

MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT, DECEMBER 10, 2014:

A regular meeting of the Board of Directors of the Palmdale Water District was held Wednesday, December 10, 2014, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. President, Kathy Mac Laren, called the meeting to order.

1) Pledge of Allegiance.

At the request of President Mac Laren, Director Dino led the pledge of allegiance followed by a moment of silence in honor of all those serving our country.

2) Roll Call.

Attendance:

Kathy Mac Laren, President
Robert Alvarado, Vice President
Vincent Dino, Director

Gloria Dizmang, Treasurer --
Joe Estes, Secretary --
EXCUSED ABSENCE

Others Present:

Dennis LaMoreaux, General Manager
Bill Wynder, General Counsel
Mike Williams, Finance Manager
Jennifer Emery, Human Resources Director
Mynor Masaya, Operations Manager
Mike McNutt, PIO/Conservation Director
Tim Moore, Facilities Manager
James Riley, Engineering/Grant Manager
Kelly Jeters, Systems Supervisor
Judith Hernandez, Asst. Customer Service Spvrs.
Dennis Hoffmeyer, Senior Accountant
Bob Egan, Financial Advisor
Dawn Deans, Executive Assistant
2 members of the public

3) Adoption of Agenda.

It was moved by Director Dino and seconded by Director Alvarado to adopt the agenda, as written.

President Mac Laren then stated that Agenda Item No.'s 7.8 and 7.9 can be removed from the agenda until a full Board is present after which Director Dino amended his motion and Director Alvarado amended his second to adopt the agenda, as amended. The motion was unanimously carried by all members of the Board of Directors present at the meeting.

4) Public Comments for Non-Agenda Items.

There were no public comments.

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 as Each Item is Considered by the Board of Directors Prior to Action Being Taken.)

6.1) Approval of Minutes of Workshop Meeting Held November 21, 2014.

6.2) Approval of Minutes of Regular Meeting Held November 26, 2014.

6.3) Payment of Bills for December 10, 2014.

6.4) Approval of Resolution No. 14-20 Establishing the Palmdale Water District's Investment Policy. (Financial Advisor Egan/Finance Manager Williams/Finance Committee)

6.5) Approval of Ratification of the Fifth Amendment to the Yuba Accord Agreement Allowing Participation in Water Purchase Options From January, 2016 Through 2020. (Budgeted – Water & Energy Resources Director Pernula/Water Supply & Reliability Committee)

President Mac Laren announced the items included in the Consent Calendar after which it was moved by Director Alvarado, 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.

A copy of said Resolution No. 14-20 is hereby made a portion of the minutes of this meeting.

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

7.1) Status Report on Cash Flow Statement and Current Cash Balances as of October 31, 2014. (Financial Advisor Egan/Finance Committee)

Financial Advisor Egan reviewed the investment funds and cash flow reports as of October 31, 2014 and the overall cash decrease and cash balance due to the bond payment and stated that assessments are received in November and December; that a DWR refund was received in November; that a scheduled Butte payment will be made in December; that some capital expenditures have been carried forward to 2015; and that year-end is tracking as scheduled.

7.2) Status Report on Financial Statements, Revenue, and Expense and Departmental Budget Reports for October 31, 2014. (Finance Manager Williams)

Finance Manager Williams reviewed the balance sheet, profit and loss statement, year-to-year comparisons, month-to-month comparisons, consumption comparisons, and revenue and expense analysis reports for the period ending October 31, 2014, along with the graphic presentations for these reports, and then stated that most departments are operating below the targeted expenditure percentage of 83%; that several budget adjustments will be made as a result of revisions to the Organizational Chart; and that GAC expenditures are only at 55% for the year.

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

General Manager LaMoreaux reviewed the status of approved 2014 and 2015 engineering projects included in the Committed Contracts and Payout Schedule, including those projects contractually committed, budgeted projects, and payments for projects funded from the Water Revenue Series 2013A Bonds followed by discussion of sediment deposits resulting from the recent storms.

