PALMDALE WATER DISTRICT

2029 East Avenue Q • Palmdale, California 93550 • Telephone (661) 947-4111
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April 5, 2012

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, April 11, 2012

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) Roll Call.

3) Adoption of Agenda.

4) Public comments for non-agenda items.

5) Presentations:

   5.1) No presentations scheduled at this time.

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 March 28, 2012.

6.2) Payment of bills for April 11, 2012.

7) Action Items - Action Calendar (The public shall have an opportunity to comment on any action item as each item is considered by the Board of Directors prior to action being taken.)

7.1) Status report on Cash Flow Statement and Current Cash Balances as of February, 2012. (Financial Advisor Egan)

7.2) Status report on 2012 Financial Statements, Revenue and Expense and Departmental Budget Reports for February, 2012. (Finance Manager/CFO Williams)

7.3) Status report on committed contracts issued. (Engineering Manager Knudson)

7.4) Consideration and possible action on agreement with RMC Water & Environment for preparation of Local Groundwater Assistance (LGA) grant application. ($50,000.00 – Non-Budgeted – Engineering Manager Knudson)

7.5) Consideration and possible action on Certification of Compliance with Government Code Section 7507 for Two-Year Service Credit Retirement Incentive Program. ($804,425.86 amortized over 20 years – Human Resources Manager Burns)

7.6) Consideration and possible action on election of Directors for Antelope Valley Board of Trade. (General Manager LaMoreaux)

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.*

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

12) Board members' requests for future agenda items.

13) Adjournment.

Dennis D. LaMoreaux

DENNIS D. LaMOREAUX,
General Manager

DDL/dd

AGENDA ITEM NO. 7.1

PALMDALE WATER DISTRICT

BOARD MEMORANDUM

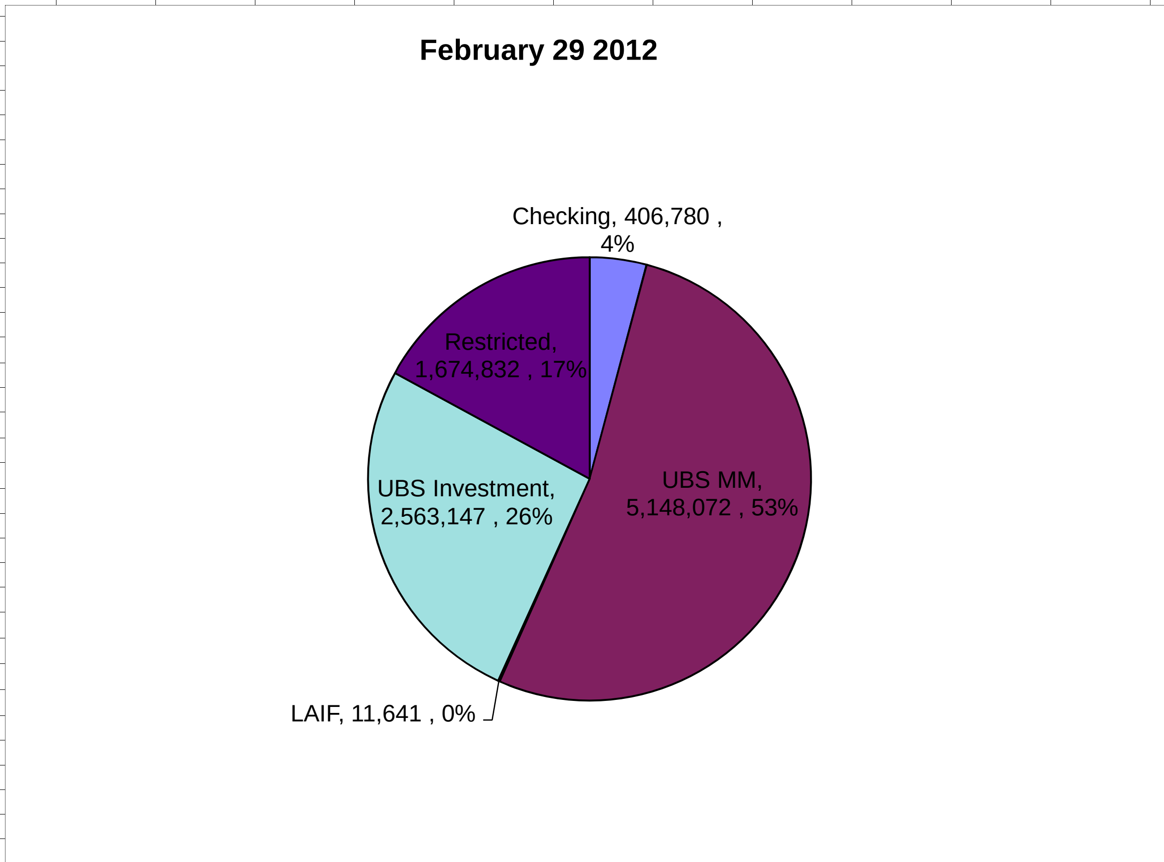
DATE:	April 5, 2012	**April 11, 2012**
TO:	BOARD OF DIRECTORS	**Board Meeting**
FROM:	Mr. Bob Egan, Financial Advisor	
RE:	***AGENDA ITEM NO. 7.1 – STATUS REPORT ON CASH FLOW STATEMENT AND CURRENT CASH BALANCES AS OF FEBRUARY, 2012.***	

Attached is the Investment Funds Report and current cash balance as of February, 2012. The reports will be reviewed in detail at the Board meeting.

PALMDALE WATER DISTRICT
INVESTMENT FUNDS REPORT

DESCR A/C #		ISSUE DATE	ISSUER	EXPIR DATE	RATE	PAR	January-12 VALUE / MARKET VALUE	January-12 VALUE / MARKET VALUE
				February 29, 2012				
CASH								
0-0103	Citizens/US Bank - Checking						271,810.32	(29,980.00)
0-0104	Citizens- Merchant						131,269.32	118,494.00
						Bank cash	403,079.64	88,514.00
0-0119	PETTY CASH						300.00	300.00
0-0120	CASH ON HAND						3,400.00	3,400.00
	TOTAL CASH						406,779.64	92,214.00
INVESTMENTS								
0-0110	UBS ACCOUNT SS 11469 GG							
	UBS RMA Government Portfolio						3,483,619.88	4,339,437.54
	UBS Bank USA Dep acct						250,000.00	250,000.00
							3,733,619.88	4,589,437.54
0-1110	UBS ACCOUNT SS 11475 GG							
	UBS Bank USA Dep acct						250,000.00	250,000.00
	UBS RMA Government Portfolio						1,164,452.38	1,164,435.33
							1,414,452.38	1,414,435.33
0-0115	LAIF						11,641.28	11,630.12
0-0111	UBS ACCOUNT SS 11432 GG							
	UBS Bank USA Dep acct						0.00	0.00
	UBS RMA Government Portfolio						622,003.11	621,998.18
		Accrued interest					18,252.61	13,850.32
	US GOVERNMENT SECURITIES:							
		ISSUE DATE	ISSUER	EXPIR DATE	RATE	PAR	MARKET VALUE	MARKET VALUE
			FNMA	04/11/12	5.375	500,000	502,630.00	504,430.00
						0	0.00	0.00
			FHLB	04/16/15	2.90	400,000	401,096.00	401,824.00
			FHLB	10/26/15	1.625	500,000	516,320.00	517,610.00
			FNMA	07/27/16	2.00	500,000	502,845.00	503,415.00
						1,900,000.00	1,922,891.00	1,927,279.00
	TOTAL MANAGED ACCOUNT						2,563,146.72	2,563,127.50
	TOTAL INVESTMENTS						7,722,860.26	8,578,630.49
	TOTAL UNRESTRICTED CASH						8,129,639.90	8,670,844.49
RESTRICTED CASH								
0-1120	1998 Debt Reserve Fund							
		FHLB par 1.4Mil matures 10/18/13 3.625% interest					1,473,976.00	1,477,630.00
		Federated Treasury Obligation MM					182,106.67	182,106.67
		Accrued interest					18,749.30	14,520.13
	TOTAL Restricted CASH						1,674,831.97	1,674,256.80
	GRAND TOTAL CASH AND RESTRICTED CASH						9,804,471.87	10,345,101.29
			Checking		406,780			
			UBS MM		5,148,072			
			LAIF		11,641			
			UBS Investment		2,563,147			
			Restricted		1,674,832			
				Total	9,804,472			

PALMDALE WATER DISTRICT
INVESTMENT FUNDS REPORT



REVISED 04/05/12	2012	2012	2012	2012	2012	2012	2012	2012	2012	2012	2012	2012	
	January	February	March	April	May	June	July	August	September	October	November	December	YTD
Water Sales	1,407,565	1,436,524	1,613,351	1,537,986	1,657,604	1,898,331	2,124,094	2,412,812	2,335,331	1,983,766	1,941,288	1,556,933	21,905,585
	1,407,565	1,436,524	1,613,351	1,537,986	1,657,604	1,898,331	2,124,094	2,412,812	2,335,331	1,983,766	1,941,288	1,556,933	
Beginning Balance	9,581,172	10,345,101	9,804,471	7,782,095	10,077,890	9,632,094	9,402,134	8,810,172	8,428,721	6,429,693	6,634,924	6,920,920	
Water Receipts	1,689,691	1,424,941	1,542,620	1,568,132	1,609,757	1,802,040	2,033,789	2,297,325	2,366,323	2,124,392	1,958,279	1,710,675	22,127,964
Other													
Total Operating Revenue	1,689,691	1,424,941	1,542,620	1,568,132	1,609,757	1,802,040	2,033,789	2,297,325	2,366,323	2,124,392	1,958,279	1,710,675	
Operating Expenses:													
Total Operating Expenses	1,262,300	1,792,790	1874646	1,774,403	1,710,545	1,783,753	2,211,679	2,311,590	1,638,923	1,699,477	1,628,019	1,546,592	21,234,717
													893,247
Non-Operating Revenue Expensess:													
Assessments, net	476,956	134,001	7,936	1,904,400	300,840	11,040	269,100	172,500			150,420	1,942,219	5,369,412
Special Avek CIF Payment	686,848												686,848
Interest	6,501	650	2,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	54,151
Grant Re-imbursement													0
Capital Improvement Fees	6,439	10,000	10,000	1,176,848	10,000	13,561	10,000	10,000	10,000	10,000	10,000	10,000	1,286,848
													0
DWR Refund													0
Other /Palmdale Redevel Agncy		44,554											44,554
Total Non-Operating Revenues	1,176,744	189,205	19,936	3,086,248	315,840	29,601	284,100	187,500	15,000	15,000	165,420	1,957,219	7,441,814
Capital Expenditures	(273,428)	(256,777)	(292,471)	(463,495)	(540,163)	(157,163)	(89,000)	(214,000)	(164,000)	(114,000)	(89,000)	(14,000)	(2,667,497)
Deposit refunds													0
SWP Capitalized	(566,283)	(104,714)	(129,747)	(104,714)	(104,712)	(104,712)	(593,199)	(104,712)	(134,360)	(104,711)	(104,711)	(104,711)	(2,261,286)
Prepaid Insurance (paid) refunded			(65,000)					(220,000)					(285,000)
Bond Payments Interest			(1,207,096)						(1,207,096)				(2,414,192)
Principal									(1,220,000)				(1,220,000)
System Work for AVEK													0
5,000 AF banked Water													0
Capital leases	(495)	(495)	(15,973)	(15,973)	(15,973)	(15,973)	(15,973)	(15,973)	(15,973)	(15,973)	(15,973)	(15,973)	(160,720)
Legal adjudication fees													0
													0
Total Cash Ending Balance	10,345,101	9,804,471	7,782,095	10,077,890	9,632,094	9,402,134	8,810,172	8,428,721	6,429,693	6,634,924	6,920,920	8,907,538	(9,008,695)

AGENDA ITEM NO. 7.2

PALMDALE WATER DISTRICT

BOARD MEMORANDUM

DATE:	April 3, 2012	**April 11, 2012**
TO:	Board of Directors	**Board Meeting**
FROM:	Michael Williams, Finance Manager/CFO	
VIA:	Mr. Dennis LaMoreaux, General Manager	
RE:	***AGENDA ITEM 7.2 - STATUS REPORT ON 2012 FINANCIAL STATEMENTS, REVENUE AND EXPENSE AND DEPARTMENTAL BUDGET REPORTS FOR FEBRUARY, 2012***	

Discussion:

Presented here are Balance Sheet and Profit/Loss Statement for the period ending February 29, 2012. Also included are Year-To-Year Comparisons and Month-To-Month Revenue Analysis and Expense Analysis for the month of February. Finally, I have provided individual departmental budget reports through the month of February, 2012.

With two months of the budget year complete, target percentages should be at or below 16.66% for expenditures and at or above that mark for revenue. I will discuss some areas of the statements during the presentation.

Balance Sheet:

- Page 1 is our balance sheet on February 29, 2012. Our assets equals our liabilities and equity at $174,641,784

Profit/Loss Statement:

- Page 3 is our profit/loss statement on February 29, 2012.
- Operating revenue is at 13.15% of budget
- Cash operating expense is at 13.33% of budget.
- Looking at strictly cash bases of operation, expenses are exceeding revenue year-to-date by $39,403.
- Other under Non-Operating Revenue is at 59.65% of budget due to receiving $32k payment from Fin and Feather Club which was their annual rent.
- All departments are operating at 16.92% of budget or lower.

Year-To-Year Comparison P&L:

- Page 7 is our comparison of February 2011 to February 2012.
- Total operating revenue is down by 3.55% due to reduction in other fees charged. In February of 2011, we received the $105k rate stabilization refund.
- Operating expenditures are up by $139k or 9.85%.
- Page 8 is a graphic comparison of water consumption. Units billed were up by 12.88% with total revenue per unit down 14.56%, which is an indication of consumption billed at lower tiers.

Revenue Analysis Year-To-Date:

- Page 9 is our comparison of revenue, year to date.
- Operating revenue is down in 2012 by $48k or 1.66% compared to 2011
- Total revenue is up $201k or 4.69%, due primarily to the Capital Improvement Fees collected.

Expense Analysis Year-To-Date:

- Page 11 is our comparison of expense, year to date.
- Cash Operating Expenses in 2012 are up $108k or 3.68% compared to 2011, due primarily to water purchases.
- Total Expenses are up in 2012 by $510k or 11.18% compared to 2011, due to water purchase and the OPEB accrual expense.

Departments:

- Pages 14 through 22 are detailed budgets of each department.
- Page 15 - Administration Department, Legal Services is tracking high for this time of year.
- Page 17 – Facilities Department, Electricity-Building is showing high due to our annual net meter charge of $9k which covers period March 2011 – March 2012.
- For all other departments, there is nothing significant to point out. As mentioned, the departments are operating at or below 16.92% for the year.

Non-Cash Definitions:

Depreciation: This is the spreading of the total expense of a capital asset over the expected life of that asset.

OPEB Accrual Expense: Other Post Employment Benefits (OPEB) is the recognized annual required contribution to the benefit. The amount is actuarially determined in accordance with the parameters of GASB 45. The amount represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year.

Bad Debt: The uncollectible accounts receivable that has been written off.

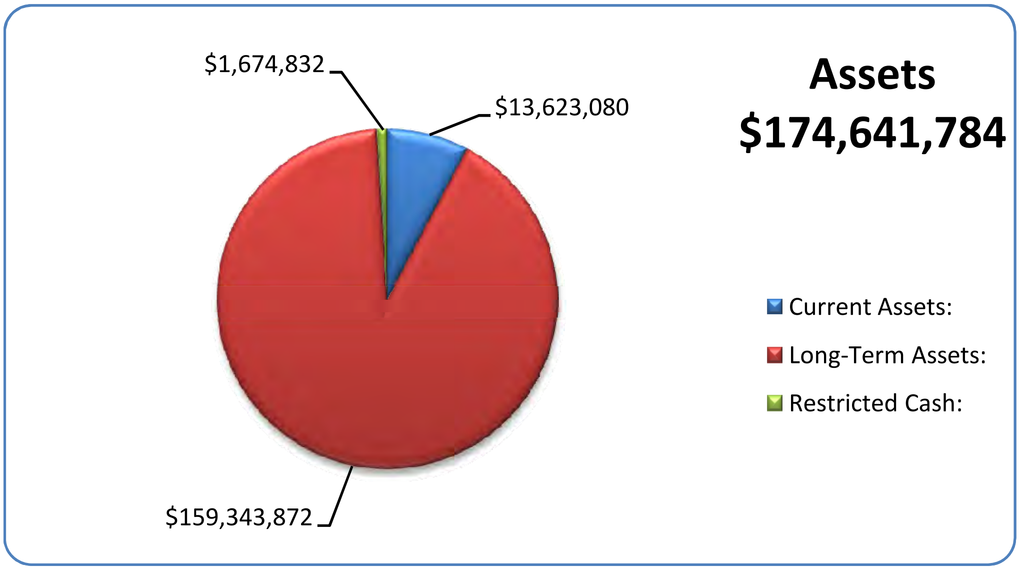
Service Cost Construction: The value of material, parts & supplies from inventory used to construct, repair and maintain our asset infrastructure.

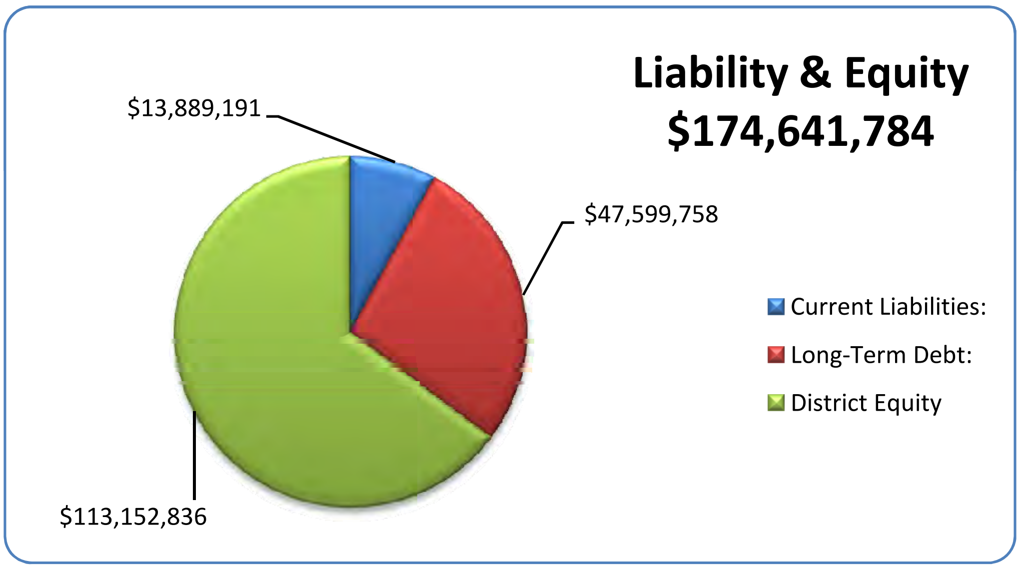
Capitalized Construction: The value of our labor force used to construct our asset infrastructure.

