MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT, FEBRUARY 28, 2018:

A regular meeting of the Board of Directors of the Palmdale Water District was held Wednesday, February 28, 2018, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. President, Vincent Dino, called the meeting to order at 7:00 p.m.

1) Pledge of Allegiance/Moment of Silence.

At the request of President Dino, Director Mac Laren led the pledge of allegiance followed by a moment of silence in honor of Forest Service Supervisor, Bob Blount.

2) Roll Call.

Attendance:
Vincent Dino, President
Marco Henriquez, Treasurer
(arrived at 7:05 p.m.)
Joe Estes, Secretary
Kathy Mac Laren, Director
Robert Alvarado, Director

Others Present:
Dennis LaMoreaux, General Manager
Eric Dunn, General Counsel
Tom Bunn, Special Litigation Counsel
Mike Williams, Finance Manager
Judy Shay, Public Affairs Director
Jim Stanton, Information Technology Manager
Jim Riley, Engineering/Grant Manager
Mynor Masaya, Operations Manager
Tim Moore, Facilities Manager
Bob Egan, Financial Advisor
Dawn Deans, Executive Assistant
3 members of the public

3) Adoption of Agenda.

It was moved by Director Alvarado, 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.

Mr. David Palmer, Palmdale resident, provided information on Community Earth Observation Satellites (CEOS) and how they can be used.

5) Presentations:

5.1) Re-Accreditation of Palmdale Water District's 'District of Distinction' Certification. (Chris Palmer/Public Affairs Field Coordinator, California Special Districts Association)

Mr. Chris Palmer, Public Affairs Field Coordinator, California Special Districts Association, stated that the Palmdale Water District has been re-accredited in the Special District Leadership Foundation's 'District of Distinction' Program with a "gold" status; that only 1% of special districts in the state of California have achieved this status; and that the Board and staff of the Palmdale Water District are to be commended for their dedication in achieving this high honor and commitment to good governance and to ethical and sound operating practices.

President Dino then stated that closed session items would now be considered.

9) Public Comments on Closed Session Agenda Matters.

There were no public comments on closed session agenda matters.

10) Break Prior to Closed Session.

President Dino stated that no recess will be held.

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 Existing Litigation to Which the District is a Party. The Title of Such Litigation is as Follows: *Antelope Valley Ground Water Cases.*

At 7:12 p.m., President Dino called for a closed session pursuant to Government Code §54956.9 (d)(1), to confer with Special Litigation Counsel regarding existing litigation to which the District is a party, the title of such litigation being: *the Antelope Valley Ground Water Cases.*

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

Special Litigation Counsel Bunn stated that a closed session was held pursuant to Government Code §54956.9 (d)(1), to confer with Special Litigation Counsel regarding existing 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 this matter; but that no reportable action under the Brown Act was taken in closed session.

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 February 14, 2018.

6.2) Approval of Minutes of Joint PWD, AVEK, and LCID Workshop Held February 15, 2018.

6.3) Payment of Bills for February 28, 2018.

President Dino announced the items included in the Consent Calendar after which it was moved by Director Estes, 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) Consideration and Possible Action on Legislative Outreach Alert Regarding SB 623. (No Budget Impact – General Manager LaMoreaux)

General Manager LaMoreaux provided an overview of SB 623, the financial impact to the District from this bill, and staff's recommendation to oppose SB 623 unless amended, and after a brief discussion of the effect of this bill on the District's customers, the financial impact to the District, contacting local legislators, and the economics of the District's area, it was moved by Director Alvarado, seconded by Director Mac Laren, and unanimously carried by all members of the Board of Directors present at the meeting that the District's position on SB 623 is to oppose unless amended with opposition letters sent to legislators and outreach conducted regarding SB 623.

