MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT, APRIL 27, 2016:

A regular meeting of the Board of Directors of the Palmdale Water District was held Wednesday, April 27, 2016, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. President, Robert Alvarado, called the meeting to order at 7:00 p.m.

1) Pledge of Allegiance.

At the request of President Alvarado, Executive Assistant Deans led the pledge of allegiance.

2) Roll Call.

Attendance:
Robert Alvarado, President
Vincent Dino, Vice President
Marco Henriquez, Treasurer
Joe Estes, Secretary
Kathy Mac Laren, Director

Others Present:
Dennis LaMoreaux, General Manager
Matt Knudson, Assistant General Manager
Christine Burrows, Assistant General Counsel
Mike Williams, Finance Manager
Jennifer Emery, Human Resources Director
Jim Riley, Engineering/Grant Manager
Mike McNutt, PIO/Conservation Director
Tim Moore, Facilities Manager
Mynor Masaya, Operations Manager
Jon Pernula, Water & Energy Resources Director
Dennis Hoffmeyer, Accounting Supervisor
Bob Egan, Financial Consultant
Dawn Deans, Executive Assistant
21 members of the public

3) Adoption of Agenda.

It was moved by Director Mac Laren, seconded by Director Estes, 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.

Director Alvarado clarified that every speaker will have three full uninterrupted minutes for public comments and a Spanish translator is available.

Ms. Joanne Granai, Palmdale resident, stated that she has attended meetings for the past six months; that she has learned very little about the District during this time; that

staff presentations use terminology she does not understand and some presentations are seemingly endless; that she works long hours and does not attend meetings to see long-winded presentations by staff paid to be at meetings; that she does not attend to be made fun or to be belittled by a Director; and that she suggests presentations be made available on line as webinars or PowerPoint presentations or presentations made at the end of meeting or prior to closed session so the main focus of the agenda is completed.

She then stated that if the majority of ratepayers are Latinos, language services should be made available upon request; that if staff is paid for horrible presentations that make no sense, then someone can be paid to include the voice of the ratepayers at the meetings; and then stated that language services can be requested within 48 hours of the meeting just like everyone who has special needs.

Mrs. Debbie Dino, spouse of Director Vincent Dino and Director of Public Affairs for the Church of Jesus Christ of Latter-Day Saints, and stated that last weekend her church did a clean-up project of the Barrel Springs Trails partnering with the City of Palmdale; that comments from those attending were concerns about the large amount of trash along the Trail; that she understands the District owns part of this property; and then thanked suggested a partnership between the District and the Church for a clean-up of this area and thanked Director Dino and President Alvarado for helping with this event.

There were no further public comments.

5) Presentations:

5.1) Westside Christian School Regarding Leslie O. Carter Water Treatment Plant Tour. (West Curry)

Mr. West Curry, Westside Christian School, thanked the Board and the District for their tour of the Leslie O. Carter Water Treatment Plant on March 16 and stated that the students were studying microbiology, chemistry, and the water cycle; that the students are grateful with the education provided, the tour of the system, and staff's assistance; and then thanked PIO/Conservation Director McNutt, Operations Manager Masaya, and Water Quality/Regulatory Affairs Supervisor Thompson and presented the Board with letters of thanks from the students.

The Board then thanked the students for their appreciation and photographs with the Board, students, and staff were taken.

President Alvarado then stated that the Board is excited that the District is able to open its doors to provide education to students on how water is cleaned.

Director Henriquez then stated that he had the opportunity to serve as a judge with General Manager LaMoreaux at the STEM Science Fair at Eastside High School; that he was impressed with the student's work and how it related to water and water conservation; that one of the students and teacher were invited to tour the Leslie O. Carter Water Treatment Plant; and that he will provide a more detailed report later in the meeting.

Director Estes then he has noticed that students are impressed with the amount of work it takes to provide the water to their tap.

