

MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT, OCTOBER 25, 2017:

A regular meeting of the Board of Directors of the Palmdale Water District was held Wednesday, October 25, 2017, 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/Moment of Silence.

At the request of President Alvarado, Director Dino led the pledge of allegiance followed by a moment of silence in honor of our troops and law enforcement.

2) Roll Call.

Attendance:

Robert Alvarado, President
Vincent Dino, Vice President
Marco Henriquez, Treasurer

EXCUSED ABSENCE --

Joe Estes, Secretary
Kathy Mac Laren, Director

Others Present:

Dennis LaMoreaux, General Manager
Maya Mouawad, Assistant General Counsel
Tom Bunn, Special Litigation Counsel
Mike Williams, Finance Manager
Judy Shay, Public Affairs Director
Jim Riley, Engineering/Grant Manager
Tim Moore, Facilities Manager
Jon Pernula, Water and Energy Resources Dir.
Peter Thompson II, Deputy Water and Energy Res. Dir.
Dawn Deans, Executive Assistant
2 members of the public

3) Adoption of Agenda.

It was moved by Director Henriquez, seconded by Director Dino, 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 for non-agenda items.

5) Presentations:

5.1) Status of Oroville Dam Spillway Repairs. (Director Mac Laren/Water and Energy Resources Director Pernula/Deputy Water and Energy Resources Director Thompson II)

Water & Energy Resources Director Pernula provided an overview of the damage to the Oroville Dam spillway and of the repairs to date including Oroville Reservoir water levels, events leading to the damage of the emergency spillway, evacuations resulting from the overflows, debris removal, the contract for repair of the spillway, the possible cause for the damage, FEMA's involvement, and potential costs and impacts to State Water Contractors from the repairs and then informed the Board that the Butte County water transfer has been negotiated for another ten year period from 2021 to 2031.

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 October 11, 2017.

6.2) Payment of Bills for October 25, 2017.

6.3) Approve Absence of Director Henriquez From October 11, 2017 Meeting Due to Work Commitment. (General Manager LaMoreaux)

President Alvarado announced the items included in the Consent Calendar after which it was moved by Director Dino, seconded by Director Henriquez, 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 Adoption of a Policy for Setting Energy Costs to Users of the Palmdale Water District's Electrical Vehicle Charging Stations. (Engineering/Grant Manager Riley/Finance Committee)

Engineering/Grant Manager Riley commended District staff on their installation and fabrication of the electrical vehicle charging stations, and after a brief discussion of the annual cost of electricity for use of the two stations, of the Finance Committee's recommendation to provide energy at no cost to users and only during normal District business hours, and of security issues, it was moved by Director Henriquez, seconded by Director Dino, and unanimously carried by all members of the Board of Directors present at the meeting that energy provided through the Palmdale Water District's two

electrical vehicle charging stations shall be at no cost to users from December 5, 2017 to December 5, 2018 as a trial period, and the electrical vehicle charging stations will be available for use only during the District's regular business hours.

7.2) Consideration and Possible Action on Resolution No. 17-25 Being a Resolution of the Board of Directors of the Palmdale Water District Increasing the District's Annual Contribution to the Palmdale Recycled Water Authority (PRWA) From \$100,000.00 to \$300,000.00. (\$300,000.00 Annually - Budgeted - Engineering/Grant Manager Riley)

Engineering/Grant Manager Riley provided a brief overview of Resolution No. 17-25 and of recycled water projects, and after a brief discussion of funding opportunities for PRWA and of the location of future recycled water facilities, it was moved by Director Henriquez, seconded by Director Dino, and unanimously carried by all members of the Board of Directors present at the meeting to approve Resolution No. 17-25 Being a Resolution of the Board of Directors of the Palmdale Water District Increasing the District's Annual Contribution to the Palmdale Recycled Water Authority (PRWA) From \$100,000.00 to \$300,000.00.

A copy of Resolution No. 17-25 is hereby made a portion of the minutes of this meeting.