7.2) Consideration and Possible Action on Resolution No. 18-2 Being a Resolution of the Board of Directors of the Palmdale Water District Regarding Its Intention to Issue Tax-Exempt Obligations for Various Capital Projects. (Potential

Revenue Through Reimbursement of Loans – Finance Manager Williams/Finance Committee)

Finance Manager Williams provided an overview of Resolution No. 18-3 and staff's and the Finance Committee's recommendation for approval, and after a brief discussion of reimbursements to the District, it was moved by Director Mac Laren, seconded by Director Henriquez, and unanimously carried by all members of the Board of Directors present at the meeting to approve Resolution No. 18-3 being a Resolution of the Board of Directors of the Palmdale Water District Regarding its Intention to Issue Tax-Exempt Obligations for Various Capital Projects.

A copy of Resolution No. 18-3 is hereby made a portion of the minutes of this meeting.

7.3) Consideration and Possible Action to Authorize Purchasing Materials to Complete Inventory Level Determined Necessary for Emergency Response. ($245,000.00 – Non-Budgeted – Facilities Manager Moore/Facilities Committee)

Facilities Manager Moore provided an overview of staff's evaluation of inventory needed to better prepare the District for any type of emergency and the Facilities Committee's recommendation to approve this item, and after a brief discussion of the materials, cost, and inventory control, it was moved by Director Mac Laren, seconded by Director Alvarado, and unanimously carried by all members of the Board of Directors present at the meeting to authorize the purchase of materials to complete the District's inventory level determined necessary for emergency response in the not-to-exceed amount of $245,000.00.

7.4) Consideration and Possible Action on Revision to Palmdale Water District Rules and Regulations Article 4.03.1. (No Budget Impact – General Counsel Dunn)

General Counsel Dunn stated that the revision to Article 4.03.1 of the Rules and Regulations is presented based on action taken at the last Board meeting regarding Board Meeting days after which Director Mac Laren recommended that Regular Board Meetings be held the second and fourth Mondays of each month and start at 6:00 p.m.

After a brief discussion of this recommendation, of convenience to the public, and of Board briefings, it was moved by Director Mac Laren, seconded by Director Alvarado, and unanimously carried by all members of the Board of Directors present at

the meeting to change Regular Board Meetings to the second and fourth Monday of each month at 6:00 p.m. beginning in April 2018 and that this schedule remain in effect at least through December 2018.

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 2018 Budget:

a) **ISC West Conference to be Held April 9 - 13, 2018 in Las Vegas, Nevada.**

After a brief discussion of this conference, it was moved by Director Henriquez, seconded by Director Mac Laren, and unanimously carried by all members of the Board of Directors present at the meeting to approve the following conferences, seminars, and training sessions for Board and staff attendance within budget amounts previously approved in the 2018 Budget: ISC West Conference to be Held April 9 - 13, 2018 in Las Vegas, Nevada.

8) Information Items:

8.1) Finance Reports:

a) Status Report on Cash Flow Statement and Current Cash Balances as of December 2017. (Financial Advisor Egan/Finance Committee)

Financial Advisor Egan reviewed the investment funds report as of December 2017, including the year-end balance, assessments received, RDA pass-through funds, and maturing CDs and then provided an overview of the cash flow statement, including year-to-date amounts versus budgeted amounts, capital improvement fees, Department of Water Resources refunds, carry-over amounts, and the final 2017 year-end balance.

b) Status Report on Financial Statements, Revenue, and Expense and Departmental Budget Reports for December 2017. (Finance Manager Williams/Finance Committee)

Finance Manager Williams stated that the 2018 Budget includes $1.3 million for new projects and $2.2 million for carry-over projects and then reviewed in detail 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 December 2017 and stated that most departments are operating at or below the targeted expenditure percentage of 100%.

He then provided information on payment transactions by type for January – December 2017 and reviewed the trend towards electronic forms of payment.

c) Status Report on Committed Contracts Issued. (Finance Manager Williams/Finance Committee)

Finance Manager Williams provided an overview of the updated Contractual Commitments and Needs for 2017 Report for new and replacement capital projects, consulting and engineering support projects, new and replacement equipment, water quality fee funded projects, committed and projected capital expenditures, and available funding sources.

8.2) Reports of Directors:

a) Meetings/General Report.

