



# PALMDALE WATER DISTRICT

## A CENTURY OF SERVICE

October 7, 2020

### BOARD OF DIRECTORS

ROBERT E. ALVARADO  
Division 1

DON WILSON  
Division 2

GLORIA DIZMANG  
Division 3

KATHY MAC LAREN  
Division 4

VINCENT DINO  
Division 5

## AGENDA FOR REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT TO BE HELD AT 2029 EAST AVENUE Q, PALMDALE OR VIA TELECONFERENCE

### **FOR THE PUBLIC: VIA TELECONFERENCE ONLY**

**DIAL-IN NUMBER: 571-748-4021 ATTENDEE PIN: 127-089-957#**

**Submit Public Comments at: <https://www.gomeet.com/127-089-957>**

**MONDAY, OCTOBER 12, 2020**

**6:00 p.m.**

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DENNIS D. LaMOREAUX  
General Manager

ALESHIRE & WYNDER LLP  
Attorneys

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**NOTES:** To comply with the Americans with Disabilities Act, to participate in any Board meeting please contact Dawn Deans at 661-947-4111 x1003 at least 48 hours prior to a Board meeting to inform us of your needs and to determine if accommodation is feasible.

Additionally, an interpreter will be made available to assist the public in making **comments** under Agenda Item No. 4 and any action items where public input is offered during the meeting if requested at least 48 hours before the meeting. Please call Dawn Deans at 661-947-4111 x1003 with your request. (PWD Rules and Regulations Section 4.03.1 (c) )

Adicionalmente, un intérprete estará disponible para ayudar al público a hacer **comentarios** bajo la sección No. 4 en la agenda y cualquier elemento de acción donde se ofrece comentarios al público durante la reunión, siempre y cuando se solicite con 48 horas de anticipación de la junta directiva. Por favor de llamar Dawn Deans al 661-947-4111 x1003 con su solicitud. (PWD reglas y reglamentos sección 4.03.1 (c) )

Agenda item materials, as well as materials related to agenda items submitted after distribution of the agenda packets, are available for public review at the District's office located at 2029 East Avenue Q, Palmdale (Government Code Section 54957.5). Please call Dawn Deans at 661-947-4111 x1003 for public review of materials.

**PUBLIC COMMENT GUIDELINES:** The prescribed time limit per speaker is three-minutes. Please refrain from public displays or outbursts such as unsolicited applause, comments, or cheering. Any disruptive activities that substantially interfere with the ability of the District to carry out its meeting will not be permitted, and offenders will be requested to leave the meeting. (PWD Rules and Regulations, Appendix DD, Sec. IV.A.)

Each item on the agenda shall be deemed to include any appropriate motion, resolution, or ordinance to take action on any item.

- 1) Pledge of Allegiance/Moment of Silence.
- 2) Roll Call.
- 3) Adoption of Agenda.



- 4) Public comments for non-agenda items.
- 5) Presentations:
  - 5.1) None at this time.
- 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 Board Meeting held September 28, 2020.
  - 6.2) Payment of bills for October 12, 2020.
  - 6.3) Approval of Resolution No. 20-14 being a Resolution of the Board of Directors of the Palmdale Water District Amending the Conflict of Interest and Disclosure Code for the Palmdale Water District. (No Budget Impact – General Manager LaMoreaux)
  - 6.4) Approval of updated job descriptions for Construction Inspectors. (No Budget Impact – Human Resources Director Emery/Personnel Committee)
  - 6.5) Approval of absence of Director Wilson from September 28, 2020 meeting due to illness. (General Counsel Dunn)
- 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 approval of Resolution No. 20-15 being a Resolution of the Board of Directors of the Palmdale Water District Adopting an Amendment to Appendix M, Bid Procurement and Change Order Policy, of the Palmdale Water District's Rules and Regulations. (No Budget Impact – Assistant General Manager Ly/Finance Committee)
  - 7.2) Consideration and possible action on Resolution No. 20-16 being a Resolution of the Board of Directors of the Palmdale Water District Authorizing the Issuance of Not to Exceed \$21 Million in 2020 Water Revenue Refunding Bonds (Federally Taxable) and Approving the Execution and Delivery of Certain Documents in Connection Therewith and Certain Other Matters. (Non-Budgeted – Finance Manager Williams/Mark Northcross of NHA Advisors/Finance Committee)
  - 7.3) Adjourn to Public Financing Authority Board meeting. (President Dino)
  - 7.4) Consideration and possible action on authorizing staff to enter into a contract for the 3M booster pump station upgrade with P2S Engineering, Inc. (\$62,815.00 – Budgeted – Work Order No. 20-610 – Engineering/Grant Manager Rogers)
  - 7.5) Consideration and possible action on authorizing staff to enter into a contract for Well No. 7A rehabilitation for construction inspection and oversight services with Kyle Groundwater, Inc. (\$37,973.50 – Budgeted – Work Order No. 20-601 – Engineering/Grant Manager Rogers)

- 7.6) Consideration and possible action on District membership in the California Foundation on the Environment and the Economy (CFEE) tabled from September 28, 2020 Regular Board Meeting. (\$21,000 or \$38,000 – Non-Budgeted – General Manager LaMoreaux/Outreach Committee)
- 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 2020 Budget:
  - a) None at this time.
- 8) Information Items:
  - 8.1) Reports of Directors:
    - a) Meetings; Standing Committee/Assignment Reports; General Report.
  - 8.2) Report of General Manager.
    - a) 2" water line replacement at Leslie O. Carter Water Treatment Plant. (Assistant General Manager Ly)
  - 8.3) Report of General Counsel.
- 9) Board members' requests for future agenda items.
- 10) Adjournment.



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DENNIS D. LaMOREAUX,  
General Manager

DDL/dd

# **PALMDALE WATER DISTRICT BOARD MEMORANDUM**

**DATE:** October 5, 2020

**October 12, 2020**

**TO:** BOARD OF DIRECTORS

**Regular Board Meeting**

**FROM:** Mr. Dennis D. LaMoreaux, General Manager

**RE:** ***AGENDA ITEM NO. 6.3 – APPROVAL OF RESOLUTION NO. 20-14 BEING A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT AMENDING THE CONFLICT OF INTEREST AND DISCLOSURE CODE FOR THE PALMDALE WATER DISTRICT. (NO BUDGET IMPACT – GENERAL MANAGER LaMOREAUX)***

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## **Recommendation:**

Staff recommends the approval of Resolution No. 20-14 being a Resolution of the Board of Directors of the Palmdale Water District Amending the Conflict of Interest and Disclosure Code for the Palmdale Water District.

## **Alternative Option:**

There is no alternative option due to position title revisions.

## **Background:**

The Political Reform Act requires every local government agency to review its conflict of interest code biennially to determine if any changes are needed. Exhibit B of the District's Conflict of Interest Code must be amended to reflect the title change of Water and Energy Resources Director to Resource and Analytics Director. No other changes are proposed for the Code.

## **Strategic Plan Initiative:**

This work is part of Strategic Initiative No. 5 – Regional Leadership.

## **Budget:**

Approval of Resolution No. 20-14 will not impact the budget.

## **Supporting Documents:**

- Resolution No. 20-14 being a Resolution of the Board of Directors of the Palmdale Water District Amending the Conflict of Interest and Disclosure Code for the Palmdale Water District



## **RESOLUTION NO. 20-14**

### **RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT AMENDING THE CONFLICT OF INTEREST AND DISCLOSURE CODE FOR THE PALMDALE WATER DISTRICT**

WHEREAS, the Political Reform Act (“Act”), Government Code Section 81000, et seq., requires state and local government agencies to adopt and promulgate conflict of interest codes; and

WHEREAS, under the Act, the District must periodically review its internal organization to determine: (i) whether any position that has been added to the District constitutes a designated position under the District’s Conflict of Interest and Disclosure Code (“Code”); or (2) whether the duties of any existing position that is currently not a designated position have changed such that the position now constitutes a designated position under the District’s Code; and

WHEREAS, the District’s Code was last approved by the County of Los Angeles Board of Supervisors effective December 13, 2017; and

WHEREAS, Exhibit B of the District’s Code must be modified to revise the title of Water and Energy Resources Director to Resource and Analytics Director as reflected on the Palmdale Water District Organization Chart attached hereto as “Exhibit 1” and as shown on the revised Code attached hereto as “Exhibit 2” both incorporated herein by reference; and

WHEREAS, to meet the requirements of the Act, the District must amend its Conflict of Interest and Disclosure Code to reflect this change.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Palmdale Water District does hereby amend Exhibit B of its Conflict of Interest and Disclosure Code, setting forth the designated positions within the District and their disclosure obligations, as set forth on the attached “Exhibit 2.”

BE IT FURTHER RESOLVED, that individuals holding newly-designated positions shall file Statements of Economic – Assuming Office Statements with the District General Manager or his designee, as required under the District’s Code. All other individuals holding designated positions shall file Statements of Economic Interests as required by law and the District’s Code. Within five days of receipt of the Statements filed by the Directors and by the General Manager, the District shall make and retain copies and forward the originals of these statements to the Los Angeles County Board of Supervisors. Statements for all other designated individuals will be retained by the District.

PASSED AND ADOPTED at a regular meeting of the Board of Directors of the Palmdale Water District held on October 12, 2020.

\_\_\_\_\_  
Vincent Dino, President

ATTEST:

\_\_\_\_\_  
Don Wilson, Secretary

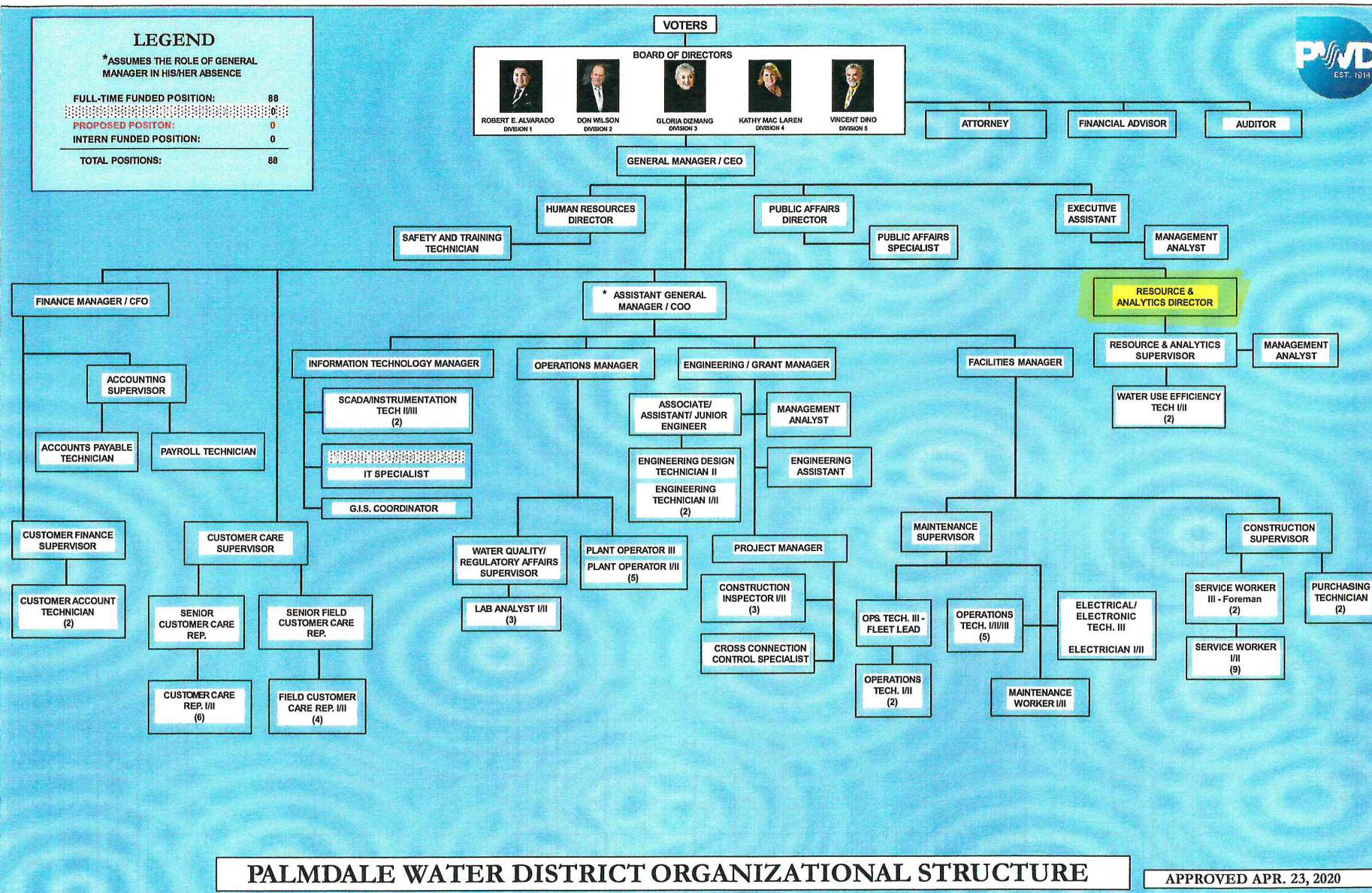
APPROVED AS TO FORM:

BY:\_\_\_\_\_  
Aleshire & Wynder, LLP, General Counsel

## LEGEND

\*ASSUMES THE ROLE OF GENERAL MANAGER IN HIS/HER ABSENCE

FULL-TIME FUNDED POSITION:	88
PROPOSED POSITION:	0
INTERN FUNDED POSITION:	0
TOTAL POSITIONS:	88



## PALMDALE WATER DISTRICT ORGANIZATIONAL STRUCTURE

APPROVED APR. 23, 2020



Conflict of Interest Code  
of the

**PALMDALE WATER DISTRICT**

Incorporation of FPPC Regulation 18730 (2 California Code of Regulations, Section 18730) by Reference

The Political Reform Act (Government Code Section 81000, *et seq.*) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (2 Cal. Code of Regs. 18730), which contains the terms of a standard conflict of interest code. After public notice and hearing, it may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations Section 18730, and any amendments to it duly adopted by the Fair Political Practices Commission, are hereby incorporated into the conflict of interest code of this agency by reference. This regulation and the attached Appendices (or Exhibits) designating officials and employees and establishing economic disclosure categories shall constitute the conflict of interest code of this agency.

Place of Filing of Statements of Economic Interests

All officials and employees required to submit a statement of economic interests shall file their statements with the agency head; or his or her designee. The agency shall make and retain a copy of all statements filed by its Board of Directors, General Manager/CEO, and forward the originals of such statements to the Executive Office of the Board of Supervisors of Los Angeles County.

The agency shall retain the originals of statements for all other Designated Positions named in the agency's conflict of interest code. All retained statements, original or copied, shall be available for public inspection and reproduction (Gov. Code Section 81008).

## **PALMDALE WATER DISTRICT**

### **EXHIBIT "A"**

#### **CATEGORY 1**

Persons in this category shall disclose, in accordance with this Code, all interest in real property within the District, except personal residences or property used primarily for personal recreational purposes. Real property shall be deemed to be within the jurisdiction of the District if the property or any part of it is located within or not more than two miles outside the boundaries of the District or within two miles of any land owned or used by the District.

Persons are not required to disclose a residence, such as a home or vacation cabin, used exclusively as a personal residence; however, a residence in which a person rents out a room or for which a person claims a business deduction may be reportable.

#### **CATEGORY 2**

Persons in this category shall disclose in accordance with this Code, all income (including receipt of gifts, loans and travel payments) from, investments in, and business positions with in businesses that produce products or provide services of a type utilized by the District, including the following areas:

- Office equipment and supplies
- Banks and savings and loans institutions
- Securities dealers and underwriters
- Real property
- Public utilities
- Financial audit services
- Insurance services
- Computer equipment, services, and supplies
- Printing, reproduction, or photographic equipment, services and supplies
- Periodicals, books, newspapers
- Chemicals
- Motor vehicles and specialty vehicles, parts and supplies
- Construction and maintenance equipment, services and supplies and building materials
- Petroleum products
- Transportation and lodging services
- Safety equipment and supplies
- Security services
- Food services and supplies
- Communication services

## **PALMDALE WATER DISTRICT**

### **EXHIBIT "A" (Cont'd)**

#### **CATEGORY 2 (Cont'd)**

Water quality testing equipment, supplies and services

Cathodic protection equipment, services and supplies

Engineering services

Employment / temporary help agencies

Educational equipment, services and supplies

Medical supplies, services and informational materials

Landscape services and supplies

Typographical services

4-color separations

General and specialty equipment rentals

Consulting Services: legal, energy and power, engineering, soils testing, water treatment, advertising, communications, design, art work, audio/visual, movie productions, planning, water pricing and demand, economists, desalting, environmental, appraisers, real estate sales, and investment services.

## PALMDALE WATER DISTRICT

### EXHIBIT "B"

<u>Designated Positions</u>	<u>Disclosure Categories</u>
Members of Board of Directors	1, 2
General Manager/CEO	2
Assistant General Manager/COO	2
<del>Water and Energy Resources Director</del> -- Resource and Analytics Director	2 TITLE CHANGE
Operations Manager	2
Facilities Manager	2
Finance Manager/CFO	2
Engineering/Grant Manager	2
Human Resources Director	2
Information Technology Manager	2
Public Affairs Director	2
Consultants/New Positions*	

\*Consultants/New Positions are included in the list of designated positions and shall disclose pursuant to the broadest disclosure category in the code, subject to the following limitations:

The General Manager/CEO or his or her designee may determine in writing that a particular consultant or new position, although a "designated position," is hired to perform a range of duties that is limited in scope and thus is not required to fully comply with disclosure requirements in this section. Such written determination shall include a description of the consultant's or new position's duties and, based upon that description, a statement of the extent of disclosure requirements. The General Manager/CEO or his or her designee's determination is a public record and shall be retained for public inspection in the same manner and location as this conflict-of-interest code. (Gov. Code Section 81008.)

Individuals who perform under contract the identical duties of any designated position shall be required to file Statements of Economic Interests disclosing reportable interests in the categories assigned to that designated position.

**EFFECTIVE DATE:**

- Construction Inspector 1 Job Description
- Construction Inspector 2 Job Description



CONSTRUCTION INSPECTOR 1

FLSA Status: Non-Exempt

DEFINITION

Under general direction, to perform field inspection for construction projects, ensuring proper project completion in compliance with plans, specifications, time, and cost requirements; to review construction plans; and to do related work as required.

DISTINGUISHING CHARACTERISTICS

Construction Inspector 1 - This is the entry level class in the Construction Inspector series. Positions in this class typically have little or no directly related work experience and work under immediate supervision while learning job tasks. The Construction Inspector 1 class is distinguished from the 2 level by the performance of less than the full range of duties assigned to the 2 level. Incumbents work under immediate supervision while learning job tasks, progressing to general supervision as procedures and processes of assigned area of responsibility are learned.

SUPERVISION RECEIVED AND EXERCISED

Receives general supervision from the Construction Inspector 2 (Lead).

EXAMPLES OF ESSENTIAL DUTIES - Duties may include, but are not limited to, the following:

Inspect construction methods and materials to ensure compliance with approved plans and specifications.

Develop and recommend revisions to plans and specifications to meet field conditions, as necessary.

Complete field sketches of projects and maintain accurate as-built plans.

Maintain a detailed daily diary of inspections.

Make field measurements and calculations, as necessary.

Prepare periodic progress reports from accumulated data.

Review construction plans and specifications for pipelines, pumps, and associated facilities.

Prepare correspondence related to inspection functions.

Represent the District in coordination with other utilities, engineering firms, developers, regulatory agencies, governmental bodies, planning agencies and technical groups.

Advise and confer with the public concerning problems because of projects adjacent to their property.

Account for all contract bid items in preparation of progress payment to contractors.

Participate in all phases of District-wide activities and operations as assigned.

Build and maintain positive working relationships with co-workers, other District employees and the public using principles of good customer service.

Perform related duties as assigned.

### MINIMUM QUALIFICATIONS

#### Knowledge of:

Methods, materials, tools, and equipment used in the construction of water development and distribution and other hydraulic projects and facilities.

Construction workplace safety practices and procedures.

Latest version of the Palmdale Water District's Standard Specifications for Water Distribution System Construction.

Mathematics and physics as applied to engineering, topography, construction, and design of structures.

Contract administration as related to construction projects, i.e. Scope of Work, quality of Work, Prosecution and Progress, Legal Relations and Responsibilities, Contractors Insurance, and Estimates and Payments.

Basic operations of a water distribution system.

Use of personal computers to prepare reports, compile data, and communicate electronically. Microsoft Outlook, Word, and Excel.

#### Ability to:

Inspect construction projects and detect flaws in construction methods and materials.

Read and interpret designs, plans and construction specifications.

Maintain detailed records and information.

Develop reports outlining problems with construction projects.

Use computer systems and software packages related to construction analysis and specifications, and GIS mapping.

Effectively represent the District's engineering functions with the public, other government agencies, contractors, and developers.

Learn, correctly interpret, and apply the policies and procedures of the District. Establish and maintain effective working relationships with those contacted in the course of work including District staff and the public

Operate various office equipment.

Recognize health and safety problems related to construction projects.

Work outside under a variety of climatic and geographic conditions.  
Prepare and maintain complete records and logs of inspection activities.

Communicate clearly and concisely, both orally and in writing.

Establish and maintain effective working relationships with those contacted in the course of work.

#### License and Certificate

Possession of, or ability to obtain, a valid California Driver's License. Must having driving record acceptable to the District.

Possession of a Distribution Operator Grade 2 Certificate as issued by the State Water Resources Control Board.

Ability to obtain within 18 months of employment, a Distribution Operator Grade 3 Certificate as issued by the State Water Resources Control Board, a Treatment Operator Grade 2 Certificate as issued by the State Water Resources Control Board, and a Cross Connection Specialist Certification.

#### Supplemental Information:

##### Physical Requirements and Working Conditions

Communicate clearly and concisely, both orally, and in writing.

Hears normal conversation in person and/or on the telephone.

Must be able to see sufficiently to accomplish the duties of the position and to operate a District vehicle; travels regularly by vehicle and sometimes airplane in conducting District business.

Sit for prolonged periods of time.

Manual dexterity must be sufficient to accomplish the duties of the position.

Push and pull 50 pounds.

Approved:

I have reviewed this job description with my Supervisor and agree with its contents.

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Supervisor Signature

\_\_\_\_\_  
Date

The specific statements shown in each section of this job description are not intended to be all-inclusive. They represent typical elements and criteria necessary to successfully perform the job.

## PALMDALE WATER DISTRICT

### CONSTRUCTION INSPECTOR 2

FLSA Status: Non-Exempt

#### DEFINITION

Under minimal supervision, performs routine and specialized inspections and tests, prepares and maintains reports and diaries that are complete and concise. Maintain all records of construction for assigned District projects. When required must be able to assist with the training of Inspector 1's. This position is considered a journeyman level to the construction inspection field and must be able to perform all levels of inspection within the Districts jurisdiction. Perform other related duties as required.

#### DISTINGUISHING CHARACTERISTICS

Construction Inspector 2 – Must have all the characteristics of a Construction Inspector 1. This is the journey level class in the Construction Inspector series and is distinguished from the 1 level by the assignment of the full range of duties. Employees at this level receive only occasional instruction or assistance as new, unusual, or unique situations arise and are fully aware of the operating procedures and policies within the work unit. Positions in this class are flexibly staffed and are normally filled by advancement from the 1 level.

#### SUPERVISION RECEIVED AND EXERCISED

Receives general supervision from the Project Manager.

EXAMPLES OF ESSENTIAL DUTIES - Duties may include, but are not limited to, the following:

Performs routine inspections at field locations of a variety of construction activities including but not limited to: earthwork, concrete, storm drains, deep water wells, reservoirs, domestic water pipeline, water treatment plants, pressure reducing stations, electrical, mechanical and related structural construction.

Understand test methods and inspection procedures for a variety of tests for various types of construction i.e. compaction tests, water pressure test etc.

Assists with the administration of the specifications, policies and procedures and reports violations or deviations.

Prepares a detailed daily diary documenting construction actions and activities, including a variety of reports related to the construction inspection.

Adheres to District safety practices and policies.

Prepares as-built drawings.

Communicate effectively with contractors, engineers, public agencies, and others to insure the conformance of specification application.

Collects and delivers domestic water samples to the District's laboratory for analysis

May participate in pre-construction meetings with contractors and engineers as directed by the Project Manager. May conduct pre-construction meetings for development projects.

Learn, understand, and operate Great Plains System.

Prepares and verifies contract quantity for contract summary payments, check grade and alignments, check and verify materials for use.

Assists with the training of personnel in inspection techniques, procedures, specifications, testing methods and report preparation.

Coordinates drinking water distribution tie-in connections to existing grid systems.

Calculates, accepts, or rejects distribution system hydrostatic pressure and leakage testing.

Based on Department of Drinking Water guidelines, determines the number of bacterial sampling points to be installed.

Coordinates the disinfection process, including flushing of Chlorine, verifying amount and concentration of disinfectant in PPM, for the various distribution pipelines under construction.

As needed, operates the distribution system valves for purposes of activation, shut-downs and for repairs under specific direction of the General Manager.

### MINIMUM QUALIFICATIONS

#### Ability to:

Must have all the qualifications of Inspector 1.

Develop and recommend complex revisions to plans and specifications to meet field conditions, as necessary.

#### Experience and Training

Any combination of experience and training that would provide the required knowledge and abilities is qualifying. A typical way to obtain the required knowledge and abilities would be:

Experience:

Three years of increasingly responsible construction experience in the inspection of construction within the District's scope of influence, and/or experience with another agency found to be acceptable to District.

Training:

High School Diploma or equivalent. College or technical trade school training related to inspection desirable. Completed courses in college, technical trade school and certificates from ICC and/or ACI are desirable.

License and Certificate

Possession of a valid California Driver's License. Must having driving record acceptable to the District.

Possession of a Distribution Operator Grade 3 Certificate as issued by the State Water Resources Control Board, a Treatment Operator Grade 2 Certificate as issued by the State Water Resources Control Board, and a Cross Connection Specialist Certification.

Knowledge of:

Must have all the knowledge of Construction Inspector 1. Including the following:  
Construction procedures, techniques, and practices.

Basic drafting.

Mathematics, including Algebra and Geometry

Map reading

Local geography

Purpose of and techniques of test methods and procedures

Practices and procedures in water distributions and sanitation systems

Codes and specifications pertaining to construction.

Safe working practices.

Ability to:

Read and understand blueprints, schematics, and specifications.  
Communicate effectively both in writing and verbally.  
Follow written and oral direction  
Work cooperatively with others.  
Accurately perform inspections and tests.  
Keep detailed records, diaries, and reports.  
Make detailed records, diaries and reports.  
Understand and follow district safety policies.  
Be available for weekends, holidays, and nights.  
Make accurate mathematical computations.  
Safely operate a light district vehicle.  
Computer knowledge and skills i.e. Microsoft word, Microsoft excel, Microsoft Outlook, Great Plains system, etc.  
Effectively communicate with contractors, engineers, public officials, and others.  
Work independently and use sound judgment in making decisions.  
Keep detailed records, diaries, and reports.  
Training techniques and processes.  
Supervisory skills and techniques.

Experience and Training

Any combination of experience and training that would provide the required knowledge and abilities is qualifying. A typical way to obtain the required knowledge and abilities would be:

Experience:

Five years of increasingly responsible construction experience as a construction foreman including management of crew and construction management

or

Two (2) years of construction inspection experience performing duties similar to a Construction Inspector 1 as defined in the Palmdale Water District job description.

Training:

Equivalent to the completion of the twelfth grade, supplemented by college level course in engineering, construction management or a related field.

Supplemental Information:

Physical Requirements and Working Conditions



Communicate clearly and concisely, both orally, and in writing.

Hears normal conversation in person and/or on the telephone.

Must be able to see sufficiently to accomplish the duties of the position and to operate a District vehicle; travels regularly by vehicle and sometimes airplane in conducting District business.

Sit for prolonged periods of time.

Manual dexterity must be sufficient to accomplish the duties of the position.

Push and pull 50 pounds.

Approved:

I have reviewed this job description with my Supervisor and agree with its contents.

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Supervisor Signature

\_\_\_\_\_  
Date

The specific statements shown in each section of this job description are not intended to be all-inclusive. They represent typical elements and criteria necessary to successfully perform the job.

Director Wilson was absent from the September 28, 2020 Regular Board Meeting. Agenda Item No. 6.5 has been placed on the Consent Calendar to excuse this absence pursuant to Section 4.07.2 of the District's Rules and Regulations which states, "The Board shall excuse absences by approving such absences pursuant to the Consent Calendar at the next regular Board meeting."

Additionally, the policy lacked the necessary language on purchasing authority and accounts payable approval. As part of succession planning, staff are documenting business processes for fiscal accuracy and responsibilities. The additional sections document the current practices and add transparency and accountability to the policy.

BOARD OF DIRECTORS  
PALMDALE WATER DISTRICT

VIA: Mr. Dennis D. LaMoreaux, General Manager

October 5, 2020

**Strategic Plan Initiative/Mission Statement:**

This item is under Strategic Initiative No. 2 – Organizational Excellence, No. 3 – Systems Efficiency, and No. 4 – Financial Health and Stability.

This item directly relates to the District’s Mission Statement.