Palmdale Water District
Balance Sheet Report
For the Two Months Ending 2/29/2012

	Year-to-Date 2012	
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 405,053	
Investments	7,722,860	
Market Adjustment	-	
	$ 8,127,913	
Receivables:		
Accounts Receivables - Water Sales	$ 1,446,259	
Accounts Receivables - Miscellaneous	50,571	
Allowance for Uncollected Accounts	(264,336)	
	$ 1,232,494	
Interest Receivable	$ -	
Assessments Receivables	3,379,268	
Meters, Materials and Supplies	696,113	
Prepaid Expenses	187,293	
Total Current Assets	**$ 13,623,080**	
Long-Term Assets:		
Property, Plant, and Equipment, net	$ 123,357,935	
Participation Rights in State Water Project, net	35,288,095	
Bond Issuance Cost, Net	697,842	
	$ 159,343,872	
Restricted Cash:		
Debt Reserve Fund - 1998 Bonds	$ 1,674,832	
Rate Stabilization Fund	-	
Installment Payment Account - 2004 Bonds	-	
Installment Payment Account - 1998 Bonds	-	
	$ 1,674,832	
Total Long-Term Assets & Restricted Cash	**$ 161,018,704**	
Total Assets	**$ 174,641,784**	
LIABILITIES AND DISTRICT EQUITY		
Current Liabilities:		
Current Interest Installment of Long-term Debt	$ 1,005,913	
Current Principal Installment of Long-term Debt	1,220,000	
Accounts Payable and Accrued Expenses	5,258,431	
OPEB Liability	4,738,182	
Deferred Assessments	1,666,665	
Total Current Liabilities	**$ 13,889,191**	
Long-Term Debt:		
1998 - Certificates of Participation	$ 11,792,269	
2004 - Certificates of Participation	35,807,489	$ 47,599,758
Total Liabilities	**$ 61,488,948**	
District Equity		
Revenue from Operations	$ (582,433)	
Retained Earnings	113,735,268	$ 113,152,836
Total Liabilities and District Equity	**$ 174,641,784**	

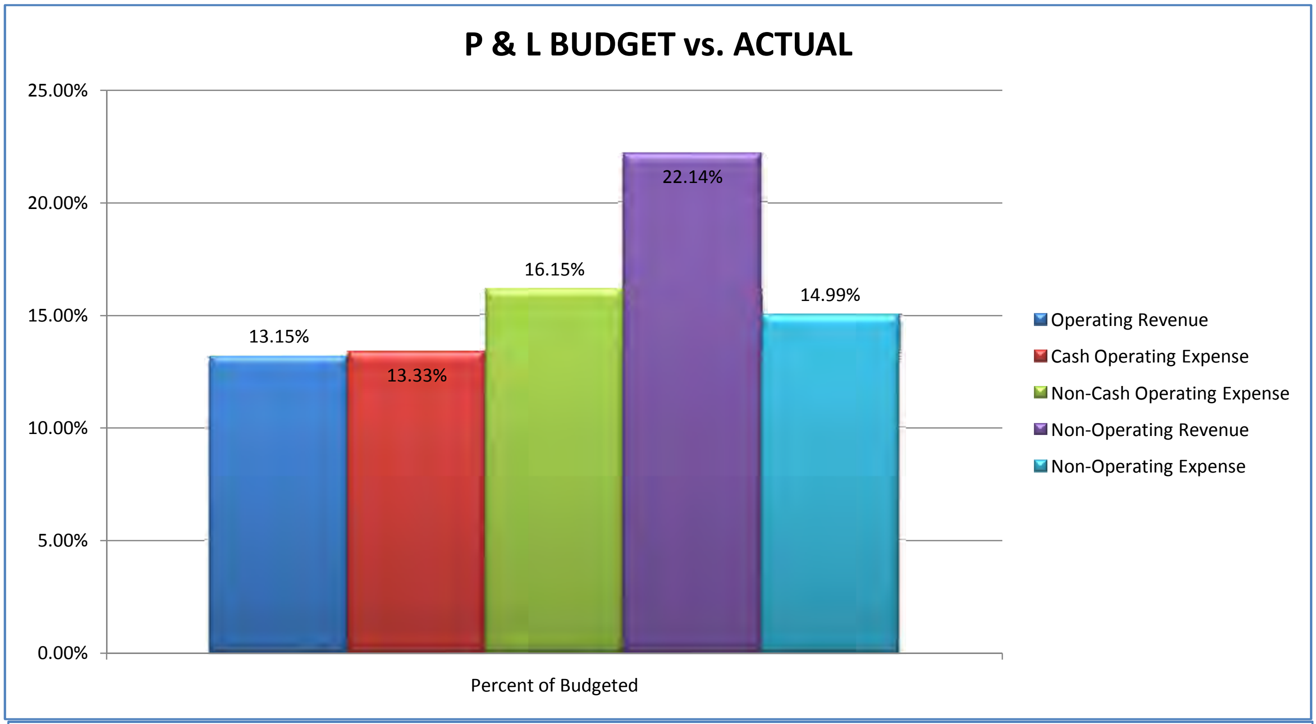
BALANCE SHEET AS OF FEBRUARY 29, 2012

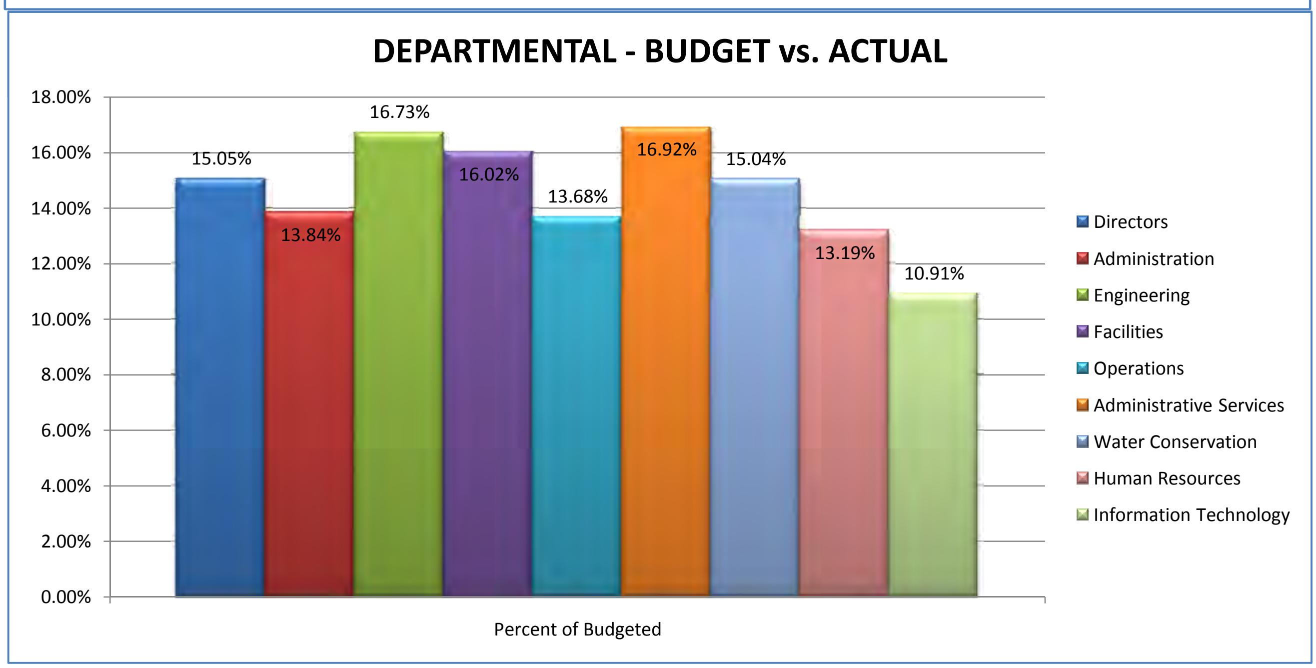


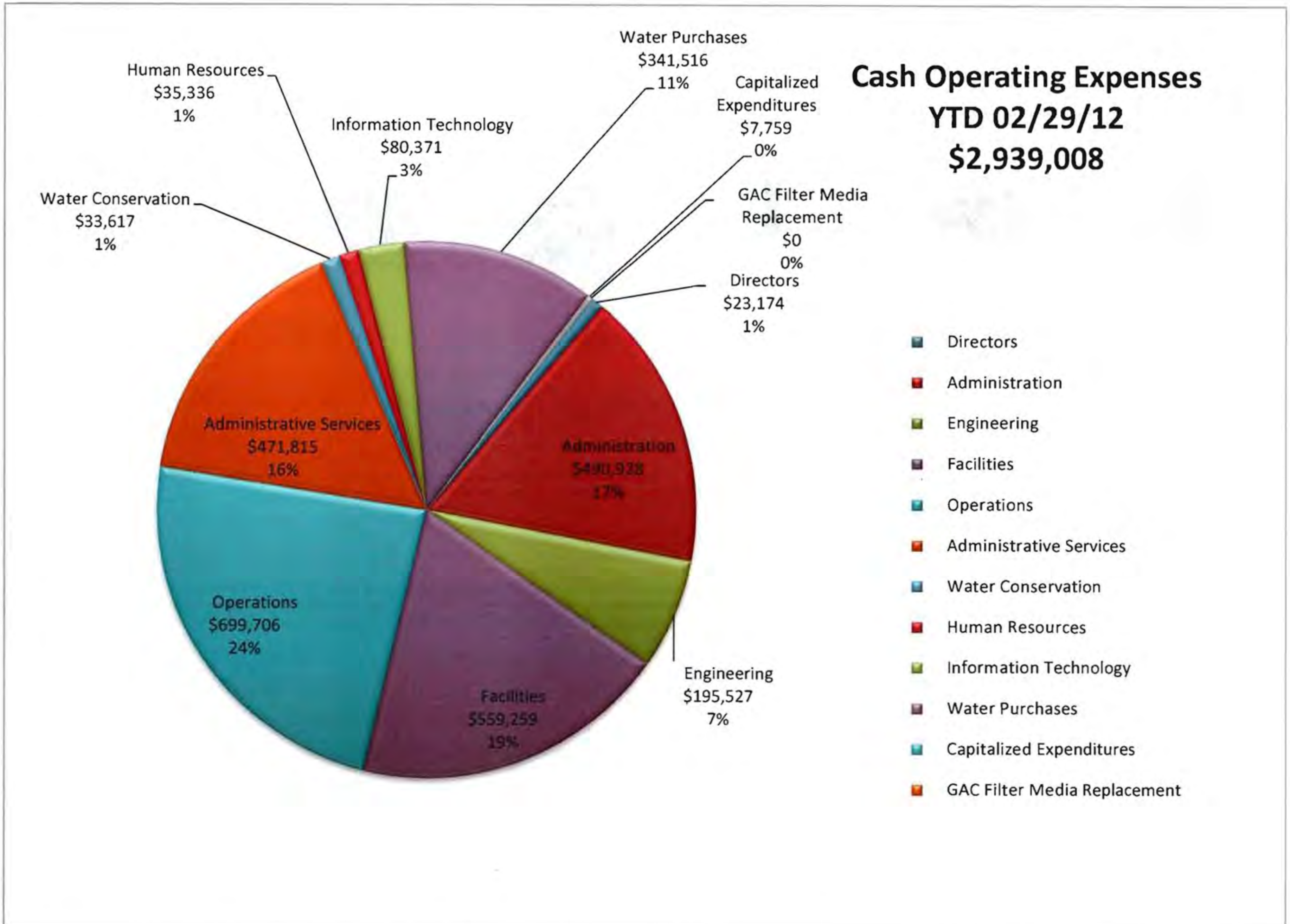


Palmdale Water District
Consolidated Profit and Loss Statement
For the Two Months Ending 2/29/2012

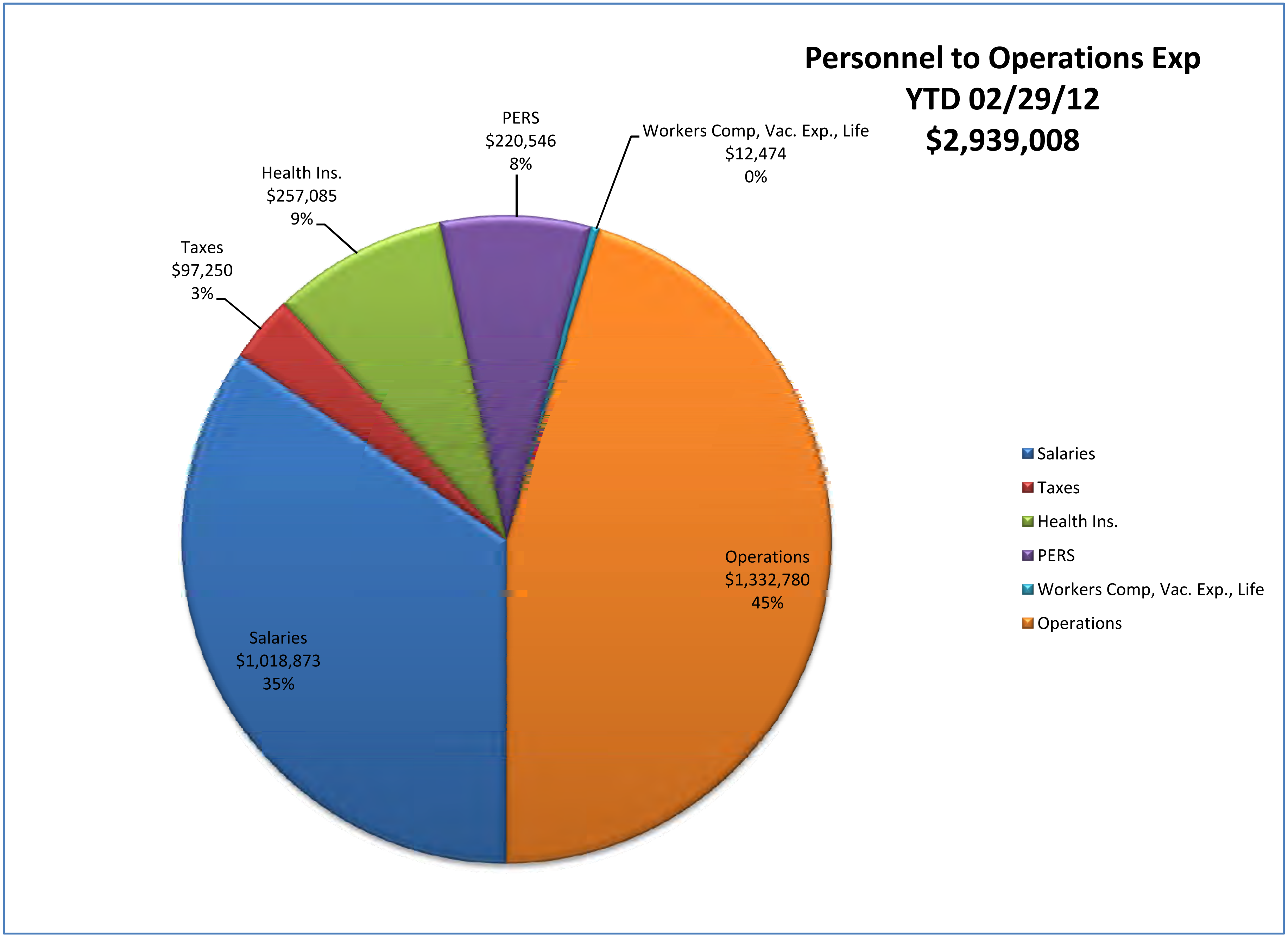
	Thru January	February	Year-to-Date	Adjustments	Adjusted Budget	% of Budget
Operating Revenue:						
Wholesale Water	$ -	$ -	$ -		$ 175,000	0.00%
Water Sales	354,079	375,384	729,463		8,145,000	8.96%
Meter Fees	856,241	860,963	1,717,204		10,400,000	16.51%
Water Quality Fees	84,362	86,223	170,585		1,550,000	11.01%
Elevation Fees	26,403	27,203	53,606		525,000	10.21%
Other	141,996	86,751	228,747		1,250,000	18.30%
Total Water Sales	**$ 1,463,080**	**$ 1,436,524**	**$ 2,899,605**	**$ -**	**$ 22,045,000**	**13.15%**
Cash Operating Expenses:						
Directors	$ 8,915	$ 14,259	$ 23,174		$ 154,000	15.05%
Administration	237,471	253,457	490,928		3,547,000	13.84%
Engineering	68,907	126,619	195,527		1,169,000	16.73%
Facilities	205,844	353,415	559,259		3,490,500	16.02%
Operations	311,943	387,763	699,706		5,113,750	13.68%
Administrative Services	192,049	279,765	471,815		2,788,750	16.92%
Water Conservation	11,145	22,472	33,617		223,500	15.04%
Human Resources	12,551	22,785	35,336		267,850	13.19%
Information Technology	26,405	53,966	80,371		736,750	10.91%
Water Purchases	314,222	96,594	410,816		2,800,000	14.67%
Water Recovery	(5,549)	(63,751)	(69,300)		(200,000)	34.65%
Capitalized Expenditures	-	7,759	7,759		412,500	1.88%
GAC Filter Media Replacement	-	-	-		1,550,000	0.00%
Total Cash Operating Expenses	**$ 1,383,903**	**$ 1,555,105**	**$ 2,939,008**	**$ -**	**$ 22,053,600**	**13.33%**
Non-Cash Operating Expenses:						
Depreciation	$ 601,739	$ 600,417	$ 1,202,156		$ 7,800,000	15.41%
OPEB Accrual Expense	201,308	201,308	402,616		2,000,000	20.13%
Bad Debts	2,879	324	3,203		100,000	3.20%
Service Costs Construction	(2,869)	(8,364)	(11,233)		125,000	-8.99%
Capitalized Construction	(40,499)	(98,971)	(139,470)		(1,000,000)	13.95%
Total Non-Cash Operating Expenses	**$ 762,558**	**$ 694,714**	**$ 1,457,272**	**$ -**	**$ 9,025,000**	**16.15%**
Net Operating Profit/(Loss)	**$ (683,381)**	**$ (813,295)**	**$ (1,496,675)**	**$ -**	**$ (9,033,600)**	**16.57%**
Non-Operating Revenues:						
Assessments (Debt Service)	$ 251,072	$ 251,072	$ 502,145		$ 4,000,000	12.55%
Assessments (1%)	$ 165,595	$ 165,595	331,190		$ 1,500,000	22.08%
Interest	6,501	650	7,152		60,000	11.92%
Capital Improvement Fees	693,287	-	693,287		1,286,848	53.87%
State Grants	-	-	-		250,000	0.00%
Other	15,093	44,555	59,648		100,000	59.65%
Total Non-Operating Revenues	**$ 1,131,550**	**$ 461,873**	**$ 1,593,422**	**$ -**	**$ 7,196,848**	**22.14%**
Non-Operating Expenses:						
Interest on Long-Term Debt	$ 208,555	$ 208,555	$ 417,110		$ 2,490,000	16.75%
Amortization of SWP	128,945	128,945	257,890		1,680,000	15.35%
Capital Lease	-	-	-		212,000	
Water Conservation Programs	720	3,460	4,180		150,000	
Total Non-Operating Expenses	**$ 338,220**	**$ 340,960**	**$ 679,180**	**$ -**	**$ 4,532,000**	**14.99%**
Net Earnings	**$ 109,949**	**$ (692,382)**	**$ (582,433)**	**$ -**	**$ (6,368,752)**	**9.15%**


P & L BUDGET vs. ACTUAL
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
13.15%
13.33%
16.15%
22.14%
14.99%
Percent of Budgeted
Operating Revenue
Cash Operating Expense
Non-Cash Operating Expense
Non-Operating Revenue
Non-Operating Expense


DEPARTMENTAL - BUDGET vs. ACTUAL
18.00%
16.00%
14.00%
12.00%
10.00%
8.00%
6.00%
4.00%
2.00%
0.00%
15.05%
13.84%
16.73%
16.02%
13.68%
16.92%
15.04%
13.19%
10.91%
Percent of Budgeted
Directors
Administration
Engineering
Facilities
Operations
Administrative Services
Water Conservation
Human Resources
Information Technology



Cash Operating Expenses
YTD 02/29/12
$2,939,008
Water Purchases
$341,516
11%
Capitalized Expenditures
$7,759
0%
GAC Filter Media Replacement
$0
0%
Directors
$23,174
1%
Human Resources
$35,336
1%
Information Technology
$80,371
3%
Water Conservation
$33,617
1%
Administrative Services
$471,815
16%
Administration
$490,928
17%
Operations
$699,706
24%
Facilities
$559,259
19%
Engineering
$195,527
7%
Directors
Administration
Engineering
Facilities
Operations
Administrative Services
Water Conservation
Human Resources
Information Technology
Water Purchases
Capitalized Expenditures
GAC Filter Media Replacement


Personnel to Operations Exp
YTD 02/29/12
$2,939,008
PERS
$220,546
8%
Workers Comp, Vac. Exp., Life
$12,474
0%
Health Ins.
$257,085
9%
Taxes
$97,250
3%
Operations
$1,332,780
45%
Salaries
$1,018,873
35%
Salaries
Taxes
Health Ins.
PERS
Workers Comp, Vac. Exp., Life
Operations

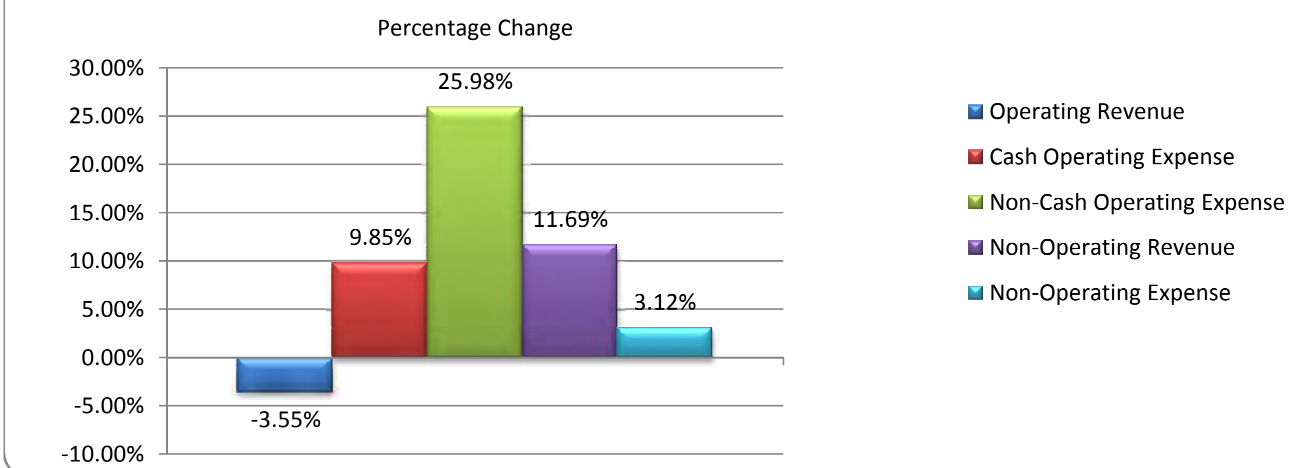
Palmdale Water District
Profit and Loss Statement
Year-To-Year Comparison - February

