MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT, OCTOBER 14, 2015:

A regular meeting of the Board of Directors of the Palmdale Water District was held Wednesday, October 14, 2015, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. President, Kathy Mac Laren, called the meeting to order at 7:00 p.m.

1) Pledge of Allegiance.

At the request of President Mac Laren, General Manager LaMoreaux led the pledge of allegiance.

2) Roll Call.

Attendance:	**Others Present:**
Kathy Mac Laren, President	Dennis LaMoreaux, General Manager
Robert Alvarado, Vice President	Matt Knudson, Assistant General Manager
Gloria Dizmang, Treasurer	Eric Dunn, General Counsel
Vincent Dino, Director	Tom Bunn, Special Litigation Counsel
	Jim Riley, Engineering/Grant Manager
Joe Estes, Secretary --	Mike Williams, Finance Manager
EXCUSED ABSENCE	Mike McNutt, PIO/Conservation Director
	Tim Moore, Facilities Manager
	Dennis Hoffmeyer, Accounting Supervisor
	Bob Egan, Financial Advisor
	Dawn Deans, Executive Assistant
	4 members of the public

It was moved by Director Dino, seconded by Director Dizmang, and unanimously carried by all members of the Board of Directors present at the meeting to excuse Director Estes from the Board meeting due to illness.

3) Adoption of Agenda.

It was moved by Director Dino, seconded by Director Alvarado, and unanimously carried by all members of the Board of Directors present at the meeting to adopt the agenda, as written.

4) Public Comments for Non-Agenda Items.

There were no public comments.

5) Presentations:

5.1) Presentation and Update on the Status of the Palmdale Regional Groundwater Recharge and Recovery Project. (Assistant General Manager Knudson and Engineering/Grant Manager Riley)

Assistant General Manager Knudson provided an update on the status of the District's Palmdale Regional Groundwater Recharge and Recovery Project, including its purpose to bridge the water supply gap, the feasibility study summary and net present value, the status of the preliminary design report and schematics of the Project, the Environmental Impact Report and next steps for public review and final certification, public outreach to date, and the permitting process to obtain full permitting and stated that this same presentation was provided to AVEK's Board of Director's who appeared interested in the Project.

Engineering/Grant Manager Riley then provided an overview of the total cost of the Project, potential phasing if partnership opportunities become available, and financing options available, which include planning and construction grant funding, low interest loans, water banking partners, municipal bonds, and public-private partnerships.

Director Alvarado then stated that he is pleased the Board is proactive with this Project as it is greatly needed to ensure future water supplies, and he appreciates staff's efforts to update the Board on this Project.

Mr. Jason Zink, resident, recognized the District's efforts on this Project and then recommended it be abandoned and the District instead spend funds on a recreational waterway opportunity in the Littlerock Creek area creating a paradise for recreational trails, biking, and fishing and stated that his idea makes more sense.

6) Action Items – Consent Calendar: (The Public Shall Have an Opportunity to Comment on Any Action Item on the Consent Calendar as the Consent Calendar is Considered Collectively by the Board of Directors Prior to Action Being Taken.)

6.1) Approval of Minutes of Regular Meeting Held September 28, 2015.

6.2) Approval of Minutes of President's Dinner Held September 30, 2015.

6.3) Payment of Bills for October 14, 2015.

6.4) Approval to Reject Claim of Jose A. Esqueda. (Facilities Manager Moore)

President Mac Laren announced the items included in the Consent Calendar after which it was moved by Director Dino, seconded by Director Alvarado, and unanimously carried by all members of the Board of Directors present at the meeting to approve those items included in the Consent Calendar.

7) Action Items – Action Calendar: (The Public Shall Have an Opportunity to Comment on Any Action Item as Each Item is Considered by the Board of Directors Prior to Action Being Taken.)

7.1) Status Report on Cash Flow Statement and Current Cash Balances as of August, 2015. (Financial Advisor Egan/Finance Committee)

Financial Advisor Egan stated that cash increased due to capital improvement fees and assessments received; that matured cds have been replaced; and then reviewed the cash flow statement, expenditures related to grant funding, anticipated assessments, reduced water revenues, and the projected year-end balance.