**Budget:**

No budget impacts

**Supporting Documents:**

- Proposed redlined Appendix M
- Resolution No. 20-15 including updated Appendix M as Exhibit “A”

## APPENDIX M

### ~~BID~~ PROCUREMENT AND ~~CHANGE ORDER~~ PURCHASING POLICY

## **BID-PROCUREMENT AND PURCHASING CHANGE ORDER POLICY**

### **I. Statement of Policy**

This statement of policy establishes the guideline for purchasing approval and letting contracts for the performance of work for the District or the acquisition of materials or equipment. It is the policy of the District to ensure the maximum use of fair and open competition to obtain goods and services for operation at the lowest possible overall cost. However, notwithstanding this statement, all contracts for work and for acquisition of materials and equipment, may be made or entered into upon such terms and conditions and in such manner as the Board may determine is in the best interest of the District.

### **II. Principles**

A. The following apply to all purchases made by the District, unless otherwise exempted as set forth herein:

1. No purchase will be approved or undertaken unless it has been budgeted for, either through the adopted annual budget or Board approval of additional appropriations. It is the responsibility of the Department Manager to maintain control of their departmental budgets.
2. Emergency: The determination of the existence of an emergency condition shall be at the direction of the General Manager or his designated representative. In the event of an emergency, the General Manager or his designated representative may negotiate and award contracts for construction of work to prevent damage or repair damaged works without advertising for bids and expend any sum reasonably required in the emergency as outlined in Section 4.03.3(b) of the District's Rules and Regulations. The General Manager shall report to the Board of Directors, at its next meeting, the reasons justifying why the emergency will not permit a delay resulting from a competitive solicitation for bids and why the action is necessary to respond to the emergency.
3. All purchases shall be of the quality deemed necessary to meet District standards.

4. Competitive offer requirements are set out in subsequent sections of this policy and are established based on type of purchase and/or established dollar limits.

5. A purchase, including capital projects, shall not be split to avoid required procedures or established dollar limits.

6. No purchase shall be made without authorized requisition, Purchase Order (PO), contract or agreement unless exempted in these guidelines. The following purchases are exempt from these procedures:

i. Utilities

ii. Insurance premiums

iii. Membership renewals and subscriptions

iv. Postage and mailing services

v. Certain employee expense reimbursements

vi. Tuition reimbursements

vii. Conferences, seminars, and training expenses

viii. Travel expenses

ix. In emergency situations where time is of the essence

7. Authorized requisition process and approval rules are detailed in the District's Requisition/PO procedures. Any changes or modifications to the procedures must be approved by the General Manager.

8. No District employee or Board member shall have a direct or indirect financial interest in any contract or purchase of goods or services entered into by the District, or shall derive any personal benefit that violates California law as a result of the District's purchase of goods and services.

9. Any District employee or Board member failing to follow the procurement policy and procedures may incur personal liability or financial obligation to the vendor.

## B. Exceptions to Competitive Offer Requirements

As applicable in Section III through V, the informal offers and the formal bidding process may be bypassed with General Manager approval in the following instances:

1. In emergency situations where time is of the essence, pursuant to the principles in Section II(A)(2).
2. Where a single source of sole source purchase is justified.
3. When there exist other governmental contracts that were competitively bid within the last year that the District is eligible to use and would result in a lower price to the District.
4. When an item has been previously bid and the price has not changed by more than three percent (3%).
5. When it is not possible, practical, or cost effective to continue soliciting offers to meet minimum of three (3) bids provided that staff will use its best efforts to obtain competitive offers.

## III. General Supplies, Materials and Equipment

General supplies, materials and equipment shall consist of any and all tangible items necessary for day-to-day operations, excluding goods purchased as part of a Construction Contract or Professional Agreement (Section IV). These purchases are included in the annual budget. All purchases must be approved through the District's Requisition/PO process unless otherwise specified.

- A. General Purchase  $\leq$  \$10,000 – Purchases of \$10,000 or less do not require competitive offers. Use of a Request for Quote (RFQ) or Request for Proposal (RFP) is encouraged when appropriate but not required.
- B. General Purchase  $>$  \$10,000 to \$50,000 – Purchases between \$10,000 and \$50,000 must be approved by the Finance Manager or Assistant General Manager. The Department Manager should make a reasonable attempt to obtain at least two written quotes. The use of RFQ or RFP is strongly encouraged but not required.



- C. General Purchase between \$50,001 and \$100,000 – Purchases between \$50,001 and \$100,000 must be approved by the General Manager. Where practical, formal bidding should be used to assure that the District is getting the best value. The Department Manager shall evaluate the quotes/proposals (formal or informal) received and determine the best value.
- D. General Purchase over \$100,001 – Purchases above \$100,001 shall be formally bid when practical. The formal process generally takes more time and expense than informal quotes. In some instances, it may not be the most cost-effective approach. Exceptions to the formal bid process are considered on a case by case basis.

#### **IV. Construction Contract and Professional Agreement**

##### **IA. Work Cost More Than \$50,000**

- a1. Except as otherwise provided in this statement of policy, all contracts for any improvement, job, construction project or unit of work (herein referred to as work), and all acquisitions of material or equipment, estimated to cost or to have a value when completed in excess of Fifty Thousand Dollars (\$50,000) shall be competitively bid and awarded ~~let~~ to the lowest responsible bidder in the manner hereinafter provided.
- b. ~~The Board shall first determine whether the contract shall be let or the acquisition made as a single unit for the whole of the work or acquisition, or whether it shall be divided into severable convenient plans.~~
- e2. The Contract documents shall be prepared utilizing the District's standard forms with such modification as may be appropriate for the particular work or unit of work, or the acquisition of materials or equipment. ~~In the case of work to be performed for the District,~~  
The documents to be prepared shall ordinarily include the Notice Inviting Bids, Instructions to Bidders, the Proposal for submission by the bidder, the Information Required of Bidder, setting forth the equipment and material source and other required information, Contractor's Licensing Statement, List of Subcontractors, Bid Security Form,

Agreement, Faithful Performance Bond, Payment Bond, Non-Collusion Affidavit, Notice to Proceed, General Provisions, Special Provisions, and Plans and Specifications.

3d. Unless otherwise required by the provisions of the Public Contract Code, the District may advertise either electronically via a web base bidding service or in printed publications, for inviting proposals for furnishing labor for or materials or supplies for use or incorporation in, the proposed work or unit of work, or for providing materials or equipment. To the extent applicable to a specific work or acquisition, the notice calling for bids shall contain the information specified in Section 20564 of the Public Contract Code. In the event that the construction of works is to be paid for with the proceeds of the sale of bonds or a limited assessment, the District shall give said notice by publication once a week for three (3) successive weeks in a newspaper of general circulation published in the District as specified in Section 20563 of the Public Contracts Code.

4e. All bids shall be presented on forms furnished by the District either electronically or sealed bid, and, ~~in the case of a bid to perform work for the District,~~ it shall be accompanied by one of the following forms of bidder's security: (1) cash, (2) a cashier's check made payable to the District, (3) a certified check made payable to the District, or (4) a bidder's bond executed by an admitted surety insurer made payable to the District.

5f. At the time, place appointed, and set forth in the Notice Inviting Bids, the bids shall be available either on the bidding service website or opened in public.

6g. The District ~~shall~~ shall assign a five (5) percent contract bid reduction to a bidder which is a "Local Contractor or Vendor" as defined in ~~(13)~~ (4i).

7h. The Board may reject any and all proposals or bids should it deem it to be for the public good, or may award the contract for the work or unit of work, or materials or equipment, to the lowest responsible bidder at the prices named or specified in the bid or proposal subject however to Paragraph 8i.

8i. Once all bids have been opened or received electronically through a web based bidding service, the bids of those bidders which are “Local Contractors or Vendor” shall be reduced by five percent (5%) for purposes of determining the lowest responsible bidder. If the bid of a Local Contractor or Vendor, after applying the contract bid reduction provided for in Paragraph g6, is then the lowest responsible bid, that Local Contractor or Vendor shall be awarded the contract at the amount of its bid without regard to any contract bid reduction, subject to the remaining provisions of this policy.

9j. The District or its agents may refuse to award a contract under ~~Section i~~ Paragraph 8 to a Local Contractor or Vendor if it makes a determination that the products purchased or work provided by a bidder cannot be provided within a timely manner for the performance of the contract or a determination the Local Contractor or Vendor cannot meet specified quality performance standards or experience requirements.

10k. If any federal or state statute or regulation precludes the granting of federal or state assistance or reduces the amount of that assistance for a particular public works project because of a preference awarded according to the terms of this policy, this policy shall not apply insofar as its application would preclude or reduce federal or state assistance for that work.

11. In the case of work to be performed for the District, the District shall require the successful bidder or bidders to file with the Board good and sufficient bonds, to be approved by the Board, conditioned upon the faithful performance of the contract and upon payment of all claims for labor and materials in connection therewith.

12. In the case of work to be performed from the District, the District shall require the successful bidder or bidders to carry public liability and property damage insurance, workers' compensation insurance, and other insurance, in the amounts and under the terms stipulated in the Contract documents.

13. The following terms shall have the following meanings:

~~4i~~) "Local Contractor or Vendor" means a contractor or vendor whose principal place of business as reflected in official records is located in the area shown on the Local Contractor and Vendor Boundary Map attached hereto. Those claiming to be Local Contractors and Vendors shall submit proof of their principal place of business with their bid.

~~2ii~~) "Lowest Responsible Bidder" shall mean a person who submits the lowest monetary bid, taking into account the contract bid reduction provided for in paragraph g, and which responds to the terms upon which bids were requested, and who has the capacity, integrity, and ability to perform the particular requirements of the contract. Factors which may be considered in determining the "lowest responsible bidder" include, but are not limited to, all of the following:

- a) The contractor's prior record of performance on other public works projects, if any, including timely completion of performance, quality of work, and completion of projects within project budget or bid amount submitted.
- b) The contractor's involvement in any ongoing litigation or contract disputes with the awarding authority which could impair satisfactory performance on the contract to be awarded.
- c) The contractor's history of noncompliance with occupational safety and health requirements, labor statutes and regulations, and other local, state, and federal laws.

**HB. Work or Acquisitions Costing More Than \$~~6~~10,000, But Not More than \$50,000**

All contracts for any work or unit of work, and all acquisitions of materials or equipment, having been submitted either by informal or formal bids in accordance with this statement of policy and having a value in excess of ~~Six-Ten~~ Thousand Dollars (\$~~6~~10,000), but not more than Fifty Thousand Dollars (\$50,000), shall be reviewed and recommended by a Committee of the Board, and the

Board shall concur by majority vote. In the event no formal competitive bids are solicited, the Board may also give local contractors and vendors a preference.

**HC.** **Work or Acquisitions Costing Less Than \$~~6~~10,000**

All contracts for any work or unit of work, and all acquisitions of materials or equipment, estimated to cost or to have a value when completed that is less than ~~Six~~ Ten Thousand Dollars (\$~~6~~10,000), may be authorized by the District's General Manager without compliance with any formal competitive bidding procedure or prior Board approval, and in any such case he may authorize the work or unit of work or acquire the materials or equipment, by informal bidding or quotations or by purchase on the open market without advertising. The District's General Manager may give local contractors and vendors a preference.

**VD.** **Change Order Policy**

All change orders occurring during the performance of a contract shall be reported to the Board. Change order amounts which are ~~Six Thousand Dollars (\$6,000)~~ or less than ~~or which are~~ ten percent (10%) ~~or less~~ of the original contract amount up to a maximum amount of Fifty Thousand Dollars (\$50,000) may be authorized by the District's General Manager; however, change order amounts greater than ~~Fifty Six~~ Fifty Thousand Dollars (\$~~6~~50,000) ~~and or~~ greater than ten percent (10%) of the original contract amount ~~up to a maximum change order amount of Fifty Thousand Dollars (\$50,000)~~ shall be approved by ~~the appropriate Committee of the~~ the appropriate committee or full Board of Directors. ~~The Board shall by a majority vote approve all change order amounts in excess of Fifty Thousand Dollars (\$50,000). In the case of contracts with unit prices, if the number of units of significant bid items increases by twenty percent (20%) or more, Board approval must be obtained.~~

**V.** **Electronic Bidding**

**aA.** Notwithstanding any contrary provision in Appendix M, the use of electronic media is authorized for any formal and informal bidding process pursuant to Appendix M, including without limitation

submission, identification, opening and reporting of bids electronically ("electronic bidding"; "E-Bid"), provided that it be in accordance with state law. Electronic bidding shall include measures as the District deems appropriate for security of the bidding, approval and award processes and accurate retrieval or conversion of electronic information into a medium which permits inspection and copying. All electronic bids shall be submitted in a manner set forth in the Notice -Inviting Bids and/or the bid instructions.

**bB.** The District may, in its sole discretion, require electronic bidding for any informal and formal bids authorized under Appendix M. If the District elects to use electronic bidding, then all bids must be submitted electronically consistent with the Notice Inviting Bids and/or bid instructions. If electronic bidding is not selected, then no bids may be submitted electronically and will be submitted sealed bid at a date, time and place.

## **VI. Exceptions to Statement of Policy**

The policy specified in this statement shall not apply in the following cases or circumstances:

- (1) A contract for the acquisition or disposal of any real property.
- (2) A contract for the leasing of any personal property or the acquisition of personal property other than materials and equipment for use in construction activities.
- (3) A contract for the purchase of water or water rights.
- (4) A contract for the repair of District equipment.
- (5) A contract for legal, engineering and other professional services.
- (6) ~~A contract for the performance of work or acquisition of materials or equipment deemed by the Board to be of urgent necessity for the preservation of life, health or property, or in order to continue to provide water to the District's existing customers, and such action is authorized by a two-thirds vote of the District's Board.~~
- (7) The repair, alteration, addition, or the making of improvements, by force account.

- (8) Work related to and in furtherance of the purposes of the District, or materials or equipment acquired for such purposes, where such work is to be performed or such materials or equipment are to be acquired, for the account of other persons or entities, ~~a~~An example of such work ~~or acquisition being the~~ is construction of a water ~~transmission pipeline or the installation of meters or other facilities~~ for a developer and done at the developer's expense.
- (9) A contract for the performance of work or acquisition of materials in instances where work and materials are regularly and periodically required and work and materials for the repair or replacement of prior works or materials relating to the following:

a) Asphalt and concrete patching;	i) Online analyzers
b) Janitorial supplies;	j) Treatment chemicals
c) Office supplies;	k) Laboratory supplies and testing equipment
d) Aggregate (sand, base and similar materials);	l) Landscape services
e) Cold mix asphalt;	m) Janitorial services
f) Data mailers;	n) Printing services
g) Water meters;	o) Answering services
h) Pumps and Motors	p) Pest control services

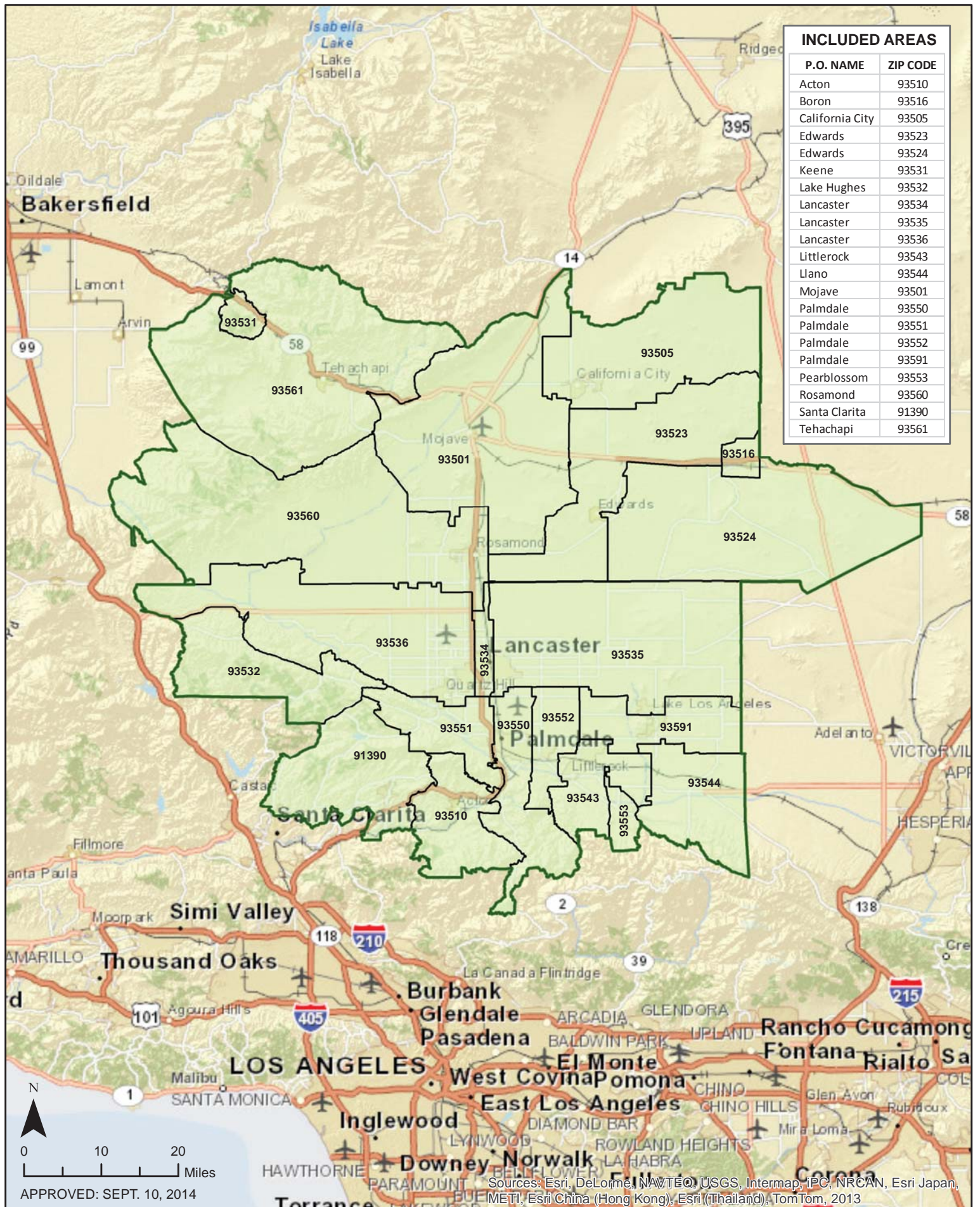
## **VII. — Scope of Statement of Policy**

~~This statement of policy establishes the manner of calling for bids and letting contracts for the performance of work for the District or the acquisition of materials or equipment. However, notwithstanding this statement, all contracts for work and all contracts for acquisition of materials and equipment, may be made or entered into upon such terms and conditions and in such manner as the Board may determine is in the best interest of the District.~~

**BID PROCUREMENT POLICY APPROVED AND ADOPTED AT A REGULAR BOARD MEETING OF THE PALMDALE WATER DISTRICT BOARD OF DIRECTORS HELD APRIL 19, 1990**

Revised 1-14-92  
Revised 9-15-92  
Revised 4-25-94  
Revised 11-10-97  
Revised 2-24-2020





## PALMDALE WATER DISTRICT RULES AND REGULATIONS APPENDIX "M"

### **LOCAL CONTRACTOR AND VENDOR BOUNDARY MAP**

**RESOLUTION NO. 20-15**  
**A RESOLUTION OF THE BOARD OF DIRECTORS**  
**OF THE PALMDALE WATER DISTRICT**  
**ADOPTING AN AMENDMENT TO APPENDIX M,**  
**BID PROCUREMENT AND CHANGE ORDER POLICY,**  
**OF THE PALMDALE WATER DISTRICT'S RULES AND REGULATIONS**

**WHEREAS**, Appendix M, Bid Procurement and Change Order Policy, of the Palmdale Water District's Rules and Regulations establishes the manner of calling for bids and letting contracts for the performance of work for the District or the acquisition of materials or equipment; and

**WHEREAS**, pursuant to Appendix M, the General Manager shall have the authority to authorize all contracts for any work or unit of work and all acquisitions of materials or equipment estimated to cost or to have a value when completed of less than \$10,000.00; and

**WHEREAS**, in accordance with said December 2019 CCI as reported by the ENR and as stated in said Appendix M, the appropriate Board Committee shall have the authority to authorize all contracts for any work or unit of work and all acquisitions of materials or equipment having been submitted by either informal or formal bids estimated to cost or to have a value when completed of more than \$10,000.00, but no more than \$50,000.00; and

**WHEREAS**, the Palmdale Water District ("District") desires to update Appendix M, the Bid Procurement and Change Order Policy, of the District's Rules and Regulations to update approval limit comparable to other water agencies and current Construction Cost Index (CCI) as reported by the Engineering News Record (ENR) by the percentage increase of the indexes from December 1990 and December 2019; and

**WHEREAS**, the District also desires to clarify the delegation of authority regarding requisitions and invoice approval for work and acquisition of materials or equipment budgeted in the annual budget process and change the policy's name to Procurement and Purchasing Policy to reflect this addition.

**NOW THEREFORE, BE IT RESOLVED THAT THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT DOES HEREBY RESOLVE AS FOLLOWS:**

**SECTION 1.** Notwithstanding any contrary provision in Article 17 of the Palmdale Water District's Rules and Regulations, approval authorities are updated and added to Appendix M, as set forth in Exhibit "A" to this Resolution.

**SECTION 2.** The District shall rename said Appendix M to Procurement and Purchasing Policy.

**SECTION 3.** Upon the effective date of this Resolution, adopted herein, the Resolution shall supersede any and all prior resolutions adopted that are in conflict with this Resolution.

**SECTION 4.** If any provision in this Resolution, or the application thereof to any person or circumstances, is for any reason held invalid, the validity of the remainder of this Resolution, or the application of such provisions to other persons or circumstances shall not be affected thereby. The Board of Directors hereby declares that it would have passed this Resolution, and each provision thereof, irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases or the application thereof to any person or circumstance be held invalid.

**SECTION 5.** This Resolution shall become effective upon the date of adoption as set forth herein.

**PASSED, APPROVED AND ADOPTED** on this 12<sup>th</sup> day of October 2020 by the Board of Directors of the Palmdale Water District.

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Vincent Dino, President  
Board of Directors  
Palmdale Water District

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Don Wilson, Secretary  
Board of Directors  
Palmdale Water District

APPROVED AS TO FORM:

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Aleshire & Wynder. LLP  
Eric Dunn, District General Counsel

**E X H I B I T “A”**

**APPENDIX M**

**PROCUREMENT AND PURCHASING POLICY**

## **PROCUREMENT AND PURCHASING POLICY**

### **I. Statement of Policy**

This statement of policy establishes the guideline for purchasing approval and letting contracts for the performance of work for the District or the acquisition of materials or equipment. It is the policy of the District to ensure the maximum use of fair and open competition to obtain goods and services for operation at the lowest possible overall cost. However, notwithstanding this statement, all contracts for work and for acquisition of materials and equipment, may be made or entered into upon such terms and conditions and in such manner as the Board may determine is in the best interest of the District.

### **II. Principles**

A. The following apply to all purchases made by the District, unless otherwise exempted as set forth herein:

1. No purchase will be approved or undertaken unless it has been budgeted for, either through the adopted annual budget or Board approval of additional appropriations. It is the responsibility of the Department Manager to maintain control of their departmental budgets.
2. Emergency: The determination of the existence of an emergency condition shall be at the direction of the General Manager or his designated representative. In the event of an emergency, the General Manager or his designated representative may negotiate and award contracts for construction of work to prevent damage or repair damaged works without advertising for bids and expend any sum reasonably required in the emergency as outlined in Section 4.03.3(b) of the District's Rules and Regulations. The General Manager shall report to the Board of Directors, at its next meeting, the reasons justifying why the emergency will not permit a delay resulting from a competitive solicitation for bids and why the action is necessary to respond to the emergency.
3. All purchases shall be of the quality deemed necessary to meet District standards.
4. Competitive offer requirements are set out in subsequent sections of this policy and are established based on type of purchase and/or established dollar limits.

5. A purchase, including capital projects, shall not be split to avoid required procedures or established dollar limits.

6. No purchase shall be made without authorized requisition, Purchase Order (PO), contract or agreement unless exempted in these guidelines. The following purchases are exempt from these procedures:

- i. Utilities
- ii. Insurance premiums
- iii. Membership renewals and subscriptions
- iv. Postage and mailing services
- v. Certain employee expense reimbursements
- vi. Tuition reimbursements
- vii. Conferences, seminars, and training expenses
- viii. Travel expenses
- ix. In emergency situations where time is of the essence

7. Authorized requisition process and approval rules are detailed in the District's Requisition/PO procedures. Any changes or modifications to the procedures must be approved by the General Manager.

8. No District employee or Board member shall have a direct or indirect financial interest in any contract or purchase of goods or services entered into by the District, or shall derive any personal benefit that violates California law as a result of the District's purchase of goods and services.

9. Any District employee or Board member failing to follow the procurement policy and procedures may incur personal liability or financial obligation to the vendor.

**B. Exceptions to Competitive Offer Requirements**

As applicable in Section III through V, the informal offers and the formal bidding process may be bypassed with General Manager approval in the following instances:



1. In emergency situations where time is of the essence, pursuant to the principles in Section II(A)(2).
2. Where a single source of sole source purchase is justified.
3. When there exist other governmental contracts that were competitively bid within the last year that the District is eligible to use and would result in a lower price to the District.
4. When an item has been previously bid and the price has not changed by more than three percent (3%).
5. When it is not possible, practical, or cost effective to continue soliciting offers to meet minimum of three (3) bids provided that staff will use its best efforts to obtain competitive offers.

### **III. General Supplies, Materials and Equipment**

General supplies, materials and equipment shall consist of any and all tangible items necessary for day-to-day operations, excluding goods purchased as part of a Construction Contract or Professional Agreement (Section IV). These purchases are included in the annual budget. All purchases must be approved through the District's Requisition/PO process unless otherwise specified.

- A. General Purchase  $\leq$  \$10,000 – Purchases of \$10,000 or less do not require competitive offers. Use of a Request for Quote (RFQ) or Request for Proposal (RFP) is encouraged when appropriate but not required.
- B. General Purchase  $>$  \$10,000 to \$50,000 – Purchases between \$10,000 and \$50,000 must be approved by the Finance Manager or Assistant General Manager. The Department Manager should make a reasonable attempt to obtain at least two written quotes. The use of RFQ or RFP is strongly encouraged but not required.
- C. General Purchase between \$50,001 and \$100,000 – Purchases between \$50,001 and \$100,000 must be approved by the General Manager. Where practical, formal bidding should be used to assure that the District is getting the best value. The Department Manager shall evaluate the quotes/proposals (formal or informal) received and determine the best value.

- D. General Purchase over \$100,001 – Purchases above \$100,001 shall be formally bid when practical. The formal process generally takes more time and expense than informal quotes. In some instances, it may not be the most cost-effective approach. Exceptions to the formal bid process are considered on a case by case basis.

#### **IV. Construction Contract and Professional Agreement**

##### **A. Work Cost More Than \$50,000**

1. Except as otherwise provided in this statement of policy, all contracts for any improvement, job, construction project or unit of work (herein referred to as work), and all acquisitions of material or equipment, estimated to cost or to have a value when completed in excess of Fifty Thousand Dollars (\$50,000) shall be competitively bid and awarded to the lowest responsible bidder in the manner hereinafter provided.
2. The Contract documents shall be prepared utilizing the District's standard forms with such modification as may be appropriate for the particular work or unit of work, or the acquisition of materials or equipment. The documents to be prepared shall ordinarily include the Notice Inviting Bids, Instructions to Bidders, the Proposal for submission by the bidder, the Information Required of Bidder, setting forth the equipment and material source and other required information, Contractor's Licensing Statement, List of Subcontractors, Bid Security Form, Agreement, Faithful Performance Bond, Payment Bond, Non-Collusion Affidavit, Notice to Proceed, General Provisions, Special Provisions, and Plans and Specifications.
3. Unless otherwise required by the provisions of the Public Contract Code, the District may advertise either electronically via a web base bidding service or in printed publications, for inviting proposals for furnishing labor for or materials or supplies for use or incorporation in, the proposed work or unit of work, or for providing materials or equipment. To the extent applicable to a specific work or acquisition, the notice calling for bids shall contain the information specified in Section 20564 of the Public Contract



Code. In the event that the construction of works is to be paid for with the proceeds of the sale of bonds or a limited assessment, the District shall give said notice by publication once a week for three (3) successive weeks in a newspaper of general circulation published in the District as specified in Section 20563 of the Public Contracts Code.

4. All bids shall be presented on forms furnished by the District either electronically or sealed bid, and it shall be accompanied by one of the following forms of bidder's security: (1) cash, (2) a cashier's check made payable to the District, (3) a certified check made payable to the District, or (4) a bidder's bond executed by an admitted surety insurer made payable to the District.
5. At the time, place appointed, and set forth in the Notice Inviting Bids, the bids shall be available either on the bidding service website or opened in public.
6. The District shall assign a five (5) percent contract bid reduction to a bidder which is a "Local Contractor or Vendor" as defined in (13)(i).
7. The Board may reject any and all proposals or bids should it deem it to be for the public good, or may award the contract for the work or unit of work, or materials or equipment, to the lowest responsible bidder at the prices named or specified in the bid or proposal subject however to Paragraph 8.
8. Once all bids have been opened or received electronically through a web based bidding service, the bids of those bidders which are "Local Contractors or Vendor" shall be reduced by five percent (5%) for purposes of determining the lowest responsible bidder. If the bid of a Local Contractor or Vendor, after applying the contract bid reduction provided for in Paragraph 6, is then the lowest responsible bid, that Local Contractor or Vendor shall be awarded the contract at the amount of its bid without regard to any contract bid reduction, subject to the remaining provisions of this policy.
9. The District or its agents may refuse to award a contract under Paragraph 8 to a Local Contractor or Vendor if it makes a determination that the products purchased or work

provided by a bidder cannot be provided within a timely manner for the performance of the contract or a determination the Local Contractor or Vendor cannot meet specified quality performance standards or experience requirements.