5.2) Drought Report-Review of "Water Conservation and Reduction in Water Demand Efforts Report as of March, 2016." (PIO/Conservation Director McNutt)

PIO/Conservation Director McNutt stated that 23 citations were issued in March for water waste with four submitting water waste appeals and reviewed the amount of these citations; that the mandated community-wide water use reduction is now at 28%; that cumulative water savings through March, 2016 is 27.9% with residential gallons per capita per day at 76.2 gpcd; that drought surcharge revenue through March is $37,500; and that cumulative savings since June 1, 2015 is 24.5%, which is short of the mandated 28%, but staff is confident the residents can reach this goal.

Director Dino then inquired about the District's early morning neighborhood checks for water waste and PIO/Conservation Director McNutt stated that these checks are now done during the course of the workday.

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 April 13, 2016.

6.2) Payment of Bills for April 27, 2016.

6.3) Approval of 2016 Membership in the Water Research Foundation. ($13,629.00 – Budgeted – Operations Manager Masaya)

President Alvarado announced the items included in the Consent Calendar after which it was moved by Director Mac Laren and seconded by Director Henriquez to approve the Consent Calendar followed by a request from the public for an explanation of the benefit of Agenda Item No. 6.3. Director Mac Laren then amended her motion, Director Henriquez amended his second, and it was unanimously carried by all members of the Board of Directors present at the meeting to approve Consent Calendar Agenda Item No.'s 6.1 and 6.2 with Agenda Item No. 6.3 pulled from the Consent Calendar for discussion.

Operations Manager Masaya then provided an overview of the benefit, cost savings to the District, and educational opportunities for staff and the public through the District's membership in the Water Research Foundation after which it was moved by Director Mac Laren, seconded by Director Dino, and unanimously carried by all members of the Board of Directors present at the meeting to approve 2016 membership in the Water Research Foundation in the not-to-exceed amount of $13,629.00.

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) Presentation, Consideration, and Possible Action on Receiving and Filing of 2015 Audit and Management Report. (The Pun Group/Financial Advisor Egan/Finance Manager Williams/Finance Committee)

Financial Advisor Egan stated that the 2015 Audit is a ratification of the monthly financial presentations made to the Board, reviewed GASB 68 regarding retirement benefits, and provided a brief background of The Pun Group after which President Alvarado introduced Spanish translators available to the public.

Mr. Paul Kaymark, The Pun Group, then provided an overview of the District's 2015 financial statements as of December 31, 2015 including their unmodified opinion that the District's overall financial statements are presented fairly in all material aspects regarding the balance sheet, the statement of revenues, expenses, and changes in position, the cash flow statement, and the footnotes in the financial statements; provided a detailed review of the implementation of GASB 68 regarding adding the liability of long term pension debt to the District's financial statements and how this affects the financial statements; and then stated that as of December 31, 2015, the cash the District has brought in has covered its operating costs, and the District is in a position to manage its long term pension debt due to the District's conservative

retirement benefit followed by review of the purpose of a forensic or target audit, operating revenues and expenses, non-cash liabilities, and how to understand financial statements.

It was then moved by Director Henriquez, seconded by Director Estes, and unanimously carried by all members of the Board of Directors present at the meeting to receive and file the 2015 Audit and Management Report.

7.2) Consideration and Possible Action on Outreach Activities. (PIO/Conservation Director McNutt)

PIO/Conservation Director McNutt stated the Strategic Plan Initiatives have been developed and posted and the Strategic Plan is being printed; played new radio ads in both Spanish and English; announced that the District received a Telly Award for its recent award-winning water conservation video; and District staff and the Board have been involved in various events throughout the community.

a) Rebates/Cash for Grass Program

He then stated that over 100 Cash for Grass Program applications have been received in the past six weeks and are being reviewed to determine rebate amounts.

b) AguaPalooza Music Contest

He then stated that the District is partnering with High Desert Broadcasting and the Water Take One Foundation for this contest where the community will be invited to write lyrics and songs regarding water.

c) High Desert Water Summit

He then stated that the High Desert Water Summit is scheduled for October.

d) Palmdale Chamber Activities

He then stated that he is a Board Member for the Palmdale Chamber of Commerce and they are having a family picnic event at Lazy-T-Ranch this weekend.

e) Calendar of Upcoming Events

He then stated that the additional speaking engagements are upcoming.

f) Board Media Training

He then stated that Board media training will be scheduled.

g) Outreach Board Input

Director Mac Laren requested community outreach to City Council candidates to inform them of who the District is, what the District would like to see, how they can better partner with the District, and to discuss myth-busting.