7.3) Consideration and Possible Action on Revisions to Cash for Grass Program Under Appendix O-1 "Water Conservation Rebate Programs and Applications" of the Palmdale Water District's Rules and Regulations. (No Budget Impact - Deputy Water and Energy Resources Director Thompson II)

Deputy Water and Energy Resources Director Thompson II provided an overview of staff's recommendation to replace the Cash for Grass Program with the Water Wise Landscape Conversion Program, and after a brief discussion of specific revisions and details of the Program, it was moved by Director Henriquez, seconded by Director Dino, and unanimously carried by all members of the Board of Directors present at the meeting to replace the Cash for Grass Program with the Water Wise Landscape Conversion Program under Appendix O-1 "Water Conservation Rebate Programs and Applications" of the Palmdale Water District's Rules and Regulations.

7.4) Consideration and Possible Action to Form an Ad Hoc Committee to Research a Water Purchase. (General Manager LaMoreaux)

General Manager LaMoreaux stated that staff recommends an Ad Hoc Committee be formed to research a new water supply opportunity after which it was moved by Director Henriquez, seconded by Director Dino, and unanimously carried by all members of the Board of Directors present at the meeting to form an Ad Hoc Committee to research a water purchase.

President Alvarado then appointed Director Henriquez and himself to the Ad Hoc Water Purchase Committee.

**7.5) Consideration and Possible Action on Outreach Activities for 2017.
(Public Affairs Director Shay)**

- a) Update on 100th Year Anniversary Events.**
- b) Outreach Plans for 2017.**
- c) Upcoming Events.**
- d) Outreach Recommendations From Directors.**

Public Affairs Director Shay stated that staff continues visits to Café Con Leche; that two dozen elected officials and agency staff attended a tour of the Leslie O. Carter Water Treatment Plant and Littlerock Dam to commemorate Imagine A Day Without Water; that members of the public attended a Leslie O. Carter Water Treatment Plant tour the following week, and the next public tour is scheduled for November 16; that the new logo has been finalized and business assets will be presented to staff next week; that filming and interviews for the 100-year anniversary video should be complete by November 7; that the first short video is expected by December; that District staff are featured in the latest issue of ACWA News for Water Professionals Appreciation Week; that staff is scheduled to meet with Palmdale School District officials regarding a community garden at Yucca School; that students of a Lego Robotics Team will be touring the Leslie O. Carter Water Treatment Plant on November 2; that staff is participating in a charity bowling tournament through the Antelope Valley African American Chamber of Commerce; and that a press event is scheduled for December 5 to announce the use of the District's electrical vehicle charging stations.

7.6) 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 2017 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 Dino reported that on October 19, he attended a videotaping for the District's 100-year anniversary; that on October 23, he attended a Board briefing with General Manager LaMoreaux regarding tonight's meeting; that on October 24, he attended an AVEK Board meeting; that on October 25, he is attending the Palmdale Water District Board meeting; and that on October 26, he will be attending the Antelope Valley State Water Contractors Association meeting as the Alternate Commissioner.

Director Henriquez reported that on October 5, he attended a Board briefing with General Manager LaMoreaux and provided input on the new logo; that on October 19, he attended a videotaping for the District's 100-year anniversary; that on October 23, he chaired the Finance Committee meeting where they discussed the electrical car charging stations considered earlier this evening and the draft 2018 Budget; that also on October 23, he had a brief discussion with General Manager LaMoreaux regarding agenda items for tonight's meeting; that on October 24, he had a telephone Board briefing with General Manager LaMoreaux regarding tonight's meeting; and that on October 25, he substituted for Director Mac Laren at the Antelope Valley State Water Contractors Association Ad Hoc Committee meeting where they had a presentation on and discussed the Willow Springs Water Bank.

President Alvarado reported that on October 11, he attended a videotaping for the District's 100-year anniversary; that on October 17, he attended an agenda review and approval meeting; that on October 23, he attended the Finance Committee meeting; that on October 24, he attended a Board briefing with General Manager LaMoreaux regarding tonight's meeting; and that on October 25, he is attending the Palmdale Water District Board meeting.

b) Standing Committee/Assignment Reports. (Chair):

1) Finance Committee.

There were no further reports on Standing Committee/Assignments.

8.2) Report of General Manager.

a) October, 2017 Written Report of Activities Through September, 2017.