10. If any federal or state statute or regulation precludes the granting of federal or state assistance or reduces the amount of that assistance for a particular public works project because of a preference awarded according to the terms of this policy, this policy shall not apply insofar as its application would preclude or reduce federal or state assistance for that work.
11. In the case of work to be performed for the District, the District shall require the successful bidder or bidders to file with the Board good and sufficient bonds, to be approved by the Board, conditioned upon the faithful performance of the contract and upon payment of all claims for labor and materials in connection therewith.
12. In the case of work to be performed from the District, the District shall require the successful bidder or bidders to carry public liability and property damage insurance, workers' compensation insurance, and other insurance, in the amounts and under the terms stipulated in the Contract documents.
13. The following terms shall have the following meanings:
  - i) "Local Contractor or Vendor" means a contractor or vendor whose principal place of business as reflected in official records is located in the area shown on the Local Contractor and Vendor Boundary Map attached hereto. Those claiming to be Local Contractors and Vendors shall submit proof of their principal place of business with their bid.
  - ii) "Lowest Responsible Bidder" shall mean a person who submits the lowest monetary bid, taking into account the contract bid reduction provided for in paragraph g, and which responds to the terms upon which bids were requested, and who has the capacity, integrity, and ability to perform the particular requirements of the contract.

Factors which may be considered in determining the "lowest responsible bidder" include, but are not limited to, all of the following:

- a) The contractor's prior record of performance on other public works projects, if any, including timely completion of performance, quality of work, and completion of projects within project budget or bid amount submitted.
- b) The contractor's involvement in any ongoing litigation or contract disputes with the awarding authority which could impair satisfactory performance on the contract to be awarded.
- c) The contractor's history of noncompliance with occupational safety and health requirements, labor statutes and regulations, and other local, state, and federal laws.

**B. Work or Acquisitions Costing More Than \$10,000, But Not More than \$50,000**

All contracts for any work or unit of work, and all acquisitions of materials or equipment, having been submitted either by informal or formal bids in accordance with this statement of policy and having a value in excess of Ten Thousand Dollars (\$10,000), but not more than Fifty Thousand Dollars (\$50,000), shall be reviewed and recommended by a Committee of the Board, and the Board shall concur by majority vote. In the event no formal competitive bids are solicited, the Board may also give local contractors and vendors a preference.

**C. Work or Acquisitions Costing Less Than \$10,000**

All contracts for any work or unit of work, and all acquisitions of materials or equipment, estimated to cost or to have a value when completed that is less than Ten Thousand Dollars (\$10,000), may be authorized by the District's General Manager without compliance with any formal competitive bidding procedure or prior Board approval, and in any such case he may authorize the work or unit of work or acquire the materials or equipment, by informal bidding or quotations or by purchase on the open market without advertising. The District's General Manager may give local contractors and vendors a preference.

**D. Change Order Policy**

All change orders occurring during the performance of a contract shall be reported to the Board. Change order amounts which are less than ten percent (10%) of the original contract amount up to a maximum amount of Fifty Thousand Dollars (\$50,000) may be authorized by the District's General Manager; however, change order amounts greater than Fifty Thousand Dollars (\$50,000) or greater than ten percent (10%) of the original contract amount shall be approved by the appropriate committee or full Board of Directors.

**V. Electronic Bidding**

- A. Notwithstanding any contrary provision in Appendix M, the use of electronic media is authorized for any formal and informal bidding process pursuant to Appendix M, including without limitation submission, identification, opening and reporting of bids electronically ("electronic bidding"; "E-Bid"), provided that it be in accordance with state law. Electronic bidding shall include measures as the District deems appropriate for security of the bidding, approval and award processes and accurate retrieval or conversion of electronic information into a medium which permits inspection and copying. All electronic bids shall be submitted in a manner set forth in the Notice Inviting Bids and/or the bid instructions.
- B. The District may, in its sole discretion, require electronic bidding for any informal and formal bids authorized under Appendix M. If the District elects to use electronic bidding, then all bids must be submitted electronically consistent with the Notice Inviting Bids and/or bid instructions. If electronic bidding is not selected, then no bids may be submitted electronically and will be submitted sealed bid at a date, time and place.

**VI. Exceptions to Statement of Policy**

The policy specified in this statement shall not apply in the following cases or circumstances:

- (1) A contract for the acquisition or disposal of any real property.
- (2) A contract for the leasing of any personal property or the acquisition of personal property other than materials and equipment for use in construction activities.

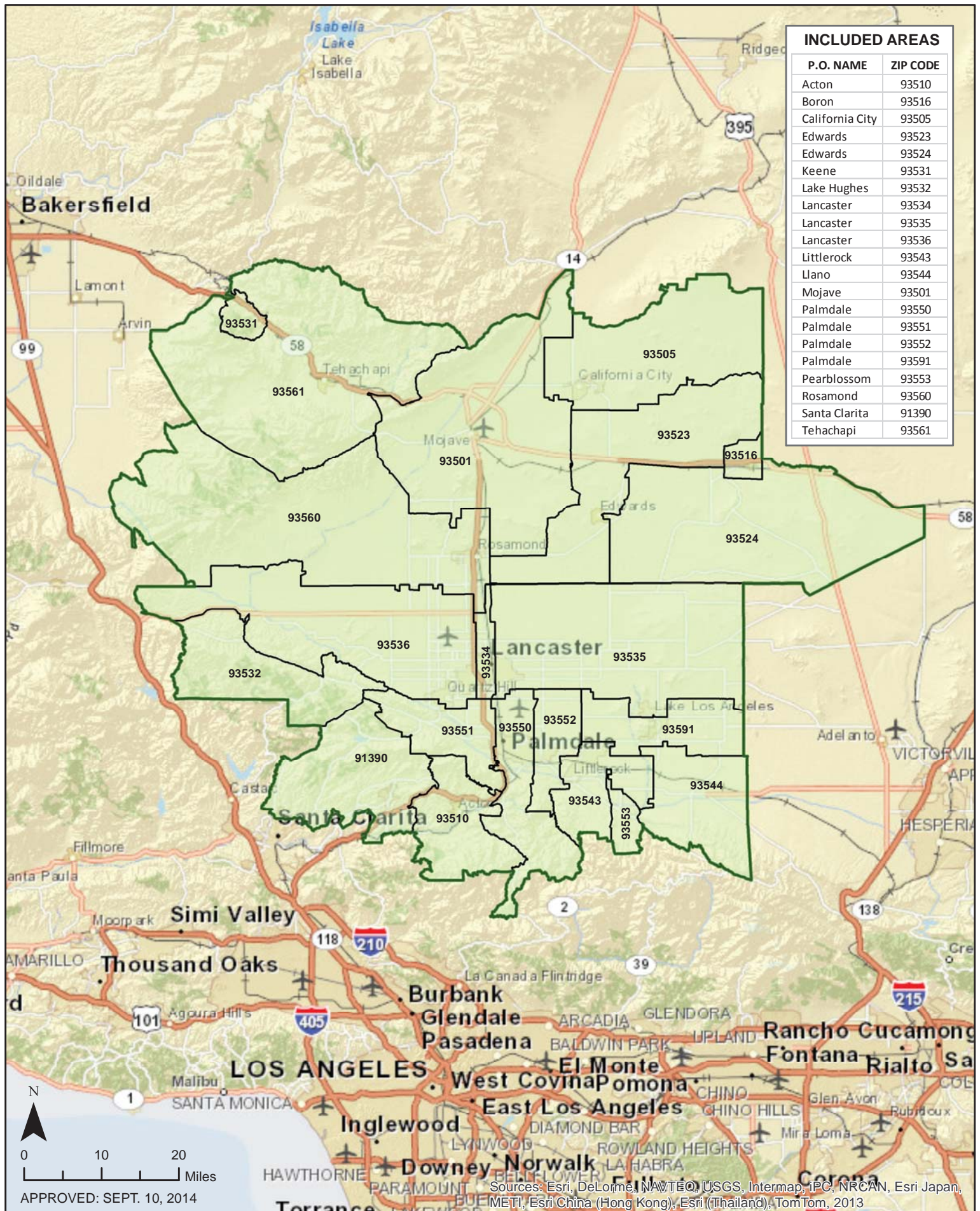
- (3) A contract for the purchase of water or water rights.
- (4) A contract for the repair of District equipment.
- (5) A contract for legal, engineering and other professional services.
- (6) The repair, alteration, addition, or the making of improvements, by force account.
- (7) Work related to and in furtherance of the purposes of the District, or materials or equipment acquired for such purposes, where such work is to be performed or such materials or equipment are to be acquired, for the account of other persons or entities. ,  
An example of such work is construction of a water pipeline for a developer and done at the developer's expense.
- (8) A contract for the performance of work or acquisition of materials in instances where work and materials are regularly and periodically required and work and materials for the repair or replacement of prior works or materials relating to the following:

<ul style="list-style-type: none"> <li>a) Asphalt and concrete patching;</li> <li>b) Janitorial supplies;</li> <li>c) Office supplies;</li> <li>d) Aggregate (sand, base and similar materials);</li> <li>e) Cold mix asphalt;</li> <li>f) Data mailers;</li> <li>g) Water meters;</li> <li>h) Pumps and Motors</li> </ul>	<ul style="list-style-type: none"> <li>i) Online analyzers</li> <li>j) Treatment chemicals</li> <li>k) Laboratory supplies and testing equipment</li> <li>l) Landscape services</li> <li>m) Janitorial services</li> <li>n) Printing services</li> <li>o) Answering services</li> <li>p) Pest control services</li> </ul>
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**BID PROCUREMENT POLICY APPROVED AND ADOPTED AT A REGULAR BOARD MEETING OF THE PALMDALE WATER DISTRICT BOARD OF DIRECTORS HELD APRIL 19, 1990**

Revised 1-14-92  
Revised 9-15-92  
Revised 4-25-94  
Revised 11-10-97  
Revised 2-24-2020  
Revised 10-12-2020





## PALMDALE WATER DISTRICT RULES AND REGULATIONS APPENDIX "M"

### **LOCAL CONTRACTOR AND VENDOR BOUNDARY MAP**

\$31.34 million of the District's Water Revenue Bonds, Series 2013A remain outstanding. At this point in time, the District's finance team believes that \$17.4 million of this total can be refinanced with net savings in excess of 5% for annual cash flow savings of \$80,000 per year. The District's financing team believes that the refinancing is best accomplished through a public offering of the bonds, as opposed to a private placement with a bank.

BOARD OF DIRECTORS  
PALMDALE WATER DISTRICT

VIA: Mr. Dennis D. LaMoreaux, General Manager

October 6, 2020

By adopting the attached Resolutions, the District's Board and the Authority's Board are taking the following steps:

1. Approval of an Installment Purchase Agreement, wherein the District makes installment purchase payments (debt service payments) that are secured by a pledge of net revenues (after operating expenses) of the District. This Agreement is between the District and the Palmdale Water District Public Financing Authority.
2. Approval of an Assignment Agreement, assigning the Installment Purchase Agreement from the Palmdale Water District Public Financing Authority to the trustee for the bond issue, The Bank of New York Mellon.
3. Approval of the Purchase Contract wherein Piper Sandler, the bond underwriter, sets forth their commitment to purchase the 2020 Bonds from the Public Financing Authority.
4. Approval of the Indenture of Trust, wherein The Bank of New York Mellon, the trustee, is instructed how to manage cash flows and various accounts related to the bond issue.
5. Approval of the Preliminary Official Statement, wherein information regarding the security for the bonds and the credit of the District is communicated to potential investors.
6. Authorizing and directing the specified District staff to do any and all things and deliver any and all documents which they may deem necessary in order to carry out the terms of the Resolutions.

As noted above, if the bond market holds through the anticipated sales date on October 20, 2020, the District may realize an estimated annual cash flow savings of approximately \$80,000 per year, which would have a present value savings of \$940,000, equivalent to 7.5% of the amount of the bonds to be refinanced. By standards commonly used in public finance, any refinancing with net savings in excess of 5% is considered well worth doing.

**Strategic Plan Initiative/Mission Statement:**

This item is under Strategic Initiative No. 4 – Financial Health and Stability.  
This item directly relates to the District's Mission Statement.

**Budget:**

Net operating revenues of the District after payment of debt service will be increased by approximately \$80,000 per year, net of all financing costs, as a result of the proposed refunding.



BOARD OF DIRECTORS  
PALMDALE WATER DISTRICT

VIA: Mr. Dennis D. LaMoreaux, General Manager

October 6, 2020

**Supporting Documents:**

- Resolution No. 20-16 - Resolution of the Board of Directors of the Palmdale Water District Authorizing the Issuance of Not to Exceed \$21 Million 2020 Water Revenue Refunding Bonds (Federally Taxable) and Approving the Execution and Delivery of Certain Documents in Connection Therewith and Certain Other Matters
- Resolution No 2020-2 - Resolution of the Palmdale Water District Public Financing Authority Authorizing the Execution and Delivery of a Second Amendment to the Installment Purchase Agreement and an Escrow Agreement, and Approving Certain Actions in Connection Therewith
- Second Amendment to Installment Purchase Agreement
- Escrow Agreement
- Indenture of Trust
- Preliminary Official Statement
- Bond Purchase Agreement
- S&P Global Ratings for Palmdale Water District dated October 6, 2020

## **RESOLUTION NO. 20-16**

### **RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$21,000,000 2020 WATER REVENUE REFUNDING BONDS (FEDERALLY TAXABLE) AND APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH AND CERTAIN OTHER MATTERS**

WHEREAS, the Palmdale Water District (the “District”), an irrigation district duly organized and existing under and by virtue of the laws of the State of California (the “State”), proposes to undertake the refinancing of certain facilities that were financed with the proceeds of the Palmdale Water District Public Financing Authority Water Revenue Bonds, Series 2013A (the “2013 Bonds”); and

WHEREAS, in connection with the issuance of the 2013 Bonds, the District executed an Installment Purchase Agreement (the “2013 Installment Purchase Agreement”) by and between the District and the Palmdale Water District Public Financing Authority (the “Authority”) pursuant to which the District is obligated to make certain installment purchase payments to the Authority as security for the 2013 Bonds; and

WHEREAS, the District is authorized by Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, including but not limited to Section 53583, to issue bonds for the purpose of refunding any evidences of indebtedness of the District, including its obligations under the 2013 Installment Purchase Agreement; and

WHEREAS, this Board of Directors (the “Board”) has determined that it is in the best interest of the District to issue the Palmdale Water District 2020 Water Revenue Refunding Bonds (Federally Taxable) (the “Bonds”) to effect such refinancing by defeasing and redeeming all or a portion of the outstanding 2013 Bonds (the “Refunded Bonds”); and

WHEREAS, this Board desires to approve various documents and authorize certain actions to be taken in order to issue the Bonds and defease and redeem the Refunded Bonds; and

WHEREAS, the defeasance of the Refunded Bonds will require that the Authority and the District enter into a Second Amendment to Installment Purchase Agreement (the “Second Amendment”) for the purpose of amending the installment purchase payment schedule set forth in the 2013 Installment Purchase Agreement; and

NOW, THEREFORE, the Board of Directors of the Palmdale Water District does hereby resolve as follows:

Section 1. Each of the above recitals is true and correct and is adopted by the legislative body of the District.

Section 2. The Indenture of Trust, in substantially the form on file with the Board, is hereby approved. Each of the Board President, the Board Vice President, the General Manager of the District and the Chief Financial Officer of the District and their written designees (each an

“Authorized Officer” and, collectively, the “Authorized Officers”), acting alone, is hereby authorized and directed to execute and deliver the Indenture of Trust with such changes, insertions and omissions as may be recommended by General Counsel or Stradling Yocca Carlson & Rauth, as Bond Counsel (“Bond Counsel”), and approved by the Authorized Officer or Authorized Officers executing the same, said execution being conclusive evidence of such approval.

Section 3. The Board hereby authorizes the preparation, sale and delivery of the Bonds in an aggregate principal amount not to exceed \$21,000,000 (except that such amount may be increased with the approval of the General Manager to provide for original issue discount to the extent that such original issue discount will result in a lower interest rate or yield to maturity with respect to the Bonds) in accordance with the terms and provisions of the Indenture of Trust.

Section 4. The Bond Purchase Agreement (the “Purchase Agreement”) by and between the District and Piper Sandler & Co. (the “Underwriter”), as underwriter for the Bonds, in substantially the form on file with the Board, is hereby approved. The Authorized Officers are each hereby authorized and directed to execute and deliver the Purchase Agreement with such changes, insertions and omissions as may be recommended by the General Counsel or Bond Counsel and approved by the Authorized Officer executing the same, said execution being conclusive evidence of such approval; provided, however, that in no event shall the aggregate principal amount of the Bonds exceed \$21,000,000 (except that such amount may be increased with the approval of the General Manager to provide for original issue discount to the extent that such original issue discount will result in a lower interest rate or yield to maturity with respect to the Bonds), nor shall the underwriting discount for the Bonds exceed 0.70% of the aggregate principal amount of the Bonds, nor shall the Bonds be issued unless such issuance produces at least 5% net present value savings when comparing the debt service on the Bonds to the debt service on the Refunded Bonds, and the final maturity of the Bonds may not be later than the final maturity of the Refunded Bonds.

Section 5. The preparation and distribution of the Preliminary Official Statement, in substantially the form presented to the Board, is hereby approved. Each of the Authorized Officers, acting alone, is hereby authorized to sign a certificate pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 relating to the Preliminary Official Statement and is further authorized and directed to execute, approve and deliver the Official Statement substantially in the form of the Preliminary Official Statement, with such changes, insertions and omissions as may be recommended by General Counsel, the Chief Financial Officer or Bond Counsel and approved by the Authorized Officer executing the same, said execution being conclusive evidence of such approval. The General Manager and the Chief Financial Officer are hereby authorized to cause copies of the Preliminary Official Statement to be provided to the Underwriter for distribution to persons who may be interested in the initial purchase of the Bonds and are directed to deliver copies of the final Official Statement to the Underwriter for distribution to all initial purchasers of the Bonds.

Section 6. The Continuing Disclosure Certificate relating to the Bonds, in substantially the form on file with the Board is hereby approved. Each of the Authorized Officers, acting alone, is hereby authorized and directed to execute and deliver the Continuing Disclosure Certificate with such changes, insertions and omissions as may be recommended by General Counsel or Bond Counsel and approved by the Authorized Officer executing the same, said execution being conclusive evidence of such approval.

Section 7. The Bank of New York Mellon Trust Company, N.A. is hereby appointed to act as trustee under the Indenture of Trust.

Section 8. The Second Amendment, in substantially the form on file with the Board, is hereby approved. Each of the Authorized Officers, acting alone, is hereby authorized and directed to execute and deliver the Second Amendment with such changes, insertions and omissions as may be recommended by General Counsel or Bond Counsel and approved by the Authorized Officer executing the same, said execution being conclusive evidence of such approval.

Section 9. Each of the Authorized Officers is authorized to provide for all services necessary to effect the issuance of the Bonds. Such services shall include, but are not limited to, obtaining legal services, municipal advisor services, trustee services and any other services deemed appropriate by an Authorized Officer. Any one of the Authorized Officers is authorized to pay for the cost of such services, together with other costs of issuance for the Bonds, from the proceeds of the Bonds, and to execute and any all agreements required to obtain such services.

Section 10. Each of the Authorized Officers, acting alone, is hereby authorized (a) to solicit bids on a municipal bond insurance policy and/or a reserve surety policy, (b) to negotiate the terms of such policy or policies, (c) to finalize the form of such policy or policies with a municipal bond insurer, and (d) to pay the insurance premium of such policy or policies from the proceeds of the sale of the Bonds if it is determined by an Authorized Officer that acquiring such policy or policies will result in debt service savings to the District which exceed the cost of acquiring the policy or policies.

Section 11. Each of the Authorized Officers, acting alone, is authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the Indenture of Trust, the Purchase Agreement, the Continuing Disclosure Certificate, the Official Statement, the Second Amendment and this resolution, including but not limited to taking any and all actions to effect the issuance of the Bonds and the defeasance and refunding of the Refunded Bonds, including entering into an Escrow Agreement in connection with the Refunded Bonds.

Section 12. Unless otherwise defined herein, all terms used herein and not otherwise defined shall have the meanings given such terms in the Indenture of Trust unless the context otherwise clearly requires.

Section 13. In accordance with Government Code section 5852.1, good faith estimates of the following have been obtained from the Municipal Advisor and are set forth on Exhibit A attached hereto: (a) the true interest cost of the Bonds, (b) the sum of all fees and charges to be paid to third parties with respect to the Bonds, including an estimate of the costs of issuance, (c) the amount of proceeds expected to be received in connection with the Bonds net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds from the Bonds, and (d) the sum total of all debt service payments due on the Bonds calculated through the final maturity of the Bonds plus the fees and charges paid to third parties not paid with the proceeds from the Bonds. The Board finds and determines that the provisions of Government Code section 5852.1 have been satisfied with respect to the authorization of the Bonds.

Section 14. This resolution shall take effect immediately.

ADOPTED, SIGNED and APPROVED at a regular meeting of the District this 12<sup>th</sup> day of October, 2020.

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President of the Board of Directors

Attest:

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Secretary of the Board of Directors

STATE OF CALIFORNIA                    )  
  ) ss  
COUNTY OF LOS ANGELES            )

I, Don Wilson, Secretary of the Board of Directors of the Palmdale Water District, do hereby certify that the foregoing Resolution No. 20-16 was duly adopted by the Board of Directors of said District at a regular meeting thereof held on the 12<sup>th</sup> day of October, 2020, and that it was so adopted by the following vote:

AYES:	DIRECTORS:
NOES:	DIRECTORS:
ABSENT:	DIRECTORS:
ABSTAIN:	DIRECTORS:

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Secretary of the Board of Directors  
of the Palmdale Water District

(SEAL)

STATE OF CALIFORNIA                    )  
  ) ss  
COUNTY OF LOS ANGELES            )

I, Don Wilson, Secretary of the Board of Directors of the Palmdale Water District, do hereby certify that the above and foregoing is a full, true and correct copy of Resolution No. 20-16 of said Board, and that the same has not been amended or repealed.

DATED: October 12, 2020.

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Secretary of the Board of Directors  
of the Palmdale Water District

(SEAL)

## **EXHIBIT A**

### **GOOD FAITH ESTIMATES**

The good faith estimates set forth herein are provided with respect to the Bonds in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the District by the Municipal Advisor.

Principal Amount. The Municipal Advisor has informed the District that, based on the District's financing plan and current market conditions, its good faith estimate of the aggregate principal amount of the Bonds to be sold is \$14,625,000 (the "Estimated Principal Amount"). Based on the Estimated Principal Amount, the following good faith estimates are provided:

(a) True Interest Cost of the Bonds. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is 2.60%.

(b) Finance Charge of the Bonds. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the finance charge for the Bonds, which means the sum of all fees and charges paid to third parties, is \$415,458, of which \$196,592 is for costs of issuance to be paid from Bond proceeds, \$87,750 is Underwriter's discount and \$131,116 is for bond and reserve surety premiums.

(c) Amount of Proceeds to be Received. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received by the District for sale of the Bonds, less the finance charge of the Bonds paid from Bond proceeds, which amount is estimated to be \$14,209,542, and any reserves or capitalized interest to be paid or funded with proceeds of the Bonds, which is estimated to be \$0.00, is \$14,209,542.

(d) Total Payment Amount. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the total payment amount, which means the sum total of all payments the District will make to pay debt service on the Bonds, plus the finance charge for the Bonds as described in (b) above not paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is \$18,910,787 (\$0.00 of which will be paid for from capitalized interest).

The foregoing estimates constitute good faith estimates only. The actual principal amount of the Bonds issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of the sale of the Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of Bonds sold being different from the

Estimated Principal Amount, (c) the actual amortization of the Bonds being different than the amortization assumed for purposes of such estimates, (d) the actual market interest rates at the time of sale of the Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the District's financing plan, or a combination of such factors. The actual date of sale of the Bonds and the actual principal amount of Bonds sold will be determined by the District based on the timing of the need for proceeds of the Bonds and other factors. The actual interest rates borne by the Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the District.



## **RESOLUTION NO. 2020-2**

### **RESOLUTION OF THE PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY AUTHORIZING THE EXECUTION AND DELIVERY OF A SECOND AMENDMENT TO INSTALLMENT PURCHASE AGREEMENT AND AN ESCROW AGREEMENT, AND APPROVING CERTAIN ACTIONS IN CONNECTION THEREWITH**

WHEREAS, the Palmdale Water District Public Financing Authority (the “Authority”) is a joint exercise of powers authority duly organized and existing under and pursuant to the Constitution and laws of the State of California (the “State”); and

WHEREAS, the Authority previously issued its Water Revenue Bonds, Series 2013A (the “2013 Bonds”) pursuant to an Indenture of Trust, dated as of May 1, 2013, by and between the Authority and the Palmdale Water District (the “District”); and

WHEREAS, the District and the Authority entered into an Installment Purchase Agreement, dated as of May 1, 2013 (the “2013 Installment Purchase Agreement”), for the purpose of securing the payments of principal of and interest on the 2013 Bonds; and

WHEREAS, the District previously entered into an Installment Purchase Agreement dated as of May 1, 2020, for the purpose of redeeming certain of the 2013 Bonds (the “Current Refunded 2013 Bonds”); and

WHEREAS, the defeasance of the Current Refunded 2013 Bonds required that the Authority and the District execute an amendment to the 2013 Installment Purchase Agreement, which First Amendment to Installment Purchase Agreement was dated as of May 1, 2020; and

WHEREAS, the District has determined that it is in its best interests to issue 2020 Water Revenue Refunding Bonds (Federally Taxable) (the “2020 Bonds”) for the purpose of advance refunding certain additional 2013 Bonds (the “Advance Refunded 2013 Bonds”); and

WHEREAS, the Authority will need to authorize the execution and delivery of an Escrow Agreement (the “Escrow Agreement”) in order to effect the redemption of the Advance Refunded 2013 Bonds; and

WHEREAS, the defeasance of the Advance Refunded 2013 Bonds will require that the Authority and the District enter into a Second Amendment to Installment Purchase Agreement (the “Second Amendment”) for the purpose of amending the 2013 Installment Purchase Agreement a second time; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of the Escrow Agreement and the Second Amendment authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Authority is now duly authorized and empowered, pursuant to each and every requirement of law, to execute and deliver such documents for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, the Board of Directors of the Palmdale Water District Public Financing Authority does hereby resolve as follows:

1. The forms of the Escrow Agreement and the Second Amendment are hereby approved and each of the President of the Board of Directors, the Executive Director of the Authority and the Treasurer of the Authority or their written designees (the "Authorized Officers"), acting alone, is hereby authorized and directed to execute and deliver the Escrow Agreement and the Second Amendment in the name of and on behalf of the Authority, in substantially the form and content now before this meeting, but with such changes, modifications, additions and deletions therein as shall be deemed necessary, desirable or appropriate by the Authorized Officer or Authorized Officers executing the same, such approval to be conclusively evidenced by the execution and delivery thereof by one or more of the Authorized Officers.

2. The President of the Board of Directors, the Executive Director of the Authority, the Treasurer of the Authority, or their designees, and any other proper officer of the Authority, acting alone, is each hereby authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the Escrow Agreement and the Second Amendment, and this resolution.

3. Unless otherwise defined herein, all terms used herein and not otherwise defined shall have the meanings given such terms in the Escrow Agreement and the Second Amendment, as applicable, unless the context otherwise clearly requires.

4. This resolution shall take effect immediately upon its passage.

**PASSED AND ADOPTED** by this 12th day of October, 2020, by the following vote:

Ayes:

Noes:

Abstain:

Absent:

---

President

Attest:

---

Secretary

## **SECOND AMENDMENT TO INSTALLMENT PURCHASE AGREEMENT**

This SECOND AMENDMENT TO INSTALLMENT PURCHASE AGREEMENT (this “Second Amendment”), dated as of \_\_\_\_\_ 1, 2020 is by and between PALMDALE WATER DISTRICT, an irrigation district duly organized and existing under and by virtue of the laws of the State of California (the “District”), and PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California (the “Authority”), and amends that certain INSTALLMENT PURCHASE AGREEMENT, dated as of May 1, 2013 (the “Original Agreement”), as amended by that certain First Amendment to Installment Purchase Agreement, dated as of May 1, 2020 (the “First Amendment” and, together with the Original Agreement and this Second Amendment, the “Agreement”).