He then stressed the importance of maintaining at least a $10 million cash balance as the 2016 Budget is considered.

7.2) Status Report on Financial Statements, Revenue, and Expense and Departmental Budget Reports for August 31, 2015. (Finance Manager Williams/Finance Committee)

Finance Manager Williams reviewed the balance sheet, profit and loss statement, year-to-year comparisons, month-to-month comparisons, consumption comparisons, and revenue and expense analysis reports for the period ending August 31, 2015 and then stated that most departments are operating at or below the targeted expenditure percentage of 67%. He then reviewed line items over-budget followed by discussion of the completed meter replacement project, year-to-date Other Operating Revenue, reduced water sales, and the necessity of the Drought Surcharge Fee followed by discussion of mandatory conservation regulations and how this affects the budget.

He then provided an overview of payment transaction types through September 30, 2015, which show an increase in the use of the various forms of electronic payments, the increase in the number of customers taking advantage of extended work hours from 5

– 6 p.m., and at the request of Director Alvarado, the change in door tag deliveries and the resulting reduction in fees.

7.3) Status Report on Committed Contracts Issued and Water Revenue Bond Projects. (Assistant General Manager Knudson)

Assistant General Manager Knudson reviewed the status of approved 2015 engineering projects included in the Committed Contracts and Payout Schedule, including those projects contractually committed, budgeted projects but not yet committed with these projects listed in order of priority, payments for projects funded from the Water Revenue Series 2013A Bonds, and payments from District funds for the preliminary design and CEQA work for the Palmdale Regional Groundwater Recharge & Recovery Project.

7.4) Consideration and Possible Action to Waive District Policy to Allow the Serving of Alcohol at October 29, 2015 African American Chamber of Commerce Mixer to be Held at the District Office. (PIO/Conservation Director McNutt)

After a brief discussion of the upcoming African American Chamber of Commerce to be held at the District, of the District's policy regarding the use of alcohol on District-owned property and insurance requirements, and of Chamber of Commerce standard procedures, it was moved by Director Dizmang, seconded by Director Dino, and unanimously carried by all members of the Board of Directors present at the meeting to waive District policy to allow the serving of alcohol at the October 29, 2015 African American Chamber of Commerce Mixer to be held at the District office.

7.5) Consideration and Possible Action on Authorization of the Following Conferences, Seminars, and Training Sessions for Board and Staff Attendance Within Budget Amounts Previously Approved in the 2015 Budget:

a) Southern California Laborers Water Forum to be Held October 16, 2015 in Azusa.

b) Waukesha-Pearce Ind. Training Center Gas Engine Technology School to be Held November 3 – 6, 2015 in Bakersfield.

After a brief discussion of attendance at conferences based on the approved budget, it was moved by Director Dizmang, seconded by Director Dino, and unanimously carried by all members of the Board of Directors present at the meeting to

approve Board and staff attendance at the following conferences, seminars, and training sessions within budget amounts previously approved in the 2015 Budget: Southern California Laborers Water Forum to be Held October 16, 2015 in Azusa and Waukesha-Pearce Ind. Training Center Gas Engine Technology School to be Held November 3 – 6, 2015 in Bakersfield.

8) Information Items.

8.1) Reports of Directors:

a) Meetings/General Report.

Director Alvarado reported that on September 30, he attended the President's Dinner, which was a total success, very informational, it was a nice gathering to discuss items important to the District and our ratepayers, and he looks forward to future President's Dinners; that on October 12, he attended a Board briefing with General Manager LaMoreaux; and that upcoming is the October 15 Antelope Valley State Water Contractor Association's meeting at 6:30 p.m.