General Manager LaMoreaux stated that staff recommends the November 8, 2017 Regular Board meeting begin at 6:00 p.m. for 2018 Budget discussions.

He then stated that he submitted a written report included with the agenda packets if there are any questions on same; that a more final version of the new logo is included in the report; that leaks are still low at 76 as of the end of September; and that the District is able to help five residents with hauled water in the Juniper Hills area with General Counsel Dunn drafting an agreement for this assistance followed by a brief discussion of the Juniper Hills water supply issue.

8.3) Report of General Counsel.

Assistant General Counsel Mouawad reported that, as stated, they are working on the water hauling agreement.

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 8:20 p.m., President Alvarado called for a seven-minute recess. He reconvened the regular meeting at 8:27 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 Existing Litigation to Which the District is a Party. The Title of Such Litigation is as Follows: *Antelope Valley Ground Water Cases*.

At 8:27 p.m., President Alvarado 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*.

He reconvened the regular meeting at 8:42 p.m.

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

Special Litigation Counsel Bunn stated that a closed session had been 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*, and that no reportable action was taken in closed session.

13) Board Members' Requests for Future Agenda Items.

There were no requests for future agenda items.

14) Adjournment.

There being no further business to come before the Board, the meeting was adjourned at 8:43 p.m.



Secretary

**PALMDALE WATER DISTRICT
RESOLUTION NO. 17-25**

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT INCREASING THE DISTRICT'S ANNUAL "MEMBER CONTRIBUTION" TO THE PALMDALE RECYCLED WATER AUTHORITY TO \$300,000 IN CONJUNCTION WITH A SIMILAR INCREASE BY THE CITY OF PALMDALE AND AUTHORIZING THE PLEDGING OF REVENUES FROM THE SALES OF WATER TO FUND THE DISTRICT'S MEMBER CONTRIBUTION FOR THE PURPOSE OF ASSISTING THE PALMDALE RECYCLED WATER AUTHORITY IN THE REPAYMENT OF THE ANTICIPATED LOAN FUNDS BY THE STATE WATER RESOURCES CONTROL BOARD FOR THE CONSTRUCTION OF A RECYCLED WATER LINE, AND TAKING CERTAIN OTHER ACTIONS RELATING THERETO

WHEREAS, the City of Palmdale (City) and the Palmdale Water District (District) formed a joint powers authority (JPA) now known as the Palmdale Recycled Water Authority (PRWA) pursuant to the Joint Exercise of Powers Agreement, dated as of 26 September 2012 (JPA Agreement); and

WHEREAS, the PRWA had submitted a grant and construction loan application ("Loan") to the State of California Proposition 1 Water Recycling Program for the Recycled Water Line Phase 2 Project ("Project") which approval is contingent upon a showing by the PRWA of adequate financial resources to repay the Loan; and

WHEREAS, pursuant to the JPA, funding for the PRWA has been through equal contributions made on an annual basis by both the City and the District; and

WHEREAS, the City and the District have agreed pursuant to Section 5.2 of the JPA, entitled "Member Contributions", to increase the annual funding of the PRWA to Three Hundred Thousand Dollars (\$300,000.00) each, said funds to be used for all PRWA staff, training, studies, programs, direct and overhead costs, recycled water infrastructure and all other funds authorized under the JPA, PRWA and State Law, and

WHEREAS, the adjusted Member Contribution levels of the District and of the City would provide the PRWA with sufficient financial resources to repay the anticipated Loan; and

WHEREAS, the Project would provide the District and the City with recycled water; and

WHEREAS, the District's obligation to increase its annual Member Contribution amount shall become operative only upon both (i) the approval of the Loan by the State Water Resources

Control Board; and (ii) the resolution of the City to increase its annual Member Contribution to the same amount as the District's; and

WHEREAS, the District has previously entered into (a) an Installment Purchase Agreement, by and between the District and the Palmdale Water District Corporation, dated as of November 1, 2012 (the "2012 Contract"), (b) an Installment Purchase Agreement, by and between the District and the Palmdale Water District Public Financing Authority, dated as of May 1, 2013 (the "2013 Contract"), and (c) an Installment Purchase Agreement, dated January 18, 2017, by and between the District and Holman Capital Corporation (the "Holman Contract" and, together with the 2012 Contract, the 2013 Contract and any other outstanding debt of the District secured by net water revenues on the date hereof, or issued on a parity with the 2013 Contract, the 2012 Contract and the Holman Contract the "Contracts"), all secured by certain revenues of the District on a parity with each other.

