

MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT, SEPTEMBER 25, 2018:

A regular meeting of the Board of Directors of the Palmdale Water District was held Tuesday, September 25, 2018, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. Vice President, Kathy Mac Laren, called the meeting to order at 6:00 p.m.

1) Pledge of Allegiance/Moment of Silence.

At the request of Vice President Mac Laren, Director Henriquez led the pledge of allegiance followed by a moment of silence.

2) Roll Call.

Attendance:

Kathy Mac Laren, Vice President
Marco Henriquez, Treasurer
Robert Alvarado, Assistant
Secretary

Vincent Dino, President --
ABSENT

Joe Estes, Secretary --
ABSENT

Others Present:

Adam Ly, Assistant General Manager
Alondra Espinosa, Assistant General Counsel
Mike Williams, Finance Manager
Judy Shay, Public Affairs Director
Jim Riley, Engineering/Grant Manager
Tara Rosati, Customer Care Supervisor
Dawn Deans, Executive Assistant
8 members of the public

(NOTE: Director Estes called out for medical reasons; however, statements made during this Board meeting conflict with his reason for the absence. Whether or not the absence is excused or not is unknown.)

3) Adoption of Agenda.

It was moved by Director Alvarado, seconded by Director Henriquez, 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.

Ms. Joanne Granai, Palmdale resident, commended the Board and General Manager LaMoreaux for having the District's address removed as Director Estes' election campaign address and cited direct violations of the Instructions for Political Candidates and the Requirements for Campaign Signs by Director Estes.

Professor Amaka Donn, Palmdale resident, appealed to the Board of Directors for monetary reimbursement for her lawn allegedly damaged by the District rather than accept the District's offer to replace her lawn according to her claim and stated that she will take the District to court and request attorney fees if she is not monetarily reimbursed.

There were no further 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 on the Consent Calendar as the Consent Calendar is Considered Collectively by the Board of Directors Prior to Action Being Taken.)

6.1) Approval of Minutes of Regular Meeting Held September 10, 2018.

6.2) Payment of Bills for September 25, 2018.

6.3) Approve Absence of Director Estes From September 10, 2018 Regular Board Meeting Due to Illness. (General Counsel Dunn)

6.4) Approve Absence of Director Henriquez From September 10, 2018 Regular Board Meeting Due to a Work Commitment. (General Counsel Dunn)

Vice President Mac Laren announced the items included in the Consent Calendar after which it was moved by Director Alvarado, seconded by Director Henriquez, and unanimously carried by all members of the Board of Directors present at the meeting to approve those items included in the Consent Calendar.

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

7.1) Consideration and Possible Action on Resolution No. 18-10 Being a Resolution of the Board of Directors of the Palmdale Water District Adopting a Reserve Policy. (Finance Manager Williams/Finance Committee)

Finance Manager Williams provided an overview of Resolution No. 18-10, and after a brief discussion of staff's and the Finance Committee's recommendation to approve Resolution No. 18-10, it was moved by Director Alvarado, seconded by Director Henriquez, and unanimously carried by all members of the Board of Directors present at the meeting to approve Resolution No. 18-10 being a Resolution of the Board of Directors of the Palmdale Water District Adopting a Reserve Policy.

A copy of Resolution No. 18-10 is hereby made a portion of the minutes of this meeting.

7.2) Consideration and Possible Action on Outreach Activities for 2018. (Public Affairs Director Shay)

a) Outreach Plans for Remainder of 2018.

Public Affairs Director Shay stated that the District continues Spanish radio participation with Café Con Leche and Salva; that the District is partnering with Palmdale Preparatory Academy in honor of Imagine a Day Without Water on October 10; that Team PWD will play in the 5th Annual Palmdale Children's Cup on October 12; that the Palmdale City Manager, Assistant City Manager, and Public Works staff attended a tour of the District's facilities a few weeks ago; that she, General Manager LaMoreaux, Assistant General Manager Ly, and Engineering/Grant Manager Riley attended the recent Friends of Littlerock Dam Community meeting; that the District has an article in the recent Antelope Valley Board of Trade newsletter; and that the fall edition of The Pipeline was recently published.

b) Update on PWD Water Ambassadors Academy.

She then stated that the Water Ambassadors Academy started last week with 19 attendees and concludes with a tour on October 6.

Director Alvarado stated that he will be attending the September 26 session followed by discussion of attendance by a second Director.

c) Upcoming Events.

Public Affairs Director Shay stated that the District's next Waterwise Landscape Conversion Program Workshop is scheduled October 27 from 9 a.m. to noon at the Antelope Valley Resource Conservation District in conjunction with their fall festival.

d) Outreach Recommendations From Directors.