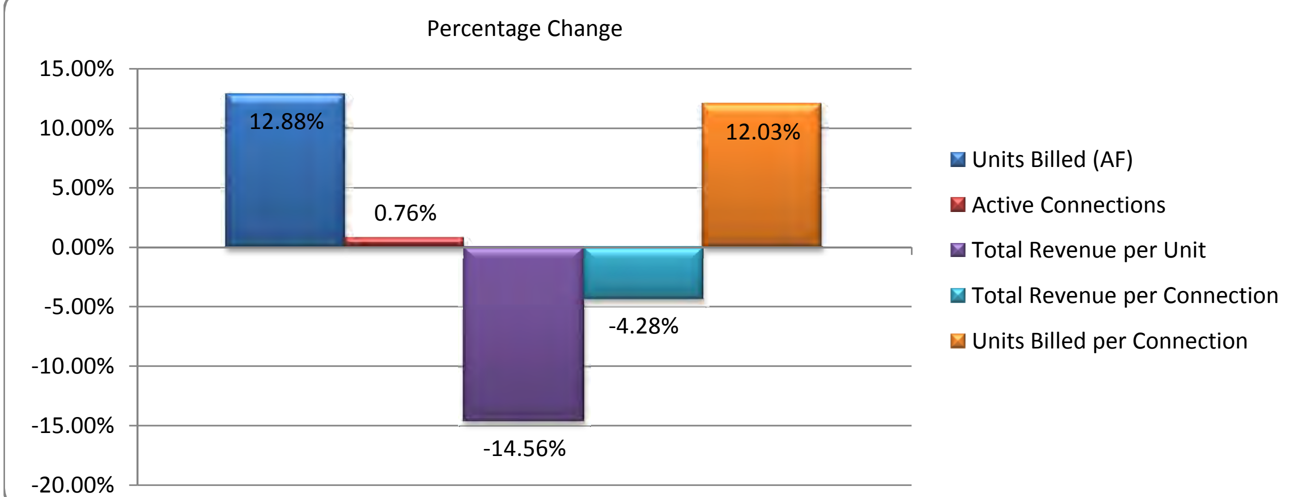
	2011 February	2012 February	Change	% Change
Operating Revenue:				
Wholesale Water	$ -	$ -	$ -	
Water Sales	362,497	375,384	12,887	3.55%
Meter Fees	859,905	860,963	1,058	0.12%
Water Quality Fees	76,014	86,223	10,209	13.43%
Elevation Fees	23,371	27,203	3,832	16.40%
Other	167,687	86,751	(80,936)	-48.27%
Total Water Sales	**$ 1,489,475**	**$ 1,436,524**	**$ (52,950)**	**-3.55%**
Cash Operating Expenses:				
Directors	$ 16,570	$ 14,259	$ (2,311)	-13.95%
Administration	266,755	253,457	(13,298)	-4.99%
Engineering	94,945	126,619	31,674	33.36%
Facilities	265,513	353,415	87,903	33.11%
Operations	373,565	387,763	14,197	3.80%
Administrative Services	247,132	279,765	32,634	13.21%
Water Conservation	16,392	22,472	6,079	37.09%
Human Resources	24,269	22,785	(1,484)	-6.12%
Information Technology	27,739	53,966	26,228	94.55%
Water Purchases	69,226	96,594	27,368	39.53%
Water Recovery	(1,451)	(63,751)	(62,300)	
Capitalized Expenditures	15,002	7,759	(7,242)	-48.28%
GAC Filter Media Replacement	-	-	-	
Total Cash Operating Expenses	**$ 1,415,657**	**$ 1,555,105**	**$ 139,448**	**9.85%**
Non-Cash Operating Expenses:				
Depreciation	$ 567,337	$ 600,417	$ 33,080	5.83%
OPEB Accrual Expense	89,220	201,308	112,088	125.63%
Bad Debts	346	324	(22)	-6.34%
Service Costs Construction	1,197	(8,364)	(9,561)	-798.70%
Capitalized Construction	(106,636)	(98,971)	7,666	-7.19%
Total Non-Cash Operating Expenses	**$ 551,464**	**$ 694,714**	**$ 143,250**	**25.98%**
Net Operating Profit/(Loss)	**$ (477,646)**	**$ (813,295)**	**$ (335,649)**	**70.27%**
Non-Operating Revenues:				
Assessments	$ 416,668	$ 416,668	$ -	0.00%
Interest	(1,783)	650	2,433	-136.48%
Capital Improvement Fees	-	-	-	
State Grants	-	-	-	
Other	(1,364)	44,555	45,919	-3366.93%
Total Non-Operating Revenues	**$ 413,521**	**$ 461,873**	**$ 48,352**	11.69%
Non-Operating Expenses:				
Interest on Long-Term Debt	$ 212,801	$ 208,555	$ (4,246)	-2.00%
Amortization of SWP	117,346	128,945	11,599	9.88%
Capital Lease	-	-		
Water Conservation Programs	500	3,460	2,960	592.00%
Total Non-Operating Expenses	**$ 330,647**	**$ 340,960**	**$ 10,313**	3.12%
Net Earnings	**$ (394,772)**	**$ (692,382)**	**$ (297,610)**	**75.39%**

Consumption Comparison

	2011	2012
Units Billed	381,703	430,862
Active	26,060	26,258
Vacant	1,566	1,384
Rev/unit	$ 3.90	$ 3.33
Rev/con	$ 57.16	$ 54.71
Unit/con	14.65	16.41

YEAR-TO-YEAR COMPARISON
February '11 -To- February '12





	2011	2012	
Units Billed (AF)	876	989	12.88%
Active Connections	26,060	26,258	0.76%
Non-Active	1,566	1,384	-11.62%
Total Revenue per Unit	3.90	3.33	-14.56%
Total Revenue per Connection	57.16	54.71	-4.28%
Units Billed per Connection	14.65	16.41	12.03%

Palmdale Water District
Revenue Analysis
For the Two Months Ending 2/29/2012

2012 / **2011 to 2012 Comparison**

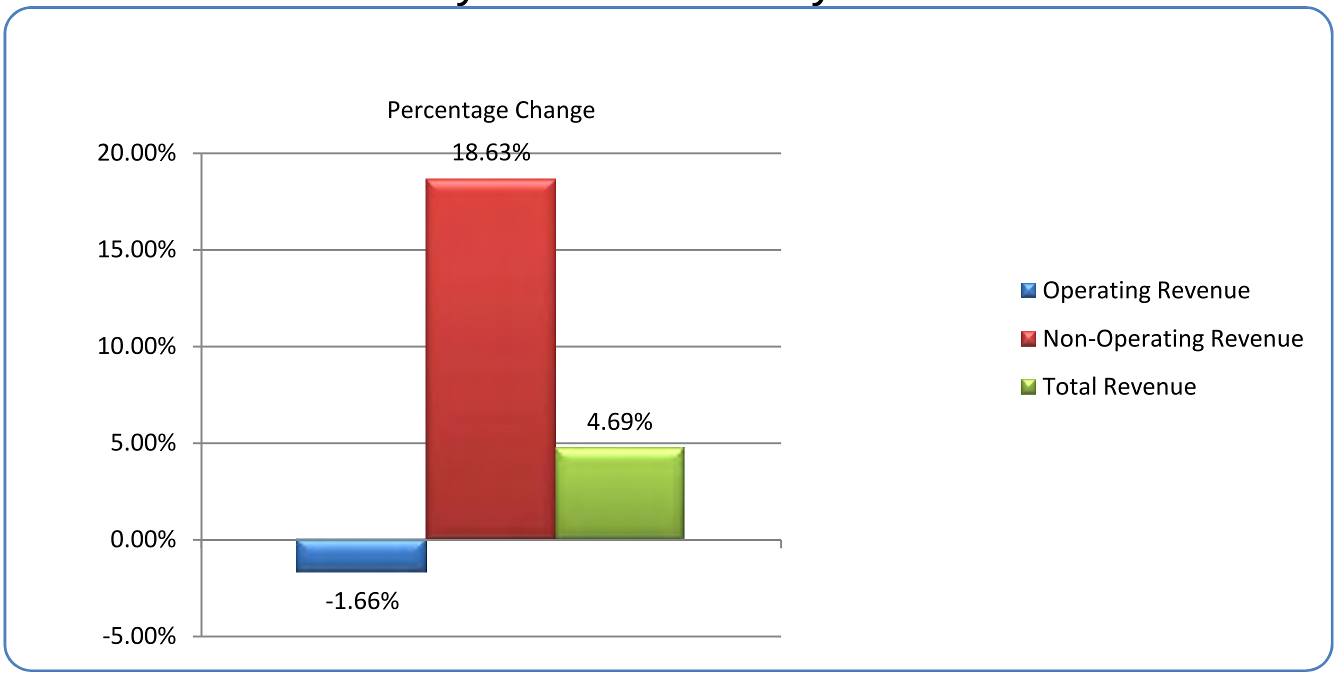
	2012 Thru January	February	Year-to-Date	Adjusted Budget	% of Budget	2011 to 2012 Comparison Thru January	February	Year-to-Date	% Change
Operating Revenue:									
Wholesale Water	$ -	$ -	$ -	$ 175,000		$ -	-	-	0.00%
Water Sales	354,079	375,384	729,463	8,145,000	8.96%	(22,300)	12,887	(9,413)	-1.27%
Meter Fees	856,241	860,963	1,717,204	10,400,000	16.51%	37,378	1,058	38,437	2.29%
Water Quality Fees	84,362	86,223	170,585	1,550,000	11.01%	14,665	10,209	24,873	17.07%
Elevation Fees	26,403	27,203	53,606	525,000	10.21%	7,212	3,832	11,044	25.95%
Other	141,996	86,751	228,747	1,250,000	18.30%	(32,930)	(80,936)	(113,866)	-33.23%
Total Water Sales	**$ 1,463,080**	**$ 1,436,524**	**$ 2,899,605**	**$ 22,045,000**	**13.15%**	**$ 4,026**	**$ (52,950)**	**$ (48,924)**	**-1.66%**
Non-Operating Revenues:									
Assessments	$ 416,668	$ 416,668	$ 833,335	$ 5,500,000	15.15%	$ -	$ -	$ -	0.00%
Interest	6,501	650	7,152	60,000	11.92%	6,446	2,433	8,879	-513.96%
Capital Improvement Fees	693,287	-	693,287	1,286,848	53.87%	200,970	-	200,970	40.82%
State Grants	-	-	-	250,000	0.00%	-	-	-	
Other	15,093	44,555	59,648	100,000	59.65%	(5,514)	45,919	40,404	209.96%
Total Non-Operating Revenues	**$ 1,131,550**	**$ 461,873**	**$ 1,593,422**	**$ 7,196,848**	**22.14%**	**$ 201,902**	**$ 48,352**	**$ 250,254**	**18.63%**
Total Revenue	**$ 2,594,630**	**$ 1,898,397**	**$ 4,493,027**	**$ 29,241,848**	**15.37%**	**$ 205,929**	**$ (4,599)**	**$ 201,330**	**4.69%**

2011

	Thru January	February	Year-to-Date	Adjusted Budget	% of Budget
Operating Revenue:					
Water Sales	$ 376,379	$ 362,497	$ 738,875	$ 9,400,000	7.86%
Meter Fees	818,862	859,905	1,678,767	10,650,000	15.76%
Water Quality Fees	69,697	76,014	145,712	1,600,000	9.11%
Elevation Fees	19,190	23,371	42,562	560,000	
Other	174,926	167,687	342,613	1,175,000	29.16%
Total Water Sales	**$ 1,459,054**	**$ 1,489,475**	**$ 2,948,529**	**$ 23,385,000**	**12.61%**
Non-Operating Revenues:					
Assessments	$ 416,668	$ 416,668	$ 833,335	$ 5,000,000	16.67%
Interest	55	(1,783)	(1,728)	120,000	-1.44%
Capital Improvement Fees	492,317	-	492,317	250,000	196.93%
State Grants	-	-	-	500,000	0.00%
Other	20,607	(1,364)	19,244	175,000	11.00%
Total Non-Operating Revenues	**$ 929,647**	**$ 413,521**	**$ 1,343,168**	**$ 6,045,000**	**22.22%**
Total Revenue	**$ 2,388,701**	**$ 1,902,996**	**$ 4,291,697**	**$ 29,430,000**	**14.58%**

REVENUE COMPARISON YEAR-TO-DATE

February '11-To-February '12



Palmdale Water District
Operating Expense Analysis
For the Two Months Ending 2/29/2012

	2012					2011 to 2012 Comparison			
	Thru January	February	Year-to-Date	Adjusted Budget	% of Budget	Thru January	February	Year-to-Date	% Change
Cash Operating Expenses:									
Directors	$ 8,915	$ 14,259	$ 23,174	$ 154,000	15.05%	$ 595	$ (2,311)	$ (1,716)	-6.89%
Administration	237,471	253,457	490,928	3,547,000	13.84%	(104,478)	(13,298)	(117,776)	-19.35%
Engineering	68,907	126,619	195,527	1,169,000	16.73%	(5,847)	31,674	25,827	15.22%
Facilities	205,844	353,415	559,259	3,490,500	16.02%	(69,257)	87,903	18,646	3.45%
Operations	311,943	387,763	699,706	5,113,750	13.68%	18,697	14,197	32,894	4.93%
Administrative Services	192,049	279,765	471,815	2,788,750	16.92%	29,139	32,634	61,772	15.06%
Water Conservation	11,145	22,472	33,617	223,500	15.04%	105	6,079	6,184	22.54%
Human Resources	12,551	22,785	35,336	267,850	13.19%	(1,513)	(1,484)	(2,997)	-7.82%
Information Technology	26,405	53,966	80,371	736,750	10.91%	26,405	26,228	23,229	40.65%
Water Purchases	314,222	96,594	410,816	2,800,000	14.67%	181,612	27,368	208,980	103.54%
Water Recovery	(5,549)	(63,751)	(69,300)	(200,000)	34.65%	(4,098)	(62,300)	(66,397)	2287.32%
Capitalized Expenditures	-	7,759	7,759	412,500	1.88%	(73,211)	(7,242)	(80,453)	-91.20%
GAC Filter Media Replacement	-	-	-	1,550,000	0.00%	-	-	-	
Total Cash Operating Expenses	**$ 1,383,903**	**$ 1,555,105**	**$ 2,939,008**	**$ 22,053,600**	**13.33%**	**$ (1,851)**	**$ 139,448**	**$ 108,194**	**3.68%**
Non-Cash Operating Expenses:									
Depreciation	$ 601,739	$ 600,417	$ 1,202,156	$ 7,800,000	15.41%	$ 34,401	$ 33,080	$ 67,481	5.95%
OPEB Accrual Expense	201,308	201,308	402,616	2,000,000	20.13%	201,308	112,088	313,396	351.26%
Bad Debts	2,879	324	3,203	100,000	3.20%	1,781	(22)	1,759	121.85%
Service Costs Construction	(2,869)	(8,364)	(11,233)	125,000	-8.99%	(2,359)	(9,561)	(11,920)	-1735.09%
Capitalized Construction	(40,499)	(98,971)	(139,470)	(1,000,000)	13.95%	5,919	7,666	13,584	-8.88%
Total Non-Cash Operating Expenses	**$ 762,558**	**$ 694,714**	**$ 1,457,272**	**$ 9,025,000**	**16.15%**	**$ 241,051**	**$ 143,250**	**$ 384,301**	**26.37%**
Non-Operating Expenses:									
Interest on Long-Term Debt	$ 208,555	$ 208,555	$ 417,110	$ 2,490,000	16.75%	$ (4,246)	$ (4,246)	$ (8,493)	-2.00%
Amortization of SWP	128,945	128,945	257,890	1,680,000	15.35%	11,599	11,599	23,198	9.88%
Capital Lease	-	-		212,000		-	(500)	(500)	
Water Conservation Programs	720	3,460	4,180	150,000		720	2,960	3,680	736.00%
Total Non-Operating Expenses	**$ 338,220**	**$ 340,960**	**$ 679,180**	**$ 4,532,000**	**14.99%**	**$ 8,073**	**$ 9,813**	**$ 17,885**	**2.71%**
Total Expenses	**$ 2,484,681**	**$ 2,590,779**	**$ 5,075,459**	**$ 35,610,600**	**14.25%**	**$ 247,273**	**$ 292,511**	**$ 510,381**	**11.18%**

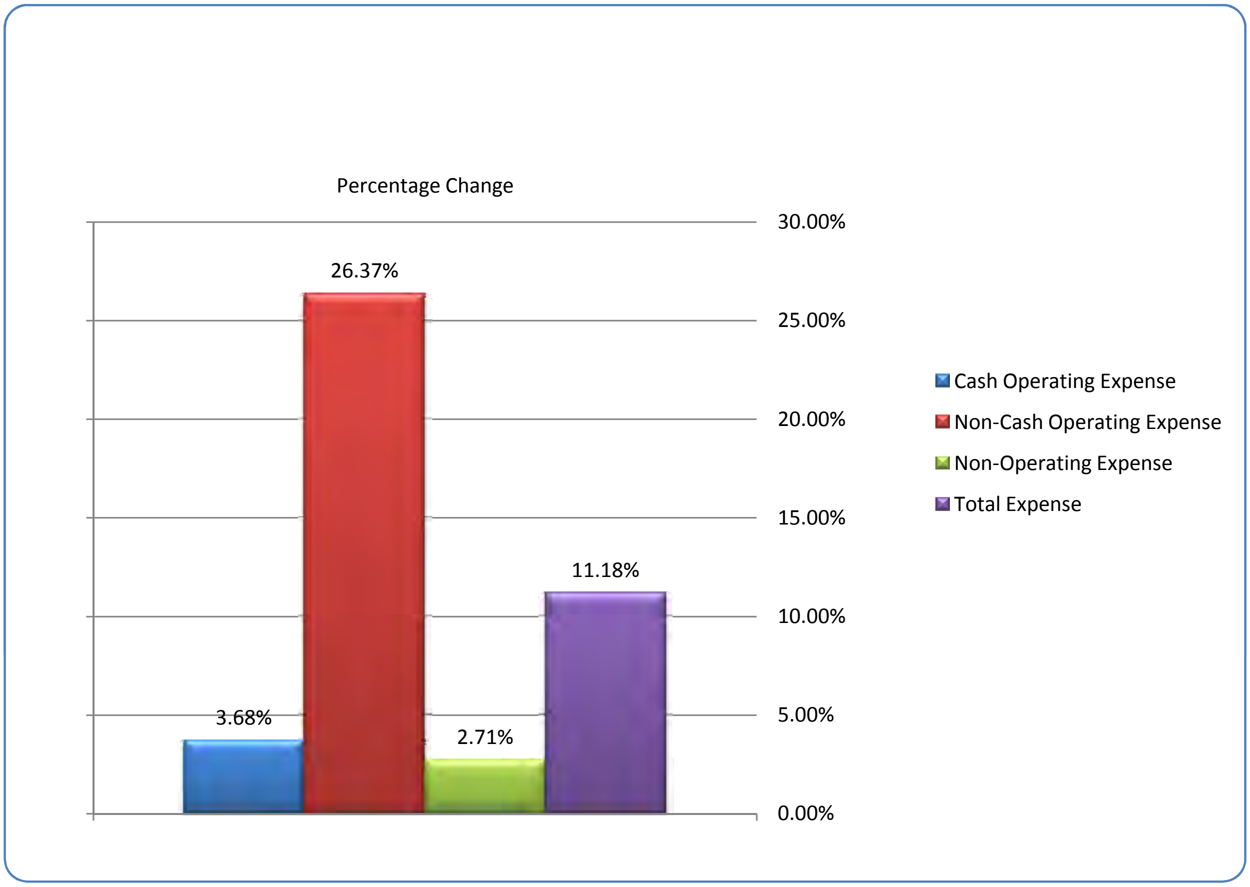
Palmdale Water District
Operating Expense Analysis
For the Two Months Ending 2/29/2012