WHEREAS, the District has also applied for a loan from the State Water Resources Control Board in connection with the Palmdale Regional Groundwater Recharge and Recovery Project and has pledged its water revenues to that obligation ("Recharge Project Obligations"), provided however, no contract has been signed as of this date;

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT DOES HEREBY RESOLVE, ORDER AND DETERMINE AS FOLLOWS:

SECTION 1. That the District's annual JPA Member Contribution amount to the PRWA, pursuant to Section 5.2 of the JPA, be increased to \$300,000.00, and

SECTION 2. All Net Water Revenues (as defined below) of the District and all amounts on deposit in the Water Revenue Fund (as defined below) and the Rate Stabilization Fund (as defined below) are hereby irrevocably pledged to the payment of the District's annual Member Contribution to the PRWA on a parity with Net Water Revenues pledged or similarly pledged amounts of the District in the Contracts in order to provide the PRWA with funding sufficient for the repayment of amounts borrowed from the State Water Resources Control Board financing the Project (the "Loan"), and the Net Water Revenues shall not be used for any other purpose while the Loan remains unpaid and as permitted by the Contracts; provided that out of the Net Water Revenues and amounts on deposit in the Water Revenue Fund there may be apportioned such sums for such purposes as are expressly permitted pursuant to the terms of the agreement governing the Loan. This pledge, together with the pledge created by all other Contracts and Bonds (as defined herein), shall constitute a parity pledge to the lien of the Contracts on Water Revenues or Net Water Revenues and the Water Revenue Fund and all amounts on deposit therein as permitted herein and therein and subject to the application of Water Revenues in accordance with the terms of the Loan and the Contracts.

[Subject to any changes necessary for complying with any provisions in the Contracts and to provide consistency among Contracts, in order to carry out and effectuate the pledge and lien

described above, the District covenants that all Net Water Revenues shall be received by the District in trust and shall be deposited when and as received in the "Water Revenue Fund" which fund the District has previously established and agrees and covenants to maintain and to hold separate and apart from other funds so long as the Loan, and any Contracts, Recharge Project Obligations (if issued on a parity) or Bonds remain unpaid. Moneys in the Water Revenue Fund shall be used and applied by the District as provided for in the agreement governing the Loan and any outstanding Contracts, and/or Bonds. In order to meet the requirements of this resolution, the District conditions execution of any agreement provided for in Section 8 and the incurrence of the Loan provided for herein that the District shall meet all the requirements for parity debt provided for in the Contracts in order to effectuate the pledge herein.]

The District shall, from the moneys in the Water Revenue Fund, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as such Operation and Maintenance Costs become due and payable and as required by the Contracts and Bonds. All remaining moneys in the Water Revenue Fund shall be set aside by the District as required by the Loan, and any outstanding Contracts, and/or Bonds.

The terms contained in this resolution shall have the following meanings and shall be interpreted to be consistent with the Contracts. The term "Water Revenues" means, for any Fiscal Year, all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the District's Water System, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System, plus (2) proceeds of the District's share of the County's 1% property tax received by the District, if any, plus (3) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including District reserves and the Reserve Fund, plus (4) the proceeds of any stand by or water availability charges collected by the District, but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and excluding any proceeds of any taxes or assessments required by law to be used by the District to pay bonds heretofore or hereafter issued and any assessments levied and collected by the District to pay any contract payments due under the State Water Supply Contract, plus (5) money withdrawn from the Rate Stabilization Fund in such Fiscal Year, minus (6) any Revenues transferred to the Rate Stabilization Fund in such Fiscal Year. Any terms not defined herein shall have the meaning set forth under the 2013 Contract. Water Revenues does not mean the proceeds of any assessments or taxes levied to pay for the District's obligation to the State Water Project.

The term "Water System" means the entire water supply, treatment, storage and distribution system of the District, including but not limited to all facilities, properties and improvements at any time owned, controlled or operated by the District for the supply, treatment and storage of water to residents of the District and adjacent areas, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all

extensions thereof and improvements thereto at any time acquired, constructed or installed by the District.