7.4) Consideration and Possible Action on Adoption of a 4/10 Monday Through Thursday Alternative Work-Week Schedule. (Human Resources Director Emery/Personnel Committee)

Human Resources Director Emery reviewed staff's recommendation to adopt a District-wide 4/10 Monday through Thursday alternative work-week schedule, Assistant Customer Service Supervisor Hernandez reviewed the customer service analysis and benefits to the District's customers from this schedule, and after a brief discussion of the benefits, of the Personnel Committee's recommendation to approve this schedule, and of

the methods for advertising this schedule to the District's customers, it was moved by Director Alvarado, seconded by Director Dino, and unanimously carried by all members of the Board of Directors present at the meeting to adopt a 4/10 Monday through Thursday alternative work-week schedule effective March 1, 2014.

7.5) Consideration and Possible Action on Revisions to Employee Manual – Section VIII.A. (\$28,000.00 – Non-budgeted – Human Resources Director Emery/Personnel Committee)

Human Resources Director Emery stated that staff recommends this item be tabled after which President Mac Laren stated that this item will be continued indefinitely.

7.6) Consideration and Possible Action on Resolution No. 14-21 Being a Resolution Amending Appendix C to the Rules and Regulations of the Palmdale Water District and Adopting a 2.5% Rate Increase for Calendar Year 2015. (General Counsel Wynder)

Attorney Wynder provided a brief overview of the need to adopt Resolution No. 14-21 after which it was moved by Director Alvarado, seconded by Director Dino, and unanimously carried by all members of the Board of Directors present at the meeting to adopt Resolution No. 14-21 being a Resolution Amending Appendix C to the Rules and Regulations of the Palmdale Water District and Adopting a 2.5% Rate Increase for Calendar Year 2015.

A copy of said Resolution No. 14-21 is hereby made a portion of the minutes of this meeting.

7.7) Consideration and Possible Action on District Policy Regarding Monitoring and Coverage of Fin and Feather Club Meetings by District Employees. (Ad Hoc Fin & Feather Committee-Director Alvarado/Director Dino)

Director Alvarado reported that the Ad Hoc Fin & Feather Committee met with officers of the Fin & Feather Club to discuss areas of concern; that a tentative agreement was reached to address these concerns; that a draft report of this process was prepared, and a meeting will be scheduled with Club representatives to confirm there are no misunderstandings in the draft report; and that a final report will be presented to the Board most likely in January, 2015.

7.10) Consideration and Possible Action on Board and Staff Attendance at Conferences, Seminars, and Training Sessions as Follows:

a) G.A.V.E.A.'s 15 Year Anniversary and A.V. Area Plan Update to be Held December 18, 2014 in Palmdale.

After a brief discussion, it was moved by Director Dino, seconded by Director Alvarado, and unanimously carried by all members of the Board of Directors present at the meeting to approve Board and staff attendance at GAVEA's 15 Year Anniversary and A.V. Area Plan Update to be held December 18, 2014 in Palmdale.

8) Information Items.

8.1) Reports of Directors:

a) Meetings/General Report.

Director Alvarado reported that on December 1, he attended a City of Palmdale sponsored Safety Forum at St. Mary's Church, and he will be providing safety precaution recommendations from this event to District staff to share with ratepayers and through the staff newsletter; that on December 4, he attended the High Speed Rail Open House at the Chimbole Center, Assistant General Manager Knudson also attended, the presentation was interesting and well-attended, many questions and concerns were raised, and it was a good opportunity for the public to ask questions on how this project will affect everyone including the District; that on December 7, he and Director Dino met as the Ad Hoc Fin & Feather Committee, he commends Director Dino for his thoroughness and ensuring the draft report is accurate, and he appreciates working with him; that on December 8, he attended a Board briefing with General Manager LaMoreaux; that on December 9, he chaired the Environmental Restoration Advisory Board (ERAB) meeting, the meeting was interesting, there was no quorum but information was shared regarding the number of wells with issues now reduced to six, a field trip of air force facilities for ERAB members and a select group of community members will be scheduled, and a letter thanking former civilian chair Juan Blanco for his years of service will be sent and he will be invited on the field trip; and that the Antelope Valley State Water Contractors Association meeting scheduled for December 18 has been cancelled.

Director Dino reported that on December 1, he attended a meeting with Dr. Mathis regarding feedback on the field trip to Rowland Water District and Cucamonga Valley Water District, and he informed Dr. Mathis there were many items from the field trip that

can be applied at the District; that on December 7, he attended the Ad Hoc Fin & Feather Committee meeting with Director Alvarado to review the draft report; that the Finance Committee meeting scheduled for December 8 was cancelled due to lack of a quorum; that on December 9, he attended a Board briefing with General Manager LaMoreaux; that on December 10, he attended an Ad Hoc Fin & Feather Committee meeting with Director Alvarado and General Manager LaMoreaux to discuss Fin & Feather policy; and that Director Dizmang is in the hospital with pneumonia, she is improving, and is accepting visitors.