2011 to 2012 Comparison

	2011 Thru January	February	Year-to-Date	Adjusted Budget	% of Budget
Cash Operating Expenses:					
Directors	$ 8,320	$ 16,570	$ 24,891	$ 146,200	
Administration	341,948	266,755	608,704	3,176,000	19.17%
Engineering	74,755	94,945	169,700	1,127,000	15.06%
Facilities	275,100	265,513	540,613	3,317,000	16.30%
Operations	293,247	373,565	666,812	5,071,050	13.15%
Administrative Services	162,911	247,132	410,042	2,762,200	14.84%
Water Conservation	11,040	16,392	27,432	212,500	12.91%
Human Resources	14,064	24,269	38,333	273,000	14.04%
Information Technology	29,404	27,739	57,142	712,500	8.02%
Water Purchases	132,610	69,226	201,836	3,000,000	6.73%
Water Recovery	(1,451)	(1,451)	(2,903)	(200,000)	1.45%
Capitalized Expenditures	73,211	15,002	88,213	557,300	15.83%
GAC Filter Media Replacement	-	-	-	1,600,000	0.00%
Total Cash Operating Expenses	**$ 1,415,158**	**$ 1,415,657**	**$ 2,830,814**	**$ 21,754,750**	**13.01%**
Non-Cash Operating Expenses:					
Depreciation	$ 567,337	$ 567,337	$ 1,134,674	$ 6,850,000	16.56%
OPEB Accrual Expense	-	89,220	89,220	550,000	16.22%
Bad Debts	1,098	346	1,444	100,000	1.44%
Service Costs Construction	(510)	1,197	687	125,000	0.55%
Capitalized Construction	(46,418)	(106,636)	(153,055)	(1,000,000)	15.31%
Total Non-Cash Operating Expenses	**$ 521,507**	**$ 551,464**	**$ 1,072,970**	**$ 6,625,000**	**16.20%**
Non-Operating Expenses:					
Interest on Long-Term Debt	$ 212,801	$ 212,801	$ 425,602	$ 2,541,000	16.75%
Amortization of SWP	117,346	117,346	234,692	1,579,000	14.86%
Other	-	500	500	-	
Total Non-Operating Expenses	**$ 330,147**	**$ 330,647**	**$ 660,794**	**$ 4,120,000**	**16.04%**
Total Expenses	**$ 2,266,811**	**$ 2,297,768**	**$ 4,564,579**	**$ 32,499,750**	**14.04%**

EXPENSE COMPARISON YEAR-TO-DATE

February '11-To-February '12



Palmdale Water District
2012 Directors Budget
For the Two Months Ending Wednesday, February 29, 2012

	YTD ACTUAL 2012	ORIGINAL BUDGET 2012	ADJUSTMENTS 2012	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-01-4000-000 Directors Pay	$ 5,550	$ 45,000	$ -	$ 39,450	12.33%
Employee Benefits					
1-01-4005-000 Payroll Taxes	482	5,500		5,018	8.76%
1-01-4010-000 Health Insurance	17,043	93,500		76,457	18.23%
Subtotal (Benefits)	17,525	99,000	-	76,457	17.70%
Total Personnel Expenses	$ 23,075	$ 144,000	$ -	$ 115,907	16.02%
OPERATING EXPENSES:					
1-01-4050-000 Directors Travel, Seminars & Meetings	99	10,000		9,901	0.99%
Subtotal Operating Expenses	99	10,000	-	9,901	0.99%
Total O & M Expenses	$ 23,174	$ 154,000	$ -	$ 125,808	15.05%

Palmdale Water District
2012 Administration Budget
For the Two Months Ending Wednesday, February 29, 2012

	YTD ACTUAL 2012	ORIGINAL BUDGET 2012	ADJUSTMENTS 2012	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-02-4000-000 Salaries	$ 75,330	$ 479,250		$ 403,920	15.72%
1-02-4000-100 Overtime	1,447	6,000		4,553	24.12%
1-02-4000-200 On-Call	7,152	64,000		56,848	11.17%
Subtotal (Salaries)	$ 83,930	$ 549,250		$ 465,320	15.28%
Employee Benefits					
1-02-4005-000 Payroll Taxes	7,277	42,000		34,723	17.33%
1-02-4010-000 Health Insurance	14,788	76,750		61,963	19.27%
1-02-4015-000 PERS	16,866	90,500		73,634	18.64%
1-02-4020-000 Worker's Compensation	-	200,000		200,000	0.00%
1-02-4025-000 Vacation Benefit Expense	11,429	35,000		23,571	32.65%
1-02-4030-000 Life Insurance	1,045	7,500		6,455	13.93%
Subtotal (Benefits)	$ 51,404	$ 451,750	$ -	$ 400,346	11.38%
Total Personnel Expenses	$ 135,334	$ 1,001,000	$ -	$ 865,666	13.52%
OPERATING EXPENSES:					
1-02-4050-000 Staff Travel	$ 1,298	$ 8,000		$ 6,702	16.22%
1-02-4050-100 General Manager Travel	244	5,000		4,756	4.87%
1-02-4060-000 Staff Conferences & Seminars	-	3,000		3,000	0.00%
1-02-4060-100 General Manager Conferences & Seminars	179	4,500		4,321	3.98%
1-02-4070-000 Employee Expense	8,545	40,000		31,455	21.36%
1-02-4080-000 Other Operating	630	20,000		19,370	3.15%
1-02-4110-000 Consultants	45,762	200,000		154,238	22.88%
1-02-4125-000 Insurance	51,207	325,000		273,793	15.76%
1-02-4130-000 Bank Charges	18,434	130,000		111,566	14.18%
1-02-4135-000 Groundwater Adjudication	37,984	925,000		887,016	4.11%
1-02-4140-000 Legal Services	151,502	475,000		323,498	31.90%
1-02-4150-000 Accounting Services	15,750	20,000		4,250	78.75%
1-02-4155-000 Contracted Services	4,601	50,000		45,399	9.20%
1-02-4165-000 Memberships/Subscriptions	1,290	110,000		108,710	1.17%
1-02-4170-000 Elections	-	70,000			
1-02-4175-000 Permits	-	20,000		20,000	0.00%
1-02-4180-000 Postage	5,031	30,000		24,969	16.77%
1-02-4190-100 Public Relations - Publications	109	30,000		29,891	0.36%
1-02-4190-900 Public Relations - Other	961	1,000		39	96.10%
1-02-4200-000 Advertising	116	3,000		2,884	3.87%
1-02-4205-000 Office Supplies	4,379	20,000		15,621	21.90%
1-02-4215-200 Natural Gas - Office Building	1,247	5,000		3,753	24.93%
1-02-4220-200 Electricity - Office Building	5,212	50,000		44,788	10.42%
1-02-4230-100 Maint & Repair - Office Building	1,114	-		(1,114)	
1-02-6300-100 Supplies - Janitorial	-	1,500		1,500	0.00%
Subtotal Operating Expenses	$ 355,594	$ 2,546,000	$ -	$ 2,120,406	13.97%
Total Departmental Expenses	$ 490,928	$ 3,547,000	$ -	$ 2,986,072	13.84%

Palmdale Water District
2012 Engineering Budget
For the Two Months Ending Wednesday, February 29, 2012

	YTD ACTUAL 2012	ORIGINAL BUDGET 2012	ADJUSTMENTS 2012	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-03-4000-000 Salaries	$ 121,657	$ 767,000		$ 645,343	15.86%
1-03-4000-100 Overtime	55	7,500		7,445	0.73%
Subtotal (Salaries)	$ 121,712	$ 774,500		$ 652,788	15.71%
Employee Benefits					
1-03-4005-000 Payroll Taxes	11,552	59,250		47,698	19.50%
1-03-4010-000 Health Insurance	26,306	158,000		131,694	16.65%
1-03-4015-000 PERS	26,804	144,250		117,446	18.58%
Subtotal (Benefits)	$ 64,662	$ 361,500	$ -	$ 296,838	17.89%
Total Personnel Expenses	$ 186,374	$ 1,136,000	$ -	$ 949,626	16.41%
OPERATING EXPENSES:					
1-03-4050-000 Staff Travel	$ 498	$ 4,250		$ 3,752	11.71%
1-03-4060-000 Staff Conferences & Seminars	455	2,750		2,295	16.55%
1-03-4155-000 Contracted Services	2,093	6,000		3,907	34.88%
1-03-4165-000 Memberships/Subscriptions	618	3,000		2,382	20.61%
1-03-4250-000 General Materials & Supplies	52	2,000		1,948	2.58%
1-03-8100-100 Computer Software - Maint. & Support	5,438	15,000		9,563	36.25%
Subtotal Operating Expenses	$ 9,153	$ 33,000	$ -	$ 23,847	27.74%
Total Departmental Expenses	$ 195,527	$ 1,169,000	$ -	$ 973,473	16.73%

Palmdale Water District
2012 Facilities Budget
For the Two Months Ending Wednesday, February 29, 2012

		YTD ACTUAL 2012	ORIGINAL BUDGET 2012	ADJUSTMENTS 2012	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:						
1-04-4000-000	Salaries	$ 217,311	$ 1,424,000		$ 1,206,689	15.26%
1-04-4000-100	Overtime	3,408	45,000		41,592	7.57%
	Subtotal (Salaries)	$ 220,719	$ 1,469,000		$ 1,248,281	15.03%
Employee Benefits						
1-04-4005-000	Payroll Taxes	21,474	112,500		91,026	19.09%
1-04-4010-000	Health Insurance	62,502	394,000		331,498	15.86%
1-04-4015-000	PERS	49,654	266,000		216,346	18.67%
	Subtotal (Benefits)	$ 133,630	$ 772,500	$ -	$ 638,870	17.30%
	Total Personnel Expenses	$ 354,350	$ 2,241,500	$ -	$ 1,845,559	15.81%
OPERATING EXPENSES:						
1-04-4050-000	Staff Travel	$ -	$ 3,000		3,000	0.00%
1-04-4060-000	Staff Conferences & Seminars	449	3,000		2,551	14.97%
1-04-4155-000	Contracted Services	1,904	33,000		31,096	5.77%
1-04-4215-200	Natural Gas - Buildings	1,069	4,500		3,431	23.76%
1-04-4220-200	Electricity - Buildings	10,818	17,500		6,682	61.82%
1-04-4225-000	Maint. & Repair - Vehicles	7,946	45,000		37,054	17.66%
1-04-4230-100	Maint. & Rep. Office Building	175	18,000		17,825	0.97%
1-04-4235-110	Maint. & Rep. Equipment	1,313	7,500		6,187	17.51%
1-04-4235-400	Maint. & Rep. Operations - Wells	8,436	150,000		141,564	5.62%
1-04-4235-405	Maint. & Rep. Operations - Boosters	13,044	50,000		36,956	26.09%
1-04-4235-410	Maint. & Rep. Operations - Shop Bldgs	759	10,000		9,241	7.59%
1-04-4235-415	Maint. & Rep. Operations - Facilities	2,611	15,000		12,389	17.41%
1-04-4235-420	Maint. & Rep. Operations - Water Lines	85,088	400,000		314,912	21.27%
1-04-4235-425	Maint. & Rep. Operations - Littlerock Dam	101	25,000		24,899	0.40%
1-04-4235-430	Maint. & Rep. Operations - Palmdale Dam	3,840	25,000		21,160	15.36%
1-04-4235-435	Maint. & Rep. Operations - Palmdale Canal	-	5,000		5,000	0.00%
1-04-4235-455	Maint. & Rep. Operations - Heavy Equipment	5,331	40,000		34,669	13.33%
1-04-4235-460	Maint. & Rep. Operations - Storage Reservoirs	-	7,500		7,500	0.00%
1-04-6000-000	Waste Disposal	5,278	20,000		14,722	26.39%
1-04-6100-100	Fuel and Lube - Vehicle	22,714	130,000		107,286	17.47%
1-04-6100-200	Fuel and Lube - Machinery	15,103	43,000		27,897	35.12%
1-04-6200-000	Uniforms	2,750	20,000		17,250	13.75%
1-04-6300-100	Supplies - Misc.	7,784	50,000		42,216	15.57%
1-04-6300-800	Supplies - Construction Materials	5,982	100,000		94,018	5.98%
1-04-6400-000	Tools	569	12,000		11,431	4.74%
1-04-7000-100	Leases -Equipment	1,845	15,000		13,155	12.30%
	Subtotal Operating Expenses	$ 204,909	$ 1,249,000	$ -	$ 1,044,091	16.41%
	Total Departmental Expenses	$ 559,259	$ 3,490,500	$ -	$ 2,889,650	16.02%

Palmdale Water District
2012 Operation Budget
For the Two Months Ending Wednesday, February 29, 2012

		YTD ACTUAL 2012	ORIGINAL BUDGET 2012	ADJUSTMENTS 2012	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:						
1-05-4000-000	Salaries	$ 254,471	$ 1,619,250		$ 1,364,779	15.72%
1-05-4000-100	Overtime	11,726	60,000		48,274	19.54%
	Subtotal (Salaries)	$ 266,197	$ 1,679,250		$ 1,413,053	15.85%
Employee Benefits						
1-05-4005-000	Payroll Taxes	25,599	128,500		102,901	19.92%
1-05-4010-000	Health Insurance	60,785	367,500		306,715	16.54%
1-05-4015-000	PERS	56,670	304,000		247,330	18.64%
	Subtotal (Benefits)	$ 143,054	$ 800,000	$ -	$ 656,946	17.88%
	Total Personnel Expenses	$ 409,251	$ 2,479,250	$ -	$ 2,021,725	16.51%
OPERATING EXPENSES:						
1-05-4050-000	Staff Travel	$ 74	$ 8,000		$ 7,927	0.92%
1-05-4060-000	Staff Conferences & Seminars	3,366	9,500		6,134	35.43%
1-05-4120-100	Training - Lab Equipment	-	3,500		3,500	0.00%
1-05-4155-000	Contracted Services	2,987	59,000		56,013	5.06%
1-05-4175-000	Permits	126	51,000		50,874	0.25%
1-05-4215-100	Natural Gas - Wells & Boosters	9,488	150,000		140,512	6.33%
1-05-4215-200	Natural Gas - WTP	364	3,000		2,636	12.13%
1-05-4220-100	Electricity - Wells & Boosters	173,615	1,450,000		1,276,385	11.97%
1-05-4220-200	Electricity - WTP	1,889	185,000		183,111	1.02%
1-05-4230-110	Maint. & Rep. - Office Equipment	-	500		500	0.00%
1-05-4235-110	Maint. & Rep. Operations - Equipment	682	15,000		14,318	4.54%
1-05-4235-410	Maint. & Rep. Operations - Shop Bldgs	168	6,000		5,832	2.80%
1-05-4235-415	Maint. & Rep. Operations - Facilities	4,089	38,000		33,911	10.76%
1-05-4235-445	Maint. & Rep. Operations - Telemetry	-	2,250		2,250	0.00%
1-05-4235-450	Maint. & Rep. Operations - Hypo Generator	-	7,250		7,250	0.00%
1-05-4236-000	Palmdale Lake Management	179	15,000		14,821	1.19%
1-05-4250-000	General Material & Supplies	185				
1-05-4270-300	Telecommunication - Other	419	2,250		1,831	18.62%
1-05-4300-300	Testing - Edison	-	12,000		12,000	0.00%
1-05-6000-000	Waste Disposal	564	15,000		14,436	3.76%
1-05-6200-000	Uniforms	1,666	10,000		8,334	16.66%
1-05-6300-100	Supplies - Misc.	2,930	15,000		12,070	19.54%
1-05-6300-200	Supplies - Hypo Generator	902	6,750		5,848	13.36%
1-05-6300-300	Supplies - Electrical	-	3,500		3,500	0.00%
1-05-6300-400	Supplies - Telemetry	5,742	7,500		1,758	76.56%
1-05-6300-600	Supplies - Lab	13,236	35,000		21,764	37.82%
1-05-6300-700	Outside Lab Work	6,910	65,000		58,090	10.63%
1-05-6400-000	Tools	771	6,500		5,729	11.86%
1-05-6500-000	Chemicals	60,105	450,000		389,895	13.36%
1-05-7000-100	Leases -Equipment	-	3,000		3,000	0.00%
	Subtotal Operating Expenses	$ 290,455	$ 2,634,500	$ -	$ 2,344,229	11.03%
	Total Departmental Expenses	$ 699,706	$ 5,113,750	$ -	$ 4,365,954	13.68%

Palmdale Water District
2012 Administrative Services Budget
For the Two Months Ending Wednesday, February 29, 2012

	YTD ACTUAL 2012	ORIGINAL BUDGET 2012	ADJUSTMENTS 2012	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-06-4000-000 Salaries	$ 240,692	$ 1,531,250		$ 1,290,558	15.72%
1-06-4000-100 Overtime	4,701	25,000		20,299	18.80%
Subtotal (Salaries)	$ 245,392	$ 1,556,250		$ 1,310,858	15.77%
Employee Benefits					
1-06-4005-000 Payroll Taxes	23,610	119,250		95,640	19.80%
1-06-4010-000 Health Insurance	63,578	381,000		317,422	16.69%
1-06-4015-000 PERS	53,538	286,500		232,962	18.69%
Subtotal (Benefits)	$ 140,727	$ 786,750	$ -	$ 646,023	17.89%
Total Personnel Expenses	$ 386,119	$ 2,343,000	$ -	$ 1,936,582	16.48%
OPERATING EXPENSES:					
1-06-4050-000 Staff Travel	$ -	$ 250		250	0.00%
1-06-4060-000 Staff Conferences & Seminars	898	1,000		102	89.80%
1-06-4155-300 Contracted Services	1,115	14,500		13,385	
1-06-4155-100 Contracted Services - Infosend	31,409	205,000		173,591	15.32%
1-06-4165-000 Memberships/Subscriptions	-	500		500	0.00%
1-06-4230-110 Maintenance & Repair - Office Equipment	-	1,000		1,000	0.00%
1-06-4235-440 Maint. & Rep. Operations - Large Meters	-	10,000		10,000	0.00%
1-06-4235-470 Maint. & Rep. Operations - Meter Exchanges	38,066	125,000		86,934	30.45%
1-06-4250-000 General Material & Supplies	2,090	4,000		1,910	52.24%
1-06-4260-000 Business Forms	1,104	10,000		8,896	11.04%
1-06-4270-100 Telecommunication - Office	3,981	30,000		26,019	13.27%
1-06-4270-200 Telecommunication - Cellular Stipend	2,630	17,000		14,370	15.47%
1-06-4270-300 Telecommunication - Cellular	280	3,000		2,720	
1-06-4300-200 Testing - Large Meter Testing	3,525	21,500		17,975	16.40%
1-06-7000-100 Leases - Equipment	597	3,000		2,403	19.91%
Subtotal Operating Expenses	$ 85,696	$ 445,750	$ -	$ 360,054	19.23%
Total Departmental Expenses	$ 471,815	$ 2,788,750	$ -	$ 2,296,636	16.92%

Palmdale Water District
2012 Water Conservation Budget
For the Two Months Ending Wednesday, February 29, 2012

	YTD ACTUAL 2012	ORIGINAL BUDGET 2012	ADJUSTMENTS 2012	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-07-4000-000 Salaries	$ 22,986	$ 151,750		$ 128,764	15.15%
1-07-4000-100 Overtime	219	1,250		1,031	17.49%
Subtotal (Salaries)	$ 23,204	$ 153,000		$ 129,796	15.17%
Employee Benefits					
1-07-4005-000 Payroll Taxes	2,215	12,000		9,785	18.46%
1-07-4010-000 Health Insurance	2,570	15,500		12,930	16.58%
1-07-4015-000 PERS	5,391	28,500		23,109	18.92%
Subtotal (Benefits)	$ 10,176	$ 56,000	$ -	$ 45,824	18.17%
Total Personnel Expenses	$ 33,380	$ 209,000	$ -	$ 174,589	15.97%
OPERATING EXPENSES:					
1-07-4050-000 Staff Travel	$ -	$ 1,000		$ 1,000	0.00%
1-07-4060-000 Staff Conferences & Seminars	-	500		500	0.00%
1-07-4190-300 Public Relations - Landscape Workshop/Training	237	2,500		2,263	9.48%
1-07-4190-400 Public Relations - Contests	-	500		500	0.00%
1-07-4190-500 Public Relations - Education Programs	-	5,000		5,000	0.00%
1-07-4190-700 Public Relations -General Media	-	3,000			
1-07-6300-100 Supplies - Misc.	-	2,000		2,000	0.00%
Subtotal Operating Expenses	$ 237	$ 14,500	$ -	$ 11,263	1.63%
Total Departmental Expenses	$ 33,617	$ 223,500	$ -	$ 185,852	15.04%