The term "Water Revenue Fund" means the Water System Revenue Fund described in Section 5.2 of the 2013 Contract.

The term "Rate Stabilization Fund" means the fund by that name established pursuant to the 2012 Contract.

The term "Bonds" means all revenue bonds or notes of the District authorized, executed, issued and delivered by the District, the payments of which are on a parity with the Loan, and the Contracts and which are secured by a pledge of and lien on the Net Water Revenues. The term Bonds does not include bonds heretofore or hereafter issued required by law to be paid by the District from taxes or assessments which are not Water Revenues

The term "Operation and Maintenance Costs" means the reasonable and necessary costs paid or incurred by the District for maintaining and operating the Water System of the District, determined in accordance with generally accepted accounting principles, including any water purchase costs (exclusive of any recovered amount from the State of California's Department of Water Resources in accordance with the State Water Supply Contract) and all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System of the District in good repair and working order, and including all administrative costs of the District that are charged directly or apportioned to the maintenance and operation of the Water System of the District, such as salaries and wages of employees, overhead, insurance, taxes (if any) and insurance premiums, and including all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms of the Installment Purchase Agreement and other Bonds and Contracts, such as compensation, reimbursement and indemnification of the Trustee; excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature, all capital charges, and any contract payments due under the State Water Supply Contract paid from the proceeds of any assessments levied and collected by the District to pay contract payments due under the State Water Supply Contract.

SECTION 3. The District commits to collecting such revenues and maintaining such fund(s) throughout the term of the Loan and until one of the following conditions is first satisfied: (i) the PRWA has satisfied its repayment obligation thereunder unless modification or change is approved in writing by the State Water Resources Control Board; or (ii) the PRWA generates sufficient revenues from sale of recycled water such that the aforementioned increase in City and District Member Contribution is no longer needed for the purpose of repayment of PRWA's obligations under the Loan. Nothing contained herein shall commit the District to repayment of amounts borrowed for financing the Project from any source except as specifically pledged hereunder. Additionally, nothing contained herein shall commit the District to payment of any amounts owed in relation to the Project in excess of amounts available from the Net Water Revenues.

SECTION 4. So long as the Loan is outstanding, the District's pledge hereunder shall constitute a lien in favor of the PRWA and/or the State Water Resources Control Board, as applicable, on the foregoing fund(s) and revenue(s) without any further action necessary.

SECTION 5. So long as the Loan is outstanding, the District will annually set its rates and charges in an amount sufficient to meet the requirements of the Contracts and the District's Member Contribution (or the amount the District's obligation under the Loan).

SECTION 6. That the difference between the District's current Member Contribution and the increased Member Contribution be paid into the PRWA as soon as the City resolves to increase its annual contribution to match the District's increased annual Member Contribution amount and pledges revenues, if any, for the purpose of funding said increase and the City Council or a duly authorized City official so directs.

SECTION 7. That this resolution continue in effect until said funding level is no longer needed due to Loan repayment obligations being satisfied or revenues from sale of recycled water provide sufficient funds to pay the installment Loan agreement and the JPA members, by separate resolutions, authorize an increase, decrease or elimination of funding.

SECTION 8. That the District's General Manager is hereby authorized to take such actions as may be necessary to effectuate the purposes hereof, including but not limited to execution of an amendment to the JPA Agreement, the Loan or another agreement, to accept an increase in service fees related to PRWA, to cover the annual costs associated with being a member of the Authority, including the "Member Contributions" or such other agreements as the District Counsel deems necessary and as may be requested by the PRWA in connection with its obligations to provide the recycled water services. The District's General Manager is also authorized to enter into its portion of the Loan and pledge the Net Water Revenues to the District's portion as provided herein.

PASSED, APPROVED and ADOPTED at a regular meeting of the Board of Directors of the Palmdale Water District held on October 25, 2017.



Robert Alvarado, President
Palmdale Water District



Vincent Dino, Vice President
Palmdale Water District

Approved As To Form:
ALESHIRE & WYNDER, LLP



Eric Dunn, General Counsel