Vice President Mac Laren requested outreach begin on the use of recycled water and upcoming projects through the Palmdale Recycled Water Authority.

7.3) 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 2018 Budget:

a) A.W.W.A. Annual Fall Conference to be Held October 22 – 25, 2018 in Rancho Mirage.

After a brief discussion of the conferences, seminars, and training sessions presented, it was moved by Director Alvarado, seconded by Director Henriquez, and unanimously carried by all members of the Board of Directors present at the meeting to approve attendance at the following conferences, seminars, and training sessions for Board and staff attendance within budget amounts previously approved in the 2018 Budget as follows: A.W.W.A. Annual Fall Conference to be held October 22 – 25, 2018 in Rancho Mirage.

7.4) Adjourn to September 25, 2018 Annual Meeting of the Public Facilities Corporation.

At 6:31 p.m., Vice President Mac Laren stated that the Regular Board Meeting of the Board of Directors of the Palmdale Water District is adjourned to the annual meeting of the Board of Directors of the Public Facilities Corporation.

The Regular Board Meeting of the Board of Directors of the Palmdale Water District reconvened at 6:35 p.m.

8) Information Items:

8.1) Reports of Directors:

a) Meetings/General Report.

Director Henriquez reported that on September 10, he attended a telephone briefing with General Manager LaMoreaux regarding the September 10 Regular Board Meeting; that on September 13, he attended the Antelope Valley State Water Contractors Association meeting; that on September 20, he chaired the Finance Committee meeting, and they discussed Agenda Item No. 7.1 voted on earlier this evening; and that also on September 20, he attended a Board briefing with General Manager LaMoreaux regarding tonight's meeting.

Director Alvarado reported that on September 20, he attended a Board briefing with General Manager LaMoreaux and Assistant General Manager Ly regarding tonight's meeting and that also on September 20, he attended the Finance Committee meeting.

Vice President Mac Laren reported that on September 13, she attended the Antelope Valley Watermaster Public Water Supplier meeting, which was held via teleconference; that on September 13, she attended the Antelope Valley State Water Contractors Association meeting; that on September 17, she attended the Palmdale Recycled Water Authority meeting; and that on September 19, she attended the Water Ambassadors Academy.

b) Standing Committee/Assignment Reports (Chair):

- 1) Antelope Valley State Water Contractors Association**
- 2) Palmdale Recycled Water Authority**
- 3) Finance Committee**

There were no further reports on Standing Committee/Assignments.

8.2) Report of General Manager.

- a) September 2018 Written Report of Activities Through August 2018.**

Assistant General Manager Ly stated that General Manager LaMoreaux' written report was included with the agenda packets if there are any questions and that leaks remain low at 71 to date.

Ms. Joanne Granai, Palmdale resident, stated that she just received notice via text message that Director Estes was just seen with his wife and kids posting political signs for his campaign and is not ill.

Social media postings for General Manager LaMoreaux' written report and the District's Strategic Plan initiatives were then discussed.

8.3) Report of General Counsel.

Assistant General Counsel Espinosa stated that the statewide water tax legislation has died in the Assembly but may resurface at a later date.

9) Board Members' Requests for Future Agenda Items.

Director Alvarado requested that Director Estes be asked the reason for his absence from tonight's meeting due to information presented this evening to ensure the accuracy of the minutes.

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 6:51 p.m.


Assistant Secretary

RESOLUTION NO. 18-10

PALMDALE WATER DISTRICT'S RESERVE POLICY

WHEREAS, the Board of Directors recognizes the need to ensure that the District will have sufficient funding available to meet its operating, emergency capital, and debt service obligations.

WHEREAS, the Board of Directors recognizes the need for sound financial policies as stewards of our customers' funds.

WHEREAS, the Board of Directors recognizes the need for funds to be held in reserve for unanticipated and unforeseeable expenses.

WHEREAS, the Board of Directors recognizes the need to avoid significant water rate fluctuations.

WHEREAS, the Board of Directors recognizes a need for long term strategic financial policies.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Palmdale Water District hereby rescinds the District's existing Reserve Policy (Resolution No. 13-13) and establishes the Palmdale Water District Reserve Policy as follows:

Legally Restricted Funds:

The Capital Improvement Fees, as modified by District Resolution No. 13-12, to consist of fee components allocated for infrastructure and for water supply, and Water Supply Connection Fees are subject to the requirements of the Mitigation Fee Act (AB 1600). These funds are deposited in the Capital Improvement Fund described below. The funds may not be used to support ongoing operations of the District. The District is legally required to account for these funds separately. An annual report is required to show balance forward, fees collected, income earned, expenditures, and future commitments. All funds collected must be committed or expended within five years of being collected or they must be refunded. Other legally restricted funds, including bond proceeds funds, reserve funds or rate stabilization funds, are described below.

