

**MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE
PALMDALE WATER DISTRICT, DECEMBER 13, 2017:**

A regular meeting of the Board of Directors of the Palmdale Water District was held Wednesday, December 13, 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 7:01 p.m.

1) Pledge of Allegiance/Moment of Silence.

At the request of President Alvarado, Operations Manager Masaya led the pledge of allegiance followed by a moment of silence in honor of our law enforcement, our troops, and the victims of the recent New York attack.

2) Roll Call.

Attendance:

Robert Alvarado, President
Vincent Dino, Vice President
Marco Henriquez, Treasurer
Kathy Mac Laren, Director -

Joe Estes, Secretary --
EXCUSED ABSENCE

Others Present:

Dennis LaMoreaux, General Manager
Eric Dunn, General Counsel
Mike Williams, Finance Manager
Judy Shay, Public Affairs Director
Jennifer Emery, Human Resources Director
Mynor Masaya, Operations Manager
Dawn Deans, Executive Assistant
5 members of the public

3) Adoption of Agenda.

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 adopt the agenda, as written.

4) Public Comments for Non-Agenda Items.

Mr. David Palmer, Palmdale resident, provided information on the joint polar satellite system and its use for weather forecasting; provided an update on the Thomas Fire; and wished everyone a Merry Christmas and Happy Holidays.

5) Presentations:

5.1) None at This Time.

There were no presentations.

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 Strategic Plan Workshop Held November 14, 2017.

6.2) Approval of Minutes of Special Meeting Held November 20, 2017.

6.3) Payment of Bills for December 13, 2017.

6.4) Approve Absence of Director Estes Due to a Work Commitment From November 20, 2017 Meeting. (General Manager LaMoreaux)

President Alvarado announced the items included in the Consent Calendar 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 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 Appeal of Linda Ross of Water Use and Bill for Account No. 52921055-1041451. (General Manager LaMoreaux)

General Manager LaMoreaux reviewed the District's correspondence with Ms. Linda Ross regarding her account after which Ms. Ross provided an overview of her appeal to the decision of General Manager LaMoreaux regarding unusually high water usage on her account and requested a refund of \$221.96 as there are no leaks established on her account, she feels the water meter is malfunctioning, and she feels there are billing inaccuracies.

After discussion of the excessive, unexplained high water use on Ms. Ross' account, normal billing amounts, clarification of the operation and accuracy of the water meter, credits to her account, District policy regarding appeals and leak assistance, setting a precedent for water usage refunds, and the District's Rate Assistance 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 credit Ms.

Ross' account in the amount of \$182.56 (half of the total of the \$221.96 requested refund plus the water bill payment of \$143.16); monitor Ms. Ross' water meter for a period of six months to ensure accuracy; if the water meter performs correctly during this six month time period, there is no further action; and if the water meter does not perform correctly during this six month time period, the remaining \$182.56 will be credited to her account.

Ms. Ross then requested this be presented to her in writing for consideration. This will be discussed at the January 10, 2018 Regular Board meeting if not accepted by Ms. Ross.

7.2) Consideration and Possible Action on Reorganization of the Board of Directors Effective January 1, 2018. (Director Mac Laren)

After a brief review of District policy regarding the officers of the Board of Directors, it was moved by President Alvarado, seconded by Director Henriquez, and unanimously carried by all members of the Board of Directors present at the meeting to nominate and appoint Director Dino as President of the Board of Directors effective January 1, 2018.

It was then moved by President Alvarado and seconded by Director Henriquez to nominate and appoint Director Estes as Vice President of the Board of Directors effective January 1, 2018.

Ms. Joanne Granai, Palmdale resident, expressed her concern and opposition of Director Estes in the position of Vice President as he has been absent from several meetings and this position requires someone involved and suggested that Director Henriquez may be better qualified for this position.

Mr. David Palmer, Palmdale resident, offered information on how the Los Angeles County Board of Supervisors rotates their officers.

After a further discussion of the officer positions, Director Mac Laren made a substitute motion to table action on the selection of the Board officer positions of Vice President, Treasurer, and Secretary to the next regular Board meeting so all five Directors can be present. The motion was seconded by Director Henriquez.

President Alvarado then withdrew his previous motion.

After further discussion, the motion to table action on the selection of the Board officer positions of Vice President, Treasurer, and Secretary to the next regular Board meeting was unanimously carried by all members of the Board of Directors present at the meeting.

7.3) Consideration and Possible Action on Resolution No. 17-26 Being a Resolution of the Board of Directors of the Palmdale Water District Establishing its Investment Policy. (Financial Advisor Egan/Finance Manager Williams/Finance Committee)

Finance Manager Williams provided a brief overview of Resolution No. 17-26 after which 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. 17-26 being a Resolution of the Board of Directors of the Palmdale Water District Establishing its Investment Policy.