### **RECITALS**

**WHEREAS**, the District and the Authority previously entered into the Original Agreement to provide for installment payments (the “Installment Payments”) that secure the payments of principal of and interest on the Authority’s Water Revenue Bonds, Series 2013A (the “2013 Bonds”); and

**WHEREAS**, the District and the Authority previously entered into the First Amendment because the District prepayment of the 2013 Bonds maturing on October 1, 2038 and October 1, 2043 necessitated a reduction in the Installment Payments set forth in the Original Agreement; and

**WHEREAS**, the District now desires to issue its 2020 Water Revenue Refunding Bonds (Federally Taxable) for the purpose of defeasing the 2013 Bonds maturing on \_\_\_\_\_ (the “Refunded Bonds”); and

**WHEREAS**, the defeasance of the Refunded Bonds will result in a further reduction in the Installment Payments owed under the Original Agreement; and

**WHEREAS**, the District and the Authority desire to amend the Original Agreement, as amended by the First Amendment, to revise the schedule of Installment Payments to strike those Installment Payments that secure the Refunded Bonds; and

**WHEREAS**, the consent of Assured Guaranty Municipal Corp. (the “Insurer”) is required in order for this Second Amendment to become effective, under that Indenture of Trust, dated as of May 1, 2013, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee, pursuant to which the 2013 Bonds were issued;

**NOW, THEREFORE**, the District and the Authority, for and in consideration of the promises of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby consent and agree as follows:

**SECTION 1.** This Second Amendment hereby incorporates by reference all terms and conditions set forth in the Original Agreement, as amended by the First Amendment, unless specifically modified by this Second Amendment. All terms and conditions set forth in the Original

Agreement, as amended by the First Amendment, which are not specifically modified by this Second Amendment shall remain in full force and effect.

**SECTION 2.** The capitalized terms set forth in this Second Amendment not otherwise defined herein shall have the meanings set forth in the Original Agreement, as amended by the First Amendment.

**SECTION 3.** Exhibit B of the Original Agreement, as amended by the First Amendment, is hereby amended to read, in its entirety, as follows:

EXHIBIT B

PURCHASE PRICE

1. The principal amount of the installment payments to be made by the District hereunder is \$\_\_\_\_\_.
2. The installment payments of principal and interest are payable in the amounts and on the Series 2013A Installment Payment Dates as follows:

<i>Series 2013A Installment Payment Date</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total</i>
<i>Tenth Day Prior To:</i>			

TOTAL

**SECTION 4.** This Second Amendment shall become effective upon its execution and delivery.

**SECTION 5.** This Second Amendment may be executed in several counterparts, each of which shall be deemed as an original, all of which shall constitute but one of the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to be duly executed and acknowledged all as of the day and year first above written.

PALMDALE WATER DISTRICT

By: \_\_\_\_\_  
General Manager

ATTEST:

\_\_\_\_\_  
Assistant Secretary

PALMDALE WATER DISTRICT PUBLIC  
FINANCING AUTHORITY

By: \_\_\_\_\_  
Executive Director

ATTEST:

\_\_\_\_\_  
Assistant Secretary

**ESCROW AGREEMENT  
(SERIES OF 2013A)**

THIS ESCROW AGREEMENT, dated as of \_\_\_\_ 1, 2020, is by and between the PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY (the "Authority") and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., acting in its capacity as Escrow Bank (the "Escrow Bank"), pursuant to this Escrow Agreement (the "Agreement"). All terms not defined herein have the meanings ascribed in the Indenture and the Prior Indenture (as defined below).

**W I T N E S S E T H:**

WHEREAS, the Authority issued its Water Revenue Bonds, Series 2013A (the "2013 Bonds"), pursuant to an Indenture of Trust (the "Prior Indenture"), dated as of May 1, 2013, by and between the Authority and the Escrow Bank, acting as trustee (the "Prior Trustee"); and

WHEREAS, the Authority has determined that it is in its best interests and desirable that the portion of the outstanding 2013 Bonds described in Schedule A hereto (the "Refunded Bonds") be refunded and defeased and redeemed on October 1, 2023 at a redemption price equal to the principal amount thereof plus accrued interest to such date, without premium; and

WHEREAS, the Palmdale Water District (the "District") has agreed to provide funds necessary to defease the Refunded Bonds by authorizing the issuance of \$\_\_\_\_\_ aggregate principal amount of its 2020 Water Revenue Refunding Bonds (Federally Taxable) (the "Refunding Bonds"), pursuant to an Indenture of Trust, dated as of \_\_\_\_ 1, 2020 (the "Indenture") and using a portion of the proceeds of the Refunding Bonds as described herein; and

WHEREAS, the 2013 Bonds are paid from revenues received by the Authority from the District under an Installment Purchase Agreement, dated as of May 1, 2013, by and between the Authority and the District, and the installment payments under such Installment Purchase Agreement will be reduced through the issuance of the Refunding Bonds and related documents to be executed by the District in connection therewith;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Authority, the District and the Escrow Bank agree as follows.

(a) The Escrow Bank agrees to establish and maintain a fund hereunder called the "2013 Bonds Escrow Fund" (the "Escrow Fund") until final payment of the Refunded Bonds has been paid in full and to hold the securities, investments and moneys therein at all times as a special and separate escrow fund (wholly segregated from all other securities, investments or moneys on deposit with the Escrow Bank). The Authority shall deposit, or cause to be deposited, with the Escrow Bank \$\_\_\_\_\_ of proceeds of the Refunding Bonds and \$\_\_\_\_\_ from the District. All securities, investments and moneys in the Escrow Fund are hereby irrevocably pledged, subject to the provisions of Section 2 hereof, to secure the payment of the Refunded Bonds. The Escrow Bank shall purchase Defeasance Securities as described in Schedule B at a cost of \$\_\_\_\_\_ and shall hold \$\_\_\_\_\_ uninvested in cash.

(b) The Escrow Bank hereby acknowledges receipt of the verification report of Causey Demgen & Moore P.C., dated \_\_\_\_\_, 2020 relating to the Defeasance Securities (the "Verification Report") with respect to the Authority's defeasance of the Refunded Bonds in the manner and to the extent provided by law and in Section 10.01 of the Prior Indenture.

## SECTION 2. Investment of the Escrow Fund.

(a) The Authority and the Escrow Bank each shall take all remaining action, if any, necessary to have the Defeasance Securities issued and registered in the name of the Escrow Bank for the account of the Escrow Fund. Except as otherwise provided in this Section, the Escrow Bank shall not reinvest any cash portion of the Escrow Fund and shall hold such cash portion uninvested.

(b) Upon the written direction of the Authority, but subject to the conditions and limitations herein set forth, the Escrow Bank shall sell, transfer, request the redemption or otherwise dispose of some or all of the Defeasance Securities in the Escrow Fund and purchase with the proceeds derived from such sale, transfer, redemption or other disposition noncallable, non prepayable obligations constituting direct obligations issued by the United States Treasury or obligations which are unconditionally guaranteed as to full and timely payment by the United States of America (the "Substitute Defeasance Securities"). Such sale, transfer, redemption or other disposition of Defeasance Securities and purchase of Substitute Defeasance Securities shall be effected by the Escrow Bank upon the written direction of the Authority but only by a simultaneous transaction and only if (i) a nationally recognized firm of independent certified public accountants shall certify that (a) the Substitute Defeasance Securities, together with the Defeasance Securities which will continue to be held in the Escrow Fund, will mature in such principal amounts and earn interest in such amounts and, in each case, at such times so that sufficient moneys will be available from maturing principal and interest on such Defeasance Securities and Substitute Defeasance Securities held in the Escrow Fund, together with any uninvested moneys therein, to make all payments required by Section 3 hereof which have not previously been made, and (b) the amounts and dates of the anticipated payments by the Escrow Bank of the principal and interest on the Refunded Bonds will not be diminished or postponed thereby, and (ii) the Escrow Bank shall receive an unqualified opinion of nationally recognized municipal bond attorneys to the effect that the proposed sale, transfer, redemption or other disposition and substitution of Defeasance Securities will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the 2013 Bonds.

(c) Upon the written direction of the Authority, but subject to the conditions and limitations herein set forth, the Escrow Bank will apply any moneys received from the maturing principal of or interest or other investment income on any Defeasance Securities and Substitute Defeasance Securities held in the Escrow Fund, or the proceeds from any sale, transfer, redemption or other disposition of Defeasance Securities pursuant to Section 2(b) not required for the purposes of said Section, as follows: to the extent such moneys will not be required at any time for the purpose of making a payment required by Section 3 hereof, as certified by a nationally recognized firm of independent certified public accountants, such moneys shall be transferred to the Authority upon the written direction of the Authority as received by the Escrow Bank, free and clear of any trust, lien, pledge or assignment securing the Refunded Bonds or otherwise existing hereunder or under the Prior Indenture.



SECTION 3. Payment of the Refunded Bonds. The Authority hereby requests and irrevocably instructs the Escrow Bank, and the Escrow Bank hereby agrees, to collect and deposit in the Escrow Fund the principal of and interest on the Defeasance Securities and Substitute Defeasance Securities held for the account of the Escrow Fund promptly as such principal and interest becomes due, and, subject to the provisions of Section 2 hereof, to pay such principal and interest, together with any other moneys and the principal of and interest on any other securities deposited in the Escrow Fund, to the Trustee for the payment of the Refunded Bonds at the places and in the manner stipulated in the Refunded Bonds and in the Prior Indenture. The Authority hereby irrevocably instructs the Trustee to provide the Notice of Redemption required pursuant to Section 4.03 of the Prior Indenture with respect to the redemption of the Refunded Bonds on October 1, 2023. The Authority will further irrevocably instruct the Trustee to provide the Notice of Defeasance in substantially the form set forth in Schedule C hereto. In accordance with Sections 4.01 and 10.01 of the Prior Indenture, the Escrow Bank is irrevocably instructed to make all payments of interest due on the Refunded Bonds on and prior to October 1, 2023 and to redeem the Refunded Bonds on October 1, 2023 at a redemption price equal to the principal amount thereof, without premium. Upon payment in full of the Refunded Bonds, the Escrow Bank shall transfer any moneys or securities remaining in the Escrow Fund to the Authority and this Agreement shall terminate. The Escrow Fund cash flow is set forth in Schedule D attached hereto.

SECTION 4. Possible Deficiencies; Amounts in Excess of Required Cash Balance.

(a) If at any time the Escrow Bank has actual knowledge that the moneys in the Escrow Fund will not be sufficient to make all payments required by Section 3 hereof, the Escrow Bank shall notify the Authority in writing as soon as is reasonably practicable, of such fact, the amount of such deficiency and the reason therefor solely to the extent actually known to it; provided, however, while the Authority, in its sole discretion, may deposit additional funds with the Escrow Bank to cure a deficiency, it shall have no liability for any deficiency and shall not be required to provide funds to eliminate any such deficiency.

(b) The Escrow Bank shall in no manner be responsible for any deficiency in the Escrow Fund.

SECTION 5. Fees and Costs.

(a) The Authority shall pay to the Escrow Bank from time to time reasonable compensation for all services rendered under this Agreement and shall reimburse the Escrow Bank for all out of pocket expenses (including reasonable legal fees and expenses) incurred hereunder.

(b) The fees of and the costs incurred by the Escrow Bank shall in no event be deducted or payable from, or constitute a lien against, the Escrow Fund.

SECTION 6. Merger or Consolidation. Any company into which the Escrow Bank may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Escrow Bank may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under this Agreement, shall be the successor to such Escrow Bank without the execution or filing of any paper or any further act, notwithstanding anything herein to the contrary.

SECTION 7. Indemnity. To the maximum extent permitted by law, the Authority hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Bank and its respective successors, assigns, directors, officers, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Bank at any time (whether or not also indemnified against the same by the Authority or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds and securities deposited therein, the purchase of the Defeasance Securities and any Substitute Defeasance Securities, the retention of the Defeasance Securities and any Substitute Defeasance Securities or the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Bank in accordance with the provisions of this Agreement; provided, however, that the Authority shall not be required to indemnify the Escrow Bank against the Escrow Bank's own negligence or willful misconduct or the negligent or willful misconduct of the Escrow Bank's respective successors, assigns, agents and employees or the breach by the Escrow Bank of the terms of this Agreement. In no event shall the Authority or the Escrow Bank be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this section. The indemnities contained in this section shall survive the termination of this Agreement and the resignation or removal of the Escrow Bank.

SECTION 8. Responsibilities of the Escrow Bank. The Escrow Bank and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or securities deposited therein, the purchase of the Defeasance Securities and any Substitute Defeasance Securities, the retention of the Defeasance Securities and any Substitute Defeasance Securities or the proceeds thereof, the sufficiency of the Defeasance Securities and any Substitute Defeasance Securities to accomplish the defeasance of the Refunded Bonds or any payment, transfer or other application of moneys or obligations by the Escrow Bank in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Bank made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the Authority and the Escrow Bank assumes no responsibility for the correctness thereof. The Escrow Bank makes no representation as to the sufficiency of the Defeasance Securities and any Substitute Defeasance Securities to accomplish the defeasance of the Refunded Bonds or to the validity of this Agreement as to the Authority and, except as otherwise provided herein, the Escrow Bank shall incur no liability with respect thereto. The Escrow Bank shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence or willful misconduct, and the duties and obligations of the Escrow Bank shall be determined by the express provisions of this Agreement and no implied covenants or obligations shall be read against the Escrow Bank hereunder. The Escrow Bank may consult with counsel, who may or may not be counsel to the Authority, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection with respect to any action taken, suffered or omitted by it in good faith in accordance therewith. No provisions of this Agreement shall require the Escrow Bank to expend or risk its own funds or otherwise incur any financial liability by the performance or exercise of its rights or powers. Whenever the Escrow Bank shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action

under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the Authority.

The Escrow Bank may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Escrow Bank may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed.

Anything in this Agreement to the contrary notwithstanding, in no event shall the Escrow Bank be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Bank has been advised of the likelihood of such loss or damage and regardless of the form of action. The Escrow Bank shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Escrow Bank and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

The Escrow Bank shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Bank, or another method or system specified by the Escrow Bank as available for use in connection with its services hereunder); provided, however, that the Authority shall provide to the Escrow Bank an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Authority whenever a person is to be added or deleted from the listing. If the Authority elects to give the Escrow Bank Instructions using Electronic Means and the Escrow Bank in its discretion elects to act upon such Instructions, the Escrow Bank's understanding of such Instructions shall be deemed controlling. The Authority understands and agrees that the Escrow Bank cannot determine the identity of the actual sender of such Instructions and that the Escrow Bank shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Bank have been sent by such Authorized Officer. The Authority shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Bank and that the Authority and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority. The Escrow Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Bank's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Authority agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Escrow Bank, including without limitation the risk of the Escrow Bank acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Escrow Bank and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority; (iii) that the security procedures (if any) to be followed in

connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Escrow Bank immediately upon learning of any compromise or unauthorized use of the security procedures.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Escrow Bank will furnish the Authority periodic cash transaction statements which include detail for all investment transactions made by the Escrow Bank hereunder.

If the Escrow Bank learns that the Department of the Treasury or the Bureau of Fiscal Service will not, for any reason, accept a subscription of state and local government series securities ("SLGS") that is to be submitted pursuant to this Agreement, the Escrow Bank shall promptly request alternative written investment instructions from the Authority with respect to escrowed funds which were to be invested in SLGS. Such alternative investments shall be made only if (i) a nationally recognized firm of independent certified public accountants shall certify that (a) the such investments, together with the Defeasance Securities which will continue to be held in the Escrow Fund, will mature in such principal amounts and earn interest in such amounts and, in each case, at such times so that sufficient moneys will be available from maturing principal and interest on such investments and Defeasance Securities held in the Escrow Fund, together with any uninvested moneys therein, to make all payments required by Section 3 hereof which have not previously been made, and (b) the amounts and dates of the anticipated payments by the Escrow Bank of the principal and interest on the Refunded Bonds will not be diminished or postponed thereby, and (ii) the Escrow Bank shall receive an unqualified opinion of nationally recognized municipal bond attorneys to the effect that the proposed investments will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the 2013 Bonds. The Escrow Bank shall follow such instructions and, upon the maturity of any such alternative investment, the Escrow Bank shall hold funds uninvested and without liability for interest until receipt of further written instructions from the Authority. In the absence of investment instructions from the Authority, the Escrow Bank shall not be responsible for the investment of such funds or interest thereon. The Escrow Bank may conclusively rely upon the Authority's selection of an alternative investment as a determination of the alternative investment's legality and suitability and shall not be liable for any losses related to the alternative investments or for compliance with any yield restriction applicable thereto.

The Escrow Bank shall have no liability or responsibility for any loss resulting from any investment made in accordance with the provisions of this Agreement.

The Escrow Bank shall not be liable for the accuracy of any calculations provided as to the sufficiency of the moneys or Defeasance Securities deposited with it to pay the principal, interest, or premiums, if any, on the Bonds.

**SECTION 9. Amendments.** This Agreement is made for the benefit of the Authority and the owners from time to time of the Refunded Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Bank and the Authority; provided, however, that if the Authority and the Escrow Bank receive an opinion of nationally recognized bond attorneys to the effect that the exclusion from gross income for federal income tax purposes of the interest on the 2013 Bonds will not be adversely affected thereby, they may, without the consent of, or notice to, such owners, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not materially adversely affect the rights of such owners and

as shall not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Bank for the benefit of the owners of the Refunded Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Escrow Bank; (iii) to include under this Agreement additional funds, securities or properties (but only if the sufficiency of the Escrow Fund for the purpose herein set forth is verified by a nationally recognized firm of independent certified public accountants) and shall hold funds received by it uninvested. The Escrow Bank shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized municipal bond attorneys with respect to compliance with this Section 9, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the Refunded Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section 9.

#### SECTION 10. Resignation or Removal of Escrow Bank.

(a) The Escrow Bank may resign by giving not less than 30 days' notice in writing to the Authority, which notice shall be mailed to the owners of the Refunded Bonds remaining unpaid. The Escrow Bank may be removed (1) by (i) filing with the Authority of an instrument or instruments executed by the owners of at least 51% in aggregate principal amount of the Refunded Bonds then remaining unpaid, and (ii) the delivery of a copy of the instruments filed with the Authority to the Escrow Bank, or (2) by a court of competent jurisdiction for failure to act in accordance with the provisions of this Agreement upon application by the Authority or the owners of 5% in aggregate principal amount of the Refunded Bonds then remaining unpaid.

(b) If the position of Escrow Bank becomes vacant due to resignation or removal of the Escrow Bank or any other reason, a successor Escrow Bank may be appointed by the Authority. Notice of such appointment shall be mailed by first class mail, postage prepaid, to the registered owners of the Refunded Bonds. Within one year after a vacancy, the owners of a majority in principal amount of the Refunded Bonds then remaining unpaid may, by an instrument or instruments filed with the Authority, appoint a successor Escrow Bank who shall supersede any Escrow Bank theretofore appointed by the Authority. If no successor Escrow Bank is appointed by the Authority or the owners of such Refunded Bonds then remaining unpaid, within 45 days after any such resignation or removal, the Escrow Bank may petition the appropriate court having jurisdiction for the appointment of a successor Escrow Bank. The responsibilities of the Escrow Bank under this Escrow Agreement will not be discharged until a new Escrow Bank is appointed and until the cash and investments held under this Escrow Agreement are transferred to the new Escrow Bank.

SECTION 11. Severability. If any section, paragraph, sentence, clause or provision of this Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, sentence, clause or provision shall not affect any of the remaining provisions of this Agreement.

SECTION 12. Execution of Counterparts. This Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

SECTION 13. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

SECTION 14. Definitions. Any capitalized term used but not otherwise defined in this Agreement shall have the meaning assigned to such term in the Prior Indenture.

SECTION 15. Assignment. This Agreement shall not be assigned by the Escrow Bank or any successor thereto without the prior written consent of the Authority provided, however, that an assignment made pursuant to Section 6 hereof shall not require prior written consent.

SECTION 16. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Agreement, shall be a legal holiday or a day on which banking institutions in which the principal office of the Escrow Bank is located are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this Agreement; and no interest shall accrue for the period from and after such nominal date.

*[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers and their seals to be hereunder affixed as of the day and year first above written.

PALMDALE WATER DISTRICT PUBLIC  
FINANCING AUTHORITY

By: \_\_\_\_\_  
Executive Director

ATTEST:

\_\_\_\_\_  
Secretary of the Board of Directors

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Escrow Bank

By: \_\_\_\_\_  
Authorized Officer

**SCHEDULE A**  
**REFUNDED BONDS**

<i>Maturity Date</i> <i>(October 1)</i>	<i>Principal</i> <i>Amount</i>
--	-----------------------------------



## **SCHEDULE B**

“Defeasance Securities” are defined to be, and shall be, as follows:

<i>Type</i>	<i>Type of SLGS</i>	<i>Coupon</i>	<i>Maturity Date</i>	<i>Par Amount</i>	<i>Settlement Date</i>
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## **SCHEDULE C**

### **IRREVOCABLE INSTRUCTIONS AND REQUEST TO TRUSTEE AND ESCROW BANK**

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The Bank of New York Mellon Trust Company, N.A.  
400 South Hope Street, Suite 500  
Los Angeles, California 90017

**\$44,350,000**

#### **PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY WATER REVENUE BONDS, SERIES 2013A**

Ladies and Gentlemen:

As Trustee under that certain Indenture of Trust, dated as of May 1, 2013, by and between the Palmdale Water District Public Financing Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee (the “Indenture”), you are hereby irrevocably instructed to mail a notice of defeasance substantially in the form attached as Exhibit A hereto and, in accordance with Article IV of the Indenture, to mail a notice of redemption with respect to the October 1, 2023 redemption date listed in Exhibit A. You are hereby notified of the irrevocable election of the Authority to defease the portion of the outstanding Palmdale Water District Public Financing Authority Water Revenue Bonds, Series 2013A, set forth in Exhibit A in accordance with Section 10.01 of the Indenture.

*[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]*

PALMDALE WATER DISTRICT PUBLIC  
FINANCING AUTHORITY

By: \_\_\_\_\_  
Its: Executive Director

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,  
as Trustee

By: \_\_\_\_\_  
Its: Authorized Officer

## EXHIBIT A

### NOTICE OF DEFEASANCE OF PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY WATER REVENUE BONDS, SERIES 2013A

<i>Maturity Date</i> <i>(October 1)</i>	<i>Interest Rate</i>	<i>Par Amount</i>	<i>CUSIP</i>	<i>Redemption</i> <i>Date</i>
--	----------------------	-------------------	--------------	----------------------------------

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<sup>(1)</sup> To be paid at maturity.

Notice is hereby given to the holders of the outstanding Palmdale Water District Public Financing Authority Water Revenue Bonds, Series 2013A, set forth above (the “2013 Bonds”) that (i) the 2013 Bonds as set forth above have been defeased (the “Refunded Bonds”); (ii) there has been deposited with The Bank of New York Mellon Trust Company, N.A., as Escrow Bank (the “Escrow Bank”), Defeasance Securities and cash as permitted by the Indenture of Trust, dated as of May 1, 2013 (the “Indenture”), by and between the Palmdale Water District Public Financing Authority (the “Authority”) and The Bank of New York Mellon Trust Company, N.A. (the “Trustee”), relating to the Refunded Bonds, and such cash and the principal of and the interest due with respect to such Defeasance Securities have been calculated by an independent accounting firm retained by the Authority to be sufficient to pay the interest due on the Refunded Bonds to and including October 1, 2023 and to pay the redemption price of the Refunded Bonds on October 1, 2023 equal to the principal amount thereof, without premium; and (ii) all of the Refunded Bonds have been deemed paid in accordance with Section 10.01 of the Indenture and in accordance with Section 10.01 of the Indenture, the Refunded Bonds have been discharged and are no longer entitled to the lien of the Indenture and such lien has been discharged, and the Authority has been released from the covenants, agreements and other obligations contained in the Indenture as to the Refunded Bonds.

Neither the Authority nor the Trustee shall be held responsible for the selection or use of the CUSIP number in this Notice of Defeasance, nor is any representation made as to its correctness. It is included solely for the convenience of the holders of the Refunded Bonds.

Additional information regarding the foregoing actions may be obtained from The Bank of New York Mellon Trust Company, N.A., Corporate Trust Department, Bondholder Relations, telephone number (800) 254-2826.

Dated this \_\_\_\_ day of \_\_\_\_\_, 2020.

PALMDALE WATER DISTRICT PUBLIC  
FINANCING AUTHORITY

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Trustee

**SCHEDULE D**

**ESCROW FUND CASHFLOW**

<i>Date</i>	<i>Cash Receipts</i>	<i>Cash Disbursements from Escrow</i>	<i>Cash Balance</i>
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**INDENTURE OF TRUST**

**Dated as of \_\_\_\_\_ 1, 2020**

**By and between**

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,  
as Trustee**

**and the**

**PALMDALE WATER DISTRICT**

**Relating to**

**\$ \_\_\_\_\_  
PALMDALE WATER DISTRICT  
2020 WATER REVENUE REFUNDING BONDS  
(FEDERALLY TAXABLE)**

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## INDENTURE OF TRUST

THIS INDENTURE OF TRUST, made and entered into and dated as of \_\_\_\_\_ 1, 2020 (the “Indenture”), by and between PALMDALE WATER DISTRICT, an irrigation district duly organized and existing under and by virtue of the laws of the State of California (the “District”), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under the laws of the United States of America, as trustee hereunder (the “Trustee”);

### WITNESSETH:

WHEREAS, the District has determined that it is in the best interest of the public to refund a portion of the outstanding Palmdale Water District Public Financing Authority Water Revenue Bonds, Series 2013A (the “2013 Bonds”); and

WHEREAS, the District is authorized by Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, including but not limited to Section 53583, to issue bonds for the purpose of refunding any evidences of indebtedness of the District; and

WHEREAS, in order to provide for the authentication and delivery of the 2020 Water Revenue Refunding Bonds (the “2020 Bonds”), to establish and declare the terms and conditions upon which such 2020 Bonds are to be issued and secured and to secure the payment of the principal thereof and interest thereon, the District has authorized the execution and delivery of the Indenture; and

WHEREAS, the District has determined that all acts and proceedings required by law necessary to make the 2020 Bonds, when executed by the District, authenticated and delivered by the Trustee, and duly issued, the valid, binding and legal special obligations of the District, and to constitute the Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized;

NOW, THEREFORE, THE INDENTURE WITNESSETH:

### GRANTING CLAUSES

The District, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the mutual covenants herein contained and of the purchase and acceptance of the 2020 Bonds by the owners thereof, and for other valuable considerations, the receipt whereof is hereby acknowledged, in order to secure the payment of the principal of and the interest on all 2020 Bonds at any time issued and Outstanding under the Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, does hereby assign and pledge unto, and grant a security interest in, the following (the “Trust Estate”) to the Trustee, and its successors in trust and assigns forever, for the securing of the performance of the obligations of the District to the 2020 Bond Owners hereinafter set forth:

## GRANTING CLAUSE FIRST

All right, title and interest of the District in and to the Water Revenues (as defined herein) on a parity with certain existing Contracts (as defined herein), including, but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive and receipt for any Water Revenues payable to or receivable by the District under the Constitution of the State, the Government Code of the State of California and the Indenture and any other applicable laws of the State or otherwise, to bring actions and proceedings thereunder for the enforcement thereof, and to do any and all things which the District is or may become entitled to do thereunder, subject to the terms hereof.

## GRANTING CLAUSE SECOND

All moneys and securities held in funds and accounts of the Indenture and all other rights of every name and nature from time to time herein or hereafter by delivery or by writing of any kind pledged, assigned or transferred as and for additional security hereunder to the Trustee by the District or by anyone on its behalf, or with its written consent, and to hold and apply the same, subject to the terms hereof.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its respective successors in trust and assigns forever for the benefit of the Owners and such pledge shall constitute a lien on and security interest in such Trust Estate;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future owners of the 2020 Bonds issued under and secured by the Indenture without privilege, priority or distinction as to the lien or otherwise of any of the 2020 Bonds over any of the other 2020 Bonds;

PROVIDED, HOWEVER, that if the District, its successors or assigns shall well and truly pay, or cause to be paid, the principal of and interest on the 2020 Bonds due or to become due thereon, at the times and in the manner provided in the 2020 Bonds according to the true intent and meaning thereof, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of the Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to Trustee all sums of money due or to become due in accordance with the terms and provisions hereof, then upon such final payments or deposits as herein provided, the Indenture and the rights hereby granted shall cease, terminate and be void; otherwise the Indenture shall remain in full force and effect.

THE INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all 2020 Bonds issued and secured hereunder are to be issued, authenticated and delivered, and all sold property, rights and interests, including, without limitation, the Water Revenues, hereby assigned and pledged, are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and the District has agreed and covenanted and does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the 2020 Bonds, as follows:

## ARTICLE I

### DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall, for all purposes of the Indenture and of any indenture supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

Accountant's Report. The term "Accountant's Report" means a report signed by an Independent Certified Public Accountant.