President Mac Laren reported that on September 30, she also attended the President's Dinner; that this Dinner was recommended through meetings regarding the Organizational Assessment, Culture Survey, and Strategic Initiative planning with the total organization reviewed from top to bottom; that the Board can say with all honesty that the District is staffed appropriately and, if anything, can use additional staff, and the Salary Survey indicating same will be presented at a future Board meeting; that the most recent Culture Survey shows where we were, where we have gone, and how the District has improved its culture 66% over a two year period; that the Dinner provided the Board an opportunity to meet with staff and Department Heads to ensure staff and the Board have the same vision for the District; and that the Board looks forward to continuing these Dinners to see even more improvement and that she has had daily verbal telephone briefings with General Manager LaMoreaux.

Director Dizmang reported that on September 30, she attended the President's Dinner, she is impressed with the goals identified, with the improvements made, there is still work to be done, and staff's assistance to set up the Dinner is appreciated; that on October 5, she attended the Water Supply & Reliability Committee meeting with Director Dino where it was reported that the District's reduction goals through September are at 25% compared to 2013, the State Water Contractors remain opposed to the decision to loan State Water Project water to the federal side, the Committee concurred with staff's

recommendation to accept the proposal from Kennedy/Jenks Consultants for the preparation of the District's 2015 Urban Water Management Plan, which will be presented to the Board for consideration, approximately 400 citations have been issued for water wasters, there has been no change in the Forest Service's release of environmental documents for the Littlerock Dam Sediment Removal Project, the two cities have sent a letter to Supervisor Antonovich regarding reallocation of recycled water for the Palmdale Recycled Water Authority, the Amargosa Creek Recharge Project is in the design phase and will have a recreational aspect, water purchases are being pursued, the State Water Contractors are developing a Memorandum of Understanding for the cooperative use of State Water Project water, and Palmdale Ditch continues to be cleared and repaired; and that on October 7, she attended the Finance Committee meeting with Director Dino where they reviewed the budget, she is concerned about reserves as they are only at $10 million with $5 million of this amount designated towards Littlerock Dam, the 2015 budget was based on selling 18,800 acre feet of water and this falls short due to the drought, the 2016 budget will be based on selling 16,500 acre feet of water, the Debt Service Coverage is at 1.27 at this time, and there are 481 participants in the Rate Assistance Program, which is for senior citizens, veterans, and low income families, there are very few water agencies in the state offering a Rate Assistance Program, and she recommends a letter be written to Governor Brown informing him of this Program as he was upset not more agencies were offering such programs.

Director Dino reported that on September 30, he attended the President's Dinner, it was great, Dr. Mathis is wonderful to work for and provides so much information, and those attending enjoyed the event; that on October 1, he attended the Facilities Committee meeting with Director Estes; that on October 5, he attended the Water Supply & Reliability Committee meeting with Director Dizmang; that on October 7, he attended the Finance Committee meeting with Director Dizmang; that on October 12, he attended a Board briefing with General Manager LaMoreaux; and that on October 13, he attended the AVEK Board meeting where District staff presented the Palmdale Regional Groundwater Recharge and Recovery Project, and AVEK appeared to be interested in this Project.

There were no further reports from Directors.

b) Standing Committee/Assignment Reports (Chair):

1) Facilities Committee

2) Water Supply & Reliability Committee

3) Finance Committee.

President Mac Laren stated that reports on the Water Supply & Reliability Committee and Finance Committee meetings were provided earlier in the meeting.

8.2) Report of General Manager.

a) Status Report on PRWA's Contracted Recycled Water Supply. (Director Dizmang)

General Manager LaMoreaux reported that the two cities sent a letter to Supervisor Antonovich regarding the reallocation of recycled water from Los Angeles County Waterworks, and there has been no response to this letter; that with written permission through the City of Palmdale, the Palmdale Recycled Water Authority has access to 2,000 acre feet of recycled water, and four construction meters have been issued for the use of this water; that the reallocation of recycled water will be discussed in detail at the Authority's October 21 meeting; and that for grant funding purposes, the reallocation of the water from Los Angeles County Waterworks needs to move forward.