A copy of Resolution No. 17-26 is hereby made a portion of the minutes of this meeting.

7.4) Consideration and Possible Action on Compensation for the Facilities Manager Position. (Human Resources Director Emery/Personnel Committee)

Human Resources Director Emery provided an overview of the compensation for the Facilities Manager position, and after a brief discussion of the compensation and of potentially hiring in-house to fill this position, it was moved by Director Mac Laren, seconded by President-Elect Dino, and unanimously carried by all members of the Board of Directors present at the meeting to approve the recruitment of a Facilities Manager at salary range 41.

7.5) Consideration and Possible Action on Compensation for the Assistant General Manager Position. (Human Resources Director Emery/Personnel Committee)

Human Resources Director Emery provided an overview of the compensation package for the Assistant General Manager position, and after a brief discussion of this package and of potentially hiring in-house to fill this position, it was moved by Director Mac Laren, seconded by President-Elect Dino, and unanimously carried by all members of the Board of Directors present at the meeting to approve the recruitment of an Assistant General Manager at salary range 47 including the use of a District vehicle.

7.6) Consideration and Possible Action on Policy to Adjust the Salary Range Between the General Manager and Assistant General Manager Positions. (Human Resources Director Emery/Personnel Committee)

Human Resources Director Emery reviewed the difference in the current salary range between the General Manager and Assistant General Manager, and after a brief discussion of the current General Manager contract, of approving a policy for a 15% difference in salary between the two positions, and of discussing this difference during the annual review for General Manager LaMoreaux, it was moved by Director Mac Laren, seconded by President-Elect Dino, and unanimously carried by all members of the Board of Directors present at the meeting to approve a policy of establishing a 15% salary difference between the General Manager and Assistant General Manager positions.

7.7) 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) **Antelope Valley Board of Trade Business Outlook Conference 2018 to be Held March 2, 2018 in Lancaster.**
- b) **AWWA CA/NV Section Operator Symposium to be Held March 27 – 28, 2018 in South San Francisco.**
- c) **AWWA Annual Conference and Exposition “Innovating the Future of Water” to be Held June 11 – 14, 2018 in Las Vegas, Nevada.**

After a brief discussion of these conferences, seminars, and training sessions, it was moved by Director Henriquez, seconded by President-Elect Dino, 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: Antelope Valley Board of Trade Business Outlook Conference 2018 to be Held March 2, 2018 in Lancaster; AWWA CA/NV Section Operator Symposium to be Held March 27 – 28, 2018 in South San Francisco; AWWA Annual Conference and Exposition “Innovating the Future of Water” to be Held June 11 – 14, 2018 in Las Vegas, Nevada.

8) Information Items:

8.1) Reports of Directors:

a) Meetings/General Report.

At 9:08 p.m., President Alvarado called for an eleven-minute recess. He reconvened the regular meeting at 9:19 p.m.

Director Mac Laren reported that on November 27 and 28, she attended the ACWA/JPIA Meeting and reviewed the items discussed; that November 29 and 30 and December 1, she attended the ACWA Conference and reviewed the sessions attended; that on December 5, she attended the District's press event regarding the unveiling of the electric car charging stations; that also on December 5, she participated in a conference call with the water producers; that on December 6, she attended the Watermaster Board meeting; and that also on December 6, she attended the Ad Hoc Community Liaison Committee meeting.

President-Elect Dino reported that on December 5, he attended an AVEK meeting; that on December 11, he attended a Board briefing with General Manager LaMoreaux regarding tonight's meeting; that on December 13, he is attending the Palmdale Water District Board meeting; that on December 14, he will be attending the Antelope Valley State Water Contractors Association meeting; that on December 18, he will be attending the Palmdale Recycled Water Authority meeting; and that on December 19, he will be attending an AVEK meeting.

Director Henriquez reported that on November 28, 29, and 30 and December 1, he attended the ACWA Conference and reviewed the items discussed and sessions attended; that on December 5, he attended the District's press event regarding the unveiling of the electric car charging stations; that on December 11, he attended the Finance Committee meeting where they reviewed the Investment Policy adopted earlier this evening; that on December 12, he attended a Board briefing with General Manager LaMoreaux regarding tonight's meeting; and that on December 14, he will be attending the Antelope Valley State Water Contractors Association meeting.