Palmdale Water District
2012 Human Resources Budget
For the Two Months Ending Wednesday, February 29, 2012

	YTD ACTUAL 2012	ORIGINAL BUDGET 2012	ADJUSTMENTS 2012	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-08-4000-000 Salaries	$ 18,963	$ 127,500		$ 108,537	14.87%
Employee Benefits					
1-08-4005-000 Payroll Taxes	1,823	10,000		8,177	18.23%
1-08-4010-000 Health Insurance	2,879	17,250		14,371	16.69%
1-08-4015-000 PERS	4,462	24,000		19,538	18.59%
Subtotal (Benefits)	$ 9,164	$ 51,250	$ -	$ 42,086	17.88%
Total Personnel Expenses	$ 28,127	$ 178,750	$ -	$ 150,623	15.74%
OPERATING EXPENSES:					
1-08-4050-000 Staff Travel	$ 231	$ 3,000		$ 2,769	7.69%
1-08-4060-000 Staff Conferences & Seminars	-	2,000		2,000	0.00%
1-08-4095-000 Employee Recruitment	228	3,000		2,772	7.60%
1-08-4100-000 Employee Retention	200	1,500		1,300	13.33%
1-08-4105-000 Employee Relations	1,831	3,500		1,669	52.31%
1-08-4110-000 Consultants	-	1,000		1,000	0.00%
1-08-4120-100 Training-Safety Consultants	3,950	38,000		34,050	10.39%
1-08-4121-000 Safety Program	-	1,000		1,000	0.00%
1-08-4165-000 Membership/Subscriptions	349	1,600		1,251	21.81%
1-08-4165-100 HR/Safety Publications	124	1,000		877	12.35%
1-08-6300-500 Supplies - Safety	1,287	33,500		32,213	3.84%
Subtotal Operating Expenses	$ 8,199	$ 89,100	$ -	$ 80,901	9.20%
Total Departmental Expenses	$ 36,326	$ 267,850	$ -	$ 231,524	13.56%

Palmdale Water District
2012 Information Technology Budget
For the Two Months Ending Wednesday, February 29, 2012

		YTD ACTUAL 2012	ORIGINAL BUDGET 2012	ADJUSTMENTS 2012	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:						
1-09-4000-000	Salaries	$ 32,874	$ 195,250		$ 162,376	16.84%
1-09-4000-100	Overtime	331	3,000		2,669	11.03%
	Subtotal (Salaries)	$ 33,205	$ 198,250		$ 165,045	16.75%
Employee Benefits						
1-09-4005-000	Payroll Taxes	3,219	15,500		12,281	20.77%
1-09-4010-000	Health Insurance	6,634	40,000		33,366	16.58%
1-09-4015-000	PERS	7,160	37,000		29,840	19.35%
	Subtotal (Benefits)	$ 17,013	$ 92,500	$ -	$ 75,487	18.39%
	Total Personnel Expenses	$ 50,218	$ 290,750	$ -	$ 237,863	17.27%
OPERATING EXPENSES:						
1-09-4050-000	Staff Travel	$ -	$ 3,000		3,000	0.00%
1-09-4060-000	Staff Conferences & Seminars	8,167	15,000		6,833	54.45%
1-09-4120-100	Cogsdale Reimplementation & Templates	12,525	70,000		57,475	17.89%
1-09-4155-300	Contracted Services - Computer Vendors	3,687	105,000		101,313	3.51%
1-09-4165-000	Memberships/Subscriptions	-	500		500	0.00%
1-09-8000-100	Computer Equipment - Computers	-	45,000		45,000	0.00%
1-09-8000-200	Computer Equipment - Laptops	-	10,000		10,000	0.00%
1-09-8000-300	Computer Equipment - Monitors	177	2,000		1,823	8.86%
1-09-8000-400	Computer Equipment - Printers	-	2,500		2,500	0.00%
1-09-8000-500	Computer Equipment - Toner Cartridges	1,832	3,000		1,168	61.06%
1-09-8000-600	Computer Equipment - Other	1,137	35,000		33,863	3.25%
1-09-8100-100	Computer Software - Maint. and Support	1,763	70,000		68,238	2.52%
1-09-8100-150	Computer Software - Cogsdale Maint and Support	-	70,000		70,000	0.00%
1-09-8100-200	Computer Software - Software and Upgrades	866	15,000		14,134	5.78%
	Subtotal Operating Expenses	$ 30,154	$ 446,000	$ -	$ 415,846	6.76%
	Total Departmental Expenses	$ 80,371	$ 736,750	$ -	$ 653,710	10.91%

AGENDA ITEM NO. 7.3

Engineering Department Projected Payout Schedule
April - 2012

Project Title	2012 Budget	Budget No.	Payee	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Strategic Water Resources Plan	*$ 25,000*	*PL02*	*ESA*	*$ 7,733*	*$ 12,336*	*$ 11,894*									
Littlerock Dam Sediment Removal	*$ 270,000*	*NCP02*													
EIR/EIS			*Aspen*		*$ 11,719*	*$ 3,257*	*$ 3,966*	*$ 14,000*	*$ 14,000*	*$ 14,000*	*$ 14,000*	*$ 14,000*	*$ 14,000*	*$ 14,000*	*$ 14,000*
Cost Recovery Payment			*USFS*		*$ 119,416*										
Spec. No. 0903 - 9th/12th Street East	*$ 683,000*	*RCP08*	*VCI*	*$ 182,825*	*$ 137,230*	*$ 187,320*	*$ 104,529*	*$ 80,000*							
Acquisition of Tax Defaulted Property	*$ 18,000*	*NCC04*	*LA County*					*$ 18,000*							
Annual Tank Maint. (Year 5 of 5)	*$ 360,000*	*RCP05*	*Utility Services*					*$ 360,000*							
Well No. 11A Rehabilitation	*$ 200,000*	*RCP23*	*Layne*				*$ 300,000*								
Avenue S and Downing	*$ 125,000*	*RCO18*	*TBD*				*$ 55,000*								
Spec. No. 0902 - Ave. Q-3, Division, Sumac	*$ 525,000*	*RCP07*	*TBD*						*$ 75,000*	*$ 75,000*	*$ 150,000*	*$ 150,000*		*$ 75,000*	
Lighting Replacement	*$ -*	*N/A*	*ORION*					*$ 68,163*	*$ 68,163*						
WTP Security System	*$ 50,000*	*NCP01*	*TBD*								*$ 50,000*				
Total Projected Payout:				$ 190,558	$ 280,701	$ 202,471	$ 463,495	$ 540,163	$ 157,163	$ 89,000	$ 214,000	$ 164,000	$ 14,000	$ 89,000	$ 14,000

Water Quality Fund	2012 Budget	Budget No.	Payee	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2012 Granular Activated Carbon Supply	*$ 1,550,000*	*N/A*													
2012 Change-Outs			*Calgon*				*217,000*	*217,000*	*217,000*	*217,000*	*217,000*				
GAC Vessel at Underground Booster Station			TBD					*100,000*	*200000*	*100000*		*40,000*			
Total Water Quality Projected Payout:				0	0	0	217,000	317,000	417,000	317,000	217,000	40,000	0	0	0

4/3/2012

AGENDA ITEM NO. 7.4

PALMDALE WATER DISTRICT

BOARD MEMORANDUM

DATE:	April 4, 2012	**April 11, 2012**
TO:	BOARD OF DIRECTORS	**Board Meeting**
FROM:	Mr. Matt Knudson, Engineering Manager	
VIA:	Mr. Dennis D. LaMoreaux, General Manager	
RE:	***AGENDA ITEM NO. 7.4 – CONSIDERATION AND POSSIBLE ACTION ON AGREEMENT WITH RMC WATER & ENVIRONMENT FOR PREPARATION OF LOCAL GROUNDWATER ASSISTANCE (LGA) GRANT APPLICATION.***	

A staff report on this item will be hand-delivered prior to the Board meeting.

PALMDALE WATER DISTRICT

BOARD MEMORANDUM

DATE: April 3, 2012 **April 11, 2012**

TO: BOARD OF DIRECTORS **Board Meeting**

VIA: Mr. Dennis LaMoreaux, General Manager

FROM: Mrs. Jeannie Burns, Human Resources Manager

RE: ***AGENDA ITEM NO. 7.5 – CONSIDERATION AND POSSIBLE ACTION ON CERTIFICATION OF COMPLIANCE WITH GOVERNMENT CODE SECTION 7507 FOR TWO-YEAR SERVICE CREDIT RETIREMENT INCENTIVE PROGRAM***

Recommendation:

Staff and the Personnel Committee recommend that the Board of Directors approve the Certification of Compliance with Government Code Section 7507 that requires making public the estimated cost of (**$804,425.86)** amortized over 20 years for providing two years additional service credit for twenty (20) eligible employees who may retire during another designated period.

Background:

On June 10, 2009, the Board approved the concept of offering a retirement incentive of Two Additional Years of Service Credit to eligible employees in order to reduce operating expenses. District staff submitted a written request to CalPERS for an amendment to the contract between the District and CalPERS to allow the District to offer the Two Years Additional Service Credit benefit to employees for a designated period. The Board took the following actions to amend the contract:

- Adopted the Resolution of Intention to Approve an Amendment to Contract Between the Board of Administration California Public Employees' Retirement System and the Board of Directors of Palmdale Water District: 07/08/2009

- Made public the estimated cost for providing this benefit in accordance with Section 7507 of the Government Code ($1,001,231)

- Designated the 90-day period (08/14/09 through 11/11/09) as the period during which eligible employees could retire and receive two years additional service credit

At the February 27, 2012 meeting of the Personnel Committee, several cost-saving measures were presented to Committee members for consideration. The Committee directed staff to move forward and request the necessary documents from CalPERS for the two year additional service credit incentive.

At the March 26, 2012 meeting of the Personnel Committee, the Committee recommended the Certification of Compliance be presented to the full Board for consideration.

The District's contract contains the Amendment for Two Additional Years of Service Credit for eligible employees; therefore, only two actions are required of the Board of Directors to implement this incentive at this time:

- Complete the "Certification of Compliance with Government Code Section 7507" making public the estimated cost of ($804,425.86) for twenty (20) employees who would be eligible to retire.

- Two weeks later, at the next Board meeting, the "Resolution to Grant Another Designated Period for Two Years Additional Service Credit" will be presented to the Board of Directors for adoption indicating the designated period from June 30, 2012 to September 30, 2012 in compliance with Government Code Section 20903.

Financial Impact:

The cost for providing this benefit, if all twenty (20) eligible employees retired during the designated period of 6/30/2012 through 9/30/2012, is $804,425.86. The added cost to the retirement fund for all eligible employees who do retire during the designated window period will be included in the District's employer contribution rate for the fiscal years beginning two years after the end of the designated period. The cost of providing the benefit is amortized over a period of twenty years. Meetings were held with staff to ascertain the level of interest in this benefit. At this time, six (6) eligible employees have indicated an interest in retiring during the designated period.

CalPERS Government Code Section 20903 notes that at least one vacancy in any position in any department or other organizational unit remains unfilled thereby resulting in an overall reduction in the work force of such department or organizational unit. Estimated savings of this program for six (6) eligible employees would be $329,984.10. Positions that are filled will be hired at the lower range of the compensation schedule, saving approximately $107,057.60 of the estimated $329,984.10.

Staff will not likely recommend offering the two year additional service credit incentive in the future due to increasing costs in the CalPERS employer rates and CalPERS contract changes reducing employee retirement amounts. If the District waits on this action, chances are the benefit amounts *will* go down. This recommendation is based on the following:

(a) At the March 14, 2012 meeting, the CalPERS Board of Administration (Board) approved a recommendation to lower the CalPERS discount rate assumption, or the rate of investment return the pension fund assumes, from 7.75 to 7.50 percent. This will increase public agency employer rates for fiscal years 2012-2014.

(b) The potential of closing the Defined Benefit Plan at CalPERS to a Defined Contribution Plan.

(c) The Governor's twelve point pension reform plan notes: (1) Equal Sharing of Pension Costs: All Employees and Employers. The funding of annual normal pension costs should be shared equally by employees and employers; (2) "Hybrid" Risk-Sharing Pension Plan: New Employees; (3) Increase Retirement Ages: New Employees; (4) Require Three-Year Final Compensation to Stop Spiking: New Employees; (5) Calculate Benefits Based on Regular, Recurring Pay to Stop Spiking: New Employees; (6) Limit Post-Retirement Public Employment: All Employees; (7) Felons Forfeit Pension Benefits: All Employees; (8) Prohibit Retroactive Pension Increases: All Employees; (9) Prohibit Pension Holiday: All Employees and Employers; (10) Prohibit Purchases of Airtime: All Employees; (11) Increase Pension Board Independence and Expertise: CalPERS Board of Administration; (12) Reduce Retiree Health Care Costs: New State Employees.

Strategic Plan Element:

The CalPERS Certification of Compliance with Government Code Section 7507 and associated costs for Two Years Additional Service Credit is part of Strategic Element 4.0 (Personnel Management) and Strategic Element 6.0 (Financial Management).

Supporting Documents:

- Form "Certification of Compliance with Government Code Section 7507"
- "The Impact of Closing the Defined Benefit Plan at CalPERS"
- "A Preliminary Analysis of Governor Brown's Twelve Point Pension Reform Plan"

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Actuarial and Employer Services Branch
Public Agency Contract Services
P.O. Box 942709
Sacramento, CA 94229-2709
(888) CalPERS (225-7377)

CERTIFICATION OF COMPLIANCE WITH GOVERNMENT CODE SECTION 7507

I hereby certify that in accordance with Section 7507 of the Government Code the future annual costs as determined by the System Actuary for the increase in retirement benefit(s) have been made public at a public meeting of the

Board of Directors ______ of the
(governing body)

Palmdale Water District
(public agency)

on April 11, 2012 which is at least two weeks prior to the adoption of the
(date)

Resolution / ~~Ordinance.~~

______
~~Clerk~~/Secretary, Palmdale Water District

Secretary, Board of Directors
Title

Date April 11, 2012

CERTIFICATION OF COMPLIANCE WITH GOVERNMENT CODE SECTION 7507

I hereby certify that in accordance with Section 7507 of the Government Code the future annual costs on 4/11/2012 which is at least two weeks prior to the adoption of the Resolution .

~~Clerk/~~Secretary, Palmdale Water District

Secretary, Board of Directors

Title

Date April 11, 2012

The Impact of Closing the Defined Benefit Plan at CalPERS

Prepared by the California Public Employees' Retirement System (CalPERS)

March 2011

CalPERS

The Impact of Closing the Defined Benefit Plan at CalPERS
Executive Summary

CalPERS administers a defined benefit (DB) plan which guarantees a lifetime pension benefit to retirees. In recent years, questions regarding the impact of closing the DB plan and replacing it with a defined contribution (DC) plan or a hybrid plan have become more widespread.

There are two options to close a DB plan: a hard freeze and a soft freeze. A hard freeze stops future service accruals for all (current and future) employees. A soft freeze closes the DB plan to new hires. In the event of a soft freeze, another retirement plan, such as a DC or hybrid plan, would likely be established and offered to future employees. The DB plan would continue to operate for current employees.

In the public sector in California, there is strong legal protection for benefits, and it is commonly understood that public pension plans are limited to soft freezes. Typical soft freeze plan alternatives are a DC plan, a deferred compensation plan such as a 401(k) or 403(b) plan, or a hybrid plan, a DC component and a more modest DB plan than the existing pension plan. DC proponents prefer DC plans because of their perceived portability, predictable employer costs, employee control over their investments, and the shift of the investment risk from the employer to the employee. Some DC proponents also say that DC plans offer greater transparency because the employee selects their own investments, eliminating potential conflicts of interest in investment decisions by public retirement boards.

The costs and risks of closing a DB plan include:

- The cost of administering two plans for both current and future employees
- Higher DC plan administrative costs
- Asset Allocation and Investment Return advantages of a DB plan
- Liquidity requirements of a DB plan
- Accounting Impact - frozen DB plan expenses must be amortized over a decreasing payroll which will lead to front-loaded expenses
- Social Security - would have to add employees that currently do not participate
- Loss of a recruitment and retention tool
- Disability and survivor benefits not offered in a DC plan
- Longevity risk and leakage in DC plans
- Cost of Living Adjustments are a DB plan benefit, not a DC plan feature

Providing employee benefits through any retirement plan is a complex policy decision. Before making policy decisions regarding the choice of using a DB plan, a DC plan or a hybrid plan to provide retirement benefits, a thorough cost-benefit analysis should be conducted including both potential short and long term cost savings. A comparative analysis should consider the goals the employer is attempting to reach, the level of benefits that are desired, and provide an understanding of the risks inherent in various pension plan designs, and who should bear them. Any analysis should also include the need for a rebalancing of the portfolio to reflect the greater need for liquidity once all active members have retired.

Issue Brief: The Impact of Closing the Defined Benefit Plan at CalPERS

Introduction

The California Public Employees' Retirement System (CalPERS) administers a tax-qualified defined benefit (DB) plan created to provide secure retirement income to qualified members employed by a participating public employer, and whose earnings capacity is diminished by age or disability. The DB plan is intended to advance the financial security for all who participate in the System. Benefits of the DB plan for employers include the ability to attract and retain qualified employees for government employment, and reasonably estimate costs from year to year as they develop their annual budgets. In recent years, questions regarding the impact of closing the DB plan and replacing it with a defined contribution (DC) plan or a hybrid plan have become more widespread.

The scope of this Issue Brief does not cover hybrid plans. However, the concepts related to the additional cost of administering two plans and the type of freeze a plan administrator may consider, outlined in this Issue Brief, would likely apply to various hybrid plan designs. A 2004 study by Watson Wyatt, benefit consultants, shows that "retirement plan costs typically rise after a conversion from a traditional pension to a hybrid plan." [1] And, a November 2010 study by Towers Watson, a benefits consulting firm, found that "...hybrids are more volatile than DC plans. Conversely, as there is a natural tradeoff between cost and volatility, hybrid plans are somewhat more cost-efficient than DC plans, although somewhat less so than traditional DB plans." [2]

Issue Overview

This Issue Brief examines the impact of closing the DB plan at CalPERS, i.e., eliminating future service accruals in the plan and opening a DC plan as a replacement.

This Brief intends to:

- define DB and DC plans
- identify key areas that have an impact on the cost of the plan for both the short and long-term upon closure of the plan
- identify who bears the risk; the employer or employee

[1] Watson Wyatt Insider. *Workforce Realities Not Cost, Drive Hybrid Plan Conversions.* February/ March 2004.
[2] Tomeka Hill, Gaobo Pang and Mark Warshawsky. *Hybrid Pension Plans: A Comprehensive Look at Their History, Economics and Features.* Towers Watson Perspectives. November 2010, page 27.

What are DB and DC Plans?

A defined benefit (DB) retirement plan is a traditional pension plan, such as the CalPERS DB plan. Under a DB plan a retiree receives a retirement benefit that is guaranteed by law. Typically, the amount of the retirement benefit is determined by the benefit formula, a participant's years of service, age at retirement, and the highest salary over a specified number of years.

Public pension benefits are funded by employee and employer contributions, and investment earnings. A plan administrator is responsible for managing the DB plan on behalf of participating employers. Employers ensure adequate funding is available for benefits for their employees.

A defined contribution (DC) retirement plan is a deferred compensation retirement savings account such as a 401(k) or 403(b) plan. DC plans do not have any guaranteed benefits. Retirement benefits are determined by contributions made to an individual account by the participant, employer and investment earnings. The employee is typically responsible for managing their own retirement account and making decisions about where to invest their retirement savings, and how much to contribute and how often. The maximum employer contribution amount is usually set by law or by the employer.

DB Plan Freeze Options

If a DB plan administrator is considering a change in benefits, the plan can offer participating employers two pension plan freeze options. An administrator can terminate future service accruals for all (current and future) employees, known as a "hard freeze", or close the plan to new entrants (new hires) only, known as a "soft freeze." In the public sector in California, there is strong legal protection for benefits, and it is commonly understood that public pension plans are limited to soft freezes. Key areas that have an impact on costs to the plan for both the short and long term are identified below as well as who bears the risk, the employer or the employee. All of the issues outlined below are applicable under both the hard and soft freeze options.

Typical soft freeze plan alternatives are a DC plan (a deferred compensation plan such as a 401(k) or 403(b) plan) or a hybrid plan (a DC component and a more modest DB plan than the pension plan for current employees). DC proponents prefer DC plans because of their perceived portability, predictable employer costs, employee control over their investments, and the shift of the investment risk from the employer to the employee. Some DC proponents also say that DC plans offer greater transparency because the employee selects their own investments, eliminating potential conflicts of interest in investment decisions by public retirement boards.

