

MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT, DECEMBER 10, 2018:

A regular meeting of the Board of Directors of the Palmdale Water District was held Monday, December 10, 2018, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. President, Vincent Dino, called the meeting to order at 6:00 p.m.

President Dino acknowledged the attendance of local elected officials Steve Hofbauer, Mayor, City of Palmdale; Robert Parris, Director, AVEK; Gary Van Dam, Director, AVEK; and Ralph Velador, Trustee, Palmdale School District.

1) Pledge of Allegiance/Moment of Silence.

At the request of President Dino, Gary Van Dam, AVEK Director, led the pledge of allegiance followed by a moment of silence.

2) Administering of Oath of Office to Elected Directors Followed by Five-Minute Recess. (General Counsel Dunn)

Mrs. Ruth Wilson administered the Oath of Office to Don Wilson, Director, Division 2, which was verified by General Counsel Dunn, after which Director Wilson thanked his supporters for their assistance with his campaign and stated that he looks forward to serving the community.

Mr. Robert Parris, AVEK Director, administered the Oath of Office to Vincent Dino, Director, Division 5, and Board President, which was verified by General Counsel Dunn, after which President Dino thanked his supporters for their votes and assistance with his campaign and that he looks forward to serving the community for the next four years.

At 6:09 p.m., President Dino called for a 31-minute recess. He reconvened the Regular Board Meeting at 6:40 p.m.

3) Roll Call.

Attendance:

Vincent Dino, President
Kathy Mac Laren, Vice President
Marco Henriquez, Treasurer
Robert Alvarado, Assistant
Secretary
Don Wilson, Director

Others Present:

Dennis LaMoreaux, General Manager
Adam Ly, Assistant General Manager
Eric Dunn, General Counsel
Mike Williams, Finance Manager
Judy Shay, Public Affairs Director
Jim Riley, Engineering/Grant Manager

Others Present:

Jennifer Emery, Human Resources Director
Mynor Masaya, Operations Manager
Robert Egan, Financial Advisor
Dawn Deans, Executive Assistant
40 members of the public

4) Adoption of Agenda.

It was moved by Director Alvarado, seconded by Director Mac Laren, and unanimously carried by all members of the Board of Directors present at the meeting to adopt the agenda, as written.

5) Public Comments for Non-Agenda Items.

Ms. Alisha Semchuck, Ms. Joanne Granai, and Mrs. Debbie Dino, congratulated President Dino and Director Wilson on successfully running clean and honest campaigns and stated that they look forward to a cohesive and productive Board and that regardless of party affiliations and ideas, the public can come together to support the local community.

There were no further public comments.

6) Presentations:

6.1) None at This Time.

There were no presentations.

7) 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.)

7.1) Approval of Minutes of Regular Meeting Held November 26, 2018.

7.2) Payment of Bills for December 10, 2018.

7.3) Approve Absence of Director Henriquez From November 26, 2018 Regular Board Meeting Due to Conference Attendance. (General Counsel Dunn)

7.4) Approve Absence of Director Estes From November 26, 2018 Regular Board Meeting Due to Medical Reasons. (General Counsel Dunn)

President Dino announced the items included in the Consent Calendar, and General Counsel Dunn clarified voting on Consent Calendar items for Director Wilson 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 those items included in the Consent Calendar.

8) 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.)

8.1) Consideration and Possible Action on Revisions to Palmdale Water District Rules and Regulations Article 12.13 – Electrical Vehicle Charging Stations Setting Energy Costs to Users of the Palmdale Water District’s Electrical Vehicle Charging Stations. (Potential Revenue – Non-budgeted– Engineering/Grant Manager Riley)

Engineering/Grant Manager Riley provided an overview of the annual use of the District’s electrical vehicle charging stations and the amount of greenhouse gas emissions saved from this use, and after a brief discussion of potential costs to users, the time allowed for use, and potential discounts for Palmdale Water District customers, it was moved by Director Henriquez, seconded by Director Alvarado, and carried by all members of the Board of Directors present at the meeting on a 4 – 0 – 1 vote, with Director Wilson abstaining, to revise Palmdale Water District Rules and Regulations Article 12.13 – Electrical Vehicle Charging Stations setting energy costs to users of the Palmdale Water District’s public electrical vehicle charging station at \$0.30 per kilowatt hour, setting energy costs for users of the Palmdale Water District’s employee electrical vehicle charging station at zero, and allowing public use with no time limits.