President Alvarado reported that on November 27, 28, 29, and 30 and December 1, he attended the ACWA/JPIA Meeting and ACWA Conference and reviewed the items discussed and sessions attended; that on December 4, he attended an agenda review and approval meeting; that on December 6, he attended the Ad Hoc Community Liaison Committee meeting; that on December 7, he attended Assemblyman Tom Lackey's Open House; that on December 9, he participated in the Palmdale Chamber of Commerce Holiday Parade; that on December 11, he attended the Finance Committee

meeting; and that on December 12, he attended a Board briefing with General Manager LaMoreaux regarding tonight's meeting.

Director Dino then added to his report that on November 21, he attended the Personnel Committee meeting.

b) Standing Committee/Assignment Reports (Chair):

1) Personnel Committee.

2) Finance Committee.

There were no further reports on Standing Committee/Assignments.

8.2) Report of General Manager.

General Manager LaMoreaux reported that the District earned ACWA's President's Award for the liability and property pooled insurance programs and that on December 19, the City of Palmdale is conducting a fiberoptics workshop, and the details on this workshop are included in the Director's mailboxes.

8.3) Report of General Counsel.

General Counsel Dunn provided a brief report on a recent significant Supreme Court case where it was determined that groundwater charges are not property-related fees subject to the Proposition 218 process.

9) Public Comments on Closed Session Agenda Matters.

There were no public comments on closed session agenda matters.

10) Break Prior to Closed Session.

There was no break prior to closed session.

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 9:50 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 10:08 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 §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.

President Alvarado requested a future agenda item for "Consideration and possible action on establishing a Safety Culture Vision Statement."

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 10:12 p.m.


Secretary

RESOLUTION NO. 17-26

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT ESTABLISHING ITS INVESTMENT POLICY

1.0 POLICY

WHEREAS; the Legislature of the State of California has declared that the deposit and investment of public funds by local officials and local agencies is an issue of statewide concern; and

WHEREAS; the legislative body of a local agency may invest monies not required for the immediate necessities of the local agency in accordance with the provisions of California Government Code Sections 5922 and 53601 et seq.; and

WHEREAS; the Deputy Treasurer of the Palmdale Water District ("District") shall annually prepare and submit a statement of investment policy and such policy, and any changes thereto, and report same to the Finance Committee, and it shall be considered by the Board of Directors at a public meeting;

NOW THEREFORE; it shall be the policy of the District to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all statutes governing the investment of District funds.

2.0 SCOPE

This investment policy applies to all financial assets of the District. These funds are accounted for in the annual district audit.

3.0 PRUDENCE

Investments shall be made with judgment and care, under circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the District, which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used by investment officials shall be the "prudent investor" standard (California Government Code 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4.0 OBJECTIVES

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objectives, in priority order, of the investment activities shall be:

1. Safety: Safety of principal is the foremost objective of the investment program. Investments of the District shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

2. Liquidity: The investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated.

3. Return on Investments: The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

5.0 DELEGATION OF AUTHORITY

The authority to invest public funds is expressly delegated to the Board of Directors. The Board re-delegates the investment function to the Board President or Vice President and the Deputy Treasurer. The Board President or Vice President designate the District's Financial Advisor as the Deputy Treasurer who shall have the authority to act on behalf of the District with the concurrence of the Board Finance Committee.

The investment of the District's monies is annually delegated by the Board of Directors to the Board President or Vice President and Deputy Treasurer (District Financial Advisor) who shall thereafter assume full responsibility for those transactions until the delegation is revoked or expires. The Board President or Vice President shall delegate the day-to-day operations of investing to the Deputy Treasurer, but not the responsibility for the overall investment program. All transactions will be reviewed by the Finance Committee on a monthly basis to assure compliance with the Investment Policy. (California Government Code Section 53607.)

6.0 ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

7.0 AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Deputy Treasurer will maintain a list of financial institutions, selected on the basis of credit worthiness, financial strength, experience and minimal capitalization authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment and financial advisory services in the State of California. No public deposit shall be made except in a qualified public depository as established by state laws.

For brokers/dealers of government securities and other investments, the District shall select only broker/dealers who are licensed and in good standing with the California Department of Securities, the Securities and Exchange Commission, the Financial Industry Regulatory Authority (FINRA) or other applicable self-regulatory organizations.

Before engaging in investment transactions with a broker/dealer, the Deputy Treasurer shall have received from said firm a signed Certification Form. This form shall attest that the individual responsible for the District's account with that firm has reviewed the District's Investment Policy and that the firm understands the policy and intends to present investment recommendations and transactions to the District that are appropriate under the terms and conditions of the Investment Policy.