He then reported that Senator Runner sent a letter of congratulations to the District regarding the District's recent District of Distinction achievement for transparency, and a copy of this letter has been provided to the Directors.

b) Status Report on District Grants Applied for, Grants Currently Being Worked on, and Grants Being Considered to be Applied for in the Near Future. (Director Alvarado/Engineering/Grant Manager Riley)

Engineering/Grant Manager Riley provided a brief overview of grant funding requests to date, including the status of State of California Proposition 1 funding for the Palmdale Regional Groundwater Recharge and Recovery Project and for the Palmdale Recycled Water Authority Phase 2 Waterline and the status of U.S. Bureau of Reclamation Federal Program WaterSMART-Title XVI Water Reuse funding for the Palmdale Regional Groundwater Recharge and Recovery Project for which the District was not selected and the WaterSMART-Water & Energy Efficiency funding opportunity and the types of projects qualifying under this grant opportunity.

He then reported that a grant application for the Littlerock Creek Sediment Removal Project will be submitted through the Integrated Regional Water Management Plan through the Proposition 1 Water Storage Program funding opportunity.

c) Status Report on the Preparation of Palmdale Ditch for Extended Use if Wet Fall or Winter Conditions Occur. (Director Alvarado/Facilities Manager Moore)

Facilities Manager Moore provided an overview of staff's efforts to clean and repair the tunnels and earthen areas of Palmdale Ditch, which is 8.5 miles in length; that repair work includes patching and improving 1,100 feet of tunnels, clearing debris and vegetation, seam repair on the flume, and repair of the concrete floor and panels; that through evaporation and the natural filtration of the water, water losses can be considerable; but that additional effort will be made to help ensure reduced water losses through the Ditch.

8.3) Report of Attorney.

General Counsel Dunn stated that he has no report.

9) Public Comments on Closed Session Agenda Matters.

Mr. Jason Zink, resident, stated that he rode inner-tubes down Palmdale Ditch; that regarding lawsuits, he recommends the Palmdale Water District, Mayor Ledford, Mayor Parris, and the Antelope Valley Hospital Board visit the Board of Supervisors and provide them with an education on the District's issues; and that he hopes he can change the Board's minds regarding a recreational area rather than the Palmdale Regional Groundwater Recharge & Recovery Project.

There were no public comments on closed session agenda matters.

10) Break Prior to Closed Session.

At 8:52 p.m., President Mac Laren called for an eight-minute recess. She reconvened the regular meeting at 8:57 p.m.

11) Closed Session Under:

11.1) Conference with Legal Counsel – Existing Litigation: A closed session Will be Held, Pursuant to Government Code §54956.9 (d)(1), to Confer With Special Litigation Counsel Regarding Pending Litigation to Which the District is a Party. The Title of Such Litigation is as Follows: ***Antelope Valley Ground Water Cases.***

11.2) Conference with Legal Counsel – Potential Litigation: A Closed Session Will be Held, Pursuant to Government Code §54956.9 (d)(4), to Confer With District Counsel Regarding to Determine Whether to Initiate Litigation, One Case.

At 8:57 p.m., President Mac Laren called for a closed session pursuant to Government Code §54956.9 (d)(1), to Confer With Special Litigation Counsel Regarding Pending Litigation to Which the District is a Party. The Title of Such Litigation is as Follows: *Antelope Valley Ground Water Cases* and pursuant to Government Code §54956.9 (d)(4), to confer with District Counsel regarding to determine whether to initiate litigation, one case.

She reconvened the regular meeting at 9:50 p.m.

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

General Manager LaMoreaux stated that a closed session was held pursuant to Government Code §54956.9 (d)(1), to confer with Special Litigation Counsel regarding pending litigation to which the District is a party. The title of such litigation is as follows: *Antelope Valley Ground Water Cases*; that the Board was briefed on the status of this matter by Special Litigation Counsel; but that no reportable action was taken in closed session on this matter.

General Counsel Dunn then stated that a closed session was held pursuant to Government Code §54956.9 (d)(4), to confer with District General Counsel regarding to determine whether to initiate litigation, one case; that the Board was updated on the status of this case; but that no reportable action was taken in closed session on this matter.

13) Board Members' Requests for Future Agenda Items.

There were no requests for future agenda items.

13) Adjournment.

There being no further business to come before the Board, the meeting was adjourned at 9:52 p.m.

Secretary