President Mac Laren reported that December 2 – 5 she attended the Association of California Water Agencies Conference in San Diego where the District was a finalist in A.C.W.A.'s Best in Blue contest, all finalist's exhibits were set up to share ideas and mascots were present, the District did not win the contest but received a nice award and it was nice to see Palmdale Water District honored, Cucamonga Valley Water District won the contest and the District offered their congratulations, she had a wonderful time at the conference with PIO/Conservation Director McNutt and wonderful ideas were presented at the Conference, the passing of the Water Bond was discussed, and she enjoys spending time with like-minded people and that on December 10, she viewed the webinar hosted by PIO/Conservation Director McNutt, it was interesting, it inspired her to review the District's Emergency Response Plan, and she recommends the appropriate Committee review the District's Plan for any updates.

There were no further reports from Directors.

b) Standing Committee/Assignment Reports (Chair):

- 1) Finance Committee**
- 2) Outreach Committee**

It was stated that the Finance and Outreach Committee meetings were cancelled.

8.2) Report of General Manager.

General Manager LaMoreaux stated that the Palmdale Recycled Water Authority will meet Wednesday, December 17; that there is no significant progress; but that the meeting will be held to brief the Board on the status of the water reallocation and the environmental review of the Master Plan.

He then reported that he distributed a graph of the District's customers' water use versus the Governor's goal, which indicates that in November, the District's customers conserved 18% more water than last November, and this is on track with the Governor's request.

He then reported that the initial State Water Project allocation is 10%, winter began well with the rainfall record at 40% of the whole water year compared to last year, and anticipated storms in the next few weeks are reason to be optimistic.

He then stated that any Directors wishing to attend the G.A.V.E.A. meeting approved earlier this evening can inform staff for reservations; that iPad training is scheduled for Monday, December 15, at 4:00 p.m.; and that on January 14, 2015, JPIA training will be held, and Human Resources Director Emery has planned a dinner and graduation ceremony for the District's interns, the Board, and intern sponsor organizations prior to the Board meeting that evening.

President Mac Laren then stated that ACWA/JPIA was impressed with Human Resources Director Emery's efforts to share open enrollment insurance information with District staff, the District had much more participation, and she did a wonderful job.

PIO/Conservation Director McNutt introduced the District's new employee, Mr. James Riley, Engineering/Grant Manager, reviewed his background, and welcomed him to the District after which the Board welcomed Engineering/Grant Manager Riley to the District.

PIO/Conservation Director McNutt then reminded the Board that the Palmdale Chamber of Commerce Holiday Parade will be held Saturday, December 13, rain or shine and commended Facilities Manager Moore and his crew for their construction efforts and Field Customer Service Rep. Barry Fear for his artistic additions to the float.

8.3) Report of Attorney.

General Counsel Wynder stated that they have no report but that this is his last meeting prior to his leave of absence from his legal firm; that he is grateful for the opportunity to have served the District; and that Assistant General Counsel Quilizapa will become the District's General Counsel after which the Board wished him luck in his endeavor.

9) Public Comments on Closed Session Agenda Matters.

There were no public comments on closed session agenda matters.

10) Closed session under:

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

10.2) Conference with Legal Counsel – Existing Litigation: A Closed Session Will be Held, Pursuant to Government Code §54956.9 (d)(1), to Confer With Legal Counsel Regarding Pending Litigation to Which the District is a Party. The Title of Such Litigation is as Follows: *Central Delta Water Agency vs. Department of Water Resources; Sacramento Superior Court Case No. 34-2010-80000561*.

10.3) Conference with Legal Counsel – Personnel: A Closed Session Will be Held Pursuant to Government Code §54957 to Conduct an Employee Evaluation for the Position of General Manager.

10.4) Conference with Legal Counsel – Employment Contract Negotiations: A Closed Session Will be Held Pursuant to Government Code §54957.6 With District General Counsel Regarding Employment Contract Negotiations With District General Manager.