Assumed Interest Rate. The term "Assumed Interest Rate" means the amount of interest calculated in accordance with the following provisions:

(A) Generally. Except as otherwise provided in subparagraph (B) below with respect to Variable Interest Rate Contracts, in subparagraph (C) below with respect to Contracts or Bonds with respect to which a Payment Agreement is in force, and in subparagraph (D) below with respect to Balloon Contracts, interest on any Contracts or Bonds shall be calculated based on the actual amount of interest that is payable under such Contracts or Bonds;

(B) Interest on Variable Interest Rate Contracts. Interest deemed to be payable on any Variable Interest Rate Contract for periods when the actual interest rate can be determined shall be the actual Variable Interest Rates and for periods when the actual interest rate cannot yet be determined shall be calculated on the assumption that the interest rate on such Variable Interest Rate Contract would be equal to (i) the average rate that accrued on such Variable Interest Rate Contract over the preceding 12 months, or (ii) if the Variable Interest Rate Contract has not been accruing interest at a variable rate for 12 months, the average interest rate that accrued on an outstanding Variable Interest Rate Contract of the District for which interest is computed on substantially the same basis during the preceding twelve month period, or (iii) if no such comparable Variable Interest Rate Contract was outstanding during the 12 months preceding the date of calculation, then (x) if the interest on such Variable Interest Rate Contract is excluded from gross income for purposes of Federal income taxation, 90% of the average rate of interest for The Bond Buyer Revenue Bond Index over the preceding 12 months, or, if that index is no longer published, a similar index selected by the District and acceptable to each credit enhancer providing credit enhancement for an outstanding Contracts or Bonds, or, if the District fails to select a replacement index, an interest rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Variable Rate Interest Contract, or if there are no such Treasury Bonds having equivalent maturities, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets, and (y) if interest on such Variable Interest Rate Contract is not excluded from gross income for purposes of Federal income taxation, 110% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Variable Rate Interest Contract, or if there are no such United States Treasury Bonds having equivalent maturities, 110% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets;

(C) Interest on Obligations with respect to which a Payment Agreement is in Force. Interest deemed to be payable on any Contracts or Bonds with respect to which a Payment Agreement is in force shall be based on the net economic effect on the District expected to be

produced by the terms of such Contracts or Bonds and such Payment Agreement, including but not limited to the effects that (i) such Contracts or Bonds would, but for such Payment Agreement, be treated as an obligation bearing interest at a Variable Interest Rate instead shall be treated as an obligation bearing interest at a fixed interest rate, and (ii) such Contracts or Bonds would, but for such Payment Agreement, be treated as an obligation bearing interest at a fixed interest rate instead shall be treated as an obligation bearing interest at a Variable Interest Rate; and accordingly, the amount of interest deemed to be payable on any Contracts or Bonds with respect to which a Payment Agreement is in force shall be an amount equal to the amount of interest that would be payable at the rate or rates stated in such Contracts or Bonds plus the Payment Agreement Payments minus the Payment Agreement Receipts, and for the purpose of calculating as nearly as practicable the Payment Agreement Receipts and the Payment Agreement Payments under such Contracts or Bonds, the following assumptions shall be made:

(1) District Obligated to Pay Net Variable Payments. If a Payment Agreement has been entered into by the District with respect to Contracts or Bonds resulting in the payment of a net variable interest rate with respect to such Contracts or Bonds and Payment Agreement by the District, the interest rate on such Contracts or Bonds for future periods when the actual interest rate cannot yet be determined shall be assumed (but only during the period the Payment Agreement is in effect) to be equal to the sum of (i) the fixed rate or rates stated in such Contracts or Bonds, minus (ii) the fixed rate paid by the Qualified Counterparty to the District, plus (iii) the lesser of (A) the interest rate cap, if any, provided by a Qualified Counterparty with respect to such Payment Agreement (but only during the period that such interest rate cap is in effect) and (B) the applicable Variable Interest Rate calculated in accordance with paragraph (B) above; and

(2) District Obligated to Pay Net Fixed Payments. If a Payment Agreement has been entered into by the District with respect to Contracts or Bonds resulting in the payment of a net fixed interest rate with respect to such Contracts or Bonds and Payment Agreement by the District, the interest on such Contracts or Bonds shall be included in the calculation of Payments (but only during the period the Payment Agreement is in effect) by including for each Fiscal Year or twelve (12) calendar month period an amount equal to the amount of interest payable at the fixed interest rate pursuant to such Payment Agreement;

(D) Interest on Balloon Contracts. If any outstanding Contracts or Bonds constitute Balloon Contracts (and such Contracts or Bonds do not constitute Short-Term Obligations excluded from the calculation of the Payments pursuant to clause (E), below) or if Contracts or Bonds proposed to be incurred would constitute Balloon Contracts (and such Contracts or Bonds would not constitute Short-Term Obligations excluded from the calculation of the Payments pursuant to clause (E), below), then such Balloon Contracts shall be treated as if the principal amount of such Contracts or Bonds were amortized from the date originally incurred in substantially equal installments of principal and interest over a term of 30 years (provided, however, that the full principal amount of such Balloon Contract shall be included in making such calculation if such principal amount is due within 90 days of the date such calculation is being made); and, if interest accrues under such Balloon Contract at other than a fixed rate, the interest rate used for such computation shall be (x) if the interest on such Contracts or Bonds is excluded from gross income for purposes of Federal income taxation, 90% of the average rate of interest for The Bond Buyer Revenue Bond Index over the preceding 12 months, or if that index is no longer published, a similar index selected by the District and acceptable to each credit enhancer providing credit enhancement for outstanding Contracts or Bonds, or if the District fails to select a replacement index, an interest rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent

maturity as the Contracts or Bonds on the date incurred, or if there are no such United States Treasury bonds having equivalent maturities, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets, and (y) if the interest on such Contracts or Bonds is not excluded from gross income for purposes of Federal income taxation, the rate equal to 110% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Balloon Contract, or, if there are no such United States Treasury Bonds having equivalent maturities, 110% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets;

(E) Exclusion of Certain Short-Term Obligations. If any outstanding Contracts or Bonds constitute Short-Term Obligations or if Contracts or Bonds proposed to be incurred would constitute Short-Term Obligations, and such Short-Term Obligations are or will be payable only out of Water Revenues of the Fiscal Year in which such Short-Term Obligations are incurred, then such Short-Term Obligations shall be disregarded and not included in calculating Payments;

(F) Credit for Accrued and Capitalized Interest. If amounts constituting accrued interest or capitalized interest have been deposited with a third party trustee, then the interest payable from such amounts with respect to the Contracts or Bonds shall be disregarded and not included in calculating Parity Payments.

Authorized Representative. The term “Authorized Representative” means, with respect to the District, its Board President, Board Vice President, Board Treasurer, General Manager, Chief Financial Officer or any other person designated as an Authorized Representative of the District by a Certificate of the District signed by its Board President, Board Vice President, Board Treasurer, General Manager or Chief Financial Officer and filed with the Trustee.

Balloon Contract. The term “Balloon Contract” means Contracts or Bonds 50% or more of the principal of which matures or is payable on the same date and which is not required by the instrument pursuant to which such Contracts or Bonds were incurred to be amortized by payment or redemption prior to such date.

Balloon Installment Payments. The term “Balloon Installment Payments” means any Parity Payments designated as such in any Balloon Contract.

Bond Counsel. The term “Bond Counsel” means Stradling Yocca Carlson & Rauth, a Professional Corporation, or another firm of nationally recognized attorneys experienced in the issuance of obligations the interest on which is excludable from gross income under Section 103 of the Code.

Bond Proceeds Fund. The term “Bond Proceeds Fund” means the fund by that name established pursuant to Section 3.02 hereof.

Bonds. The term “Bonds” means all revenue bonds or notes of the District authorized, executed, issued and delivered by the District, the payments of which are payable from Net Water Revenues on a parity with the 2020 Bonds and which are secured by a pledge of and lien on Water Revenues as described in Section 5.01 hereof, including the 2020 Bonds, the 2018 Bonds and any 2013 Bonds that remain outstanding following the issuance of the 2020 Bonds.



Bond Year. The term “Bond Year” means the period beginning on the date of issuance of the 2020 Bonds and ending on October 1, 2021, and each successive one year or, during the last period prior to maturity, shorter period thereafter until there are no Outstanding 2020 Bonds.

Business Day. The term “Business Day” means: (i) a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State, or in any other state in which the Office of the Trustee is located, are closed; or (ii) a day on which the New York Stock Exchange is not closed.

Certificate; Direction; Request; Requisition. The terms “Certificate,” “Direction,” “Request” and “Requisition” of the District mean a written certificate, direction, request or requisition signed in the name of the District by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.02, each such instrument shall include the statements provided for in Section 1.02.

Closing Date. The term “Closing Date” means the date on which the 2020 Bonds are delivered to the original purchaser thereof.

Code. The term “Code” means the Internal Revenue Code of 1986, as amended.

Continuing Disclosure Certificate. The term “Continuing Disclosure Certificate” means the Continuing Disclosure Certificate, dated the Closing Date, executed by the District in connection with the issuance of the 2020 Bonds, as originally executed or as it may be from time to time amended or supplemented in accordance with its terms.

Contracts. The term “Contracts” means all contracts of the District previously or hereafter authorized and executed by the District, the payments under which are payable from Net Water Revenues on a parity with the 2020 Bonds and which are secured by a pledge and lien on Water Revenues as described in Section 5.01 hereof, including the 2012 Installment Purchase Agreement, the 2013 Installment Purchase Agreement, the 2017 Installment Purchase Agreement, the 2018 Installment Purchase Agreement and the 2020 Installment Purchase Agreement; and excluding contracts entered into for operation and maintenance of the Water System.

Costs of Issuance. The term “Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District and related to the authorization, issuance, sale and delivery of the 2020 Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Trustee and counsel to the Trustee, initial fees and charges of the Escrow Agent and counsel to the Escrow Agent, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, title insurance premiums, letter of credit fees and bond insurance premiums (if any), fees and charges for preparation, execution and safekeeping of the 2020 Bonds and any other cost, charge or fee in connection with the original issuance of the 2020 Bonds.

Costs of Issuance Fund. The term “Costs of Issuance Fund” means the fund by that name established pursuant to Section 3.03.

Debt Service. The term “Debt Service” means, for any Fiscal Year, the sum of: (1) the interest paid during such Fiscal Year on all outstanding Bonds, assuming that all outstanding serial

Bonds are retired as scheduled and that all outstanding term Bonds are prepaid or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), (2) that portion of the principal amount of all outstanding serial Bonds paid during such Fiscal Year, (3) that portion of the principal amount of all outstanding term Bonds required to be paid during such Fiscal Year, and (4) that portion of any payments, including the Installment Payments, required to be made at the times provided in the Contracts during such Fiscal Year.

For purposes of this definition, interest on any Contracts or Bonds executed or issued by the District shall be calculated based upon the Assumed Interest Rate.

Defeasance Securities. The term “Defeasance Securities” means: (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, (4) subject to the prior written consent of the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy), evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (5) subject to the prior written consent of the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy), pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, and (6) subject to the prior written consent of the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy), securities eligible for “AAA” defeasance under then existing criteria of S&P.

Depository; DTC. The term “Depository” or “DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, in its capacity as securities depository for the 2020 Bonds.

District. The term “District” means Palmdale Water District, an irrigation district duly organized and existing under and by virtue of the laws of the State.

Engineer’s Report. The term “Engineer’s Report” means a report signed by an Independent Engineer.

Escrow Agent. The term “Escrow Agent” means The Bank of New York Mellon Trust Company, N.A., as escrow agent pursuant to the terms of the Escrow Agreement, or its successor thereunder.

Escrow Agreement. The term “Escrow Agreement” means the Escrow Agreement, dated as of \_\_\_\_\_ 1, 2020, by and between the District and the Escrow Agent, as originally executed or as it may from time to time be amended or supplemented in accordance with its terms.

Event of Default. The term “Event of Default” means any of the events specified in Section 7.01.

Fiscal Year. The term “Fiscal Year” means the twelve month period beginning on January 1 of each year and ending on the next succeeding December 31, both dates inclusive, or any other twelve month period hereafter selected and designated as the official fiscal year period of the District.

Fitch. The term “Fitch” means Fitch Ratings, Inc., or any successor thereto.

Indenture. The term “Indenture” means this Indenture of Trust, dated as of \_\_\_\_\_ 1, 2020, by and between the District and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

Independent Certified Public Accountant. The term “Independent Certified Public Accountant” means any firm of certified public accountants appointed by the District, each of whom is independent of the District pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

Independent Engineer. The term “Independent Engineer” means any registered engineer or firm of registered engineers of national reputation generally recognized to be well qualified in engineering matters relating to water delivery systems, appointed and paid by the District, and who or each of whom –

- (1) is in fact independent and not under the domination of the District;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the District; and
- (3) is not connected with the District as a director, officer or employee of the District, but may be regularly retained to make reports to the District.

Independent Financial Consultant. The term “Independent Financial Consultant” means a financial consultant or firm of such consultants appointed by the District, and who, or each of whom:

- (1) is in fact independent and not under domination of the District;
- (2) does not have any substantial interest, direct or indirect, with the District; and
- (3) is not connected with the District as an officer or employee of the District, but who may be regularly retained to make reports to the District.

Information Services. The term “Information Services” means the Municipal Securities Rulemaking Board; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the District may specify in a certificate to the Trustee and as the Trustee may select.

Insurance Policy. The term “Insurance Policy” means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the 2020 Bonds when due.

Insurer. The term “Insurer” means \_\_\_\_\_.

Interest Account. The term “Interest Account” means the account by that name in the Payment Fund established pursuant to Section 5.02.

Interest Payment Date. The term “Interest Payment Date” means April 1 and October 1 of each year, commencing April 1, 2021.

Investment Agreement. The term “Investment Agreement” means an investment agreement by a provider, supported by appropriate opinions of counsel, provided that, without limiting the foregoing, any such Investment Agreement shall: (i) be from a provider rated by S&P or Moody’s at “A-” or “A3”, respectively, or above; (ii) require the District to terminate such agreement and immediately reinvest the proceeds thereof in other Permitted Investments if the rating assigned to the provider by S&P or Moody’s falls to “BBB+” or “Baa1”, respectively, or below; and (iii) expressly permit the withdrawal, without penalty, of any amounts necessary at any time to fund any deficiencies on account of debt service requirements with respect to the 2020 Bonds, together with such amendments as may be approved by the District and the Trustee from time to time.

Law. The term “Law” means the Water Code of the State of California and all laws amendatory thereof or supplemental thereto.

Letter of Representations. The term “Letter of Representations” means the letter of the District delivered to and accepted by the Depository on or prior to delivery of the 2020 Bonds as book entry bonds setting forth the basis on which the Depository serves as depository for such book entry bonds, as originally executed or as it may be supplemented or revised or replaced by a letter from the District delivered to and accepted by the Depository.

Maximum Annual Debt Service. The term “Maximum Annual Debt Service” means the highest Debt Service for any Fiscal Year or twelve (12) calendar month period through the final maturity date of all Contracts and Bonds; provided, however, for purposes of such calculation, the interest on all Contracts and Bonds shall be computed at the applicable Assumed Interest Rate.

Moody’s. The term “Moody’s” means Moody’s Investors Service, Inc. or any successor thereto.

Net Proceeds. The term “Net Proceeds” means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds.

Net Water Revenues. The term “Net Water Revenues” means, for any Fiscal Year, the Water Revenues for such Fiscal Year less the Operation and Maintenance Costs for such Fiscal Year.

Nominee. The term “Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.08 hereof.

Office. The term “Office” means with respect to the Trustee, the corporate trust office of the Trustee in Los Angeles, California, or such other or additional offices as may be specified in writing by the Trustee to the District, except that with respect to presentation of 2020 Bonds for payment or for registration of transfer and exchange such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

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

Opinion of Counsel. The term “Opinion of Counsel” means a written opinion of counsel (including but not limited to counsel to the District) selected by the District. If and to the extent required by the provisions of Section 1.02, each Opinion of Counsel shall include the statements provided for in Section 1.02.

Outstanding. The term “Outstanding,” when used as of any particular time with reference to 2020 Bonds, means (subject to the provisions of Section 11.09) all 2020 Bonds theretofore or thereupon being authenticated and delivered by the Trustee under the Indenture except: (i) 2020 Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (ii) 2020 Bonds with respect to which all liability of the District shall have been discharged in accordance with Section 10.02, including 2020 Bonds (or portions thereof) described in Section 11.09; and (iii) 2020 Bonds for the transfer or exchange of or in lieu of or in substitution for which other 2020 Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

Owner; 2020 Bond Owner. The term “Owner” or “2020 Bond Owner,” whenever used herein with respect to a 2020 Bond, means the person in whose name the ownership of such 2020 Bond is registered on the Registration Books.

Parity Payment Agreement. The term “Parity Payment Agreement” means a Payment Agreement which is a Contract.

Parity Payments. The term “Parity Payments” means all installment payments and other debt service payments scheduled to be paid by the District under all Contracts or Bonds.

Parity Payments Date. The term “Parity Payments Date” means the date on which any Parity Payments are due on Contracts or Bonds.

Participants. The term “Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds book entry certificates as securities depository.

Payment Agreement. The term “Payment Agreement” means a written agreement for the purpose of managing or reducing the District’s exposure to fluctuations in interest rates or for any other interest rate, investment, asset or liability managing purposes, entered into either on a current or forward basis by the District and a Qualified Counterparty as authorized under any applicable laws of the State in connection with, or incidental to, the entering into of any Contracts or Bonds, that provides for an exchange of payments based on interest rates, ceilings or floors on such payments, options on such payments or any combination thereof, or any similar device.

Payment Agreement Payments. The term “Payment Agreement Payments” means the amounts periodically required to be paid by the District to all Qualified Counterparties under all Payment Agreements.

Payment Agreement Receipts. The term “Payment Agreement Receipts” means the amounts periodically required to be paid by all Qualified Counterparties to the District under all Payment Agreements.

Payment Fund. The term “Payment Fund” means the fund by that name established pursuant to Section 5.02.

Permitted Investments. The term “Permitted Investments” means any of the following, if and to the extent permitted by law and by any policy guidelines promulgated by the District (provided that the Trustee shall be entitled to rely upon any investment directions from the District as conclusive certification to the Trustee that the investments described therein comply with any policy guidelines promulgated by the District and are so authorized under the laws of the State of California).

The following obligations may be used as Permitted Investments for all purposes, including defeasance investments in refunding escrow agreements.

- (a) Cash (insured at all times by the Federal Deposit Insurance Corporation); and
- (b) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including: U.S. treasury obligations; All direct or fully guaranteed obligations; Farmers Home Administration; General Services Administration; Guaranteed Title XI financing; Government National Mortgage Association (GNMA); and State and Local Government Series.

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

The following obligations may be used as Permitted Investments for all purposes other than defeasance investments in refunding escrow accounts.

- (c) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: Export-Import Bank; Rural Economic Community Development Administration; Federal Farm Credit

Bureau; U.S. Maritime Administration; Small Business Administration; U.S. Department of Housing & Urban Development (PHAs); and Federal Housing Administration and Federal Financing Bank;

- (d) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC); Obligations of the Resolution Funding Corporation (REFCORP); Senior debt obligations of the Federal Home Loan Bank System; and Senior debt obligations of other Government Sponsored Agencies;
- (e) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which may include the Trustee and its affiliates which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);
- (f) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's or "A-1" by S&P and which matures not more than 270 calendar days after the date of purchase;
- (g) Investments in a money market fund rated "AAm", "AAAm" or "AAAm-G" or better by S&P, including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives and retains a fee for services provided to the fund, (ii) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;
- (h) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice:
  - (1) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or
  - (2) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (b) above, which escrow may be applied only to the payment of such principal and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions,

as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

- (i) Municipal Obligations rated “Aaa/AAA” or general obligations of States with a rating of “A2/A” or higher by both Moody’s and S&P;
- (j) Investment Agreements (supported by appropriate opinions of counsel);
- (k) the Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name;
- (l) Local Government Investment Pools (LGIP). Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code §6509.7. To be eligible for purchase, the pool must meet the requirements of CGC §53601(p); and
- (m) Certificates of deposit insured by the Federal Deposit Insurance Corporation.

The value of the above investments shall be determined as follows:

- (a) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at cost;
- (b) As to certificates of deposit and bankers’ acceptances: the face amount thereof, plus accrued interest thereon; and
- (c) As to any investment not specified above: the value thereof established by prior agreement among the District and the Trustee.

Policy Costs. The term “Policy Costs” means the annual amount due with respect to any policy or surety bond in lieu of depositing cash in the Reserve Fund, including the Reserve Surety Policy, or any reserve fund established for any Bonds or Contracts.

Principal Account. The term “Principal Account” means the account by that name in the Payment Fund established pursuant to Section 5.02.

Qualified Counterparty. The term “Qualified Counterparty” means a party (other than the District or a party related to the District) who is the other party to a Payment Agreement and (1) (a) who is rated at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Parity Payments (without regard to any gradations within a rating category), but in no event less than a rating of “A” from Fitch, “A2” from Moody’s and “A” from S&P, (b) whose senior debt obligations are rated at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Parity Payments (without regard to any gradations within a rating category), or guaranteed by an entity so rated, (c) whose obligations under the Payment Agreement are guaranteed for the entire term of the Payment Agreement by a bond insurer or other institution which has been assigned a credit rating at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Parity Payments (without regard to any gradations within a rating



category), but in no event less than a rating of “A” from Fitch, “A2” from Moody’s and “A” from S&P, or (d) whose obligations under the Payment Agreement are collateralized in such a manner as to obtain a rating at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Parity Payments, and (2) who is otherwise qualified to act as the other party to a Payment Agreement under all applicable laws of the State.

Rate Stabilization Fund. The term “Rate Stabilization Fund” means the fund by that name described in Section 5.03 herein.

Rating. The term “Rating” means any currently effective rating on the 2020 Bonds issued by a Rating Agency.

Rating Agencies. The term “Rating Agencies” means Fitch, S&P and Moody’s.

Record Date. The term “Record Date” means, with respect to any Interest Payment Date, the fifteenth (15th) day of the calendar month preceding such Interest Payment Date, whether or not such day is a Business Day.

Refunded Bonds. The term “Refunded Bonds” has the meaning set forth in the Escrow Agreement.

Registration Books. The term “Registration Books” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the 2020 Bonds pursuant to Section 2.05.

Reserve Fund. The term “Reserve Fund” means the fund by that name established pursuant to Section 5.08.

Reserve Requirement. The term “Reserve Requirement” means, with respect to the 2020 Bonds, as of any date of calculation, an amount not to exceed the lesser of (i) Maximum Annual Debt Service, (ii) 125% of average annual Debt Service, or (iii) 10% of the principal amount of the 2020 Bonds then outstanding. Notwithstanding the foregoing, in no event shall the Reserve Requirement exceed \$\_\_\_\_\_, the initial Reserve Requirement.

Reserve Surety Policy. The term “Reserve Surety Policy” means the municipal bond debt service reserve insurance policy issued by the Insurer and deposited in the Reserve Fund to satisfy the Reserve Requirement.

Responsible Officer of the Trustee. The term “Responsible Officer of the Trustee” means any officer within the corporate trust division (or any successor group or department of the Trustee) including any vice president, assistant vice president, assistant secretary or any other officer or assistant officer of the Trustee customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, with responsibility for the administration of the Indenture.

S&P. The term “S&P” means Standard & Poor’s Financial Services LLC, or any successor thereto.

Securities Depositories. The term “Securities Depositories” means The Depository Trust Company; and, in accordance with then current guidelines of the Securities and Exchange

Commission, such other addresses and/or such other securities depositories as the District may designate in a Written Request of the District deliver to the Trustee.

Short-Term Obligations. The term “Short-Term Obligations” means Contracts or Bonds having an original maturity of less than or equal to one year and which are not renewable at the option of the District for a term greater than one year beyond the date of original incurrence.

State Water Supply Contract. The term “State Water Supply Contract” means that certain contract between the State and the District by which the District obtains water from the State Water Project, as well as any other contract or agreement by which the District obtains water from the State Water Project and pursuant to which the District is entitled to levy assessments for the purpose of paying costs in connection therewith.

State. The term “State” means the State of California.

Supplemental Indenture. The term “Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the District and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

Term 2020 Bonds. The term “Term 2020 Bonds” means those 2020 Bonds maturing on October 1, \_\_\_\_ and subject to mandatory sinking fund redemption.

Termination Payments. The term “Termination Payments” means any payments due and payable to a Qualified Counterparty in connection with the termination of a Payment Agreement.

Trustee. The term “Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States of America, or its successor as Trustee hereunder as provided in Section 8.01.

2012 Installment Purchase Agreement. The term “2012 Installment Purchase Agreement” means that certain Installment Purchase Agreement by and between the Palmdale Water District Public Facilities Corporation and the District, dated as of November 1, 2012.

2013 Installment Purchase Agreement. The term “2013 Installment Purchase Agreement” means that certain Installment Purchase Agreement by and between the Palmdale Water District Public Financing Authority and the District, dated as of May 1, 2013.

2017 Installment Purchase Agreement. The term “2017 Installment Purchase Agreement” means that certain Installment Purchase Agreement by and between the District and Holman Capital Corporation, dated as of January 18, 2017.

2018 Installment Purchase Agreement. The term “2018 Installment Purchase Agreement” means that certain Installment Purchase Agreement by and between the Palmdale Water District Public Financing Authority and the District, dated as of June 1, 2018.

2020 Installment Purchase Agreement. The term “2020 Installment Purchase Agreement” means that certain Installment Purchase Agreement by and between the District and Western Alliance Business Trust, dated as of May 1, 2020.

2013 Bonds. The term “2013 Bonds” means the Palmdale Water District Public Financing Authority Water Revenue Bonds, Series 2013A, issued under the Indenture of Trust, dated as of May 1, 2013, by and between the Palmdale Water District Public Financing Authority and The Bank of New York Mellon Trust Company, N.A., as trustee.

2018 Bonds. The term “2018 Bonds” means the Palmdale Water District Public Financing Authority Water Revenue Bonds, Series 2018A, issued under the Indenture of Trust, dated as of June 1, 2018, by and between the Palmdale Water District Public Financing Authority and The Bank of New York Mellon Trust Company, N.A., as trustee

2020 Bonds. The term “2020 Bonds” means the Palmdale Water District 2020 Water Revenue Refunding Bonds (Federally Taxable), authorized pursuant to the Indenture.

Variable Interest Rate. The term “Variable Interest Rate” means any variable interest rate or rates to be paid under any Contracts or Bonds, the method of computing which variable interest rate shall be as specified in the applicable Contracts or Bonds, which Contracts or Bonds shall also specify either (i) the payment period or periods or time or manner of determining such period or periods or time for which each value of such variable interest rate shall remain in effect, and (ii) the time or times based upon which any change in such variable interest rate shall become effective, and which variable interest rate may, without limitation, be based on the interest rate on certain bonds or may be based on interest rate, currency, commodity or other indices.

Variable Interest Rate Contracts. The term “Variable Interest Rate Contracts” means, for any period of time, any Contracts or Bonds that bear a Variable Interest Rate during such period, except that no Contracts or Bonds shall be treated as a Variable Interest Rate Contract if the net economic effect of interest rates on any particular Parity Payments or such Contracts or Bonds and interest rates on any other Parity Payments of the same Contracts or Bonds, as set forth in such Contracts or Bonds, or the net economic effect of a Payment Agreement with respect to any particular Parity Payments, in either case is to produce obligations that bear interest at a fixed interest rate, and any Contracts or Bonds with respect to which a Payment Agreement is in force shall be treated as a Variable Interest Rate Contract if the net economic effect of the Payment Agreement is to produce obligations that bear interest at a Variable Interest Rate.

Water Revenue Fund. The term “Water Revenue Fund” means the fund of the District by that name continued pursuant to Section 5.01(b).

Water Revenues. The term “Water Revenues” means, for any Fiscal Year, all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the District’s Water System, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System, plus (2) proceeds of the District’s share of the County’s 1% property tax received by the District, if any, plus (3) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including District reserves and the Reserve Fund, plus (4) the proceeds of any stand by or water availability charges collected by the District, but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and excluding any proceeds of any taxes or assessments required by law to be used by the District to pay bonds heretofore or hereafter issued and

any assessments levied and collected by the District to pay any contract payments due under the State Water Supply Contract, plus (5) money withdrawn from the Rate Stabilization Fund in such Fiscal Year, minus (6) any revenues transferred to the Rate Stabilization Fund in such Fiscal Year.

Upon the defeasance in full of the 2012 Installment Purchase Agreement, the 2013 Installment Purchase Agreement and the 2017 Installment Purchase Agreement, the term “Water Revenues” shall mean, for any Fiscal Year, all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the District’s Water System, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System, plus (2) proceeds of the District’s share of the County’s 1% property tax received by the District, if any, plus (3) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including District reserves and the Reserve Fund, plus (4) the proceeds of any stand by or water availability charges collected by the District, but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and excluding any proceeds of any taxes or assessments required by law to be used by the District to pay bonds heretofore or hereafter issued and any assessments levied and collected by the District to pay any contract payments due under the State Water Supply Contract, plus (5) money withdrawn from the Rate Stabilization Fund in such Fiscal Year.

Water Service. The term “Water Service” means the water distribution service made available or provided by the Water System.

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

Written Consent of the District; Written Order of the District; Written Request of the District; Written Requisition of District. The terms “Written Consent of the District,” “Written Order of the District,” “Written Request of the District” and “Written Requisition of the District” mean, respectively, a written consent, order, request or requisition signed by or on behalf of the District by the President or General Manager or its Chief Financial Officer or by the Secretary or by any two persons (whether or not members of the Board of Directors) who are specifically authorized by resolution of the District to sign or execute such a document on its behalf.

Section 1.02. Content of Certificates and Opinions. Every certificate or opinion provided for in the Indenture except the certificate of destruction provided for in Section 11.05 hereof, with respect to compliance with any provision hereof shall include: (1) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such person he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; (4) a statement of the assumptions upon which such certificate or opinion is

based, and that such assumptions are reasonable; and (5) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such certificate or opinion made or given by an officer of the District may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel or an Independent Certified Public Accountant or Independent Financial Consultant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel or an Independent Certified Public Accountant or Independent Financial Consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the District) upon a certificate or opinion of or representation by an officer of the District, unless such counsel or Independent Certified Public Accountant or Independent Financial Consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the District, or the same counsel or Independent Certified Public Accountant or Independent Financial Consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of the Indenture, but different officers, counsel or Independent Certified Public Accountants or Independent Financial Consultants may certify to different matters, respectively.