8.2) Consideration and Possible Action on Resolution No. 18-15 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 an overview of Resolution No. 18-15, and after a brief discussion of the Investment Policy, it was moved by Director Alvarado, seconded by Director Mac Laren, and unanimously carried by all members of the Board

of Directors present at the meeting to approve Resolution No. 18-15 being a Resolution of the Board of Directors of the Palmdale Water District Establishing its Investment Policy.

A copy of Resolution No. 18-15 is hereby made a portion of the minutes of this meeting.

8.3) 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 2019 Budget:

a) Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA) "Moving From Group to Team: Creating a Cohesive Board" Webinar to be Held January 17, 2019.

b) ACWA/JPIA "Robert's Rules Made Simple" Webinar to be Held February 19, 2019.

After a brief discussion of these conferences, seminars, and training sessions, it was moved by Director Mac Laren, seconded by Director Alvarado, and unanimously carried by all members of the Board of Directors present at the meeting to approve the following conferences, seminars, and training sessions for Board and staff attendance within budget amounts previously approved in the 2019 Budget: Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA) "Moving From Group to Team: Creating a Cohesive Board" Webinar to be Held January 17, 2019 and ACWA/JPIA "Robert's Rules Made Simple" Webinar to be Held February 19, 2019.

9) Information Items:

9.1) Finance Reports:

a) Status Report on Cash Flow Statement and Current Cash Balances as of September 2018. (Financial Advisor Egan/Finance Committee)

Financial Advisor Egan congratulated President Dino and Director Wilson on their election to the Board and then provided an overview of the quarterly Investment Funds Report through September 30, 2018, including the increases and decreases between the quarters due to bond payments, capital expenditures, and State Water Project scheduled payments, and then reviewed the cash flow statement, including

bond interest and principal payments, anticipated assessments, and the projected year-end balance.

Staff was then commended for the information and requested reports provided to the Finance Committee and to the Board.

b) Status Report on Financial Statements, Revenue, and Expense and Departmental Budget Reports for September 2018. (Finance Manager Williams/Finance Committee)

Finance Manager Williams reviewed in detail the balance sheet, profit and loss statement, year-to-year comparisons, month-to-month comparisons, consumption comparisons, and revenue and expense analysis reports for the period ending September 2018 and stated that most departments are operating at or below the targeted expenditure percentage of 75%.

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

Finance Manager Williams provided an overview of the updated Contractual Commitments and Needs for 2018 Report for new and replacement capital projects, consulting and engineering support projects, new and replacement equipment, water quality fee funded projects, committed and projected capital expenditures, and available funding sources and then provided Rate Assistance Program statistics to date.

9.2) Reports of Directors:

a) Meetings/General Report.

Director Alvarado reported that on December 6, he attended a Board briefing with General Manager LaMoreaux and Assistant General Manager Ly regarding tonight's meeting and that also on December 6, he attended the Finance Committee meeting.

Director Mac Laren reported that on December 5, she attended the Watermaster meeting; that also on December 5, she attended the Antelope Valley State Water Contractors Association's Ad Hoc Committee meeting where discussions included expanding this group into the formation of a JPA; and that on December 6 and 7, she attended the California Foundation on the Environment and the Economy (CFEE)

meeting where they discussed the water tax bill for disadvantaged communities that recently failed to pass, how this bill affects local agencies, and options for continuing to defeat this water tax bill.

Director Henriquez reported that on November 15, he attended the Upper Amargosa Creek Recharge Project groundbreaking ceremony; that also on November 15, he attended the Antelope Valley State Water Contractors Association meeting; that on November 26, he attended the ACWA/JPIA Board meeting where they discussed a captive investment policy; that also on November 26, he attended a Board briefing with General Manager LaMoreaux regarding the November 26 Board meeting; that on December 5, he attended a Board briefing with General Manager LaMoreaux and Assistant General Manager Ly regarding tonight's meeting; and that on December 6, he attended and chaired the Finance Committee meeting where they discussed and recommended the items considered earlier this evening.

Director Wilson reported that on September 19 and 26 and November 3 and 6, he attended the District's Water Ambassador's Academy and highly recommends this Academy; that on October 13 and an additional date, he attended an AVEK Board meeting; that on December 6, he attended a Board briefing with General Manager LaMoreaux and Assistant General Manager Ly regarding tonight's meeting; and that also on December 6, he attended the Finance Committee meeting and then stated that he appreciates the help and looks forward to learning more about the District.