At 8:03 p.m., President Mac Laren called for a closed session pursuant to Government Code §54956.9 (d)(1) to confer with legal counsel regarding pending litigation to which the District is a party – two cases: *Antelope Valley Ground Water Cases* and *Central Delta Water Agency vs. Department of Water Resources, Sacramento Superior Court Case No. 34-2010-80000561*; pursuant to Government Code §54957 to conduct an employee evaluation for the position of General Manager; and pursuant to Government Code §54957.6 regarding employment contract negotiations with the District General Manager.

She reconvened the regular meeting at 8:24 p.m.

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

President Mac Laren reported that a closed session had been held pursuant to Government Code §54956.9 (d)(1) to confer with legal counsel regarding pending litigation to which the District is a party – one case: *Antelope Valley Ground Water Cases*;

that the Board was briefed via teleconference by Special Counsel Bunn on the current status of this item of litigation; and that no reportable action was taken in closed session.

General Counsel Wynder reported that the *Central Delta Water Agency vs. Department of Water Resources, Sacramento Superior Court Case No. 34-2010-80000561* was not discussed in closed session.

General Counsel Wynder then reported that a closed session had also been held pursuant to Government Code §54957 to conduct an employee evaluation for the position of General Manager; that the Board did not continue its performance evaluation because of the absence of two Directors; and that no reportable action was taken in closed session.

General Counsel Wynder then reported that a closed session had also been held pursuant to Government Code §54957.6 regarding employment contract negotiations with the District General Manager; that the Board voted unanimously in closed session to extend the term of the General Manager's contract for a period of six months under the existing terms and conditions; and that the formal contract amendment will be placed on the agenda for the January 14, 2015 Board meeting for formal action and approval.

12) Board Members' Requests for Future Agenda Items.

Review of the District's Emergency Response Plan, the cost for Public Water Agency Group members' to have their Emergency Response Plans reviewed by an expert, the District's membership with CalWARN, and the District's coordination with other entities during an emergency were discussed after which it was determined that the District's Emergency Response Plan be presented at a future Board meeting.

There were no further requests for future agenda items.

13) Adjournment.

There being no further business to come before the Board, the meeting was adjourned.


Secretary

RESOLUTION NO. 14-20

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 35% 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(i)(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 10, 2014. Resolution No. 14-20 was adopted by the following vote:

AYES: President Mac Laren, Director Alvarado, Director Dino


NOES: None

ABSTAIN: None



President, Board of Directors
Palmdale Water District

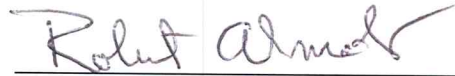
ATTEST:



Vice President of the Board of Directors

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

I, Robert Alvarado, Vice President of the Palmdale Water District, DO
HEREBY CERTIFY that the foregoing is a full, true and correct copy of Resolution No.
14-20 of the Board of Directors of Palmdale Water District adopted at a Regular Meeting
held on December 10, 2014 and that the same has not been amended or
repealed.



Vice President, Board of Directors
Palmdale Water District

DATED: December 10, 2014


(SEAL)



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December 3, 2014

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

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,

Michael R. Giordano, CIMA®
Senior Vice President – Investments

James M. Giordano, CFP®, CRPS®
Vice President - Investments

**PALMDALE WATER DISTRICT
RESOLUTION NO. 14-21**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF
PALMDALE WATER DISTRICT AMENDING APPENDIX C TO THE RULES AND
REGULATIONS OF THE PALMDALE WATER DISTRICT AND ADOPTING A 2.5%
RATE INCREASE FOR CALENDAR YEAR 2015**

WHEREAS, the District's current water rates for Calendar Years 2015 – 2019 are set forth at Appendix C of the Rules and Regulations of the Palmdale Water District;

WHEREAS, in 2014 District staff undertook a review of the District's financial position and determined the current water rate revenues are not sufficient to offset the cost of providing the water service, including, among other things, increased operation and maintenance expenses, increased costs for necessary infrastructure repairs and enhancements, increased water quality regulations, and increased water supply costs;

WHEREAS, on April 17, 2014, the District retained Bartle & Wells, an independent water rate consultant, pursuant to an open bid process to perform a financial study of the District's existing water rates and rate structure and the District's existing and future reasonably estimated costs of providing water service;