Section 1.03. Interpretation.

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of the Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to the Indenture as a whole and not to any particular Article, Section or subdivision hereof.

## ARTICLE II

### THE 2020 BONDS

Section 2.01. Authorization of 2020 Bonds. The District hereby authorizes the issuance hereunder from time to time of the 2020 Bonds, which shall constitute special obligations of the District, for the purpose of refunding the Refunded Bonds. The 2020 Bonds are hereby designated the "Palmdale Water District 2020 Water Revenue Refunding Bonds (Federally Taxable)" in the aggregate principal amount of \$\_\_\_\_\_. The Indenture constitutes a continuing agreement with the Owners from time to time of the 2020 Bonds to secure the full payment of the principal of and interest and premium (if any) on all the 2020 Bonds, subject to the covenants, provisions and conditions herein contained.

Section 2.02. Terms of the 2020 Bonds. The 2020 Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof.

The 2020 Bonds shall mature on October 1 in each of the years and in the amounts set forth below and shall bear interest on each Interest Payment Date at the rates set forth below:

<i><b>Maturity Date (October 1)</b></i>	<i><b>Principal Amount</b></i>	<i><b>Interest Rate</b></i>
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Interest on the 2020 Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee sent by first class mail on the applicable Interest Payment Date to the Owner at the address of such Owner as it appears on the Registration Books (except that in the case of an Owner of one million dollars (\$1,000,000) or more in principal amount, such payment may, at such Owner's option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Owner prior to the Record Date. Principal of any 2020 Bond shall be paid by check of the Trustee upon presentation and surrender thereof at maturity at the Office of the Trustee. Both the principal of and interest on the 2020 Bonds shall be payable in lawful money of the United States of America.

Each 2020 Bond shall be dated the date of initial delivery, and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) unless it is authenticated on or before March 15, 2021 in which event it shall bear interest from the date of initial delivery; provided, however, that if, as of the date of authentication of any 2020 Bond, interest thereon is in default, such 2020 Bond shall

bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Interest on the 2020 Bonds shall be calculated on the basis of a 360 day year composed of twelve 30 day months.

Section 2.03. Transfer of 2020 Bonds. Any 2020 Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such 2020 Bond at the Office of the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee.

Whenever any 2020 Bond or 2020 Bonds shall be surrendered for transfer, the District shall execute and the Trustee shall authenticate and shall deliver a new 2020 Bond or 2020 Bonds of authorized denomination or denominations for a like series and aggregate principal amount of the same maturity. The Trustee shall require the 2020 Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2020 Bonds, the Trustee will cancel and destroy the 2020 Bonds it has received.

Section 2.04. Exchange of 2020 Bonds. 2020 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of other authorized denominations of the same series and maturity. The Trustee shall require the 2020 Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2020 Bonds, the Trustee will cancel and destroy the 2020 Bonds it has received.

Section 2.05. Registration Books. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the 2020 Bonds, which shall upon reasonable notice and at reasonable times be open to inspection during regular business hours by the District and the Owners; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the 2020 Bonds as hereinbefore provided.

The person in whose name any 2020 Bond shall be registered shall be deemed the Owner thereof for all purposes hereof, and payment of or on account of the interest on and principal of by such 2020 Bonds shall be made only to or upon the order in writing of such registered Owner, which payments shall be valid and effectual to satisfy and discharge liability upon such 2020 Bond to the extent of the sum or sums so paid.

Section 2.06. Form and Execution of 2020 Bonds. The 2020 Bonds shall be in substantially the form set forth in Exhibit A hereto. The 2020 Bonds shall be executed in the name and on behalf of the District with the manual or facsimile signature of its Board President and attested to by its Secretary. The 2020 Bonds may carry a seal, and such seal may be in the form of a facsimile of the District's seal and may be reproduced, imprinted or impressed on the 2020 Bonds. The 2020 Bonds shall then be delivered to the Trustee for authentication by it. In case any of the officers who shall have signed or attested any of the 2020 Bonds shall cease to be such officer or officers of the District before the 2020 Bonds so signed or attested shall have been authenticated or delivered by the Trustee, or issued by the District, such 2020 Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the District as though those who signed and attested the same had continued to be such officers of the District, and also any 2020 Bonds may be signed and attested on behalf of the District by such persons as at the actual date of execution of such 2020 Bonds shall be the proper officers of

the District although at the nominal date of such 2020 Bonds any such person shall not have been such officer of the District.

Only such of the 2020 Bonds as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A hereto, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of the Indenture, and such certificate of or on behalf of the Trustee shall be conclusive evidence that the 2020 Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of the Indenture.

Section 2.07. 2020 Bonds Mutilated, Lost, Destroyed or Stolen. If any 2020 Bond shall become mutilated, the District, at the expense of the Owner of said 2020 Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2020 Bond of like tenor, series and authorized denomination in exchange and substitution for the 2020 Bonds so mutilated, but only upon surrender to the Trustee of the 2020 Bond so mutilated. Every mutilated 2020 Bond so surrendered to the Trustee shall be canceled by it and upon the Written Request of the District delivered to, or upon the order of, the District. If any 2020 Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the District, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2020 Bond of like tenor, series and authorized denomination in lieu of and in substitution for the 2020 Bond so lost, destroyed or stolen (or if any such 2020 Bond shall have matured or shall be about to mature, instead of issuing a substitute 2020 Bond, the Trustee may pay the same without surrender thereof). The District may require payment by the Owner of a sum not exceeding the actual cost of preparing each new 2020 Bond issued under this Section and of the expenses which may be incurred by the District and the Trustee in the premises. Any 2020 Bond issued under the provisions of this Section in lieu of any 2020 Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the District whether or not the 2020 Bond so alleged to be lost, destroyed, or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture with all other 2020 Bonds secured by the Indenture. Notwithstanding any other provision of this Section, in lieu of delivering a new 2020 Bond for a 2020 Bond which has been mutilated, lost, destroyed or stolen and which has matured, the Trustee may make payment of such 2020 Bond upon receipt of indemnity satisfactory to the Trustee.

Section 2.08. Book Entry System.

(a) Election of Book Entry System. Prior to the issuance of the 2020 Bonds, the District may provide that such 2020 Bonds shall be initially issued as book entry 2020 Bonds. If the District shall elect to deliver any 2020 Bonds in book entry form, then the District shall cause the delivery of a separate single fully registered bond (which may be typewritten) for each maturity date of such 2020 Bonds in an authorized denomination corresponding to that total principal amount of the 2020 Bonds designated to mature on such date. Upon initial issuance, the ownership of each such 2020 Bond shall be registered in the 2020 Bond Registration Books in the name of the Nominee, as nominee of the Depository, and ownership of the 2020 Bonds, or any portion thereof may not thereafter be transferred except as provided in Section 2.08(e).

With respect to book entry 2020 Bonds, the District and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book entry 2020 Bonds. Without limiting the immediately preceding sentence, the District and the Trustee shall have no responsibility or obligation with respect to: (i) the



accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in book entry 2020 Bonds; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the 2020 Bond Registration Books, of any notice with respect to book entry 2020 Bonds; (iii) the selection by the Depository and its Participants of the beneficial interests in book entry 2020 Bonds to be redeemed in the event that the District redeems the 2020 Bonds in part; or (iv) the payment by the Depository or any Participant or any other person, of any amount of principal of or interest on book entry 2020 Bonds. The District and the Trustee may treat and consider the person in whose name each book entry 2020 Bond is registered in the 2020 Bond Registration Books as the absolute Owner of such book entry 2020 Bond for the purpose of payment of principal of and interest on such 2020 Bond, for the purpose of giving notices of other matters with respect to such 2020 Bond, for the purpose of registering transfers with respect to such 2020 Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of and interest on the 2020 Bonds only to or upon the order of the respective Owner, as shown in the 2020 Bond Registration Books, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of and interest on the 2020 Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the 2020 Bond Registration Books, shall receive a 2020 Bond evidencing the obligation to make payments of principal of and interest on the 2020 Bonds. Upon delivery by the Depository to the District and the Trustee, of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in the Indenture shall refer to such nominee of the Depository.

(b) Delivery of Letter of Representations. In order to qualify the book entry 2020 Bonds for the Depository's book entry system, the District and the Trustee (if required by the Depository) shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the District or the Trustee any obligation whatsoever with respect to persons having interests in such book entry 2020 Bonds other than the Owners, as shown on the 2020 Bond Registration Books. By executing a Letter of Representations, the Trustee shall agree to take all action necessary at all times so that the Trustee will be in compliance with all representations of the Trustee in such Letter of Representations. In addition to the execution and delivery of a Letter of Representations, the District and the Trustee shall take such other actions, not inconsistent with the Indenture, as are reasonably necessary to qualify book entry 2020 Bonds for the Depository's book entry program.

(c) Selection of Depository. In the event that: (i) the Depository determines not to continue to act as securities depository for book entry 2020 Bonds; or (ii) the District determines that continuation of the book entry system is not in the best interest of the beneficial owners of the 2020 Bonds or the District, then the District will discontinue the book entry system with the Depository. If the District determines to replace the Depository with another qualified securities depository, the District shall prepare or direct the preparation of a new single, separate, fully registered 2020 Bond for each of the maturity dates of such book entry 2020 Bonds, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in subsection (e) hereof. If the District fails to identify another qualified securities depository to replace the Depository, then the 2020 Bonds shall no longer be restricted to being registered in such 2020 Bond Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such 2020 Bonds shall designate, in accordance with the provisions of Sections 2.03 and 2.04 hereof.

(d) Payments To Depository. Notwithstanding any other provision of the Indenture to the contrary, so long as all Outstanding 2020 Bonds are held in book entry form and registered in the name of the Nominee, all payments of principal of and interest on such 2020 Bond and all notices with respect to such 2020 Bond shall be made and given, respectively to the Nominee, as provided in the Letter of Representations or as otherwise instructed by the Depository and agreed to by the Trustee notwithstanding any inconsistent provisions herein.

(e) Transfer of 2020 Bonds to Substitute Depository.

(i) The 2020 Bonds shall be initially issued as provided in Section 2.01 hereof. Registered ownership of such 2020 Bonds, or any portions thereof, may not thereafter be transferred except:

(A) to any successor of DTC or its nominee, or of any substitute depository designated pursuant to clause (B) of subsection (i) of this Section 2.08(e) (“Substitute Depository”); provided that any successor of DTC or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(B) to any Substitute Depository, upon: (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the District that DTC (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(C) to any person as provided below, upon: (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the District that DTC or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(ii) In the case of any transfer pursuant to clause (A) or clause (B) of subsection (i) of this Section 2.08(e), upon receipt of all Outstanding 2020 Bonds by the Trustee, together with a Written Request of the District to the Trustee designating the Substitute Depository, a single new 2020 Bond, which the District shall prepare or cause to be prepared, shall be issued for each maturity of 2020 Bonds then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such Written Request of the District. In the case of any transfer pursuant to clause (C) of subsection (i) of this Section 2.08(e), upon receipt of all Outstanding 2020 Bonds by the Trustee, together with a Written Request of the District to the Trustee, new 2020 Bonds, which the District shall prepare or cause to be prepared, shall be issued in such denominations and registered in the names of such persons as are requested in such Written Request of the District, subject to the limitations of Section 2.01 hereof, provided that the Trustee shall not be required to deliver such new 2020 Bonds within a period of less than sixty (60) days from the date of receipt of such Written Request from the District.

(iii) In the case of a partial redemption or an advance refunding of any 2020 Bonds evidencing a portion of the principal maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) shall make an appropriate notation on such 2020 Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee, all in accordance with the Letter of Representations. The Trustee shall not be liable for such

Depository's failure to make such notations or errors in making such notations and the records of the Trustee as to the Outstanding principal amount of such 2020 Bonds shall be controlling.

(iv) The District and the Trustee shall be entitled to treat the person in whose name any 2020 Bond is registered as the Owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the District; and the District and the Trustee shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the 2020 Bonds. Neither the District nor the Trustee shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the Owner of any 2020 Bonds, and the Trustee may rely conclusively on its records as to the identity of the Owners of the 2020 Bonds.

### ARTICLE III

#### ISSUANCE OF 2020 BONDS; APPLICATION OF PROCEEDS

Section 3.01. Issuance of the 2020 Bonds. At any time after the execution of the Indenture, the District may execute and the Trustee shall authenticate and, upon Written Request of the District, deliver the 2020 Bonds in the aggregate principal amount of \$\_\_\_\_\_.

Section 3.02. Application of Proceeds of the 2020 Bonds and Certain Other Moneys. The proceeds received from the sale of the 2020 Bonds (which is comprised of the par amount of the 2020 Bonds, plus net original issue premium of \$\_\_\_\_\_, less underwriter's discount of \$\_\_\_\_\_) shall be deposited in the Bond Proceeds Fund, which the Trustee shall establish and maintain, and then shall be further transferred or deposited as follows: (a) the amount of \$\_\_\_\_\_ shall be transferred to the Escrow Agent for deposit in the escrow fund created pursuant to the Escrow Agreement in connection with the Refunded Bonds; and (b) the amount of \$\_\_\_\_\_ shall be deposited into the Costs of Issuance Fund. The Trustee may establish a temporary fund or account in its records for administrative convenience. Upon making the foregoing deposits or transfers, the Trustee shall close the Bond Proceeds Fund. The Reserve Surety Policy shall be deposited into the Reserve Fund in satisfaction of the Reserve Requirement.

Section 3.03. Establishment and Application of Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon submission of Requisitions of the District stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred, that such payment is proper charge against said fund and that payment for such charge has not previously been made. On \_\_\_\_\_, 2021, or upon the earlier Written Request of the District, all amounts remaining in the Costs of Issuance Fund shall be transferred by the Trustee to the Interest Account and the Costs of Issuance Fund shall be closed. Investment earnings on amounts on deposit in the Costs of Issuance Fund shall be applied in accordance with Section 5.07 hereof.

Section 3.04. Validity of 2020 Bonds. The validity of the authorization and issuance of the 2020 Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the District or the Trustee with respect to any other agreement. The recital contained in the 2020 Bonds that the same are issued pursuant to the Constitution and laws of the State shall be conclusive evidence of the validity and of compliance with the provisions of law in their issuance.

## ARTICLE IV

### REDEMPTION OF 2020 BONDS

Section 4.01. Optional Redemption. The 2020 Bonds maturing on or before October 1, \_\_\_, are not subject to optional redemption prior to their respective stated maturities. The 2020 Bonds maturing on or after October 1, \_\_\_ shall be subject to optional redemption, in whole or in part, on any date on or after October 1, \_\_\_, at the option of the District, from any source of available funds, at a redemption price equal to the principal amount of the 2020 Bonds to be redeemed, plus accrued interest thereon to the date of redemption.

The District shall provide to the Trustee notice of its election to optionally redeem the 2020 Bonds in whole or in part, at least 45 days (or such shorter period of time as is consented to by the Trustee) prior to the date selected for redemption.

Section 4.02. Mandatory Sinking Fund Redemption. The Term 2020 Bonds maturing on October 1, \_\_\_ (the “\_\_\_ Term Bonds”) shall be paid at maturity and are subject to mandatory sinking fund redemption, in part by lot, from sinking fund payments as set forth in the following schedule commencing on October 1, \_\_\_ and on each October 1 thereafter until maturity, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the \_\_\_ Term Bonds have been redeemed pursuant to the optional redemption or extraordinary redemption provisions of the Indenture, the total amount of sinking fund payments to be made subsequent to such redemption will be reduced in an amount equal to the principal amount of the \_\_\_ Term Bonds so redeemed by reducing each such future sinking fund payments on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as will be designated pursuant to written notice filed by the District with the Trustee.

***Redemption Date  
(October 1)***

***Principal  
Amount***

\*

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\* Final Maturity.

In lieu of such redemption, the Trustee may apply amounts in the Principal Account to the purchase of \_\_\_ Term Bonds at public or private sale for cancellation, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as may be directed by the District, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the \_\_\_ Term Bonds, as set forth in a Written Request of the District and subsequently cancelled or surrendered to the Trustee for cancellation. The par amount of any \_\_\_ Term Bonds so purchased by the District in any twelve-month period immediately preceding any September 15 will be credited towards and will reduce the principal amount of such \_\_\_ Term Bonds required to be redeemed on the succeeding October 1.

Section 4.03. Notice of Redemption; Rescission. When redemption is authorized or required, the Trustee on behalf and at the expense of the District shall mail (by first class mail) notice of any redemption to the respective Owners of any 2020 Bonds designated for redemption at their respective addresses appearing on the Registration Books at least 20 but not more than 60 days prior to the date fixed for redemption; provided, however, so long as such 2020 Bonds are registered in the name of DTC, or its nominee, notice shall be sent in any manner approved by DTC. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, if any, the 2020 Bond numbers and the maturity or maturities of the 2020 Bonds to be redeemed (except in the event of redemption of all of the 2020 Bonds of such maturity or maturities in whole), and shall require that such 2020 Bonds be then surrendered at the Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such 2020 Bonds will not accrue from and after the date fixed for redemption. Neither the failure to receive any notice so mailed, nor any defect in such notice, shall affect the validity of the proceedings for the redemption of the 2020 Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

With respect to any notice of any optional redemption of 2020 Bonds, unless at the time such notice is given the 2020 Bonds to be redeemed shall be deemed to have been paid within the meaning of the Indenture, such notice shall state that such redemption is conditional upon receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the redemption price of, and accrued interest on, the 2020 Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the District shall not be required to redeem such 2020 Bonds. In the event a notice of redemption of 2020 Bonds contains such a condition and such moneys are not so received, the redemption of 2020 Bonds as described in the conditional notice of redemption shall not be made and the Trustee shall, within a reasonable time after the date on which such redemption was to occur, give notice to the Persons and in the manner in which the notice of redemption was given, that such moneys were not so received and that there shall be no redemption of 2020 Bonds pursuant to such notice of redemption.

Section 4.04. Selection of 2020 Bonds for Redemption. Whenever provision is made for the optional redemption of less than all of the 2020 Bonds, the Trustee shall select the 2020 Bonds to be redeemed from all 2020 Bonds not previously called for redemption among maturities of 2020 Bonds as directed in a Written Request of the District, and approved in writing by the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy), and by lot among 2020 Bonds with the same maturity in any manner which the Trustee in its sole discretion shall deem appropriate. Whenever provision is made for the sinking fund redemption of less than all of the 2020 Bonds, the Trustee shall select the 2020 Bonds to be redeemed from all 2020 Bonds not previously called for redemption by lot among 2020 Bonds with the same maturity in any manner which the Trustee in its sole discretion shall deem appropriate. For purposes of such selection, all Bonds shall be deemed to be comprised of separate \$5,000 denominations and such separate denominations shall be treated as separate 2020 Bonds which may be separately redeemed.

Section 4.05. Partial Redemption of 2020 Bonds. Upon surrender of any 2020 Bonds redeemed in part only, the District shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the District, a new 2020 Bond or Bonds with the same maturity in an aggregate principal amount equal to the unredeemed portion of the 2020 Bonds surrendered.

Section 4.06. Effect of Notice of Redemption. Notice of redemption having been duly given, and moneys for the redemption price, and the interest to the applicable date fixed for redemption, having been set aside with the Trustee, the 2020 Bonds shall become due and payable on said date, and, upon presentation and surrender thereof at the Office of the Trustee, said 2020 Bonds shall be paid at the redemption price thereof, together with interest accrued and unpaid to said date. If, on said date fixed for redemption, moneys for the redemption price of all the 2020 Bonds to be redeemed, together with interest to said date, shall be held by the Trustee so as to be available therefor on such date, and, if notice of redemption thereof shall have been duly given and not canceled, then, from and after said date, interest on said 2020 Bonds shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of 2020 Bonds shall be held in trust for the account of the Owners of the 2020 Bonds so to be redeemed without liability to such Owners for interest thereon.

## ARTICLE V

### WATER REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

#### Section 5.01. Pledge and Assignment; Water Revenue Fund.

(a) All Water Revenues and all amounts held in the Water Revenue Fund described in subsection (b) below, in the Rate Stabilization Fund and any other amounts held in any fund or account established pursuant to the Indenture are hereby irrevocably pledged to secure the payment of the principal of and interest on the 2020 Bonds in accordance with their terms and the provisions of the Indenture, and the Water Revenues shall not be used for any other purpose while the 2020 Bonds remain Outstanding; provided that out of the Water Revenues there may be apportioned such sums for such purposes as are expressly permitted herein. This pledge shall constitute a first and exclusive lien on Water Revenues and all amounts on deposit in the Water Revenue Fund on a parity with the pledge under all Contracts and Bonds, subject to application of amounts on deposit therein as permitted herein. Such lien shall attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery of the Water Revenues or further act and shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the District, irrespective of whether such parties have notice hereof.

(b) In order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants that all Water Revenues shall be received by the District in trust and shall be deposited when and as received in special funds designated as the "Water Revenue Fund," which fund was previously maintained by the District in accordance with the provisions of the existing Contracts, and is hereby continued by the terms of this Section 5.01(b), and which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as any Contracts or Bonds remain unpaid. Moneys in the Water Revenue Fund shall be used and applied by the District as provided herein and in the other Contracts and Bonds. All moneys in the Water Revenue Fund shall be held in trust and shall be applied, used and withdrawn for the purposes set forth in this Section.

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

shall be set aside by the District at the following times for the transfer to the following respective special funds in the following order of priority:

(i) Interest and Principal Payments. Not later than the tenth day prior to each Interest Payment Date, the District shall, from the moneys in the Water Revenue Fund, transfer to the Trustee for deposit in the Payment Fund the payments of interest and principal on the 2020 Bonds due and payable on such Interest Payment Date. The District shall also, from the moneys in the Water Revenue Fund, transfer to the applicable trustee or payee for deposit in the respective payment fund, without preference of priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of any Bond or Contract.

(ii) Reserve Funds. On or before each payment date required pursuant to the provisions of any Contract or Bond, or any resolution or indenture related thereto, the District shall, from the remaining moneys in the Water Revenue Fund, thereafter, without preference of priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the Trustee for deposit to the Reserve Fund and to applicable trustee for deposit to any reserve fund or account for Bonds or Contracts the amount, if any, needed to increase the balance in such fund or account to the amount required to be deposited therein and to pay any Policy Costs then due.

(iii) Subordinate Obligations. On or before the payment of principal or interest is due with respect to any Subordinate Obligations, the District shall from moneys in the Water Revenue Fund, transfer to the applicable trustee or payee for deposit in the applicable payment fund, without preference of priority, and in the event of any insufficiency of such moneys ratably without discrimination or preference, payment on such Subordinate Obligations, in accordance with the provisions of such Subordinate Obligations.

(iv) Surplus. On the last day of each month, moneys on deposit in the Water Revenue Fund not required to make any of the payments required above may be expended by the District at any time for any purpose permitted by law, including but not limited to the deposit of amounts in the Rate Stabilization Fund in accordance with Section 5.03.

(c) Investments. All moneys held by the District in the Water Revenue Fund shall be invested in Permitted Investments and the investment earnings thereon shall remain on deposit in such fund, except as otherwise provided herein. All investment earnings on amounts in the Rate Stabilization Fund shall be transferred to the Water Revenue Fund upon receipt thereof. With regards to funds held by the Trustee, the District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grants the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

Section 5.02. Allocation of Water Revenues. There is hereby established with the Trustee the Payment Fund which the Trustee covenants to maintain and hold in trust separate and apart from other funds held by it so long as any principal of and interest on the 2020 Bonds remain unpaid. Except as directed herein, all payments of interest and principal on the 2020 Bonds received by the Trustee pursuant to Section 5.01(b) shall be promptly deposited by the Trustee upon receipt thereof

into the Payment Fund. All payments of interest and principal on the 2020 Bonds deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. The Trustee shall also establish and hold an Interest Account and a Principal Account within the Payment Fund.

The Trustee shall transfer from the Payment Fund and deposit into the following respective accounts, the following amounts in the following order of priority and at the following times, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Water Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) Not later than the Business Day preceding each Interest Payment Date, the Trustee shall deposit in the Interest Account that sum, if any, required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such date on all 2020 Bonds then Outstanding. No deposit need be made into the Interest Account so long as there shall be in such fund moneys sufficient to pay the interest becoming due and payable on such date on all 2020 Bonds then Outstanding.

(b) Not later than the Business Day preceding each date on which the principal of the 2020 Bonds shall become due and payable hereunder, the Trustee shall deposit in the Principal Account that sum, if any, required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the 2020 Bonds coming due and payable on such date or subject to mandatory sinking fund redemption on such date. No deposit need be made into the Principal Account so long as there shall be in such fund moneys sufficient to pay the principal becoming due and payable on such date on all 2020 Bonds then Outstanding.

Section 5.03. Rate Stabilization Fund. The District has previously established a special fund designated as the "Rate Stabilization Fund" to be held by the District in trust and the District agrees and covenants to maintain and to hold such fund separate and apart from other funds so long as any 2020 Bonds remain Outstanding. Money transferred by the District from the Water Revenue Fund to the Rate Stabilization Fund in accordance with Section 5.01(b)(iv) shall be held in the Rate Stabilization Fund and applied in accordance with the terms hereof.

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 Section 5.01(b) hereof or, in the event that all or a portion of the 2020 Bonds are defeased in accordance with Article IX hereof, transfer all or any portion of such amounts for application in accordance with said Article.

Section 5.04. Application of Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2020 Bonds as it shall become due and payable (including accrued interest on any 2020 Bonds purchased or accelerated prior to maturity pursuant to the Indenture).

Section 5.05. Application of Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the 2020 Bonds at maturity, redemption, purchase or acceleration; provided, however, that at any time prior to selection for redemption of any such 2020 Bonds, upon written direction of the District, the Trustee shall apply such amounts to the purchase of 2020 Bonds at public or private sale, as and when and at such prices



(including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed pursuant to a Written Request of the 2020, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the 2020 Bonds.

Section 5.06. Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the District pursuant to a Written Request of the District filed with the Trustee at least two (2) Business Days in advance of the making of such investments (which directions shall be promptly confirmed to the Trustee in writing). In the absence of any such directions from the District, the Trustee shall invest any such moneys in Permitted Investments described in clause (d) of the definition thereof; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a written direction from the District specifying a specific money market fund and, if no such written direction from the District is so received, the Trustee shall hold such moneys uninvested. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the Interest Account unless otherwise provided in the Indenture. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder upon the Written Request of the District. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section 5.07.

The Trustee shall furnish the District periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the District. Upon the District's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request. The District waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, to the extent permitted by law. The District further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Indenture.

The District shall invest, or cause to be invested, all moneys in any fund or accounts established with the Trustee.

For investment purposes, the Trustee may commingle the funds and accounts established hereunder, but shall account for each separately. In making any valuations of investments hereunder, the Trustee may utilize and rely on computerized securities pricing services that may be available to the Trustee, including those available through the Trustee accounting system.

Section 5.07. [Reserved].

Section 5.08. Reserve Fund. The Trustee shall establish and hold in trust the Reserve Fund. The District shall cause the Reserve Surety Policy to be deposited in the Reserve Fund and the Trustee shall draw upon the Reserve Surety Policy in accordance with this Section 5.08.

Any moneys on deposit in the Reserve Fund shall be transferred by the Trustee to the Interest Account and/or the Principal Account and used to principal of and interest on the 2020 Bonds when due on an Interest Payment Date if amounts in such accounts, as of one Business Day prior to the applicable Interest Payment Date, will be insufficient to make the required payments. If moneys on deposit in the Reserve Fund are insufficient to make the preceding payments in full, and as long as the Reserve Surety Policy shall be in full force and effect, and the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, the District and Trustee agree to comply with the following provisions:

(a) In the event and to the extent that moneys on deposit in the Payment Fund, plus all amounts on deposit in and credited to the Reserve Fund in excess of the amount of the Reserve Surety Policy, are insufficient to pay the amount of principal and interest coming due, then upon the later of: (i) one (1) Business Day after receipt by the Insurer of a Notice of Nonpayment (as such terms are defined in the Reserve Surety Policy), duly executed by the Trustee certifying that payment due under this Indenture has not been made to the Trustee; or (ii) the Interest Payment Date, the Insurer will make a deposit of funds in an account with the Trustee or its successor sufficient for the payment to the Trustee of amounts which are then due to the Trustee under this Indenture up to but not in excess of the Policy Limit, as defined in the Reserve Surety Policy; provided, however, that in the event that the amount on deposit in, or credited to, the Reserve Fund, in addition to the amount available under the Reserve Surety Policy, includes amounts available under a letter of credit, insurance policy, reserve surety policy or other such funding instrument (the "Additional Funding Instrument"), draws on the Reserve Surety Policy and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency.

(b) The District shall repay any draws under the Reserve Surety Policy and pay all related reasonable expenses incurred by the Insurer. Interest shall accrue and be payable on such draws and expenses from the date of payment by the Insurer at the Late Payment Rate. "Late Payment Rate" means the lesser of (i) the greater of (A) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such changes are announced by JPMorgan Chase Bank, N.A.) plus 3%, and (B) the then applicable highest rate of interest on the 2020 Bonds, and (ii) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as the Insurer, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to the Insurer shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

(c) Repayment of Policy Costs shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

(d) Amounts in respect of Policy Costs paid to the Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Insurer on account of principal due, the coverage under the Reserve Surety Policy will be increased by a like amount, subject to the terms of the Reserve Surety Policy.