President Dino reported that on November 28, he attended an agenda review and approval meeting with General Manager LaMoreaux; that on December 6, he attended a Board briefing with General Manager LaMoreaux and Assistant General Manager Ly regarding tonight's meeting; and that on December 10, he is attending the Palmdale Water District Regular Board meeting and then stated that a plaque has been prepared for Joe Estes thanking him for his time as a Director for the District.

b) Standing Committee/Assignment Reports (Chair):

1) Finance Committee meeting.

There were no further reports on Standing Committee/Assignments.

8.2) Report of General Manager.

General Manager LaMoreaux congratulated President Dino and Director Wilson on their election and then stated that ACWA remains involved with the water tax bill; that construction continues on the Littlerock Dam Grade Control Structure despite last week's rain; that an Antelope Valley Press article regarding AVEK's 7.5% rate increase misstated the cost of water to Acton is due to the District's treatment methods, but AVEK and the District will be issuing a clarification statement; and that District staff are conducting a food drive for S.A.V.E.S if the Directors would like to participate.

At the request of Director Henriquez, he then stated that precipitation to date at the Northern Sierras is 8.5 inches, and last Thursday total rainfall was 1.55 inches.

8.3) Report of General Counsel.

General Counsel Dunn stated that he has no report.

9) Board Members' Requests for Future Agenda Items.

Director Mac Laren requested a future agenda item for "Consideration and possible action on creating a Water Ambassador's Academy for teens to help encourage careers in the water industry."

There were no further requests for future agenda items.

10) Adjournment.

There being no further business to come before the Board, the meeting was adjourned at 7:47 p.m.


Secretary

RESOLUTION NO. 18-15

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 investment activities and financial assets of the District. These funds are accounted for in the annual district audit.

3.0 PRUDENCE

The standard of prudence to be used by investment officers shall be the "prudent investor" standard, pursuant to California Government Code 53600.3, and shall be applied in the context of managing an overall portfolio. Persons authorized to make investment decisions on behalf of local agencies investing public funds are trustees and therefore fiduciaries subject to the prudent investor standard. 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. . 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, [MS1]the District will diversify its investments by investing funds among a variety of securities with independent returns.

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 acceptable rate of return throughout budgetary and economic cycles, taking into account the District's investment risk constraints and the cash flow characteristics of the portfolio.

5.0 DELEGATION OF AUTHORITY

Pursuant to California Government Code 53607, the authority to invest public funds of the District is expressly delegated to the Board of Directors of the District (the "Board"). The Board re-delegates the investment function to the Board President or Vice President. The Board President or Vice President, with the concurrence of the Board Finance Committee, designate the District's Financial Advisor as the Deputy Treasurer who shall have the authority to act on behalf of the District and shall 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 this Investment Policy.

6.0 ETHICS AND CONFLICTS OF INTEREST

The Board, officers and employees of the District involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management 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 to the District. 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 Business Oversight, the Securities and Exchange Commission, the Financial Industry Regulatory Authority 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 this policy and intends to present investment recommendations and transactions to the District that are appropriate under the terms and conditions of this Investment Policy. A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the District invests.

Further, all financial institutions and broker/dealers who desire to conduct investment transactions with the District must supply the Deputy Treasurer with a Certification Form and other documents as the Deputy Treasurer may reasonably deem necessary to make a determination that such financial institution or broker/dealer is reputable and trustworthy.

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 evidence by safekeeping receipts.

11.0 DIVERSIFICATION

The District will diversify its investments by security type and institution. Assets shall be diversified to mitigate 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 an investment report at least quarterly. Pursuant to California Government Code 53646, 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


This 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.

PASSED, APPROVED, AND ADOPTED at a Regular Meeting of the Board of Directors of Palmdale Water District held on December 10, 2018. Resolution No. 18-15 was adopted by the following vote:

AYES: Directors Dino, Mac Laren, Henriquez, Alvarado, and Wilson


NOES: None

ABSTAIN: None




President, Board of Directors
Palmdale Water District

ATTEST:



Assistant Secretary of the Board of Directors

APPROVED AS TO FORM:



Aleshire & Wynder, General Counsel



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 27, 2018

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 Giordano, CIMA ®
Associate Director - Senior Wealth Strategy Associate

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

Steven Crawford, CRPS ®
First Vice President - Wealth Management