Director Henriquez then requested community meetings be scheduled for Directors within their divisions to reach out and to convey the message of the need to conserve water followed by discussion of water conservation websites and programs.

7.3) Discussion and Possible Action on Options for Making Third Party Water Transfers Easier for the State Water Contractors. (Director Mac Laren)

Water & Energy Resources Director Pernula provided an overview of negotiations for the State Water Project contract extensions, the bureaucratic process for facilitating water transfers, and moving third party water through the Project after which Director Mac Laren inquired about potential legislation to help enable the water transfer process after which Water & Energy Resources Director Pernula stated that the State Water Contract takes precedence over additional legislation.

There was no action taken on this item.

7.4) Discussion of Letter Received From Director Estes Regarding the Board's Seating Arrangement. (Director Mac Laren)

General Manager LaMoreaux reviewed that following concerns at a Board meeting, The Mathis Group developed ideas to prevent further concerns one being the current arrangement; that the new arrangement was arrived at the week after the Board meeting of concern; that the following week Director Estes turned in a letter requesting the current seating arrangement and was shown the changes made; and that he wrote a

letter documenting these actions, which had been taken prior to the receipt of Director Estes' request.

Mr. Tom Llewellyn, Palmdale resident, stated that a man of the morale character of Director Estes should only be seating in the audience and not on the dais.

There was no action taken on this item.

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 2016 Budget:

a) None at This Time.

There were no conferences, seminars, or training sessions to consider.

8) Information Items.

8.1) Reports of Directors:

a) Meetings/General Report.

Director Estes reported that on April 26, he attended a Board briefing with General Manager LaMoreaux.

Director Henriquez reported that on April 20, he attended the Palmdale Chamber of Commerce luncheon where PIO/Conservation Director McNutt was the scheduled speaker, and he provided a great presentation on water conservation and how our actions as human beings affect the water; that also on April 20, he attended a meeting with staff and General Counsel Dunn to review the proposed Palmdale Fin & Feather Club lease; that on April 21, he attended a Board briefing with General Manager LaMoreaux; that on April 23, he had the pleasure of serving as a judge for the STEM Science Fair at Eastside High School, he was impressed with the students and their presentations especially one on an underground watering grid and one on using U.V. rays to disinfect the water; and that on April 25, he attended a Special Finance Committee meeting with Director Alvarado regarding the audit considered this evening.

Director Mac Laren reported that on April 26, she attended the Antelope Valley Board of Trade event where all superintendents from local schools attended highlighting their programs and projects and she attended to support the Palmdale Promise; that she calls General Manager LaMoreaux periodically for briefings; and that on April 27, she attended a community informational meeting regarding alcohol and its effects on the community, startling information was presented, and attending community events such as these helps her to be a better Director.

Director Dino reported that on April 23, he attended the Barrel Springs Trail rehabilitation event with President Alvarado, and there were at least 200 people in attendance; that on April 25, he attended a Board briefing with General Manager LaMoreaux; that on April 26, he attended the AVEK Board meeting where they discussed recoating the interior of their tanks at a cost of $1.6 to $1.8 million; and that on April 27, he also attended the alcohol awareness presentation.

President Alvarado reported that on April 19, he attended an agenda review and approval meeting with General Manager LaMoreaux and Executive Assistant Deans; that on April 20, he attended the Palmdale Chamber of Commerce luncheon and water presentation by PIO/Conservation Director McNutt; that on April 23, he attended the Just Serve LDS Day of Service at the Barrel Springs Trail, it was an honor to be there, he was able to assist with cooking with Director Dino, and gave kudos to Debbie Dino for organizing the event and to the LDS Church for inviting the Palmdale Water District to partner with them and the City of Palmdale; that on April 25, he attended a Special Finance Committee meeting with Director Henriquez regarding the audit; that on April 26 he attended a Board briefing with General Manager LaMoreaux; and that on Aril 27, he attended the alcohol awareness presentation at the Chimbole Center.

b) Standing Committee/Assignment Reports. (Chair)

1) Special Finance Committee.