Costs and Key Risk Areas

Two Plans Cost More Than One: Administrative Costs
(Employer and Employee) When a plan administrator closes a DB plan, often the administrator opens a fixed-rate DC plan. Closing a DB plan does not eliminate the administrative costs of the DB plan. The DB plan must be administered until the last participant quits working, retires and dies. In the first year of a DC plan, there are significant start-up costs. Individual accounts need to be created for new participants and those accounts must be maintained. Until the final DB plan participant dies, two plans must be maintained and two plans cost more than one.[3]

DC Plan Administrative Costs Are Higher Than DB Plan Costs
(Employee) For large pension plans such as CalPERS, the cost of managing a DB plan is lower than the cost of managing a DC plan because administrative costs are driven by scale.[4] The average annual cost of managing the CalPERS DB plan from 1997 to 2004 was 0.25 percent of assets. The annual management cost of a DC plan can be as high as 2 percent of assets. The expense ratio for the average stock mutual fund is 1.1 percent of assets.[5] In general, the employer pays the administrative costs in a DB plan and the employee pays the administrative costs in a DC plan.

Asset Allocation and Investment Return
(Employer and Employee) The economic efficiencies embedded in DB plans are substantial. The biggest drivers of the cost advantages in DB plans are longevity pooling and enhanced investment returns that derive from reduced expenses and professional management of assets.[6] When mature, a DB plan has a balanced mixture of young, middle-age, and retired members. This balance give DB plans the ability to diversify their portfolio over a broader investment horizon. For example, investments in private equity are rarely an option for DC plans. As DC plan participants approach retirement age, they are advised to shift their assets from higher return/higher risk assets like equities to lower return/lower risk assets such as bonds. While there are good reasons for doing this, to protect against market shocks later in life, the result comes at the price of lower expected investment returns.

DB plans on average return 1 percent more than DC plans. In addition, investment expenses can be expected to be 0.5 percent higher for DC plans than for DB plans. The combined effect of the differences in return and expenses is 1.5 percent which, when compounded over a 25 year career, will result in asset accumulations of 20 percent less for

[3] National Institute on Retirement Security. *Look Before You Leap, The Unintended Consequences of Pension Freezes.* October 2008.
[4] Council of Institutional Investors. *Protecting the Nest Egg; A Primer on Defined Benefit and Define Contributions Plans.*
[5] CalPERS. *Pension Debate: The Myths and Realities of Defined Benefit and Defined Contribution Plans.* July 2006.
[6] National Institute on Retirement Security. *A Better Bang for the Buck-The Economic Efficiencies of Defined Benefit Pension Plans.* August 2008.

DC plans than for DB plans for the same contribution amount. [7]

A 2009 paper published by Milliman, an independent actuarial consulting firm, cited lower investment returns from DC plans in Nebraska and West Virginia public pension systems. Over a 20 year period, Nebraska's state and county employees earned an average return between 6 and 7 percent in the DC plan. During this same time period, the DB plan for Nebraska's school employees, state judges and state patrol earned an average investment return of 11 percent. Similarly, the average return rate for West Virginia teachers in the DC plan was 3.15 percent lower than that for the DB plan members from 2001 through 2007. [8]

In a DC plan, employees assume all the investment risk while in a DB plan this risk is assumed by the employer. Closing a DB plan to create a DC plan can be viewed as a policy and benefit shift for the employer. In a DC plan, once the employer makes their required share of contributions, they have no other obligations. The benefit provided to the employee at retirement depends heavily on the investment returns of the employee's account. The higher the returns during the employee's career, the higher the benefit will be at retirement. Conversely, lower returns lead to lower benefits at retirement.

Participants in a DC plan also face the risk of experiencing significant market losses just prior to retirement or even after retiring, which could impact their decision to retire, their standard of living after retirement and may force current retirees to seek employment after retirement.

Liquidity Requirements
(Employer and Employee) As a closed DB plan ages, fewer contributions due to fewer active members, relative to retiree benefit payments, increases the need for more liquid assets. This creates a need to shift assets to investments that have a more predictable cash flow such as bonds. This generally has a negative impact on the fund and results in lower investment income. This lost investment income needs to be covered by additional contributions. These contributions may come from the employer, the employee or a combination of both.

The actual amount of investment income lost is affected by how quickly the closed DB plan shifts its asset allocation toward a more conservative allocation involving a higher proportion in fixed income, and how much of the assets are invested in fixed income.

The newly adopted asset allocation of the Public Employees' Retirement Fund (PERF) calls for 15.9 percent of the assets to be invested in fixed income. Once all members are retired, it is

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[7] Alicia H. Munnell, Maurico Soto, Jerilyn Libby and John Prinzivalli. *Investment Returns: Defined Benefit vs. 401(k) Plans.* Issue in Brief 52, Center for Retirement Research at Boston College. September 2006.
[8] Mark Olleman. *Public Plan DB/ DC Choices.* Milliman. January 2009.

reasonable for a closed DB plan to invest a much higher portion of its assets in fixed income. For example, the pension plan may shift the asset allocation to 60 percent in fixed income once all members have retired. For CalPERS, most of the current active members will likely retire in about 30 years. At that point, more assets would be allocated to fixed income. If the asset allocation were to gradually shift each year over the next 30 years toward more fixed income assets to achieve a 60 percent fixed income goal, the expected investment income for the entire portfolio would be lower. Over the next 60 years, expected investment income would be decreased by about $150 to $200 billion for CalPERS as a whole. If the decision were made to invest 40 percent in fixed income, then the lost investment income would be less, and similarly, a shift to 80 percent fixed income would result in a greater reduction in investment income. Any shortfall in investment earnings would need to be made up by higher contributions from the employer or the employee or both. The present value of shifting the asset allocation to 60 percent fixed income is estimated to be between $30 and $40 billion.

Accounting Impact
(Employer) For an employer's financial statement to be compliant with accounting standards set by the Governmental Accounting Standards Board (GASB), certain rules must be followed. In particular, GASB Statements 25 and 27 set guidelines for DB plans. GASB defines the "expense" that must be disclosed by public agencies in financial statements for their DB plans. In contrast, the actual employer required contributions are determined on a funding basis which may differ from the accounting basis prescribed by GASB.[9]

Under GASB, the DB plan unfunded liability must be amortized over a period no greater than 30 years. In addition, the unfunded liability must be amortized in level dollar amounts, or as a level percent of the projected payroll. For an open DB plan, projected payroll can be expected to grow as new hires are expected to replace retiring employees, and average pay generally increases each year. As a result, payment schedules can see dollar amounts increase at the same rate as the payroll.

However, once a plan is frozen and closed to new entrants, payroll will decline over time. Therefore, under governmental accounting standards, a frozen plan must be amortized over a decreasing payroll or as a level dollar amount. In practice, the pension expense of a frozen plan will tend to be front-loaded, as compared to an open plan that can spread these costs over a growing payroll base. The accounting costs will rise in the short term due to this front-loaded

[9] The CalPERS Board would need to review its amortization policy for funding purposes to determine whether or not it should be consistent between accounting and funding. This Brief does not assume any changes to the Board's current amortization policy for *funding* purposes. If the Board were to adopt a funding policy similar to the change mandated by the accounting standards, actual contributions would change in a similar manner to the pension expense shown on the table, Impact on Pension Expense.

nature. Because CalPERS plans are currently subject to an amortization schedule as a level percentage of an increasing payroll, closing the DB plan would result in a change to a level dollar amortization for accounting purposes. By converting to a level dollar amortization, the percentage increase in short term amortization of the unfunded liability will be about 30 to 40 percent, increasing the pension expense in the short term.

As an example of the short term impact on expensing requirements of changing the amortization method, the table below provides a comparison of the portion of the pension expense attributable to the unfunded liability for the next ten years for the State plans. As shown in the table below, if the DB plan is closed to new hires, the State would be required to front load the pension expense to pay off the unfunded liability. Expenses would be greater for the first 10 years and be lower afterward.

Impact on Pension Expense (Accounting Impact)
Fiscal Years 2010-2011 through 2019-2020

Fiscal Year	**Current Amortization of the Unfunded Liability** (in millions)	**Amortization of the Unfunded Liability if DB Plan is Closed** (in millions)	**Difference** (in millions)
2010-2011	$1,663.8	$2,192.8	$529.0
2011-2012	$1,712.6	$2,192.8	$480.2
2012-2013	$1,763.0	$2,192.8	$429.8
2013-2014	$1,814.9	$2,192.8	$377.9
2014-2015	$1,868.4	$2,192.8	$324.4
2015-2016	$1,923.6	$2,192.8	$269.2
2016-2017	$1,980.5	$2,192.8	$212.3
2017-2018	$2,039.1	$2,192.8	$153.7
2018-2019	$2,099.6	$2,192.8	$93.2
2019-2020	$2,161.9	$2,192.8	$30.9

Note that the amortizations of the unfunded liability in the table above are based on the unfunded liability from the June 30, 2009 actuarial valuation of the State plans. It assumes all actuarial assumptions will be met including the assumption that the investment return earned by CalPERS will be 7.75 percent each year into the future. To the extent the actual experience of the plan is different than expected, these amounts will differ.

Social Security
(Employer and Employee) Employers are required to participate in Social Security unless they provide an alternate minimum level of retirement benefits. Many public employees, most notably safety

members, do not participate in Social Security. Closing the DB plan for employees who do not participate in Social Security would force their employers into Social Security unless a mandatory DC plan was established to provide a minimum allocation of 7.5 percent of salary. The cost of Social Security is 12.4 percent shared equally by the employee and employer. As a result, freezing the DB plan could increase costs by 6.2 percent for many employers in addition to their current obligations.

Another important consideration is that members in a DC plan face investment risk, longevity risk, and post-retirement cost-of-living adjustment risk. DB plans are able to address these risks in their plan design. Social Security provides some protection against these risks. For employers who do not participate in Social Security, a switch to a DC plan provides no protection from these kinds of risk. Therefore, if these risks are an issue for an employer, then participation in Social Security should be considered if their employees are currently not covered.

Recruitment and Retention
(Employer and Employee) The retirement security offered by DB plans is highly valued by public employees and employers as a recruitment and retention tool. A recent study by the Alaskan Public Pension Coalition found that Alaska is investing significant resources in hiring and training young public employees only to have them leave the state with their training and experience, and DC account balances to work for employers with DB plans.[10]

The National Institute on Retirement Security (NIRS) published the issue brief *Look Before You Leap: The Unintended Consequences of Pension Freezes" in October 2008*. One key finding was a DB to DC switch can worsen retirement insecurity, potentially damaging recruitment and retention efforts.[11] The effects are more severe under a DB to DC switch than if benefits in the existing DB plan are reduced. Some state retirement systems, such as West Virginia, who made the DB to DC switch, have gone back to the DB plan. This action was largely because the DC plan did not provide adequate retirement security for its members.

Disability and Survivor Benefits
(Employee) DB pension plans generally provide income and benefit security in the event of regular service retirement, but also in the unforeseen event that a member becomes disabled or dies prior to retirement. Disability and death benefits are pre-funded within the pension plan. If the DB plan is closed, disability and death benefits need to be provided by a third-party in addition to the DC plan. DC

[10] Alaskan Public Pension Coalition. *Returning Alaska to a Defined Benefit System: A Benefit for Alaskans and a Savings for the State.* February 2010.
[11] National Institute on Retirement Security. *Look Before You Leap: The Unintended Consequences of Pension Freezes.* October 2008.

plans are not designed to provide adequate benefits in the event of disability or death prior to retirement, especially when these events occur early in an individual's career. Members with short service tenure do not have time to accumulate sufficient assets in their DC account to provide for an adequate benefit for themselves or their survivors.

To provide similar disability and survivor benefits, these benefits would have to be purchased from an insurance company. The cost to purchase similar benefits from an insurance company is greater than the cost of providing these benefits within the DB plan because an insurance company uses a lower discount rate because it is required to invest in less risky assets, will add a premium due to accepting the risk, and will generally add a profit margin.

Longevity Risk and Leakage
(Employee) Longevity risk describes the uncertainty an individual faces with respect to their exact lifespan. Actuaries can predict the life expectancy of an individual retiring at age 62 to be age 85. Some members will live a relatively short period of time after retirement and others will live beyond age 100. In a DB plan, actuarial gains resulting from individuals dying earlier than their life expectancy may offset actuarial losses from individuals living longer than their life expectancy. As a result, only enough assets to pay for the *average* life expectancy are required in a DB plan. Comparatively, an individual in a DC plan may need to accumulate more assets to last the maximum life expectancy.

The need to accumulate more assets is even more evident when considering that individuals participating in a DC plan are generally advised to shift their assets from higher return/ higher risk assets like equities to lower return/ lower risk assets such as bonds. This shift means that the assets in the DC plan will grow at a lower rate in a DC than in a DB plan after retirement therefore increasing the longevity risk.

DC plans also generally allow participants to borrow or withdraw from their retirement accounts. The outflow of money from the account is often referred to as "leakage". Some DC plan participants may seek to take advantage of being able to tap their account to meet short-term needs. Any amount of cashing out or drawing down account balances is a major concern because it can greatly impact retirement savings.[12] If these funds are not replenished by the member, there is little or no retirement savings when it is needed.

[12] Fidelity Investments. *Plugging the Leaks in the DC System: Bridging the Gap to a More Secure Retirement.* Employee Benefits Research Institute. Summer 2010.

Cost of Living Adjustments – COLA
(Employee) DB plans generally have COLAs included in their design and are able to mitigate the impact of inflation. Most CalPERS members receive a 2 percent COLA after retirement, and are protected from some of the effects of inflation by the Purchasing Power Protection Allowance (PPPA) benefit. The PPPA benefit maintains a 75 percent or 80 percent purchasing power benefit level after retirement.

DC plans do not have COLAs. The effect of inflation is likely to erode the value of the account balance over time, especially in the event of a high inflation period. To mitigate this risk, in some cases members of a DC plan may be able to invest in securities with inflation protection. However, as with any investment decision, there is a trade off. Generally, in order to guarantee inflation protection, the participant will have to give up a portion of the investment return elsewhere leading to lower benefits in retirement.

Conclusion

Providing employee benefits through any retirement plan is a complex policy decision. Before making policy decisions regarding the choice of using a DB plan, a DC plan or a hybrid plan to provide retirement benefits, a thorough analysis should be made of the benefits provided by each plan and the effects of these plans on employer costs, on recruitment and retention goals of the employer, and the ability of the employer to predict and anticipate costs over time.

For the reasons listed in this Brief, a DB plan that currently costs an employer 15 percent of payroll cannot be replaced by a DC plan that also costs the employer 15 percent of payroll and provide the same level of benefits. A DC plan that costs 15 percent of payroll will offer lower benefits than a DB plan that costs 15 percent of payroll.

Therefore, if an employer desires to reduce the cost of providing a retirement benefit, it is recommended that all avenues to reduce costs be analyzed, and a thorough cost-benefit analysis be conducted. A comparative analysis should consider the goals the employer is attempting to reach, the level of benefits that are desired, and provide an understanding of the risks inherent in various pension plan designs, and who should bear them. Any analysis of the impact of closing a DB plan should also consider the short term costs, and weigh them against the long term cost savings of the proposed replacement plan. Finally, any analysis should also consider the need for a rebalancing of the portfolio to reflect the greater need for liquidity once all active members have retired.

CalPERS

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A Preliminary Analysis of Governor Brown's Twelve Point Pension Reform Plan

Prepared by the California Public Employees' Retirement System (CalPERS)

Introduction

On October 27, 2011, the Governor announced a pension reform plan that highlights, in concept, twelve pension reform proposals. Details regarding the proposals have not been proposed yet, nor has statutory language. Although the pension reform proposals are still conceptual in nature, CalPERS has prepared this preliminary analysis of the proposals and the potential impacts. The intent of this preliminary analysis is to explore the reform concepts within the broader context of CalPERS' operations, procedures, finances and primary governing laws, namely the California Public Employees' Retirement Law, state and federal tax law, and the California and United States Constitutions.

However, insofar as the proposals are still undeveloped, this preliminary analysis is not intended to address all issues which may result from the Governor's plan, nor is it intended to address any particular legislative proposals which may eventually be proposed. The merits and impact of any new legislative proposal will have to be analyzed based on its own unique terms and conditions, and CalPERS will respond to each proposal individually. Similarly, this preliminary analysis should be treated as a working document that will evolve over time as additional information about the proposals becomes available. To that end, it should not be relied upon as a definitive statement of the impact that the Governor's plan may have on CalPERS, its existing defined benefit plans, or its members and employers. None of the information provided in this preliminary analysis is intended or written to be used as legal advice or opinion, and accordingly should not be relied upon as such.

CalPERS has previously published papers on the vested rights of members and the implications of closing the defined benefit plan. This document does not repeat the issues and facts identified in these documents, but should be read in conjunction with these documents.

CalPERS is committed to being an honest broker of information. We welcome the opportunity to provide this information and we look forward to participating in the ongoing discussions about pensions and pension reform.

CalPERS

GOVERNOR'S TWELVE POINT PENSION REFORM PLAN

1. Equal Sharing of Pension Costs: All Employees and Employers
The funding of annual normal pension costs should be shared equally by employees and employers.

Effective Date

BACKGROUND

Currently, contributions toward annual pension costs come from both employees and employers. Employees typically contribute a fixed percentage of their earnings. The employee contribution rate is generally fixed by statute or memorandum of understanding, and varies from approximately 5% to 11% of an employee's salary. The employer contribution is determined on an annual basis by the plan's actuaries.

Employers may also pay all or a portion of the employee contribution pursuant to an adopted contract option, resolution or written labor agreement, effectively reducing the employee contribution rate to zero.

IMPACTS

LEGAL	WORKLOAD	FISCAL	POTENTIAL PROs/CONs
Increasing employee contributions may impair vested rights in some cases, depending upon the extent of the increase as well as other factors. Vested rights may also be impaired where the Legislature or employer did not reserve the right to increase contributions (i.e., in statute or memorandum of understanding). How will this impact existing memorandums of understanding and other employment contracts? How will this impact the bargaining process going forward?	The workload will depend on how this proposal is implemented. Is the equal sharing only a target or is the intent to literally require the employer and employee to each contribute half of the total normal cost? If the final language actually sets the employee contribution rate at 50%, it would result in employee contribution rates changing annually and likely increase the administrative workload for both the system and employers (i.e., statutory clean-up, rate setting and payroll reporting, etc.).	***Program Costs:*** If it only applies to normal cost there will be very little savings, if any, for state plans because with the recent bargaining agreements most state employees are paying more than or close to half the total normal cost. For most local contracting agencies, LRS, and JRS this could result in increased employee contributions and reduced employer contributions. The actual impact will vary by employer and will depend on the benefit formula	PROs: • May make it clearer to the public who is paying each portion of pension costs. • Reduces fiscal pressure on public agencies that are paying the members' share of contributions. CONs: • Eliminates ability to negotiate contribution rates and employer paid member contributions (and thereby eliminates bargaining options). • Because the actual normal cost varies by an employee's entry

Is the intent of the proposal to eliminate an employer's ability to pay member contributions on behalf of members (referred to as employer paid member contributions)? Would the proposal preserve the pre-tax treatment of member contributions under federal tax law (specifically under Section 414(h)(2) Internal Revenue Code)? If so, the proposal should address this.	Additional workload will depend on the answers to the following questions: • How should normal cost increases or decreases due to demographic or assumption changes be executed? • How will the ramp-up of new employee contributions to half the normal cost be handled? This could vary from employer to employer? Who is responsible for monitoring? Will sharing the normal cost result in employers or employee groups wanting to split their rate plans by benefit formula and/or bargaining unit?	and the current cost sharing arrangement. ***Administrative Costs:*** From an administrative standpoint there will be increased workload due to updating employer contracts and resolutions. Costs will be greater if employee contribution is actually 50% of the total rate due to the need to annually update computer systems, added complexity for certain service credit purchase and potential increase in the number of actuarial valuations per contracting agency.	age, the proposal may create fairness issues between employees who enter service at different ages. • Normal Cost could vary by each employer's plan due to the average entry age of its employees, and vary by retirement systems due to the use of different assumptions. • Normal cost is recalculated each year to reflect the most recent demographics. Normal cost will be different from year to year and can either decrease or increase, which in turn may lead to unpredictable contribution rates for members and financial hardship.

