 2011.

4.3) Discussion of Status Report on Financial Statements and Departmental Budget Reports for September, 2011. (Finance Manager Williams)

Finance Manager Williams reviewed the balance sheet, profit and loss statement, year-to-year and month-to-month revenue and expense analysis, and individual departmental reports through September 2011, along with the graphs for these reports, and stated that the target expenditure percentage should be at or below 75%; that departments are at or below this expenditure; and then reviewed specific detail for these reports.

Payments related to adjudication matters were then discussed.

Ms. Joan Guyer, Ana Verde Rural Association, inquired about fluctuations to revenues resulting from water bill credits after which Finance Manager Williams stated that credits from June 2009 through March 2010 are approximately \$195,000.00.

All departments were then commended for keeping operating expenditures down.

4.4) Discussion of Status Report on Engineering Department Contractual Commitments and Projected Payout Schedule. (Finance Manager Williams)

Finance Manager Williams reviewed the updated Contractual Commitments and Projected Payout Schedule and stated that the Avenue Q project will be removed from next month's report as final payment has been made.

General Manager LaMoreaux then informed the Committee that next month's Schedule will also reflect only \$50,000.00 budgeted for water treatment plant security as this project has been placed on hold.

4.5) Status Report on 2012 Budget. (Finance Manager Williams)

Finance Manager Williams reviewed the timeline for the 2012 Budget after which Senior Accountant Hoffmeyer reviewed draft 2012 Budget summary pages for revenue and expenditures, projections for 2011 department year-end budgets, projections for 2012 department budgets, and how water purchases are invoiced followed by discussion of electronic payment processing.

Ms. Guyer then inquired about the employee benefits package and was informed that the Personnel Committee has received updates from the Human Resources Department on the employee benefits package and continue discussions.

5) Information Items.

General Manager LaMoreaux distributed a memo from Financial Advisor Egan regarding proposals for auditing services and stated that this matter will be placed on the next agenda for consideration.

He then informed the Committee that Mr. Paul Novak, Executive Director for LAFCO, informed him earlier today that he will direct GEI Consultants, who are conducting the Municipal Service Review for the District and two other water districts, to conduct the Review for the other two water districts first; that LAFCO will wait on the District's Review until after January 1 to see how much the District can contribute towards the cost of the Review as this cost will be considered through the 2012 budget process; and that he has requested Mr. Novak contact GEI Consultants regarding in-kind services to help reduce the District's cost for the Review.

There were no further information items to discuss.

6) Board Members' Requests for Future Agenda Items.


Chair Godin stated that "Consideration and possible action on proposals received for preparation of the District's audit" and "Consideration and possible action on draft 2012 Budget" will be placed on the next agenda along with standing agenda items.

There were no further requests for future agenda items.

The next Finance Committee meeting was then scheduled for November 21, 2011 at 5:15 p.m.

7) Adjournment.

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


Chair