President Alvarado stated that a report on the Special Finance Committee was provided earlier in the meeting.

8.2) Report of General Manager.

a) April, 2016 Written Report of Activities Through March, 2016.

General Manager LaMoreaux stated that a written report for activities through March, 2016 was included with the agenda packets and then provided a brief overview of the 28% water use reduction achieved by our customers for which our customers should be proud; the projected water production reduction status and potential State Board options to relax water savings requirements; the customers' total per capita water use of 120, which is well below the 2020 mandatory reduction of 176; projected water sales and production through the year, which indicates the water savings through March; the increase to 60% for the District's State Water Project allocation and the plans for this additional water; and the number of main line leaks through March, which shows the value of the investment of replacing old water mains over the past few years.

He then informed the Board that the Littlerock Reservoir Sediment Removal Project EIR/EIS will be published for public comment on May 6; that the comment period will run through June 20; that a public workshop will be held at the District on May 19 for additional public comment opportunities; and as requested by Director Estes, staff will present an update on this project at the next regular Board meeting.

He then informed the Board that a Supervisor has been selected for the Customer Care Department, and she will be presenting information to the Board on the programs offered by the District as requested by Director Dino.

Director Estes requested clarification on the District's cumulative monthly water reduction goal followed by a review of this goal.

8.3) Report of General Counsel.

Assistant General Counsel Burrows stated that she has no report.

9) Public Comments on Closed Session Agenda Matters.

There were no public comments on closed session agenda matters.

10) Break Prior to Closed Session.

At 9:04 p.m., President Alvarado called for a six-minute recess. He reconvened the regular meeting at 9:10 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 – Existing Litigation: A Closed Session Will be Held, Pursuant to Government Code §54956.9 (d)(1), to Confer With District General Counsel Regarding Pending Litigation to Which the District is a Party. The Title of Such Litigation is as Follows: ***Palmdale Water District v. Lagerlof, et al, Los Angeles County Superior Court Case No. BC 605450.***

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

At 9:10 p.m., President Alvarado called for a closed session pursuant to Government Code Section §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 being: *Antelope Valley Ground Water Cases*; pursuant to Government Code §54956.9 (d)(1), to confer with District General Counsel regarding pending litigation to which the District is a party, the title of such litigation being: *Palmdale Water District v. Lagerlof, et al, Los Angeles County Superior Court Case No. BC 605450*; and pursuant to Government Code §54956.9 (d)(4), to confer with District General Counsel to consider whether to initiate litigation, one case.

He reconvened the regular meeting at 9:40 p.m.

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

President Alvarado stated that a closed session was held pursuant to Government Code Section §54956.9 (d)(1), to confer with Special Litigation Counsel via teleconference regarding pending litigation to which the District is a party, the title of such litigation being the *Antelope Valley Ground Water Cases*; that the Board was updated on the status of this matter; but that no reportable action was taken.

Assistant General Counsel Burrows then stated that a closed session was also held pursuant to Government Code §54956.9 (d)(1), to confer with Assistant District General Counsel regarding pending litigation to which the District is a party, the title of such litigation being: *Palmdale Water District v. Lagerlof, et al, Los Angeles County Superior Court*

Case No. BC 605450 and pursuant to Government Code §54956.9 (d)(4), to confer with District General Counsel to consider whether to initiate litigation, one case; that the Board was updated on the status of these matters and gave direction to staff; but that no reportable action was taken.

13) Board members' requests for future agenda items.

Director Dino requested an item be placed on the next agenda for "Consideration and possible action on information regarding a Spanish interpreter for Board Meetings."

There were no further requests for future agenda items.

14) Adjournment.

There being no further business to come before the Board, the meeting was adjourned at 9:43 p.m.

Secretary