1. Capital Improvement Fund:

PWD will maintain a capital improvement fund with fees collected from developers to pay for the new facilities necessary to deliver water service to newly developed property and to pay for the additional water supplies necessitated to meet the demand for water created by such newly developed property. These fees are for offsite improvements, such as the development's fair share cost of wells, reservoirs, transmission mains, treatment plant capacity, and other necessary facilities, as well as to pay for water supply acquisitions and projects associated with new water supplies

necessitated by new development. The fees are collected at rates established by the Board of Directors based upon specific engineering studies. The rates charged are based on a project's equivalent capacity unit (ECU) basis. These funds are restricted to the design and construction of capital facilities for water delivery, and as otherwise provided in Resolution No. 13-12 and in Appendix H to the District's Rules and Regulations.

2. *Bond Proceeds Fund(s):*

Bond proceeds fund(s) are monies derived from the proceeds of a bond issue or similar indebtedness like a private placement loan, certificate of participation or other indebtedness instrument. Typically, they consist of construction fund monies and a debt service reserve fund. The use of these proceeds is restricted by conditions set forth in the respective legal bond documents. These funds are usually held by the Trustee in favor of the bond holders. These funds should be tracked and accounted for in accordance with the bond documents and to ensure, if applicable, the tax-exempt nature of the applicable bonds. These funds shall also be invested as provided in the bond documents.

3. *Debt Service Reserve Funds:*

This fund is governed by legal bond covenants for the District's revenue bonds. Bond covenants may require that this fund be maintained at a level sufficient to fund maximum annual debt service payments or such other requirement of the Internal Revenue Code. These funds are held by the bond trustee during the term of the bonds and are to be used in the event the District is unable to meet its required semi-annual debt service obligation. Annual interest earnings on bond reserve funds shall be applied to each year's debt service payments or as otherwise required by the bond documents.

A Reserve Fund for the Palmdale Water District Public Financing Authority Water Revenue Bonds, Series 2013A (the "2013A Bonds") and the Palmdale Water District Public Financing Authority Water Revenue Refunding Bonds (the "2018A Bonds") is established pursuant to the Indentures for each of the bonds in an amount equal to the Reserve Requirement. Assured Guaranty Municipal Corp. ("AGM") has issued a municipal bond debt service reserve insurance policy in an amount equal to the initial Reserve Requirement for deposit in the Reserve Fund for the 2013A Bonds. Build America Mutual Assurance Company ("BAM") has issued a municipal bond debt service reserve insurance policy in an amount equal to the initial Reserve Requirement for deposit in the Reserve Fund for the 2018A Bonds.

4. *Rate Stabilization Fund:*

This fund is governed by legal bond covenants for the District's revenue bonds. The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Water Revenue Fund for application

in accordance with an Installment Purchase Agreement for each of the 2013A Bonds and the 2018A Bonds.

Board Designated Funds:

Board designated funds are set to accomplish systematic and strategic goals or provide for prudent management of operations. The Board of Directors has complete discretion in the management and designation of self-adopted funds. Such funds can be modified, transferred, or altered by Board action.

1. Dam Self Insurance:

The District shall make available \$5 million for self-insurance of the Littlerock Dam as seed money for reconstruction under the terms of the agreement between Palmdale Water District, Littlerock Creek Irrigation District and Palmdale Water District Public Facilities Corporation. The money will be used to begin the reconstruction following an event during the time applications for FEMA reimbursement are in process following an event.

2. O&M Operating Reserve:

The O&M Operating Reserve will vary over time with a goal of maintaining three (3) months average cash operating expenses of \$5.7 million. This reserve is considered a working cash requirement. It bridges the gap between the time expenses are paid and the time revenues from the same service are collected from customers.

3. O&M Emergency Reserve:

The O&M Emergency Reserve will vary over time with a goal of maintaining three (3) months average cash operating expenses of \$5.7 million. This reserve is considered a working cash requirement for use in an emergency situation.

4. Unrestricted Reserves:

Unrestricted reserves represent a remainder balance of cash that is not yet designated for some use by the Board of Directors.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Palmdale Water District as follows:

Each fiscal year budget will report on the status of the reserve over the previous year and budget for proposed sources and uses for each reserve.

PASSED AND ADOPTED by the Board of Directors of the Palmdale Water District at a regular meeting held on this 25th day of September, 2018 by the following vote:

Ayes: Vice President Mac Laren, Director Alvarado,
Director Henriquez

Noes: None.


Absent: President Dino, Director Estes

Abstain: None.




Vice President, Board of Directors

ATTEST:



Assistant Secretary, Board of Directors

APPROVED AS TO FORM:



Aleshire & Wynder, LLP