WHEREAS, on July 16, 2014 and July 23, 2014, Bartle & Wells made presentations to the Board of Directors that concluded the current rates and rate structure will not be sufficient to cover the reasonably estimated costs of providing the District's water service over the next five fiscal years and proposed a revised rate structure and annual rate increases options depending on the level of maintenance and improvements expected to take place in the next five years, including 5%, 5.5% and 6% annual rate increases;

WHEREAS, the District's charges and fees for water service are subject to the requirements of Proposition 218 (Cal. Const. Art. XIII D, Section 6), including notice, hearing, and protest requirements applicable to increases of water rates;

WHEREAS, on July 23, 2014, pursuant to Proposition 218, the Board approved and directed staff to provide notice of the proposed rate structure changes and 5.5% annual rate increases;

WHEREAS, on September 17, 2014, the District held a public hearing at which District staff presented a total of 340 valid protests to the Board, resulting in less than a majority protest pursuant to Article XIII D, Section 6 of the California Constitution;

WHEREAS, although the lack of a majority protest authorizes the Board to adopt the Proposed Rates up to 5.5% for the next five fiscal years, the Board is not required to implement all of the annual rate increases;

WHEREAS, each year through its budget process, the Board reviews the estimated costs of providing the District's service in the ensuing year and determines at that time the amount of the increase it will implement for the ensuing year;

WHEREAS, if the Board determines not to implement the full 5.5% rate increase, it must adopt an amended Appendix C of the Rules and Regulations of the Palmdale Water District;

WHEREAS, on November 21, 2014, the Board approved the 2015 Budget including a 2.5% rate increase;

WHEREAS, the adoption of this resolution is exempt from the requirements of the California Environmental Quality Act ("CEQA") pursuant to Public Resources Code Section 21080(b)(8) and Section 15273 of the State CEQA Guidelines codified at 14 CCR §15273 because the resolution pertains to the adoption of charges necessary to maintain services within the District's existing service area.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED that the Board of Directors of the Palmdale Water District does hereby resolve as follows:

1. The foregoing recitals are hereby found to be true and correct and incorporated herein by this reference.

2. The Board has determined through its annual budget process to implement a 2.5% annual rate increase for Calendar Year 2015 instead of the full 5.5% annual rate increase authorized by the Proposition 218 rate setting process.

3. The current Appendix C shall be replaced by the attached Appendix C, attached hereto, which includes a 2.5% rate increase in Calendar Year 2015 and a 5.5% rate increase in Calendar Years 2016 – 2019.

4. The General Manager is authorized and directed to give due notice of exemption of this resolution from the provisions of CEQA, pursuant to Title 14 California Code of Regulations section 15062.

7. Effective Date. All sections of this Resolution shall be in full force and effect as of January 1, 2015.

PASSED AND ADOPTED on this 10th day of December, 2014 by the Board of Directors, the governing body of the Palmdale Water District.

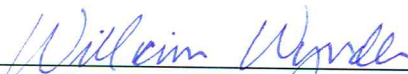
PALMDALE WATER DISTRICT


KATHY MAC LAREN, President

ATTEST


ROBERT ALVARADO, Vice President

APPROVED AS TO FORM:

By: 
Aleshire & Wynder, General Counsel

APPENDIX C

Palmdale Water District Proposed Rate Structure

Water Quality Fee (\$/ccf):

5-yr moving average of (GAC costs) / (billed water usage [hcf])

User Classification

Single Family Residential "SFR"
Multi Family Residential "MFR"
Commercial-Industrial "CI"
Irrigation Only "IRR"
Other "OTHER"

Water Budget Allocation - Essential Usage

Indoor Allocation
3-yr average of minimum monthly usage
3-yr average of minimum monthly usage
Essential Outdoor Allocation
3-yr average of minimum monthly usage

User Classification

Single Family Residential "SFR"
Multi Family Residential "MFR"
Commercial-Industrial "CI"
Irrigation Only "IRR"
Other "OTHER"

Water Budget Allocation - Efficient Usage

Indoor Allocation + Efficient Outdoor Allocation
3-yr moving average by month
3-yr moving 3 month average
Efficient Outdoor allocation
3-yr moving average by month

Service Charge

Meter Size

1" and Below
1-1/2"
2"
3"
4"
6"
8"
10"