(e) All cash and investments in the Reserve Fund shall be transferred to the Payment Fund for payment of the principal of and interest on the 2020 Bonds before any drawing may be made on the Reserve Surety Policy or any other credit facility credited to the Reserve Fund in lieu of cash (“Credit Facility”). Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Reserve Surety Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund. For the avoidance of doubt, “available coverage” means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(f) If the District shall fail to pay any Policy Costs in accordance with the requirements of Section 5.08(b) hereof, the Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under this Indenture other than remedies which would adversely affect Owners of the 2020 Bonds.

(g) The Trustee shall ascertain the necessity for a claim upon the Reserve Surety Policy in accordance with the provisions of Section 5.08(a) hereof and provide notice to the Insurer in accordance with the terms of the Reserve Surety Policy at least five (5) Business Days prior to an Interest Payment Date. Where deposits are required to be made by the District with the Trustee to the Payment Fund for the payment of principal of and interest on the 2020 Bonds more often than semi-annually, the Trustee shall be instructed to give notice to the Insurer of any failure of the District to make timely payment in full of such deposits within two Business Days of the date due.

So long as the Reserve Surety Policy is in full force and effect and the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, future deposits of a surety in the Reserve Fund shall require the prior written consent of the Insurer. Notwithstanding anything to the contrary, amounts on deposit in the Reserve Fund shall be applied solely to the payment of debt service on the 2020 Bonds.

Section 5.09. Claims upon the Insurance Policy and Payments by and to the Insurer.

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Section 5.10. Payments by the Insurer as a Result of Nonpayment. The Insurer shall be entitled to pay principal or interest on the 2020 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Insurance Policy) and any amounts due on the 2020 Bonds as a result of acceleration of the maturity thereof in accordance with this Indenture, whether or not the Insurer has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.

Section 5.11. Application of Funds and Accounts when no 2020 Bonds are Outstanding. On the date on which all 2020 Bonds shall be retired hereunder or provision made therefor pursuant to Article X and after payment of all amounts due the Trustee hereunder, all moneys then on deposit in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be withdrawn by the Trustee and paid to the District for use by the District at any time for any purpose permitted by law.

## ARTICLE VI

### PARTICULAR COVENANTS

Section 6.01. Punctual Payment. The District shall punctually pay or cause to be paid the principal and interest to become due in respect of all of the 2020 Bonds, in strict conformity with the terms of the 2020 Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Net Water Revenues and other assets pledged for such payment as provided in the Indenture.

Section 6.02. Extension of Payment of 2020 Bonds. The District shall not directly or indirectly extend or assent to the extension of the maturity of any of the 2020 Bonds or the time of payment of any claims for interest by the purchase of such 2020 Bonds or by any other arrangement, and in case the maturity of any of the 2020 Bonds or the time of payment of any such claims for interest shall be extended, such 2020 Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of the Indenture, except subject to the prior payment in full for the principal of all of the 2020 Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the District to issue Bonds for the purpose of refunding any Outstanding 2020 Bonds, and such issuance shall not be deemed to constitute an extension of maturity of 2020 Bonds.

Section 6.03. Against Encumbrances. The District will not make any pledge of or place any lien on Water Revenues or the moneys in the Water Revenue Fund or the Rate Stabilization Fund except as provided herein. The District may at any time, or from time to time, execute Contracts or issue Bonds as permitted herein. The District may also at any time, or from time to time, incur evidences of indebtedness or incur other obligations for any lawful purpose which are not Contracts or Bonds and which are payable from and secured by a pledge of and lien on Water Revenues or any moneys in the Water Revenue Fund or the Rate Stabilization Fund as may from time to time be deposited therein, provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein.

Section 6.04. Power to Issue 2020 Bonds and Make Pledge and Assignment. The District is duly authorized pursuant to law to issue the 2020 Bonds and to enter into the Indenture and to pledge and assign the Water Revenues and other assets purported to be pledged and assigned under the Indenture in the manner and to the extent provided in the Indenture. The 2020 Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the District in accordance with their terms, and the District and the Trustee shall at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Water Revenues and other assets and all the rights of the 2020 Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Section 6.05. Accounting Records and Financial Statements.

(a) The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of 2020 Bonds and all funds and accounts established by it pursuant to the Indenture. Such books of record and account shall be available for inspection by the District upon reasonable prior notice during business hours and under reasonable circumstances.

(b) The District will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Water System, which records shall be available for inspection by the Trustee (which shall have no duty to inspect such records) at reasonable hours and under reasonable conditions.

Section 6.06. [Reserved].

Section 6.07. Waiver of Laws. The District shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in the Indenture or in the 2020 Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the District to the extent permitted by law.

Section 6.08. Further Assurances. The District will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the 2020 Bonds of the rights and benefits provided in the Indenture.

Section 6.09. Observance of Laws and Regulations. To the extent necessary to assure its performance hereunder, the District will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on the District by contract, or prescribed by any law of the United States of America, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the District, respectively, including its right to exist and carry on its business, to the end that such contracts, rights and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 6.10. Compliance with Contracts. The District will neither take nor omit to take any action under any contract if the effect of such act or failure to act would in any manner impair or adversely affect the ability of the District to pay principal of or interest on the 2020 Bonds; and the District will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all other contracts affecting or involving the Water System, to the extent that the District is a party thereto.

Section 6.11. Prosecution and Defense of Suits. The District will preserve and protect the security hereof and the rights of the Trustee to the Water Revenues hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 6.12. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of its obligations under the Continuing Disclosure Certificate to be

executed and delivered by the District in connection with the issuance of the 2020 Bonds. Notwithstanding any other provision of the Indenture, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Section. For purposes of this Section, "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 2020 Bonds (including persons holding 2020 Bonds through nominees, depositories or other intermediaries).

Section 6.13. Additional Contracts and Bonds. The District may at any time execute any Contract or issue any Bonds, as the case may be, payable from Net Water Revenues on a parity with the 2020 Bonds in accordance herewith; provided there shall be on file with the District either:

(a) A Certificate of the District demonstrating that, during the last audited Fiscal Year or any consecutive twelve (12) calendar month period during the immediately preceding eighteen (18) calendar month period, the Net Water Revenues were at least equal to 110% of Maximum Annual Debt Service and one hundred percent (100%) of any Policy Costs, including for purposes of said calculation the Contracts proposed to be executed or the 2020 Bonds proposed to be issued and excluding any Contracts or Bonds to be defeased with the proceeds of the Contracts or Bonds to be executed; provided, that for the purpose of providing this Certificate, the District may adjust the foregoing Net Water Revenues to reflect:

(i) An allowance for Net Water Revenues that would have been derived from each new connection to the Water System that, during all or any part of such Fiscal Year or twelve (12) calendar month period, was not in existence, in an amount equal to the estimated additional Net Water Revenues that would have been derived from each such connection if it had been made prior to the beginning of such Fiscal Year or twelve (12) calendar month period, and

(ii) An allowance for Net Water Revenues that would have been derived from any increase in the rates, fees and charges fixed and prescribed for Water Service which, during all or any part of such Fiscal Year or twelve (12) calendar month period, was not in effect, in an amount equal to the estimated additional Net Water Revenues that would have been derived from such increase in rates, fees and charges if it had been in effect prior to the beginning of such Fiscal Year or twelve (12) calendar month period; or.

(b) A Certificate of the District or an Engineer's Report demonstrating that the estimated Net Water Revenues for each of the five (5) Fiscal Years next following the earlier of (i) the end of the period during which interest on the Contracts proposed to be executed, or the 2020 Bonds proposed to be issued (i) is to be capitalized or, if no interest is capitalized, the Fiscal Year in which the Contracts proposed to be executed, or the 2020 Bonds proposed to be issued, is executed or issued, or (ii) the date on which substantially all projects financed with the Contracts proposed to be executed, or the 2020 Bonds proposed to be issued, plus all projects financed with all existing Contracts and Bonds are expected to commence operations, will be at least equal to 110% of the Maximum Annual Debt Service and one hundred percent (100%) of any Policy Costs for such period; provided, that for the purpose of this section the foregoing estimated Net Water Revenues may be adjusted to reflect:

(i) An allowance for Net Water Revenues that are estimated to be derived from any increase in the rates, fees and charges for Water Service in effect and being charged or from any increase in the rates, fees and charges for Water Service that are expected to be charged, and

(ii) An allowance for Net Water Revenues that are estimated to be derived from customers of the Water System anticipated to be served by the additions, betterments or improvements to the Water System to be financed by the Contracts proposed to be executed, or the 2020 Bonds proposed to be issued, together with any additional Contracts and Bonds expected to be executed or issued during such five (5) year period.

Notwithstanding the foregoing provisions, the District may issue bonds and contracts the payment of which are subordinate to Bonds and Contracts and which are subordinate to the payment by the District of the principal and interest due on the 2020 Bonds without meeting the test provided in this Section 6.13.

Notwithstanding the foregoing provisions, the District may issue refunding Bonds and Contracts for the purpose of refunding any Bond or Contract without complying with the parity requirements set forth in (a) and (b) above; provided that the Debt Service payable by the District for each Fiscal Year with respect to such refunding Contracts or Bonds is less than or equal to 105% of the Debt Service for each corresponding Fiscal Year for such Contracts or Bonds being refunded.

Notwithstanding satisfaction of the other conditions to the execution of any Contract or the issuance of Bonds set forth in this Section 6.13, no such execution or issuance may occur if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such Event of Default shall be cured upon such execution or issuance.

Section 6.14. Against Sale or Other Disposition of Property. The District will not enter into any agreement or lease which impairs the operation of the Water System or any part thereof necessary to secure adequate Water Revenues for the payment of the principal of and interest on the 2020 Bonds, or which would otherwise impair the operation of the Water System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Water System, or any material or equipment which has become worn out, may be sold if such sale will not impair the ability of the District to pay the principal of and interest on the 2020 Bonds and if the proceeds of such sale are deposited in the Water Revenue Fund.

Nothing herein shall restrict the ability of the District to sell any portion of the Water System if such portion is immediately repurchased by the District and if such arrangement cannot by its terms result in the purchaser of such portion of the Water System exercising any remedy which would deprive the District of or otherwise interfere with its right to own and operate such portion of the Water System.

Section 6.15. Against Competitive Facilities. To the extent that it can so legally obligate itself, the District covenants that it will not acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the District any water system competitive with the Water System.

Section 6.16. Maintenance and Operation of the Water System. The District will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner and will pay all Operation and Maintenance Costs as they become due and payable.

Section 6.17. Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Water Revenues or the funds or accounts created hereunder or on any funds in the hands of the District pledged to pay the principal of or interest on the 2020 Bonds or to the Owners prior or superior to the lien under the Indenture.

Section 6.18. Insurance.

(a) The District will procure and maintain or cause to be procured and maintained insurance on the Water System with responsible insurers in such amounts and against such risks (including damage to or destruction of the Water System) as are usually covered in connection with facilities similar to the Water System so long as such insurance is available from reputable insurance companies.

In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Water System. The District shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the Water System shall be free and clear of all claims and liens.

If such Net Proceeds exceed the costs of such reconstruction, repair or replacement portion of the Water System, and/or the cost of the construction of additions, betterments, extensions or improvements to the Water System, then the excess Net Proceeds shall be deposited in the Water Revenue Fund. If such Net Proceeds are sufficient to enable the District to retire all of the 2020 Bonds as well as all Bonds and Contracts then remaining unpaid prior to their final respective due dates, the District may elect not to reconstruct, repair or replace the damaged or destroyed portion of the Water System, and/or not to construct other additions, betterments, extensions or improvements to the Water System; and thereupon such Net Proceeds shall be deposited to the Payment Fund and to the retirement of such Bonds and Contracts.

(b) The District will procure and maintain such other insurance as it shall deem advisable or necessary to protect its interests and the interests of the 2020 Bond Owners, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with municipal water systems similar to the Water System.

(c) Any insurance required to be maintained by paragraph (a) above and, if the District determines to procure and maintain insurance pursuant to paragraph (b) above, such insurance, may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with water systems similar to the Water System and is, in the opinion of an accredited actuary, actuarially sound.



Section 6.19. Payment of Taxes and Compliance with Governmental Regulations. The District will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System, or any part thereof or upon the Water Revenues when the same shall become due. The District will duly observe and comply with all valid regulations and requirements of any governmental authority relative to the operation of the Water System, or any part thereof, but the District shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 6.20. Amount of Rates and Charges. The District, to the fullest extent permitted by law, shall fix, prescribe and collect Water Revenues for Water Service which will be at least sufficient to yield during each Fiscal Year Net Water Revenues equal to one hundred ten percent (110%) of Debt Service and one hundred percent (100%) of Policy Costs. The District may make adjustments from time to time in such Water Revenues and may make such classification thereof as it deems necessary, but shall not reduce the Water Revenues then in effect unless the Net Water Revenues from such reduced Water Revenues will at all times be sufficient to meet the requirements of this section.

Section 6.21. Collection of Rates and Charges. The District will have in effect at all times by-laws, rules and regulations requiring each customer to pay the rates and charges applicable to the Water System to such land and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the District may discontinue such service from the Water System, and such service shall not thereafter be recommenced except in accordance with the District laws or rules and regulations governing such situations of delinquency.

Section 6.22. Eminent Domain Proceeds. If all or any part of the Water System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

(a) If: (1) the District files with the Trustee a certificate showing: (i) the estimated loss of annual Net Water Revenues, if any, suffered or to be suffered by the District by reason of such eminent domain proceedings; (ii) a general description of the additions, betterments, extensions or improvements to the Water System proposed to be acquired and constructed by the District from such Net Proceeds; and (iii) an estimate of the additional annual Net Water Revenues to be derived from such additions, betterments, extensions or improvements; and (2) the District, on the basis of such certificate filed with the Trustee, determines that the estimated additional annual Net Water Revenues will sufficiently offset the estimated loss of annual Net Water Revenues resulting from such eminent domain proceedings so that the ability of the District to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive), then the District shall promptly proceed with the acquisition and construction of such additions, betterments, extensions or improvements substantially in accordance with such certificate and such Net Proceeds shall be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the District for such purpose shall be held by the District and treated as Water Revenues.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied by the District in part to the payment of 2020 Bonds in the same proportion which the aggregate unpaid principal balance of 2020 Bonds then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

Section 6.23. Enforcement of Contracts. The District will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with any contracts previously or hereafter entered into if such rescission or amendment would in any manner impair or adversely affect the ability of the District to pay principal of and interest on the 2020 Bonds.

Section 6.24. Superior Additional Obligations. The District shall not execute any Contracts or issue any Bonds, as the case may be, that are payable from or secured by a pledge of and lien on Water Revenues and any money in the Water Revenue Fund superior to the pledge securing the 2020 Bonds.

## ARTICLE VII

### EVENTS OF DEFAULT AND REMEDIES OF 2020 BOND OWNERS

Section 7.01. Events of Default. The following events shall be Events of Default hereunder:

(a) Default by the District in the due and punctual payment of the principal of any 2020 Bonds, the principal of any Bonds or the principal with respect to any Contract, when and as the same shall become due and payable, whether at maturity as therein expressed, by acceleration, or otherwise.

(b) Default by the District in the due and punctual payment of any installment of interest on any 2020 Bonds, any installment of interest on any Bond or any installment of interest with respect to any Contract, when and as the same shall become due and payable.

(c) Default by the District in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the 2020 Bonds, or required by any Bond or indenture relating thereto or by any Contract, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the District by the Trustee or by the Owners of not less than a majority in aggregate principal amount of 2020 Bonds Outstanding, a majority in principal amount of such Bond outstanding, or a majority in principal amount outstanding with respect to such Contract, as applicable; provided, however, that if in the reasonable opinion of the District the default stated in the notice can be corrected, but not within such sixty (60) day period and corrective action is instituted by the District within such sixty (60) day period and diligently pursued in good faith until the default is corrected such default shall not be an Event of Default hereunder.

(d) The District shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property.

(e) Payment of the principal of any Bond or with respect to any Contract is accelerated in accordance with its terms.

Section 7.02. Remedies Upon Event of Default. If any Event of Default specified in Section 7.01(d) or (e) shall occur and be continuing, the Trustee shall, and for any other Event of Default, the Trustee may, with the written consent of the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy), which consent shall be at the sole discretion of the Insurer, and, at the written direction of the Owners of not less than a majority in aggregate principal amount of the 2020 Bonds at the time Outstanding, shall, in each case, upon notice in writing to the District, declare the principal of all of the 2020 Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the 2020 Bonds contained to the contrary notwithstanding.

Nothing contained herein shall permit or require the Trustee to accelerate payments due under the Indenture if the District is not in default of its obligation hereunder.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the District shall deposit with the Trustee a sum sufficient to pay all the principal of and installments of interest on the 2020 Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective 2020 Bonds to the extent permitted by law, and the reasonable charges and expenses of the Trustee, or shall deposit with the applicable trustee with respect to any Contract a sum sufficient to pay all the principal and installments of interest with respect to such Contract payment of which is overdue, with interest on such overdue principal at the rate borne by such Contract to the extent permitted by law, and the reasonable charges and expenses of the applicable trustee with respect to such Contract, or shall deposit with the applicable trustee with respect to any Bond a sum sufficient to pay all the principal of and installment of interest on such Bond payment of which is overdue, with interest on such overdue principal at the rate borne by such Bonds to the extent permitted by law, and the reasonable charges and expenses of the applicable trustee with respect to such Bonds, and any and all other Events of Default known to the Trustee or the applicable trustee with respect to such Contract or Bonds (other than in the payment of principal of and interest on the 2020 Bonds, payment of principal and interest with respect to such Contract or payment of principal and interest on such Bond, as applicable, due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case the Trustee shall on behalf of the Owners of all of the 2020 Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

Anything in this Indenture to the contrary notwithstanding, so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, upon the occurrence and continuance of a default or an Event of Default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or the Trustee for the benefit of the holders of the 2020 Bonds under this Indenture. No default or Event of Default may be waived without the Insurer's written consent.

Section 7.03. Application of Water Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Water Revenues held or thereafter received by the Trustee and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture shall be applied in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the 2020 Bonds and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

(b) To the payment of Operation and Maintenance Costs;

(c) To the payment of the principal of and interest then due on the 2020 Bonds (upon presentation of the 2020 Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid), in accordance with the provisions of the Indenture, the payment of the principal and interest then due with respect to such Contract in accordance with the provisions thereof and the payment of the principal of and interest then due on such Bonds in accordance with the provisions thereof and of any indenture related thereto, in the following order of priority:

First: To the payment to the persons entitled thereto of all installments of interest then due on the 2020 Bonds, with respect to such Contract or on such Bonds, as applicable, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any 2020 Bonds, principal with respect to such Contract or principal of any Bonds, as applicable, which shall have become due, whether at maturity or by acceleration, with interest on the overdue principal at the rate of eight percent (8%) per annum, and, if the amount available shall not be sufficient to pay in full all the 2020 Bonds, all amounts due under such Contract or all the Bonds, as applicable, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and

(d) To the payment of Subordinate Obligations in accordance with the terms thereof.

If there shall exist any remainder after the foregoing payments, such remainder shall be (i): used to pay any amounts due and owing the Insurer hereunder, (ii) used to restore the amounts in the Reserve Fund to the Reserve Requirement, and finally (iii) paid to the District.

Section 7.04. Trustee to Represent 2020 Bond Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the 2020 Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney in fact of the Owners of the 2020 Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the 2020 Bonds or the Indenture and applicable provisions of law. Upon the occurrence and continuance

of an Event of Default or other occasion giving rise to a right in the Trustee to represent the 2020 Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the 2020 Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the 2020 Bonds or the Indenture or any law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Water Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the 2020 Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the 2020 Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such 2020 Bonds, subject to the provisions of the Indenture.

Section 7.05. 2020 Bond Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the 2020 Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction to direct the method of conduct in all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to 2020 Bond Owners not parties to such direction.

Section 7.06. Suit by Owners. No Owner of any 2020 Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture with respect to such 2020 Bonds, unless: (a) such Owners shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of not less than fifty percent (50%) in aggregate principal amount of the 2020 Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the 2020 Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of 2020 Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of 2020 Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of 2020 Bonds, or to enforce any right under the 2020 Bonds, the Indenture, or applicable law with respect to the 2020 Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be

instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding 2020 Bonds, subject to the provisions of the Indenture.

Section 7.07. Absolute Obligation of the District. Nothing in this Section 7.07 or in any other provision of the Indenture or in the 2020 Bonds shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the 2020 Bonds to the respective Owners of the 2020 Bonds at their respective dates of maturity, but only out of the Water Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the 2020 Bonds.

Section 7.08. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the 2020 Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.09. No Waiver of Default. No delay or omission of the Trustee or of any Owner of the 2020 Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein.

Section 7.10. Insurer Rights. The Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy) shall be deemed to be the sole holder of the 2020 Bonds insured under the Insurance Policy for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the 2020 Bonds insured by it are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. In each case in which a notice or other communication refers to an Event of Default or claim on the Insurance Policy, then a copy of such notice or other communication shall also be sent to the attention of the Insurer's General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

If an Insurer Default shall occur and be continuing, then, notwithstanding anything in this Indenture to the contrary: (1) if at any time prior to or following an Insurer Default, the Insurer has made payment under the Insurance Policy, to the extent of such payment the Insurer shall be treated like any other holder of the 2020 Bonds for all purposes, including giving of consents; and (2) if the Insurer has not made any payment under the Insurance Policy, the Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or the Insurer makes a payment under the Insurance Policy, in which event, the foregoing clause (1) shall control. For purposes of this Indenture, "Insurer Default" means: (A) the Insurer has failed to make any payment under the Insurance Policy when due and owing in accordance with its terms; or (B) the Insurer shall: (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law; (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition; (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property; (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding; (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall

order the suspension of payments on the Insurance Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the Insurer (including without limitation under the applicable state insurance law).

Section 7.11. Control by Insurer. Any reorganization or liquidation plan with respect to the District must be acceptable to the Insurer. Each Owner appoints the Insurer as its agent and attorney-in-fact and agrees that the Insurer may at any time during the continuation of any proceeding by or against the District under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an “Insolvency Proceeding”) direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a “Claim”), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, each Owner delegates and assigns to the Insurer, to the fullest extent permitted by law, the rights of each Owner in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

## ARTICLE VIII

### THE TRUSTEE

#### Section 8.01. Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture and no implied covenants or duties shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person’s own affairs.

(b) The District may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the 2020 Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon shall promptly appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the District and by giving the 2020 Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any 2020 Bond Owner (on behalf of himself and all other 2020 Bond Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the District and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Written Request of the District or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the District shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the District shall mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each rating agency which is then rating the 2020 Bonds and to the 2020 Bond Owners at the addresses shown on the Registration Books. If the District fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the District.

(e) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company, banking association or bank having the powers of a trust company, having a combined capital and surplus of at least Seventy Five Million Dollars (\$75,000,000), and subject to supervision or examination for federal or state authority. If such bank, banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such trust company, banking association or bank shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

(f) Notwithstanding the foregoing, no removal, resignation or termination of the Trustee shall take effect until a successor trustee, acceptable to the Insurer, shall be appointed.

Section 8.02. Merger or Consolidation. Any trust company, banking association or bank into which the Trustee may be merged or converted or with which it may be consolidated or any trust company, banking association or bank resulting from any merger, conversion or consolidation to which it shall be a party or any trust company, banking association or bank to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such trust company, banking association or bank shall be eligible under subsection (e) of Section 8.01, shall be



the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 8.03. Liability of Trustee.

(a) The recitals of facts herein and in the 2020 Bonds shall be taken as statements of the District, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Indenture or the 2020 Bonds, nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations herein or in the 2020 Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the 2020 Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of 2020 Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of 2020 Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the 2020 Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority (or such other percentage provided for herein) in aggregate principal amount of the 2020 Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture.

(e) The Trustee shall not be deemed to have knowledge of any Default or Event of Default hereunder or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder unless and until a Responsible Officer of the Trustee shall have actual knowledge of such event or the Trustee shall have been notified in writing, in accordance with Section 11.07, of such event by the District or the Owners of not less than fifty percent (50%) of the 2020 Bonds then Outstanding. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the District of any of the terms, conditions, covenants or agreements herein of any of the documents executed in connection with the 2020 Bonds, or as to the existence of an Event of Default thereunder or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default thereunder. The Trustee shall not be responsible for the validity, effectiveness or priority of any collateral given to or held by it.

(f) No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of any of its rights or powers.

(g) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request, order or direction of any of the Owners pursuant to the Indenture, unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(h) Whether or not herein expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article VIII.

(i) The Trustee shall have no responsibility or liability with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the 2020 Bonds.

(j) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

(k) The Trustee may execute any of the trusts or powers of the Indenture and perform any of its duties through attorneys, agents and receivers and shall not be answerable for the conduct of the same if appointed by it with reasonable care.

(l) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay (“unavoidable delay”) in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the Water System, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(m) The Trustee agrees to accept and act upon instructions or directions pursuant to the Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, for purposes of this Indenture, an e-mail does not constitute a notice, request or other communication hereunder but rather the portable document format or similar attachment attached to such e-mail shall constitute a notice, request or other communication hereunder and further that the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee’s

understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(n) The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

(o) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it hereby at the request, order or direction of any of the Owners pursuant to the provisions hereof unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

(p) The permissive right of the Trustee to do things enumerated herein shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct.

Section 8.04. Right to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion, notes, direction, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee may treat the Owners of the 2020 Bonds appearing in the Trustee's Registration Books as the absolute owners of the 2020 Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate, Request or Requisition of the District, and such Certificate, Request or Requisition shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Certificate, Request or Requisition, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

Section 8.05. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of the Indenture shall be retained in their respective possession and shall be subject at all reasonable times to the inspection of the District and any 2020 Bond Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Section 8.06. Compensation and Indemnification. The District shall pay to the Trustee from time to time all reasonable compensation for all services rendered under the Indenture, and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Indenture.

The District shall indemnify, defend and hold harmless the Trustee, its officers, employees, directors and agents from and against any loss, costs, claims, liability or expense (including fees and expenses of its attorneys and advisors) incurred without negligence or willful misconduct on its part, arising out of or in connection with the execution of the Indenture, acceptance or administration of this trust, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder. The rights of the Trustee and the obligations of the District under this Section 8.06 shall survive removal or resignation of the Trustee hereunder or the discharge of the 2020 Bonds and the Indenture.

Section 8.07. Notice to Insurer by Trustee. The Trustee shall notify the Insurer of any failure of the District to provide notices, certificates and other information under the transaction documents of which the Trustee has actual or deemed knowledge. The Trustee shall provide the Insurer with all notices and other information received by the Trustee that the District is obligated to provide to the holders of the 2020 Bonds or to the Trustee under this Indenture

## ARTICLE IX

### MODIFICATION OR AMENDMENT OF THE INDENTURE

#### Section 9.01. Amendments Permitted.

(a) The Indenture and the rights and obligations of the District and of the Owners of the 2020 Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the District and the Trustee may enter into when the written consent of the Owners of a majority in aggregate principal amount of all 2020 Bonds then Outstanding, exclusive of 2020 Bonds disqualified as provided in Section 11.09 hereof, shall have been filed with the Trustee. So long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, the consent of the Insurer shall be required for any amendment or supplement which requires the written consent of the Owners. No such modification or amendment shall: (1) extend the fixed maturity of any 2020 Bonds, or reduce the amount of principal thereof, or extend the time of payment, or change the rate of interest or the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each 2020 Bond so affected; or (2) reduce the aforesaid percentage of 2020 Bonds the consent of the Owners of which is required to affect any such modification or amendment, or permit the creation of any lien on the Water Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted herein, or deprive the Owners of the 2020 Bonds of the lien created by the Indenture on such Water Revenues and other assets except as permitted herein, without the consent of the Owners of all of the 2020 Bonds then Outstanding. It shall not be necessary for the consent of the 2020 Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the District and the Trustee of any Supplemental Indenture pursuant to this subsection (a), the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to

each Rating Agency and the Owners of the 2020 Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(b) The Indenture and the rights and obligations of the District, the Trustee and the Owners of the 2020 Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the District and the Trustee may enter into without the consent of any 2020 Bond Owners, if the Trustee shall receive an opinion of Bond Counsel to the effect that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Outstanding 2020 Bonds, including, without limitation, for any one or more of the following purposes:

(1) to add to the covenants and agreements of the District contained in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the 2020 Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the District;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the District may deem necessary or desirable;

(3) to modify, amend or supplement the Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereunder in effect, and to add such other terms conditions and provisions as may be permitted by said act or similar federal statute; and

(4) to modify, amend or supplement the Indenture in connection with the issuance of additional Contracts or Bonds in accordance with the provisions of Section 6.13 hereof.

So long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, no amendment shall adversely affect the rights and interests of the Insurer without the written consent of the Insurer.

(c) The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by subsections (a) or (b) of this Section which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

(d) Prior to the Trustee entering into any Supplemental Indenture hereunder, there shall be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of the Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion of interest on the 2020 Bonds from state income taxation.

Section 9.02. Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to this Article, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District, the Trustee and all Owners of 2020 Bonds Outstanding shall thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and

all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Section 9.03. Endorsement of 2020 Bonds; Preparation of New 2020 Bonds. 2020 Bonds delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the District and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any 2020 Bonds Outstanding at the time of such execution and presentation of his or her 2020 Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such 2020 Bonds. If the Supplemental Indenture shall so provide, new 2020 Bonds so modified as to conform, in the opinion of the District and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the District and authenticated by the Trustee, and upon demand on the Owners of any 2020 Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any 2020 Bond Owner, for 2020 Bonds then Outstanding, upon surrender for cancellation of such 2020 Bonds, in equal aggregate principal amount of the same maturity.