8.0 AUTHORIZED AND SUITABLE INVESTMENTS

The District is empowered by California Government Code 53601 et seq. to invest in the following:

- a. Bonds issued by the District.
- b. United States Treasury Bills, Notes and Bonds.
- c. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by, or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
- d. Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), or by a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 40% of the District's money which may be invested pursuant to this policy.
- e. Monies held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease

installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

- f. Bonds, notes, warrants or other evidence of debt issued by a local agency within the State of California, including pooled investment accounts sponsored by the State of California, County Treasurers, other local agencies or Joint Powers Agencies.

Such investments shall be limited to securities that at the time of the investment have a term remaining to maturity of five years or less, or as provided above.

The District shall not invest any funds covered by this Investment Policy in inverse floaters, range notes, interest-only strips derived from mortgage pools or any investment that may result in a zero interest accrual if held to maturity.

9.0 COLLATERALIZATION

All certificates of deposit must be collateralized by United States Treasury Obligations. Collateral must be held by a third party trustee and valued on a monthly basis. The percentage of collateralizations on repurchase and reverse agreements will adhere to the amount required under California Government Code 53601(j)(2).

10.0 SAFEKEEPING AND CUSTODY

All security transactions entered into by the District shall be conducted on delivery-versus-payment (DVP) basis. All securities purchased or acquired shall be delivered to the District by book entry, physical delivery or by third party custodial agreement.

11.0 DIVERSIFICATION

The District will diversify its investments by security type and institution. Assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities.

Diversification strategies shall be reviewed and revised periodically. In establishing specific diversification strategies, the following general policies and constraints shall apply:

- a. Portfolio maturity dates shall be matched versus liabilities to avoid undue concentration in a specific maturity sector.
- b. Maturities selected shall provide for stability of income and liquidity.

- c. Disbursement and payroll dates shall be covered through maturities of investments, marketable United States Treasury bills or other cash equivalent instruments such as money market mutual funds.

12.0 REPORTING

The Deputy Treasurer, after review by the Finance Committee, shall submit to each member of the Board of Directors an investment report at least quarterly. The report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed for District by third party contracted managers. The report will also include the source of the portfolio valuation. For funds which are placed in LAIF, FDIC-insured accounts and/or in a county investment pool, the foregoing report elements may be replaced by copies of the latest statements from such institutions. The report must also include a certification that (1) all investment actions executed since the last report have been made in full compliance with the Investment Policy, and (2) the District will meet its expenditure obligations for the next six months. The Deputy Treasurer shall maintain a complete and timely record of all investment transactions.

13.0 INVESTMENT POLICY ADOPTION


The Investment Policy shall be adopted by resolution of the District. Moreover, the Policy shall be reviewed on an annual basis, and modifications must be approved by the Board of Directors.

PASSED, APPROVED, AND ADOPTED at a Regular Meeting of the Board of Directors of Palmdale Water District held on December 13, 2017. Resolution No. 17-26 was adopted by the following vote:

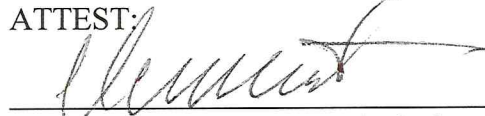
AYES: Robert Alvarado, Vincent Dino, Marco Henriquez, Kathy Mac Laren

NOES: None

ABSTAIN: Joe Estes




President, Board of Directors
Palmdale Water District

ATTEST:


Vice President of the Board of Directors

APPROVED AS TO FORM:



Aleshire & Wynder, General Counsel

STATE OF CALIFORNIA)
)
COUNTY OF LOS ANGELES) ss.

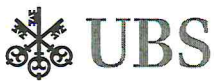
I, Vincent Dino, Vice President of the Palmdale Water District, DO HEREBY CERTIFY that the foregoing is a full, true and correct copy of Resolution No. 17-26 of the Board of Directors of Palmdale Water District adopted at a Regular Meeting held on December 13, 2017 and that the same has not been amended or repealed.



Vice President, Board of Directors
Palmdale Water District

DATED: December 13, 2017

(S E A L)



UBS Financial Services Inc.
515 S Flower St Suite 50
Los Angeles, CA 90071
www.ubs.com/fs

Tel: 213-972-1457

Finance Committee
Palmdale Water District
2029 East Avenue Q
Palmdale, CA 93550

November 28, 2017

Dear Sirs:

This letter certifies that I have read and understand the Palmdale Water District Investment Policy. I will present investment recommendations and transactions that are appropriate under its terms and conditions.

Sincerely,

A handwritten signature in dark ink, reading "Michael R. Giordano".

Michael Giordano, CIMA ®
Senior Wealth Strategy Associate

A handwritten signature in dark ink, reading "James Giordano".

James Giordano, CFP ®, CRPS ®
Senior Vice President – Wealth Management