Director Alvarado reported that on February 15, he attended the joint workshop meeting with PWD, AVEK, and LCID; that also on February 15, he attended the Antelope Valley State Water Contractors Association meeting; that on February 17, he attended a Fin & Feather Club event; that on February 23, he attended and participated in the Robotics Hydro Project as a District representative where students presented their water conservation and robotic ideas; that on February 26, he attended the Finance Committee meeting; and that on February 27, he attended a Board briefing with General Manager LaMoreaux regarding tonight's meeting.

Director Mac Laren reported that on February 15, she attended the Antelope Valley Watermaster Public Water Supplier meeting; that also on February 15, she attended the joint workshop meeting with PWD, AVEK, and LCID; and that on February 28, she attended the Antelope Valley Watermaster Board meeting.

Director Henriquez reported that on February 15, he attended the joint workshop meeting with PWD, AVEK, and LCID; that also on February 15, he attended the Antelope Valley State Water Contractors Association meeting where they discussed a joint recharge project in Big Rock Creek; that on February 26, he attended the Finance Committee meeting where they discussed the items reviewed this evening; and that on

February 27, he attended a Board briefing with General Manager LaMoreaux regarding tonight's meeting.

Director Estes reported that on October 12, 2017, he attended the elected officials tour of the Leslie O. Carter Water Treatment Plant; that on February 15, he attended the joint workshop meeting with PWD, AVEK, and LCID: that on February 22, he attended the Facilities Committee meeting; and that on February 26, he attended a Board briefing with General Manager LaMoreaux regarding tonight's meeting.

President Dino reported that on February 15, he attended the joint workshop meeting with PWD, AVEK, and LCID; that on February 15, he also attended the Antelope Valley State Water Contractors Association meeting; that on February 20, he attended an agenda review and approval meeting with General Manager LaMoreaux; that on February 22, he attended the Facilities Committee meeting; that on February 26, he attended a Board briefing with General Manager LaMoreaux regarding tonight's meeting; that on February 27, he attended the AVEK Board meeting; and that on February 28, he is attending the Palmdale Water District Board meeting.

b) Standing Committee/Assignment Reports (Chair):

1) Antelope Valley State Water Contractors Association.

2) Facilities Committee.

3) Finance Committee.

There were no further reports on Standing Committee/Assignments.

8.3) Report of General Manager.

a) February 2018 Written Report of Activities Through January 2018.

General Manager LaMoreaux reported that he submitted a written report included with the agenda packets if there are any questions on same and then stated that seven leaks have been repaired to date; that the State Water Project 20% allocation may be reduced, however, the recent and expected storms may help with this situation; that a meeting of the managers for PWD, AVEK, and LCID is scheduled to discuss replacement water issues; that the A.V. Watermaster Board set the cost for replacement water for properties within AVEK's boundaries; that the memorial service for Mr. Blount is

Monday, March 5, 2018, at 11:00 a.m. at the Acton station; and that he is scheduled to meet with the City of Palmdale Manager regarding their request to host a fireworks celebration at Palmdale Lake.

8.4) Report of General Counsel.

General Counsel Dunn reported that a case on providing public comments is going before the U.S. Supreme Court and that the outcome of this case may provide specific guidelines for making comments during the public comment period.

13) Board Members' Requests for Future Agenda Items.

Director Estes requested an update on Santa Barbara's desalination plant be provided at the next Board meeting.

Director Alvarado requested an update on the District's actions under SB 623 at the next Board meeting after which General Manager LaMoreaux recommended that an update be provided at the March 28, 2018 Board meeting as the Committee Hearing for SB 623 is scheduled for March 14 and 15, 2018.

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 9:20 p.m.