2. "Hybrid" Risk-Sharing Pension Plan: New Employees Would require all new employees to enter a hybrid pension plan that would target a 75% replacement ratio after a full career of 30 years for safety employees and 35 years for non-safety employees. The retirement benefit should be provided equally from the Defined Benefit (DB) component, Defined Contribution (DC) component and Social Security. If the employee is not in Social Security then the DB component would provide $2/3^{rds}$ and the DC component would provide $1/3^{rd}$ of the retirement benefit. The DB portion would also include a cap to ensure employers do not bear an unreasonable liability for high-income earners.	Effective Date

BACKGROUND

CalPERS currently administers defined benefit pension plans, as primary retirement plans for its members. CalPERS also administers three supplemental income plans that are available to various State and local government employers and their employees. These supplemental income plans are intended to supplement the benefits received from the primary defined benefit plans.

CalPERS' defined benefit plans provide guaranteed lifetime retirement income based on a predetermined formula that includes an employee's age at retirement, length of service, and highest one-year or three-year average compensation. A CalPERS pension provides employees with a predictable monthly retirement benefit.

IMPACTS			
LEGAL	WORKLOAD	FISCAL	POTENTIAL PROs/CONs
How will the defined contribution component be designed to ensure that it is a tax-deferred plan? Will the defined contribution component include employee contributions? If so, will the contributions be elective or mandatory? In either case, there will be specific federal tax requirements that must be satisfied which should be considered during the plan design phase. A hybrid pension structure will likely require significant legislative action, including statutory and administrative restructuring, which will require time and resources to implement. No assets from the Public Employees' Retirement Fund may be used to design or implement any other plan, nor may such assets be used to administer any other plan. How will the defined benefit component be designed? Will it be part of the existing defined benefit plan, or will a separate defined benefit plan be established (with the effect of closing the existing defined benefit plan to new employees)?	Workload impact would depend on the structure and design of the hybrid plan and who administers the DC component. For example when considering the DB component: • Will the DB component be part of the existing plan or be its own plan? • What are the permitted plan designs/formulas? • What optional benefits will be permitted in the DB portion? • How will the cap work? Is it necessary since earnings are capped under 401(a)(17) and the lower formulas will mean that it would be difficult to get to $100K (indexed?) under the DB portion of the hybrid? When looking at the DC component of the hybrid plan one needs to consider: • For the State, should the DC component be the DC plans administered by Department of Personnel Administration?	In order to complete a fiscal impact one would need to know • What income level should be used in determining whether a particular design achieves the target? For example a benefit design that provides 75% replacement ratio to an employee with a final compensation of $50,000 will not likely provide that same percentage to employees earning above or below $50,000. • What assumptions should be used (especially for the DC portion) in determining if the 75% replacement is met? For example, Social Security replaces a higher portion of income for low paid workers – to achieve a uniform 75% replacement rate; either the DB or the DC piece of the hybrid would have to provide extra benefits to high paid employees. Assuming that is not intended then it will be necessary to choose an income level at which the 75% is to be achieved. The following are high level comments regarding fiscal impact:	PROs: • Reduces long-term employer risks associated with defined benefit liabilities by shifting a portion of those risks to employees. • Fundamentally changes public pensions in a way that may satisfy calls for reform. • Reduces employer cost. CONs: • May reduce public employers' recruiting success to the extent skilled workers value traditional pension benefits. • May result in increased cost for funding the benefits of current members. • Reduces employee benefits. • Creates unequal treatment between new and current employees who are similarly situated. • Closing the existing defined benefit plan would threaten its actuarial soundness.

If the existing defined benefit plan is closed to new employees, there may be sustainability concerns which, among other things, may impair the vested rights of existing employees to an actuarially sound retirement fund.

Additional issues arise if the existing defined benefit plan is closed to new employees. See issue brief on *The Impact of Closing the Defined Benefit Plan at CalPERS*.

Is the proposed 75% replacement ratio target intended to be an actual limit, or is it intended to be a design estimate? In other words, will the benefit stop accruing when the 75% replacement ratio is triggered?

Would the Alternative Retirement Plan for new state hires be eliminated?

- What are the payout options under the DC portion?

- What tax vehicle will be used?

It is also important to know how the hybrid plan in its entirety will coordinate with other benefits that are part of the existing DB design structure:

- Will there be a change to the COLA or PPPA provisions? Currently public agencies have a guaranteed 80% PPPA benefit whereas State and School members have a non-guaranteed 75% PPPA benefit. This affects the cost structure and any savings that could be achieved.
- How will the plan coordinate with industrial and non-industrial disability benefits?
- How will the plan coordinate with pre-retirement and special death benefits?

Finally, will there only be one hybrid design to implement or will employers have an option of multiple designs?

Program Costs:
It would appear that the Governor's intent is to reduce the employers cost and risk by reducing benefits and transferring risk to the employee. The actual amount of cost savings will depend on the reduction of the DB benefit and the design of the DC component. . DC component could increase employer's administrative costs depending on how it is structured.

It should be noted that if the design of the Hybrid Plan results in the closing of the current DB plan there would be a significant cost impact to the employer due to changes in asset allocation and amortization methods.

Even if the Hybrid Plan design does not result in closing the existing plan, the reduction in the DB portion of the benefit package compared to the benefit provided to current members will over time lead to higher cost for the existing DB plan The reasons for the impact will be the requirement for a more conservative investment strategy as the current members retire. The quantification of this impact is difficult to predict and will depend on how the DB portion of

CalPERS

		the proposed hybrid plan is designed and implemented. ***Administrative Costs:*** Regardless of final design one should anticipate substantial workload and costs to implement and administer new benefit plan(s).	

3. Increase Retirement Ages: New Employees
Increase retirement age for most new miscellaneous employees to align with Social Security retirement age which is currently set at age 67. The retirement age for new safety employees will be less than 67, but commensurate with the ability of those employees to perform their jobs in a way that protects public safety.

Effective Date

BACKGROUND

Currently, to be eligible for service retirement, most CalPERS members must be at least age 50 with a minimum of five years of CalPERS-credited service. In some cases, members who retire prior to the normal retirement age (as determined by the applicable retirement benefit formula) receive a modified benefit, reduced to reflect the member's age at retirement. For example, for the State Miscellaneous 2% @ 60 formula, at age 50 the benefit factor is 1.09%

IMPACTS

LEGAL	WORKLOAD	FISCAL	POTENTIAL PROs/CONs
How will the proposal address public safety employees? How will the proposal address industrial and non-industrial disability? Is the intent that the new minimum retirement age would apply to existing public employees when they change public employers (as opposed to applying only to new employees who have not yet acquired service credit under CalPERS or a public pension system that has reciprocity with CalPERS)? If so, how will the	The workload will depend on how this provision is coordinated with the Hybrid Plan structure and whether any corresponding changes are made to the industrial and non-industrial disability retirement benefits. Will higher retirement ages result in more industrial or non-industrial disability retirement applications? This may be an issue, especially if no corresponding changes are made to the disability retirement laws.	***Program Costs:*** It is difficult to determine any cost savings without knowing: • The retirement age for Safety Classifications, and • The multipliers at ages other than the full retirement age. Will higher retirement ages result in more disability retirements which could impact plan costs? ***Administrative Costs:*** Will higher retirement ages have the unintended consequence of incenting disability retirements	PROs: • Potentially reduces employers' liabilities for other post-employment benefits, such as retiree health. • Reduces employer costs. CONs: • Employees who have to retire early due to health or other unforeseen reasons may not have an adequate pension. • May increase the number of industrial or ordinary disability retirements. • Reduces employee benefits.

proposal address cases where a member has two different minimum retirement ages that apply to different portions of his or her service credit? What does "new employee" mean in this context? Does it include existing public employees who obtain new employment with a different public employer (i.e., moving from employment with the State to employment with a contracting agency)? If so, vested rights may be impaired if the older retirement age applies to the service credit acquired with the first public employer.		resulting in increased applications and administrative costs?	

4. Require Three-Year Final Compensation to Stop Spiking: New Employees Final compensation for new employees of all California public agencies would be defined as the highest average annual compensation during a consecutive 36 month period.	Effective Date

BACKGROUND

CalPERS' defined benefit pension plans provide members with a guaranteed lifetime retirement income based on a predetermined formula that includes an employee's age at retirement, length of service, and the member's highest one-year or three-year average compensation with a CalPERS covered employer.

IMPACTS

LEGAL	WORKLOAD	FISCAL	POTENTIAL PROs/CONs
Is the intent that this change would only eliminate 12 month final compensation (meaning it would not otherwise change CalPERS current three year final compensation statutes and regulations)? What does "new employee" mean	Will three-year final compensation for new employees be implemented in coordination with the hybrid plan for new employees? If so, many of the implementation tasks could be combined.	***Program Costs:*** Will likely reduce employer contributions over the long term. ***Administrative Costs:*** Minor one-time costs to create new contract packages.	PROs: • Might encourage employees who take promotions late in their career to stay longer (retention).

in this context? Does it include existing public employees who obtain new employment with a different public employer (i.e., moving from employment with the State to employment with a contracting agency)? If so, vested rights may be impaired with respect to service credit acquired with the first employer if the employee is currently entitled to 12 month final compensation.	If not, staff would need to make computer system changes and amend contracts for those employers that have yet to contract for three-year final compensation.		

5. Calculate Benefits Based on Regular, Recurring Pay to Stop Spiking: New Employees Final compensation would be defined as the normal rate of base pay, excluding special bonuses, unplanned overtime, payouts for unused vacation or sick leave, and other pay perks.	Effective Date

BACKGROUND

Final compensation is currently defined as the highest average "compensation earnable" by a member during twelve or thirty-six consecutive months of employment at any time during such member's employment with a CalPERS employer (or, in some instances with reciprocal employers).

Currently, for CalPERS purposes, "compensation earnable" is made up of the pay rate and special compensation of the member and must be included in written pay schedules, ordinances, or other documents that are available for public scrutiny.

IMPACTS

LEGAL	WORKLOAD	FISCAL	POTENTIAL PROs/CONs
What is meant by "normal rate of base pay"? The proposal should specifically define this term or incorporate terms used in existing law. Is the intent to eliminate special compensation or otherwise change the scope and definition of special compensation? If so, how would the definition of special compensation change?	Workload will depend on how employers and employees react to the new rules. Will employers continue to pay special comp to all employees and administer two sets of reporting rules, continuing to report special comp for existing employees but not for new employees? Or move away from special compensation for all employees? Trying to administer differing	***<u>Program Costs:</u>*** The cost impact will depend on whether base salaries increase over time to offset loss of reporting special compensation ***<u>Administrative Costs:</u>*** Will these new rules reduce complexity and result in fewer payroll reporting errors? Or add to the complexity by creating the need to administer two sets of rules?	PROs: • Could eliminate disputes over reportable compensation. • Increases salary transparency. • May reduce payroll reporting errors. • Reduces employer cost. • Likely reduces the opportunities for pension spiking or abuse. CONs: • Could result in eliminating

CalPERS

What does "new employee" mean in this context? Does it include existing public employees who obtain new employment with a different public employer (i.e., moving from employment with the State to employment with a contracting agency)? If so, vested rights may be impaired with respect to service credit acquired with the first employer. This proposal will require additional statutory and administrative restructuring to conform to the many other parts of the Public Employees' Retirement Law addressing compensation.	reporting requirement for special compensation could result in increased workload due to added complexity, while moving away from special compensation could have the opposite effect.		special compensation from current employees. • Reduces employee benefits. • Create unequal treatment between new and current employees who are similarly situated.

6. Limit Post-Retirement Public Employment: All Employees Would limit all employees who retire from public service to working 960 hours or 120 days per year for a public employer. Would prohibit all retired employees who serve on public boards and commissions from earning any retirement benefits for that service.	Effective Date

BACKGROUND

Currently, a retired member can be reinstated from retirement and perform services for the State or a contracting agency. When a retired member is reinstated from retirement, his or her retirement allowance is canceled and he or she becomes of member of the system as of his or her date of reinstatement.

Subject to certain limitations and restrictions related to compensation, position and hours worked, a retired member may also be able to perform services for a CalPERS covered employer without being reinstated.

IMPACTS

LEGAL	WORKLOAD	FISCAL	POTENTIAL PROs/CONs
Is the intent that this change would be consistent with CalPERS' existing post-retirement employment statutes and requirements?	Will depend on final language that is adopted – may be very similar to current rules followed by CalPERS members.	If similar to the post-retirement rules that CalPERS already administers, increased program or administrative costs are not anticipated.	PROs: • May create clearer and more consistent guidelines for employers who wish to employ

			annuitants without reinstatement.
7. Felons Forfeit Pension Benefits: All Employees Would require that public officials and employees forfeit pension and related benefits if they are convicted of a felony in carrying out official duties, in seeking an elected office or appointment, or in connection with obtaining salary or pension benefits.			Effective Date
BACKGROUND			
In limited circumstances, current law provides for suspension of benefits for state members of CalPERS and members of the Legislators' Retirement System upon indictment for specified felonies. In addition, in limited circumstances, current law provides for some benefit forfeiture for certain members of Judges' Retirement Systems I and II and elected public officials.			
IMPACTS			
LEGAL	WORKLOAD	FISCAL	POTENTIAL PROs/CONs
This proposal may impair vested rights of existing employees who have already acquired substantial rights to their pensions prior to the time that the statute takes effect and/or prior to the time the felony is committed. How will the proposal define final conviction, and how will public pension systems determine when a conviction is final? Which benefits will be forfeited (i.e., benefits acquired after the statute goes into effect and/or after the felony is committed)? If forfeited benefits only include those which are acquired after the felony is committed, how will public pension systems determine the date on which the felony is committed, particularly in cases	The impact depends on the number of felony convictions. However, it should be noted that the cases that do arise may require a significant amount of work based on our experience and difficulty of administering pension forfeit laws. Who would be responsible for monitoring and enforcing?	***Program Costs:*** Employer savings would depend on the number of convictions and the amount of the benefit forfeited. ***Administrative Costs:*** Will depend on the number of benefit forfeitures processed and whether litigation costs are incurred in enforcing this expanded application of the forfeiture statutes.	PROs: • May create greater consistency with existing laws which provide that elected officials and judges forfeit public pension benefits for certain crimes. • Provides a possible deterrent for those who would consider committing these acts as a public employee. • May address some public concerns regarding member abuse of system. CONs: • May be difficult and impractical to implement and enforce. • Could negatively impact the future benefits of a spouse or dependent. • May impair vested rights • Currently, there is no way to enforce this for retirees who go

where the felonious acts are ongoing in nature or not obviously limited to a specific date? What types of crimes will be covered by the proposal?			to work for public agencies other than from which they retired. • Does not address pleas bargains from felony to a lesser charge.

8. Prohibit Retroactive Pension Increases: All Employees All California public employers would be prohibited from granting any future retroactive pension benefit increases, such as benefit formula improvements that credit prior service.	Effective Date

BACKGROUND

Under current law, when a CalPERS employer amends its contract with CalPERS to improve employee benefits, the improvement applies retroactively, meaning it applies to past service rendered for that employer by active members.

IMPACTS

LEGAL	WORKLOAD	FISCAL	POTENTIAL PROs/CONs
Would the proposal apply only to the basic benefit formula, or would it apply to other benefit enhancements, such as cost of living increases, post-retirement survivor allowances, industrial death benefits and disability benefits, among others? How will the proposal address cases where a member changes from one classification to another classification with a better benefit formula (such as from miscellaneous to safety)?	Will this change cause an increase in the amount of contract activity for contracting agencies, either requests for cost analysis or actual contract amendments?	***Program Costs:*** Eliminates the cost and risk associated with retroactive benefit increases ***Administrative Costs:*** Depends on the number of requests for cost analysis and actual amendments to increase pension benefits retroactively.	PROs: • Reduces the cost to increase benefit formulas because increased formulas would not apply retroactively. • Reduces employer rate volatility that would otherwise be triggered by retroactive formula increases. CONs: • Eliminates the ability to negotiate retroactive pension formula increases and thereby eliminates a bargaining option.

9. Prohibit Pension Holiday: All Employees and Employers Would prohibit all employers from suspending employer and/or employee contributions necessary to fund annual pension costs.	Effective Date

BACKGROUND

Generally, employee contributions are a fixed percentage of salary, and employer contributions fluctuate based on the annual actuarial valuations of retirement system assets compared to liabilities. When investment earnings on assets are high, employer contributions can generally be reduced, and when investment earnings are low, employer contribution rates generally are increased. Under certain circumstances, the actuarially determined employer contribution rate may be zero, resulting in a contribution holiday for employers.

In 2005, the Board adopted an Employer Rate Stabilization Policy (ERSP) to help reduce volatility in the employer contribution rates. The ERSP requires that any surplus assets be amortized over a period of 30 years. The result of the ERSP is that the possibility of contribution holidays is minimized but it is still possible.

IMPACTS

LEGAL	WORKLOAD	FISCAL	POTENTIAL PROs/CONs
Will the proposal be sufficiently limited so that it does not interfere with the Board's constitutional authority and fiduciary obligations (i.e., authority to set employer contribution rates)? Will the proposal be sufficiently limited so that it does not inadvertently permit or require superfunding[1] which could compromise the tax qualified status of the plan? Will the proposal be consistent with CalPERS current Employer Rate Stabilization Policy and the recommendation of the Governor's Post-Employment Benefits Commission?	Workload will depend on how closely the actual proposal matches current Board policies. May require actuarial system or fiscal system changes. What happens when a plan becomes superfuned? Will there be limits or parameters put on how these surplus assets are managed or used?	***__Program Costs:__*** This proposal will not have an immediate impact on most employers due to the current funding levels. It will increase the cost of the few public agencies that are currently overfunded and contribute less than the normal cost. ***__Administrative Costs:__*** This will depend on how closely the proposal matches current Board policies.	PROs: • Could stabilize rates at normal cost from year to year over time. CONs: • Could lead to unnecessary accumulation of funds for plans that are already superfunded. • Could result in pressure to increase benefits if surplus assets build up. • Would create immediate cost pressure on overfunded contracting agencies for no apparent benefit. • May infringe on the CalPERS Board's constitutional authority to set rates. • May increase pressure on the CalPERS Board to change certain actuarial methods or assumptions as plans become better funded. • Potential tax implications if

[1] A superfuned plan is considered to already have enough assets to pay for all past and expected future service accrual.

			proposal does not adequately address superfunding.

10. Prohibit Purchases of Airtime: All Employees

Would prohibit all current and future members of all state and local retirement systems from purchasing additional retirement service credit

Effective Date

BACKGROUND

State law, enacted in 2003, allows any active CalPERS member with at least five years of earned service credit to purchase up to five years of Additional Retirement Service Credit (Airtime). Inactive and retired members are ineligible for this purchase unless they made their election while they were still active employees. Only one Airtime purchase may be made by a member, even if the member chooses to purchase less than the maximum of five years. Airtime purchases must be made in whole-year increments.

To date, approximately 49,000 members have elected to purchase Airtime.

IMPACTS

LEGAL	WORKLOAD	FISCAL	POTENTIAL PROs/CONs
This proposal may impair the vested rights of existing employees to purchase service credit under the terms that currently exist which allow a member to purchase service credit prior to retirement. Will the proposal impact existing service credit elections, such as elections that are made before the proposal takes effect (whether or not fully paid for)? If so, there will likely be tax problems and vested rights issues. Is the intent that this change would only apply to additional service credit as described in Government Code Section 20909, or would it apply to others forms of service credit purchases?	This proposal may result in a spike of airtime requests causing new workload. Otherwise, should reduce ongoing workload associated with processing estimates, purchase requests & payments for airtime.	***Program Costs:*** Eliminates the risk transfer to employers that results when assumptions are not met. ***Administrative Costs:*** Will a spike in requests or litigation over vested rights occur? Otherwise eliminates the administrative costs associated with processing air-time requests in the future. Legal costs will be incurred if litigation is brought to challenge this provision as violation of vested rights.	PROs: • Eliminates the risk employers would assume from airtime purchases in the future. CONs: • Potential vested rights issue. • Could impact employees that have a break in public service to care for an ailing child or parent, or to follow a spouse that changes jobs, etc. • Reduces members' retirement planning flexibility. • Potential impact on recruitment of senior/experienced workers.