Monthly Service Charge

\$31.27
\$93.80
\$143.85
\$260.62
\$427.44
\$844.50
\$1,344.96
\$1,928.84

Commodity Rates (\$/ccf*)

Tiers

Tier 1
Tier 2
Tier 3
Tier 4
Tier 5
Tier 6

CY 2014

\$0.73
\$0.84
\$2.37
\$3.57
\$4.61
\$5.93

Elevation Booster Surcharge (\$/ccf*)

Area

B
A1
A2
A3

CY 2014

-
5-Year Moving Average of Actual Pumping Costs
5-Year Moving Average of Actual Pumping Costs
5-Year Moving Average of Actual Pumping Costs

**Water use is metered in units of ccf (hundred cubic feet)*

All Classes

Tier

Tier 1
Tier 2
Tier 3
Tier 4
Tier 5
Tier 6

Water Budget Allocation

0 - 100% Essential Usage
100% Essential Usage - 100% Efficient Usage
101-130% Efficient Usage
131-160% Efficient Usage
161-190% Efficient Usage
Above 191% Efficient Usage

APPENDIX C

| Meter Charges | % Increase | 2.5% | 5.5% | 5.5% | 5.5% | 5.5% |
|---------------|------------|------------|------------|------------|------------|------------|
| Meter Size | CY 2014 | CY 2015 | CY 2016 | CY 2017 | CY 2018 | CY 2019 |
| 1" and Below | \$31.27 | \$32.05 | \$33.81 | \$35.67 | \$37.63 | \$39.70 |
| 1.5" | \$93.80 | \$96.15 | \$101.44 | \$107.02 | \$112.91 | \$119.12 |
| 2" | \$143.85 | \$147.45 | \$155.56 | \$164.12 | \$173.15 | \$182.67 |
| 3" | \$260.62 | \$267.14 | \$281.83 | \$297.33 | \$313.68 | \$330.93 |
| 4" | \$427.44 | \$438.13 | \$462.23 | \$487.65 | \$514.47 | \$542.77 |
| 6" | \$844.50 | \$865.61 | \$913.22 | \$963.45 | \$1,016.44 | \$1,072.34 |
| 8" | \$1,344.96 | \$1,378.58 | \$1,454.40 | \$1,534.39 | \$1,618.78 | \$1,707.81 |
| 10" | \$1,928.84 | \$1,977.06 | \$2,085.80 | \$2,200.52 | \$2,321.55 | \$2,449.24 |

| Commodity Rates | % Increase | 2.5% | 5.5% | 5.5% | 5.5% | 5.5% |
|-----------------|------------|---------|---------|---------|---------|---------|
| | CY 2014 | CY 2015 | CY 2016 | CY 2017 | CY 2018 | CY 2019 |
| Tier 1 | \$0.73 | \$0.75 | \$0.79 | \$0.83 | \$0.88 | \$0.93 |
| Tier 2 | \$0.84 | \$0.86 | \$0.91 | \$0.96 | \$1.01 | \$1.07 |
| Tier 3 | \$2.37 | \$2.43 | \$2.56 | \$2.70 | \$2.85 | \$3.01 |
| Tier 4 | \$3.57 | \$3.66 | \$3.86 | \$4.07 | \$4.29 | \$4.53 |
| Tier 5 | \$4.61 | \$4.73 | \$4.99 | \$5.26 | \$5.55 | \$5.86 |
| Tier 6 | \$5.93 | \$6.08 | \$6.41 | \$6.76 | \$7.13 | \$7.52 |

| Stage No. | Policy | % Shortage | Drought Surcharge per CCF* | | | | | |
|-----------|-----------------|-----------------------------------|----------------------------|---------|---------|---------|---------|---------|
| | | | CY 2014 | CY 2015 | CY 2016 | CY 2017 | CY 2018 | CY 2019 |
| 1 | Water Rationing | 20% reduction in water deliveries | \$0.45 | \$0.46 | \$0.48 | \$0.51 | \$0.54 | \$0.57 |
| 2 | Water Rationing | 30% reduction in water deliveries | \$0.77 | \$0.78 | \$0.82 | \$0.87 | \$0.92 | \$0.97 |
| 3 | Water Rationing | 40% reduction in water deliveries | \$1.19 | \$1.21 | \$1.28 | \$1.35 | \$1.43 | \$1.52 |