Secretary

RESOLUTION NO. 18-3

RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT REGARDING ITS INTENTION TO ISSUE TAX-EXEMPT OBLIGATIONS FOR VARIOUS CAPITAL PROJECTS

WHEREAS, the Palmdale Water District is a water district organized and existing under the laws of the State of California (the "District"); and

WHEREAS, the Board of Directors of the District (the "Board") desires to finance the costs of acquiring and constructing certain capital facilities, improvements and equipment, as provided in Exhibit A attached hereto and incorporated herein (the "Project"); and

WHEREAS, the District intends to finance the costs of the Project, or portions of the Project, with the proceeds of the sale of obligations, the interest on which is excluded from gross income for federal income tax purposes (the "Obligations"); and

WHEREAS, prior to the issuance of the Obligations, the District expects to incur certain expenditures with respect to the Project from available monies of the District, which expenditures are desired to be reimbursed by the District from a portion of the proceeds of the sale of the Obligations; and

NOW, THEREFORE, the Board of Directors of the Palmdale Water District hereby finds, determines, declares and resolves as follows:

SECTION 1. The District hereby states its intention and reasonably expects to reimburse Project costs incurred prior to the issuance of the Obligations with proceeds of the Obligations. Exhibit A describes the general character, type, purpose and function of the Project.

SECTION 2. The reasonably expected maximum principal amount of the Obligations is $64,000,000.

SECTION 3. Except as to certain costs described in Section 7 below, this resolution is being adopted not later than 60 days after the payment of the original expenditures (the "Expenditures Date or Dates").

SECTION 4. Except as described in Section 7 below, the expected date of issue of the Obligations will be within eighteen months of the later of the Expenditure Date or Dates and the date the Project is placed in service; provided, the reimbursement may not be made more than three years after the Expenditure Date.

SECTION 5. Proceeds of the Obligations to be used to reimburse for Project costs are not expected to be used, within one year of reimbursement, directly or indirectly to pay debt service with respect to any obligation (other than to pay current debt service coming due within the next succeeding one-year period on any tax-exempt obligation of the District (other than the Obligations)) or to be held as a reasonably required reserve or replacement fund with respect to an obligation of the District or any entity related in any manner to the District, or to reimburse any expenditure that was originally paid with the proceeds of any obligation, or to replace funds that are or will be used in such manner.

SECTION 6. This resolution is consistent with the budgetary and financial circumstances of the District, as of the date hereof. No monies from sources other than the Obligations are, or are reasonably expected to be, reserved, allocated on a long-term basis, or otherwise set aside by the District (or any related party) pursuant to their budget or financial policies with respect to the Project costs. To the best of our knowledge, this Board is not aware of the previous adoption of official intents by the District that have been made as a matter of course for the purpose of reimbursing expenditures and for which tax-exempt obligations have not been issued.

SECTION 7. The limitations described in Section 3 and Section 4 do not apply to (a) costs of issuance of the Obligations, (b) an amount not in excess of the lesser of $100,000 or five percent (5%) of the proceeds of the Obligations, or (c) any preliminary expenditures, such as architectural, engineering, surveying, soil testing, and similar costs other than land acquisition, site preparation, and similar costs incident to commencement of construction, not in excess of twenty percent (20%) of the aggregate issue price of the Obligations that finance the Project for which the preliminary expenditures were incurred.

SECTION 8. This resolution is adopted as official action of the District in order to comply with Treasury Regulation §1.150-2 and any other regulations of the Internal Revenue Service relating to the qualification for reimbursement of District expenditures incurred prior to the date of issue of the Obligations, is part of the District's official proceedings, and will be available for inspection by the general public at the main administrative office of the District.

SECTION 9. This Resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED by the Board of Directors of the Palmdale Water District, California, this 28th day of February 2018, by the following vote:

AYES: President Dino, Directors Mac Laren, Henriquez, Estes, and Alvarado
NAYS: None

ABSENT: None

ABSTAIN: None

PALMDALE WATER DISTRICT

President of the Board of Directors

ATTEST:

Secretary of the Board of Directors

EXHIBIT A

DESCRIPTION OF PROJECT

Capital expenditures related to the acquisition and construction of the Palmdale Regional Groundwater Recharge and Recovery Project, a grade control structure and related improvements associated with a sediment removal project for the Littlerock Dam and miscellaneous capital replacement projects throughout the District's water system.