CalPERS

11. Increase Pension Board Independence and Expertise: CalPERS Board of Administration Would add 2 independent, public members with financial expertise to the CalPERS Board and replace the SPB rep with the Director of DOF.			Effective Date
BACKGROUND			
Currently, CalPERS is administered by a 13-member Board of Administration that is intended to be representative of CalPERS' constituents. The Board consists of six member-elected members, three appointed members, and four ex officio members.			
IMPACTS			
LEGAL	WORKLOAD	FISCAL	POTENTIAL PROs/CONs
Will the proposal preserve sufficient authority and independence for Board members to carry out their fiduciary duties?	Additional workload to provide staff support to the two additional board members. Will the additional Board members be elected or appointed? If elected, will CalPERS be responsible for holding the election?	***Program Costs:*** None ***Administrative Costs:*** Increased costs for travel, staff support, training and accommodating additional Board members within existing facilities. Will new Board members be eligible for a daily stipend?	PROs: • Diversifies perspectives on the Board. CONs: • Additional costs to reconfigure auditorium and Board chambers. • Makes the Board more unwieldy and less efficient. • Will not impact benefit packages agreed to by employers and employees.
12. Reduce Retiree Health Care Costs: New State Employees Would change the vesting requirements for new state employees to 15 years of service to become eligible for the minimum employer contribution and 25 years of service to receive the maximum employer contribution. Also, would change the anomaly of retirees paying less for health care premiums than current employees.			Effective Date
BACKGROUND			
Currently, the vesting requirements for employer-paid retiree health benefits differ for various CalPERS' members (State, CSU, judicial, public agency and school members). The number of years of state service required for a member to fully vest ranges between 5 years of state service and 20 years of state service. The maximum employer contribution for State annuitants is 100% of health care premium costs, while the maximum State contribution for the dependents of State annuitants is 90%. For most active State employees, the employer contribution is 80% for both the employee and his or her dependents. The percentage varies based on collective bargaining for each unit. The actual dollar amount this			

CalPERS

represents is based on a weighted average employee premium cost for the four most popular health care benefit plans CalPERS provides to the State, schools and contracting agencies.			
IMPACTS			
LEGAL	WORKLOAD	FISCAL	POTENTIAL PROs/CONs
Is the intent that this change would be consistent with CalPERS existing statutes and regulations, except that vesting requirements would change for new State employees?	Will require statutory changes.	It is difficult to determine any cost savings without knowing what changes will be made to the employer contribution formula for future retirees. ***Program Costs:*** Unknown employer savings – A combination of the new vesting requirements and "Hybrid" plan may result in later retirement dates. ***Administrative Costs:*** Probably little or no impact	PROs: • Reduces the employer's liabilities for retiree health care costs (i.e., OPEB liabilities). CONs: • Increased retiree health benefit costs combined with lower pension benefits.

PALMDALE WATER DISTRICT

BOARD MEMORANDUM

DATE:	April 3, 2012	**April 11, 2012**
TO:	BOARD OF DIRECTORS	**Board Meeting**
FROM:	Mr. Dennis D. LaMoreaux, General Manager	
RE:	***AGENDA ITEM NO. 7.6 – CONSIDERATION AND POSSIBLE ACTION ON ELECTION OF DIRECTORS FOR ANTELOPE VALLEY BOARD OF TRADE.***	

Biographies for the candidates for Directors for the Antelope Valley Board of Trade are attached for your consideration. The District is asked to vote for no more than 13 candidates by April 16, 2012.

The candidates are as follows:

- John Alesso III (incumbent)
- Marta Golding Brown
- Susan Champion (incumbent)
- James Charlton
- Scott Cummings (incumbent)
- Rob Duchow (incumbent)
- Larry Grooms
- Mark Hemstreet (incumbent)
- Al Hoffman (incumbent)
- Harvey Holloway (incumbent)
- Bob Johnstone (incumbent)
- Josh Mann
- Drew Mercy (incumbent)
- Rhonda Nelson (incumbent)
- Todd Porter
- Angela Underwood (incumbent)
- Tom Weil (incumbent)

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DIRECTOR CANDIDATE BIOGRAPHIES
CLASS OF 2015

JOHN ALESSO III - INDIVIDUAL MEMBER

John is a native Antelope Valley resident whose work for the AV Board of Trade and many other local community organizations has spanned decades. After many years as a systems engineer/consultant working on space shuttles and some of the world's most advanced aircraft, John founded Advanced Career College, Inc. in 1993, training a new I.T. Workforce and returning millions of tax dollars back to the Antelope Valley. Since his retirement in 2005, John has maintained an I.T. consulting practice with clients in the automotive, financial, real estate and entertainment industries.

MARTA GOLDING BROWN - SOUTHERN CA. BIA

Marta Golding Brown joined the Building Industry Association (BIA) as the AV Chapter Director following the merger of the Los Angeles/Ventura and AV Chapters in 2011. As the AV Director, Marta coordinates locally successful sign programs for the BIA and its AV Members. Her primary focus with the BIA is to address both opportunities and challenges facing current and future development in the cities of Lancaster and Palmdale and unincorporated areas of Los Angeles and Southeast Kern Counties.

SUSAN CHAMPION - INDIVIDUAL MEMBER

Susan Champion is a partner in MLS Direct Network (Champion Development Group, Inc.) a payment processing program. During her career she focused on marketing, advertising and promoting banking relationships in Southern California. Susan developed co-marketing programs, sales enhancements/incentives for credit unions and banks to build a merchant credit card processing base of merchants. Susan is the current co-chair of the AVBOT Joint Legislative Committee and on the Business Outlook Conference Committee.

JAMES W.M. CHARLTON - CHARLTON WEEKS LLP

James Charlton is a Past President of the Board of Trade (2000) having served almost continuously as a director since 1997. He has served on the Boards of many local organizations including the American Cancer Society, the Hearing Board of the Air Quality Management District and the State Water Quality Control Board. John is currently serving as this year's District Chairman of the Boy Scouts of America. James has taught at both Antelope Valley College and Embry-Riddle University. He is a Viet Nam combat veteran, having served with the 1st Infantry Division.

SCOTT CUMMINGS – ANTELOPE VALLEY MALL MANAGEMENT
Mr. Cummings is the General Manager for the Antelope Valley Mall. Scott has been in the shopping industry for over 20 years. Scott has been employed with the Antelope Valley Mall for the past 12 years. Prior to being named General Manager in 2008, Mr. Cummings served as the Specialty Leasing Manager and Assistant Manager to the mall. Through his work with Forest City Enterprises, Scott has participated in over 10 Grand Openings. Scott is married and has 3 children and 2 grandchildren and loves sports and dirt bike racing.

ROB DUCHOW – SOUTHERN CALIFORNIA GAS COMPANY
Rob is the Public Affairs manager covering Kern County and the Antelope Valley for the Southern California Gas Company, a position he has held since April 2008. Rob maintains relationships with local elected and appointed government officials, community groups, business leaders and media outlets. Rob also allocates SoCal Gas charitable contributions in support of worthy community groups in the Antelope Valley.

LARRY GROOMS – INDIVIDUAL MEMBER
Larry Grooms, former newspaper editor and founding president and CEO of the Greater Antelope Valley Economic Alliance, served as an associate director of the AV Board of Trade during his eight years as district director for state Assembly Members Sharon Runner and Steve Knight. Now a consultant in governmental relations and public affairs, Larry continues service on the AVBOT Legislative Affairs Committee. Larry previously co-chaired and emceed a Business Outlook Conference and served on several AVBOT committees.

MARK HEMSTREET – INDIVIDUAL MEMBER
Mark is a Past President and is currently serving on the Executive Committee as Treasure of the Board of Trade. Mark has over 25 years in the Hospitality Industry including Ownership, Management, Development and Brokerage Service. Mark is President of Hemstreet Hospitality, a consulting firm providing interim management and staff performance training along with VP of Brown Hotel Group, specializing in commercial real estate brokerage relating to the Lodging Industry.

AL HOFFMAN – THE BOEING COMPANY
Al has over 35 years of experience in the aerospace industry. His background includes avionics maintenance, aircraft and spacecraft manufacturing, testing, operations, business development and government relations. Al has responsibility as The Boeing Company's Site Manager, Edwards AFB and NASA Dryden Flight Research Center. He is the single face of the company to US Air Force, NASA and other US Government leadership for the various programs and projects onboard the installations. Al is the current Chairperson for the AVBOT Aerospace Committee. Al is a US Navy Veteran.

HARVEY HOLLOWAY – COLDWELL BANKER COMMERCIAL VALLEY REALTY

Harvey is a native of the AV and resides in Palmdale with his wife Denise. He is the second generation owner of CBC Valley Realty in Lancaster has been a member of the Antelope Valley Board of Trade for over 20 years. Harvey is a staunch supporter of AVBOT's role in fostering economic growth and prosperity in the Greater AV and was elected to the Board in 2003, serving as President in 2007-2008. Harvey currently serves as director and past Chairman of the Board for Greater Antelope Valley Economic Alliance and serves as a commissioner on the Los Angeles County Aviation Committee.

ROBERT (BOB) JOHNSTONE – THE AEROSPACE OFFICE

Since retirement Bob has formed the Math, Science, Engineering and Technology Consortium (MSET) to focus high school and community college activities on more math and science engineering programs. Working through MSET he brought the national Project Lead the Way pre-engineering program into three local high schools. This program currently enrolls 300 students. MSET also led the effort to bring a limited CSU Long Beach Engineering program to the valley. Bob currently serves as Director and Co-Chairman of the AVBOT Education Committee.

JOSH MANN – INDIVIDUAL MEMBER

Former Executive Director of the Antelope Valley Board of Trade, Josh is currently founder and CEO of Mojave Partners, a business strategy firm servicing the Antelope and Santa Clarita Valleys. Prior to starting Mojave Partners, Josh managed the retention and marketing programs for the Santa Clarita Valley Economic Development Corporation. As a lifelong resident of the AV, Josh has been involved with numerous civic and charitable organizations including the AV Jaycees, AV Hospital, AV Family YMCA and the Lancaster Performing Arts Center Foundation.

DREW MERCY – INDIVIDUAL MEMBER

Drew currently serves as AVBOT's President Elect, serving as chairperson to this year's Business Outlook conference, "Ready to Rebound". Public service has been Drew's career choice since graduating with a political science degree from University of California Davis. Drew's first job was with Senator William J. "Pete" Knight and later served as Field Representative and Deputy Chief of Staff to Senator George Runner. In 2011 Senator Runner was elected to the State Board of Equalization, Drew remained on the Senator's staff and is working as senior advisor. Drew is a founding member and Past President of the AV Jaycees, Vice Chairman of the Lancaster Architecture and Design Commission as well as other service organizations.

RHONDA NELSON – NORTHROP GRUMMAN

Current President of AVBOT, Rhonda is Director of Production Operations Process Management and Integration for Northrop Grumman's Integrated Systems Sector. Rhonda is responsible for the integration and process management of production operations and logistics at the sector's manufacturing centers located across the country that are today producing and maintaining some of the most advanced weapons systems in the world. As a resident of the Valley for over 20 years Rhonda has been involved with the March of Dimes and USO.

TODD PORTER – LAMAR OUTDOOR ADVERTISING
Todd is VP and General Manager of LAMAR Outdoor Advertising of Lancaster CA. Todd is responsible for all day-to-day activities as well as community outreach, government relations and community service. Todd is VP and a member of the Board of Directors of Ecolution. Ecolution is currently developing a Materials Recovery and Conversion Technology facility in the City of Lancaster. Todd is responsible for all marketing, public and government relations for Ecolution. Todd is an active member of Lancaster West Rotary, and supports Boys and Girls Clubs of The AV and other local organizations.

ANGELA UNDERWOOD – ANTELOPE VALLEY BANK
Angela has served as the Senior Vice President for the North LA Region of Antelope Valley Bank, a Division of California Bank and Trust for nearly 2 years. Previously Angela spent 18 years as a Consumer Market Executive at Bank of America. Angela is currently serving as the newest appointed director to the Antelope Valley Board of Trade. Angela says, "Having just been appointed as a Director a few months ago I feel that there is a great deal more I can offer. Being given the opportunity to continue to participate in the ongoing development of our local business's success would truly be an honor." Serving as a Director has given Angela the opportunity to collaborate with other concerned business leaders who want to see the AV Continue to thrive.

TOM WEIL – CALIFORNIA CITY – CITY MANAGER
Mr. Weil serves as the City Manger to the City of California City, where he services the needs to the city's 14,000 residents, of which he has resided for 26 years. Tom is a 27 year veteran of the US Air Force, retiring in the rank of Chief Master Sergeant. Tom has served the past year as an appointed Director to the Board of Trade. When asked why Tom would like to continue serving on the AVBOT Board of Directors he said, "I would like to continue serving as a Director to the Board of Trade in order to foster the business development relationship that the East Kern Region has with the Antelope Valley through insight, innovation and the willingness to work together."

ANTELOPE VALLEY BOARD OF TRADE
BOARD OF DIRECTORS
BALLOT

"Names Listed Alphabetically"

Please vote and mail your ballot in the return envelope. Ballots must be received no later than 5:00 p.m. on April 16, 2012. Any ballot received after that date and time will not be counted.

Please vote for no more than 13.

◯	John Alesso III* - *Individual Member*
◯	Marta Golding Brown - *Southern California Building Industry Association*
◯	Susan Champion* - *Individual Member*
◯	James Charlton - *Charlton Weeks LLP*
◯	Scott Cummings* - *Antelope Valley Mall Management*
◯	Rob Duchow* - *Southern California Gas Company*
◯	Larry Grooms - *Individual Member*
◯	Mark Hemstreet* - *Individual Member*
◯	Al Hoffman* - *The Boeing Company*
◯	Harvey Holloway* - *Coldwell Banker Commercial Valley Realty*
◯	Bob Johnstone* - *The Aerospace Office*
◯	Josh Mann - *Individual Member*
◯	Drew Mercy* - *Individual Member*
◯	Rhonda Nelson* - *Northrop Grumman Corp.*
◯	Todd Porter - *LAMAR Outdoor Advertising*
◯	Angela Underwood* - *Antelope Valley Bank*
◯	Tom Weil* - *City of California City Manager*

*Incumbent

MINUTES OF MEETING OF THE PERSONNEL COMMITTEE OF THE PALMDALE WATER DISTRICT, FEBRUARY 27, 2012:

A meeting of the Personnel Committee of the Palmdale Water District was held Monday, February 27, 2012, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. Chair Mac Laren called the meeting to order.

1) Roll Call.

Attendance:
Personnel Committee:
Kathy Mac Laren, Chair
Gloria Dizmang, Committee Member

Others Present:
Dennis LaMoreaux, General Manager
Jeannie Burns, Human Resources Manager
Matt Knudson, Engineering Manager
Peter Thompson, Operations Manager
Joe Kerschner, Water Quality Supervisor
Ed Boka, Treatment Plant Supervisor
Dan Henry, Field Service Supervisor
Dawn Deans, Executive Assistant
6 members of the public

2) Adoption of Agenda.

It was moved by Committee Member Dizmang, seconded by Chair Mac Laren, 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 August 3, 2011.

After a brief discussion of the August 3, 2011 minutes, it was determined that the Committee take no action on this item and the August 3, 2011 minutes be presented to the full Board for approval at the next regular Board meeting.

4.2) Discussion and Possible Action on Employee Benefit Cost Savings Measures. (Human Resources Manager Burns)

4.2.1) CalPERS Medical Plan Presentation. (Pamela Goldberg, CalPERS Marketing Analyst)

Human Resources Manager Burns informed the Committee that several cost savings measures are presented for the Committee's consideration with the first being consideration of changing the District's medical coverage from the Association of California Water Agencies/Health Benefits Authority (ACWA/HBA) plans to the CalPERS medical plan and then introduced Pamela Goldberg, Marketing Representative for the CalPERS Customer Account Services Division, Health Accounts Services Section for Public Agency and School Districts, who gave an overview of the CalPERS health benefits program including the guidelines for their program, their plans and rate premiums compared to the District's current plans, the stability of their programs, requirements for the District, and contracting procedures.

After a brief discussion of the CalPERS rates and plans and potential savings to the District by switching to the CalPERS medical plan, the Committee concurred with staff's recommendation to obtain specific facts and figures and develop a side-by-side comparison of the CalPERS plan to the ACWA/HBA plan and present this information for the Committee's consideration at the next Personnel Committee meeting.

The next cost saving measure is to offer a cash-in-lieu benefit to employees with dual medical coverage who are willing to opt out of the District's plans, and after a brief discussion, the Committee concurred with staff's recommendation to survey employee interest in this option to determine actual savings.

The next cost saving measure is to have employees share in the cost of dependent coverage for health plan premiums, and after a brief discussion, the Committee requested actual savings through both CalPERS and ACWA/HBA be developed and presented for discussion at the next Personnel Committee meeting.

The next cost saving measure is to have all employees enroll in an ACWA/HBA sponsored plan including the Kaiser plan, and after a brief discussion, the Committee concurred with staff's recommendation to compare the District's current Kaiser plan to the ACWA/HBA Kaiser plan and presented for discussion at the next Personnel Committee meeting.

The next cost saving measure is regarding post-employment benefits with staff's recommendation to grandfather in the District's existing post-employment benefits policy for eligible staff, to offer other eligible employees post-employment medical benefits through CalPERS at a more affordable rate, or to change the post-employment medical benefit formula, and after a brief discussion of the existing policy and the flexibility provided by CalPERS, the Committee recommended this option be considered after a determination is made to change the District's medical provider to CalPERS.

The next cost saving measure is to change the structure of the current Kaiser medical plan to more closely match ACWA/HBA's HMO medical plan, and after a brief discussion, the Committee requested actual cost savings from restructuring the current Kaiser medical plan be developed and presented for discussion at the next Personnel Committee meeting.

The next cost saving measure is offering employees the option to purchase personal days, which will generate revenue for the District, and after a brief discussion of the details of such a program, the Committee concurred with staff's recommendation to survey employee interest in this option.

The Committee then thanked staff for the cost saving options presented.

4.3) Discussion and Possible Action on Two-Year Service Credit Retirement Incentive Program. (Human Resources Manager Burns)

Human Resources Manager Burns informed the Committee of the presentation of this option to District staff and the potential savings to the District, and after a brief discussion of filling positions vacated by this option, the Committee recommended staff move forward with the Two-Year Service Credit Retirement Incentive Program and secure the necessary documents from CalPERS.

Human Resources Manager Burns then informed the Committee that a Succession Plan to keep the District moving forward is currently under development to fully evaluate filling any positions vacated by this option.

4.4) Discussion and Possible Action on Employee Contributions to Employee Portion of CalPERS Retirement System. (Human Resources Manager Burns)

Human Resources Manager Burns stated that, if approved, staff recommends employee contributions towards their portion of CalPERS start with 1% or 2% the first year with future contributions based on the District's financial condition, and after a brief discussion of the savings from this option, the Committee recommended this option be placed on hold and employees be surveyed on this option and stated that cost saving provisions need to be developed for implementation, as needed, and all other options considered before asking employees to contribute towards the District's benefits programs followed by discussion of maintaining the District's benefits programs, the District's low turnover rate, and the greatest savings options being switching to the CalPERS medical plan and offering the two-year retirement incentive program.

4.5) Review of Current Organizational Structure. (General Manager LaMoreaux)

The District's current Organizational Structure including open positions, a barebones structure, previous consolidation of duties to current positions, streamlining the Chart through the potential consolidation and reclassification of middle management positions, and pay scales were discussed.

Chair Mac Laren then clarified the Committee's position to reduce costs in the development of a bare bones Organizational Structure and requested staff present options to the Committee for cuts in the Organizational Structure followed by discussion of performing an organizational review through the Succession Plan and a needs analysis of positions after which the Committee requested this process be performed.

The process for filling vacated or vacant positions and the need for filling the vacant Assistant General Manager position were then discussed, and it was determined that there is not a need to fill the Assistant General Manager position at this time.

4.6) Review of 2011 PWD Employee Handbook. (Human Resource Manager Burns)

Human Resources Manager Burns provided an overview of the 2006 Employee Handbook update including input from each functional area of the District, compliance with JPIA's checklist and OSHA recommendations, format changes, the synopsis of changes and updates made to the 2006 Employee Handbook, and training provided to all employees on the 2011 Employee Handbook followed by discussion of developing a plan to reduce overtime, how the alternative work schedule helps reduce overtime, developing other options to further reduce overtime, completion of timecards, and the process for completing timecards after which Treatment Plant Supervisor Boka informed the Committee of his research on overtime and schedules for plant operators, and General

Manager LaMoreaux stated that last year's overtime will be evaluated by causes and presented to the Committee at a future meeting.

Exempt and non-exempt employee positions were then clarified, and General Manager LaMoreaux stated that these positions will be clarified on the Organizational Structure and presented to the Committee at a future meeting followed by discussion of the District's step pay scale and bonus structure and the requirements for award of steps or bonuses.

5) Information Items.

There were no additional information items to discuss.

6) Board Members' Requests for Future Agenda Items.

It was determined that "Discussion and possible action on changing the District's medical coverage from the Association of California Water Agencies/Health Benefits Authority (ACWA/HBA) plans to the CalPERS medical plan" and "Discussion and possible action on employee benefit cost savings measures " and "Discussion and possible Action on Two-Year Service Credit Retirement Incentive Program" and "Review of Current Organizational Structure" will be placed on the next agenda for consideration.

There were no further requests for future agenda items.

The next Personnel Committee meeting was then scheduled for March 26, 2012 at 6:30 p.m.

7) Adjournment.

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

Kathryn L. MacLaren

Chair