Section 9.04. Amendment of Particular 2020 Bonds. The provisions of this Article shall not prevent any 2020 Bond Owner from accepting any amendment as to the particular 2020 Bonds held by him.

## ARTICLE X

### DEFEASANCE

Section 10.01. Discharge of Indenture. The 2020 Bonds may be paid by the District in any of the following ways, provided that the District also pays or causes to be paid any other sums payable hereunder by the District:

- (a) by paying or causing to be paid the principal of and interest on the 2020 Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay all 2020 Bonds then Outstanding; or
- (c) by delivering to the Trustee, for cancellation by it, all of the 2020 Bonds then Outstanding.

If the District shall also pay or cause to be paid all other sums payable hereunder by the District, then and in that case, at the election of the District (as evidenced by a Certificate of the District, filed with the Trustee, signifying the intention of the District to discharge all such indebtedness and the Indenture), and notwithstanding that any 2020 Bonds shall not have been surrendered for payment, the Indenture and the pledge of Water Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the District under the Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Written Request of the District, the Trustee shall execute and deliver to the District all such instruments as may be necessary or desirable to evidence such discharge and satisfaction,

and the Trustee shall pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment of 2020 Bonds not theretofore surrendered for such payment to the District.

Section 10.02. Discharge of Liability on 2020 Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay any Outstanding 2020 Bonds (upon the maturity of such 2020 Bonds), then all liability of the District in respect of such 2020 Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject however, to the provisions of Section 10.04.

The District may at any time surrender to the Trustee for cancellation by it any 2020 Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such 2020 Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 10.03. Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay any 2020 Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such 2020 Bonds and all unpaid interest thereon to maturity; or

(b) Defeasance Securities the principal of and interest on which when due will, in the written opinion of an Independent Certified Public Accountant or Independent Financial Consultant filed with the District and the Trustee, provide money sufficient to pay the principal of and all unpaid interest to maturity on the 2020 Bonds to be paid, as such principal and interest becomes due;

provided, in each case, that: (i) the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Written Request of the District) to apply such money to the payment of such principal of and interest on such 2020 Bonds; and (ii) the District shall have delivered to the Trustee an opinion of Bond Counsel addressed to the District and the Trustee to the effect that such 2020 Bonds have been discharged in accordance with the Indenture (which opinion may rely upon and assume the accuracy of the Independent Certified Public Accountants or Independent Financial Consultant's opinion referred to above).

So long as the Insurer is not in default under the Insurance Policy and the Reserve Surety Policy, in order to accomplish defeasance, the District shall cause to be delivered to the Insurer (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Insurer (the "Accountant") verifying the sufficiency of the escrow established to pay the 2020 Bonds in full on the maturity or redemption date (the "Verification"); (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Insurer); (iii) an opinion of nationally recognized bond counsel to the effect that the 2020 Bonds are no longer "Outstanding" under this Indenture; and (iv) a certificate of discharge of the Trustee with respect to the 2020 Bonds. Each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the District, Trustee and Insurer. The Insurer

shall be provided with final drafts of the above-reference documentation not less than three Business Days prior to the funding of the escrow.

Section 10.04. Payment of 2020 Bonds After Discharge of Indenture. Notwithstanding any provisions of the Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any 2020 Bonds and remaining unclaimed for two (2) years after the principal of all of the 2020 Bonds has become due and payable (whether at maturity or by acceleration as provided in the Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of the 2020 Bonds became due and payable, shall be repaid to the District free from the trusts created by the Indenture upon receipt of an indemnification agreement acceptable to the District and the Trustee indemnifying the Trustee with respect to claims of Owners of 2020 Bonds which have not yet been paid, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the District as aforesaid, the Trustee shall at the written direction of the District (at the cost of the District) first mail to the Owners of 2020 Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the 2020 Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof.

This Indenture shall not be discharged until all Policy Costs and other amounts owing to the Insurer with respect to the Reserve Surety Policy or the Insurance Policy shall have been paid in full. The District's obligation to pay such amounts shall expressly survive payment in full of the payments of principal of and interest on the 2020 Bonds.

## ARTICLE XI

### MISCELLANEOUS

Section 11.01. Liability of District Limited to Water Revenues. Notwithstanding anything in the Indenture or the 2020 Bonds, but subject to the priority of payment with respect to Operation and Maintenance Costs, the District shall not be required to advance any moneys derived from any source other than the Water Revenues, the Water Revenue Fund and other moneys pledged under the Indenture for any of the purposes in the Indenture mentioned, whether for the payment of the principal of or interest on the 2020 Bonds or for any other purpose of the Indenture. Nevertheless, the District may, but shall not be required to, advance for any of the purposes hereof any funds of the District which may be made available to it for such purposes.

The obligation of the District to pay interest and principal on the 2020 Bonds is a special obligation of the District payable solely from the Net Water Revenues, and does not constitute a debt of the District or of the State of California or of any political subdivision thereof (other than the District) in contravention of any constitutional or statutory debt limitation or restriction.

Section 11.02. Successor Is Deemed Included in All References to Predecessor. Whenever in the Indenture either the District or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in the Indenture contained by or on behalf of the District or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.



Section 11.03. Limitation of Rights to Parties and 2020 Bond Owners. Nothing in the Indenture or in the 2020 Bonds expressed or implied is intended or shall be construed to give to any person other than the District, the Trustee, the Insurer and the Owners of the 2020 Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the District, the Trustee, the Insurer and the Owners of the 2020 Bonds.

Section 11.04. Waiver of Notice; Requirement of Mailed Notice. Whenever in the Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in the Indenture any notice shall be required to be given by mail, such requirement shall be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

Section 11.05. Destruction of 2020 Bonds. Whenever in the Indenture provision is made for the cancellation by the Trustee and the delivery to the District of any 2020 Bonds, the Trustee shall destroy such 2020 Bonds as may be allowed by law, and deliver a certificate of such destruction to the District.

Section 11.06. Severability of Invalid Provisions. If any one or more of the provisions contained in the Indenture or in the 2020 Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in the Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of the Indenture, and the Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The District hereby declares that it would have entered into the Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the 2020 Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of the Indenture may be held illegal, invalid or unenforceable.

Section 11.07. Notices. Any notice to or demand upon the District or the Trustee shall be deemed to have been sufficiently given or served for all purposes by being sent by facsimile, overnight mail, courier or email or by being deposited, first class mail, postage prepaid, in a post office letter box, addressed, as the case may be, to the District at Palmdale Water District, 2029 E. Avenue Q, Palmdale, California 93550, Attention: General Manager (or such other address as may have been filed in writing by the District with the Trustee), or to the Trustee at The Bank of New York Mellon Trust Company, N.A., 400 South Hope Street, Suite 500, Los Angeles, California 90071, Attention: Corporate Trust Department. Notwithstanding the foregoing provisions of this Section 11.07, the Trustee shall not be deemed to have received, and shall not be liable for failing to act upon the contents of, any notice unless and until the Trustee actually receives such notice. Notices to the Insurer shall be deemed sufficiently given or served if addressed as follows:

\_\_\_\_\_.

Section 11.08. Evidence of Rights of 2020 Bond Owners. Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by 2020 Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such 2020 Bond Owners in person or by an agent or agents duly appointed in writing.

Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of 2020 Bonds transferable by delivery, shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Trustee and the District if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The Ownership of 2020 Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any 2020 Bond shall bind every future Owner of the same 2020 Bond and the Owner of every 2020 Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the District in accordance therewith or reliance thereon.

Section 11.09. Disqualified 2020 Bonds. In determining whether the Owners of the requisite aggregate principal amount of 2020 Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, 2020 Bonds which are known by the Trustee to be owned or held by or for the account of the District, or by any other obligor on the 2020 Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the District or any other obligor on the 2020 Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. 2020 Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such 2020 Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the District or any other obligor on the 2020 Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request, the District shall certify to the Trustee those 2020 Bonds that are disqualified pursuant to this Section 11.09 and the Trustee may conclusively rely on such certificate.

Section 11.10. Money Held for Particular 2020 Bonds. The money held by the Trustee for the payment of the interest or principal due on any date with respect to particular 2020 Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the 2020 Bonds entitled thereto, subject, however, to the provisions of Section 10.04 hereof but without any liability for interest thereon.

Section 11.11. Funds and Accounts. Any fund or account required by the Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with corporate trust industry standards to the extent practicable, and with due regard for the requirements of Section 6.05(a) and for the protection of the security of the 2020 Bonds and the rights of every Owner thereof.

Section 11.12. Waiver of Personal Liability. No member, officer, agent, employee, consultant or attorney of the District shall be individually or personally liable for the payment of the principal of or interest on the 2020 Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent, employee, consultant or attorney from the performance of any official duty provided by law or by the Indenture.

Section 11.13. Execution in Several Counterparts. The Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the District and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 11.14. Choice of Law. THE INDENTURE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

Section 11.15. Insurer as Third Party Beneficiary. The Insurer is intended as a third party beneficiary to this Indenture.

Section 11.16. No Impairment of Insurer's Rights. No contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the 2020 Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

Section 11.17. Insurer Consideration. The rights granted to the Insurer under this Indenture or any supplement thereto or amendment thereof to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Owners and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Owners or any other person is required in addition to the consent of the Insurer.

Section 11.18. Amounts Paid by the Insurer. Amounts paid by the Insurer under the Insurance Policy shall not be deemed paid for purposes of this Indenture and the 2020 Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the District in accordance with this Indenture. This Indenture shall not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

*[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]*

IN WITNESS WHEREOF, the District has caused the Indenture to be signed in its name by its General Manager, and the Trustee, in token of its acceptance of the trusts created hereunder, has caused the Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

PALMDALE WATER DISTRICT

By: \_\_\_\_\_  
General Manager

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Trustee

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**FORM OF 2020 BOND**

***UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE INDENTURE) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.***

No. \_\_\_\_\_

\$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA

PALMDALE WATER DISTRICT  
2020 WATER REVENUE REFUNDING BOND  
(FEDERALLY TAXABLE)

INTEREST RATE	MATURITY DATE	ORIGINAL ISSUE DATE	CUSIP
_____%	October 1, 20__	_____, 2020	_____

REGISTERED OWNER      CEDE & CO.

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

The PALMDALE WATER DISTRICT, an irrigation district duly organized and existing under and by virtue of the laws of the State of California (the "District"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the interest payment date next preceding the date of authentication of this Bond (unless: (i) this Bond is authenticated after the fifteenth day of the calendar month preceding an interest payment date, whether or not such day is a business day, and on or before the following interest payment date, in which event it shall bear interest from such interest payment date; or (ii) this Bond is authenticated on or before March 15, 2020, in which event it shall bear interest from the Original Issue Date identified above; provided, however, that if as of the date of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on this Bond), at the Interest Rate per annum specified above, payable on each April 1 and October 1, commencing April 1, 2021, calculated on the basis of a 360 day year composed of twelve 30 day months. Principal hereof is payable by check of the Trustee upon presentation and surrender hereof at the Office (as defined in the hereinafter described Indenture) of The Bank of New York Mellon Trust Company, N.A., as trustee (the

“Trustee”). Interest hereon is payable by check of the Trustee sent by first class mail on the applicable interest payment date to the Registered Owner hereof at the Registered Owner’s address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each interest payment date (except that in the case of a Registered Owner of one million dollars (\$1,000,000) or more in principal amount, such payment may, at such Registered Owner’s option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Registered Owner prior to the fifteenth (15th) day of the month preceding such interest payment date).

This Bond is not a debt of the State of California, or any of its political subdivisions (other than the District), and neither the State, nor any of its political subdivisions (other than the District), is liable hereon, nor in any event shall this Bond be payable out of any funds or properties of the District other than the Net Water Revenues (as such terms are defined in the Indenture of Trust, dated as of \_\_\_\_\_ 1, 2020 (the “Indenture”), by and between the District and the Trustee) and other moneys pledged therefor under the Indenture. The obligation of the District to make payments in accordance with the Indenture is a limited obligation of the District as set forth in the Indenture and the District shall have no liability or obligation in connection herewith except with respect to such payments to be made pursuant to the Indenture. This Bond does not constitute an indebtedness of the District in contravention of any constitutional or statutory debt limitation or restriction.

This Bond is one of a duly authorized issue of bonds of the District designated as the “Palmdale Water District 2020 Water Revenue Refunding Bonds (Federally Taxable)” (the “2020 Bonds”), of an aggregate principal amount of \_\_\_\_\_ Thousand Dollars (\$\_\_\_\_), all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers or interest rates) and all issued pursuant to the provisions of Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, including but not limited to Section 53583, and pursuant to the Indenture and the resolution of the District authorizing the issuance of the 2020 Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the District) and all supplements thereto for a description of the terms on which the 2020 Bonds are issued, the provisions with regard to the nature and extent of the Net Water Revenues, and the rights thereunder of the Owners of the 2020 Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the District hereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees. The 2020 Bonds have been issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof.

The 2020 Bonds have been issued by the District to refund [all/a portion of] the outstanding Palmdale Water District Public Financing Authority Water Revenue Bonds, Series 2013A, as more fully described in the Indenture.

This Bond and the interest hereon and all other 2020 Bonds and the interest thereon (to the extent set forth in the Indenture) are special obligations of the District, secured by a pledge and lien on the Water Revenues and any other amounts on deposit in certain funds and accounts created under the Indenture, and payable from the Net Water Revenues. As and to the extent set forth in the Indenture, all of the Water Revenues are exclusively and irrevocably pledged in accordance with the terms and the provisions of the Indenture, to the payment of the principal of and interest on this Bond.

The Bonds are subject to optional and mandatory sinking fund redemption as set forth in the Indenture.

The Indenture and the rights and obligations of the District and the Owners of the 2020 Bonds and the Trustee may be modified or amended from time to time and at any time with the written consent of the Owners of a majority in aggregate principal amount of all 2020 Bonds then Outstanding, exclusive of Bonds disqualified as set forth in the Indenture, in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall: (i) extend the fixed maturity of any 2020 Bonds, or reduce the amount of principal thereof, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each 2020 Bond so affected; or (ii) reduce the aforesaid percentage of 2020 Bonds the consent of the Owners of which is required to affect any such modification or amendment, or permit the creation of any lien on the Water Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted in the Indenture, or deprive the Owners of the 2020 Bonds of the lien created by the Indenture on such Water Revenues and other assets, except as expressly provided in the Indenture, without the consent of the Owners of all of the 2020 Bonds then Outstanding.

The Indenture and the rights and obligations of the District, of the Trustee and the Owners of the 2020 Bonds may also be modified or amended for certain purposes described more fully in the Indenture at any time in the manner, to the extent and upon the terms provided in the Indenture by a supplemental indenture, which the District and the Trustee may enter into without the consent of any 2020 Bond Owners, if the Trustee shall receive an opinion of Bond Counsel to the effect that the provisions of such supplemental indenture will not materially adversely affect the interests of the Owners of the Outstanding 2020 Bonds.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all of the 2020 Bonds then Outstanding and the interest accrued thereon may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This Bond is transferable by the Registered Owner hereof, in person or by his or her duly authorized attorney in writing, at the office of the Trustee but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new 2020 Bond or 2020 Bonds of the same series, of authorized denomination or denominations, for the same aggregate principal amount of the same maturity will be issued to the transferee in exchange therefor.

This Bond may be exchanged at said office of the Trustee for a like aggregate principal amount of 2020 Bonds of other authorized denominations of the same series and same maturity, but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture.

The District and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the District and the Trustee shall not be affected by any notice to the contrary.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have

happened or have been performed in due and regular time, form and manner as required by the Indenture and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the District, does not exceed any limit under any laws of the State of California, and is not in excess of the amount of 2020 Bonds permitted to be issued under the Indenture and the laws of the State of California.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the District has caused this Bond to be executed in its name and on its behalf with the manual or facsimile signature of its President and attested to by its Secretary as of the Original Issue Date.

PALMDALE WATER DISTRICT

By: \_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Secretary

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION  
TO APPEAR ON BONDS]

This is one of the Bonds described in the within-mentioned Indenture.

Dated: \_\_\_\_\_, 2020

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Trustee

By: \_\_\_\_\_  
Authorized Signatory



[FORM OF STATEMENT OF INSURANCE]

[TO COME]

[FORM OF ASSIGNMENT]

For value received the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(Name, Address and Tax Identification or  
Social Security Number of Assignee)

the within registered Bond and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_  
\_\_\_\_\_ attorney, to transfer the same on the registration books of the Trustee  
with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Note: The signature(s) on this Assignment must  
correspond with the name(s) as written on the  
face of the within Bond in every particular  
without alteration or enlargement or any  
change whatsoever.

Signature Guaranteed:

\_\_\_\_\_  
Note: Signature guarantee shall be made by a  
guarantor institution participating in  
the Securities Transfer Agents  
Medallion Program or in such other  
guarantee program acceptable to the  
Trustee.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2020

NEW ISSUE – BOOK ENTRY ONLY

RATINGS: S&P: “\_\_” (Insured)  
S&P: “A-” (Underlying)  
See the caption “RATINGS”

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, the interest (and original issue discount) on the 2020 Bonds is not excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, such interest (and original issue discount) is exempt from State of California personal income tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest with respect to, the 2020 Bonds. See the caption “TAX MATTERS” herein.*

**\$20,435,000\***

**PALMDALE WATER DISTRICT  
2020 WATER REVENUE REFUNDING BONDS (FEDERALLY TAXABLE)**

**Dated: Date of Issuance**

**Due: October 1, as set forth on the following page**

The Palmdale Water District (the “District”) is issuing its 2020 Water Revenue Refunding Bonds (Federally Taxable) (the “2020 Bonds”) in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers of the 2020 Bonds will not receive securities representing their beneficial ownership in the 2020 Bonds purchased. Interest on the 2020 Bonds is payable on each April 1 and October 1, commencing April 1, 2021 until the maturity thereof. The principal of and interest on the 2020 Bonds are payable by the Trustee to Cede & Co. and such interest and principal payments are to be disbursed to the beneficial owners of the 2020 Bonds through their nominees.

**The 2020 Bonds are subject to redemption as more fully described herein.**

The 2020 Bonds are being issued to provide funds, together with certain other moneys: (i) to refund a portion of the outstanding Palmdale Water District Public Financing Authority Water Revenue Bonds, Series 2013A; (ii) to purchase a municipal bond insurance policy to guarantee payment of the principal of and interest on the 2020 Bonds; (iii) to purchase a municipal bond debt service reserve insurance policy for deposit in the Reserve Fund; and (iv) to pay costs of issuance of the 2020 Bonds, all as more fully described herein.

The 2020 Bonds are being issued pursuant to the Indenture of Trust, dated as of \_\_\_\_\_ 1, 2020, by and between the Palmdale Water District and The Bank of New York Mellon Trust Company, N.A., as trustee. The 2020 Bonds are limited obligations of the District payable solely from Net Water Revenues of the District’s Water System remaining after payment of Operation and Maintenance Costs (the “Net Water Revenues”), and from amounts on deposit in certain funds and accounts created under the Indenture.

The obligation of the District to pay principal of and interest on the 2020 Bonds is payable from Net Water Revenues on a parity with installment payments owed under certain installment purchase agreements of the District, as further described herein. The District may incur additional obligations payable from Net Water Revenues on a parity with the obligation to pay principal of and interest on the 2020 Bonds, subject to the terms and conditions of the Indenture, as more fully described herein.

*The obligation of the District to pay principal of and interest on the 2020 Bonds pursuant to the Indenture does not constitute an obligation for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The obligation of the District to pay principal of and interest on the 2020 Bonds is a special obligation of the District payable solely from Net Water Revenues, and does not constitute a debt of the District or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.*

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

MATURITY SCHEDULE – See Inside Cover Page

The scheduled payment of principal of and interest on the 2020 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the issuance of the 2020 Bonds by \_\_\_\_\_ (“Insurer”).

[Insurer Logo]

This cover page contains certain information for quick reference only. It is not a complete summary of the 2020 Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

*The 2020 Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of the valid, legal and binding nature of the 2020 Bonds by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriter by its counsel, Kutak Rock LLP, Irvine, California, for the District by Aleshire & Wynder LLP, Riverside, California, and for the Trustee by its counsel. It is anticipated that the 2020 Bonds will be available for delivery through the facilities of The Depository Trust Company on or about \_\_\_\_\_, 2020.*

**[PIPER LOGO]**

Dated: \_\_\_\_\_, 2020

\* Preliminary; subject to change.

\$ \_\_\_\_\_  
**PALMDALE WATER DISTRICT**  
**2020 WATER REVENUE REFUNDING BONDS (FEDERALLY TAXABLE)**

**MATURITY SCHEDULE**  
**BASE CUSIP\* \_\_\_\_\_**

<i><b>Maturity Date</b></i> <i><b>(October 1)</b></i>	<i><b>Principal</b></i> <i><b>Amount</b></i>	<i><b>Interest</b></i> <i><b>Rate</b></i>	<i><b>Yield</b></i>	<i><b>Price</b></i>	<i><b>CUSIP<sup>†</sup></b></i> <i><b>Suffix</b></i>
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NO DEALER, BROKER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFER OR SALE OF THE 2020 BONDS, OTHER THAN AS CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, ANY SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE AUTHORITY, THE DISTRICT OR THE UNDERWRITER. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OF ANY SECURITIES OTHER THAN THOSE DESCRIBED ON THE COVER PAGE OR AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE 2020 BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT WITH THE PURCHASERS OF THE 2020 BONDS.

The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of this information.

The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or the Authority since the date hereof.

This Official Statement contains forward-looking statements, including: (a) statements containing projections of Net Water Revenues, expenditures and other financial items; (b) statements of the plans and objectives of the District for future operations of the water system; (c) statements of future economic performance of the water system; and (d) statements of the assumptions underlying or relating to statements described in (a), (b) and (c) above (collectively, "Forward-Looking Statements"). All statements other than statements of historical facts included in this Official Statement, including without limitation statements under APPENDIX A—"AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR YEAR ENDING DECEMBER 31, 2019" regarding the District's financial position, business strategy, capital resources and plans and objectives for future operations of the water system, are Forward-Looking Statements. Although such expectations reflected in such Forward-Looking Statements are reasonable, there can be no assurance that such expectations will prove to have been correct. Statements of important factors (collectively, the "Cautionary Statements") that could cause actual results to differ materially from expectations of the District are disclosed in this Official Statement. All subsequent written and oral Forward-Looking Statements attributable to the District or any person acting on behalf of the District are expressly qualified in their entirety by the Cautionary Statements.

This Official Statement is submitted in connection with the sale of the 2020 Bonds and may not be reproduced or be used, as a whole or in part, for any other purpose.

In connection with the offering of the 2020 Bonds, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the 2020 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the 2020 Bonds to certain dealers and dealer banks and banks acting as agent and others at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and the Underwriter may change those public offering prices from time to time.

\_\_\_\_\_ (the "Insurer") makes no representation regarding the 2020 Bonds or the advisability of investing in the 2020 Bonds. In addition, the Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Insurer supplied by the Insurer and presented under the heading "BOND INSURANCE" and APPENDIX F—"SPECIMEN MUNICIPAL BOND INSURANCE POLICY".

THE 2020 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), IN RELIANCE UPON AN EXEMPTION CONTAINED IN THE ACT. THE 2020 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

*The District maintains a website. However, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2020 Bonds.*

**PALMDALE WATER DISTRICT  
LOS ANGELES COUNTY, CALIFORNIA**

**BOARD OF DIRECTORS**

Vincent Dino, *President*  
Kathy Mac Laren, *Vice President*  
Marco Henriquez, *Treasurer*  
Joe Estes, *Secretary*  
Robert E. Alvarado, *Director*

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**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY**

**BOARD OF DIRECTORS**

Vincent Dino, *President*  
Kathy Mac Laren, *Vice President*  
Gloria Dizmang, *Treasurer*  
Don Wilson, *Secretary*  
Robert E. Alvarado, *Assistant Secretary*

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**DISTRICT STAFF**

Dennis D. LaMoreaux, *General Manager/Chief Executive Officer*  
Adam Ly, *Assistant General Manager*  
Michael A. Williams, *Finance Manager/Chief Financial Officer*  
Robert M. Egan, CPA, *Financial Consultant*

---

**BOND COUNSEL AND DISCLOSURE COUNSEL**

Stradling Yocca Carlson & Rauth,  
a Professional Corporation  
Newport Beach, California

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**MUNICIPAL ADVISOR**

NHA Advisors LLC  
San Rafael, California

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**TRUSTEE AND ESCROW AGENT**

The Bank of New York Mellon Trust Company, N.A.  
Los Angeles, California

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**VERIFICATION AGENT**

Causey Demgen & Moore, P.C.  
Denver, Colorado

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**\$20,435,000\***  
**PALMDALE WATER DISTRICT**  
**2020 WATER REVENUE REFUNDING BONDS (FEDERALLY TAXABLE)**

**INTRODUCTION**

**General.** This Official Statement, including the cover page, the inside cover page and all appendices hereto, provides certain information concerning the sale and delivery of the Palmdale Water District 2020 Water Revenue Refunding Bonds, (Federally Taxable) (the “2020 Bonds”). The 2020 Bonds are being issued pursuant to an Indenture of Trust, dated as of \_\_\_\_ 1, 2020 (the “Indenture”), by and between the Palmdale Water District (the “District”) and The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as trustee (the “Trustee”). Descriptions and summaries of various documents set forth in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in Appendix B.

**The District.** The District is a California irrigation district formed and operating under the provisions of Division 11 of the California Water Code. The District is located in northern Los Angeles County and provides retail water service to approximately 26,782 customers located on approximately 83,894 acres. See “PALMDALE WATER DISTRICT.”

**Purposes of the 2020 Bonds.** The 2020 Bonds are being issued to provide funds, together with certain other moneys: (i) to refund the Palmdale Water District Public Financing Authority Water Revenue Bonds, Series 2013A (the “2013 Bonds”) maturing on and between October 1, 2025\* through October 1, 2034,\* which is currently outstanding in the aggregate principal amount of \$21,940,000\* (such portion of the 2013 Bonds being refunded is referred to hereinafter as the “Refunded Bonds”), (ii) to purchase a municipal bond insurance policy to guarantee payment of the principal of and interest on the 2020 Bonds (the “Insurance Policy”); (iii) to purchase a municipal bond debt service reserve insurance policy for deposit in the Reserve Fund (the “Reserve Surety Policy”); and (iv) to pay costs of issuance of the 2020 Bonds. See the caption “ESTIMATED SOURCES AND USES OF FUNDS.”

**Authority for Issuance.** The 2020 Bonds are being issued under the Indenture and Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the “State”). The Board of Directors (the “Board”) of the District adopted a resolution on \_\_\_\_ (the “Authorizing Resolution”) approving the issuance of the 2020 Bonds and the execution and delivery of the Indenture.

**Sources of Payment for the 2020 Bonds.** The 2020 Bonds are limited obligations of the District payable solely from Net Water Revenues, which consist of Water Revenues of the District’s Water System remaining after payment of Operation and Maintenance Costs, as such terms are defined in Appendix B, and from amounts on deposit in certain funds and accounts created under the Indenture.

The obligation of the District to make payments of principal of and interest on the 2020 Bonds is payable from Net Water Revenues on a parity with payments with respect to: (i) the Installment Purchase Agreement, dated as of November 1, 2012 (the “2012 Installment Purchase Agreement”), by and between the District and the Palmdale Water District Public Facilities Corporation, outstanding in the aggregate principal amount of \$3,904,026; (ii) the Installment Purchase Agreement, dated as of May 1, 2013 (the “2013 Installment Purchase Agreement”), by and between the District and the Palmdale Water District Public Financing Authority (the “Authority”), which will be outstanding following the issuance of the 2020 Bonds in the aggregate principal amount of \$9,400,000\*; (iii) the Installment Purchase Agreement, dated as of

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\* Preliminary; subject to change.

January 18, 2017 (the “2017 Installment Purchase Agreement”), by and between the District and Holman Capital Corporation, outstanding in the aggregate principal amount of \$261,137; (iv) the Installment Purchase Agreement, dated as of June 1, 2018 (the “2018 Installment Purchase Agreement”), by and between the District and the Authority, outstanding in the aggregate principal amount of \$12,805,000; and (v) the Installment Purchase Agreement dated as of May 1, 2020 (the “2020 Installment Purchase Agreement”), by and between the District and Western Alliance Business Trust, outstanding in the aggregate principal amount of \$8,978,105. The 2012 Installment Purchase Agreement, the 2013 Installment Purchase Agreement, the 2017 Installment Purchase Agreement, the 2018 Installment Purchase Agreement and the 2020 Installment Purchase Agreement are collectively referred to herein as the “Parity Obligation Documents.”

**Reserve Fund.** A Reserve Fund for the 2020 Bonds is established pursuant to the Indenture in an amount equal to the Reserve Requirement, which, as of the date of calculation, is an amount equal to the lowest of (i) 10% of the initial principal amount of the 2020 Bonds, (ii) Maximum Annual Debt Service on the Outstanding 2020 Bonds, or (iii) 125% of average Annual Debt Service on the Outstanding 2020 Bonds (the “Reserve Requirement”). \_\_\_\_\_ (the “Insurer”) has committed to issue, simultaneously with the execution and delivery of the 2020 Bonds, the Reserve Surety Policy in an amount equal to \$\_\_\_\_\_, which is the initial Reserve Requirement for deposit in the Reserve Fund.

**Bond Insurance.** Payment of principal of and interest on the 2020 Bonds will be insured by the Insurance Policy to be issued by the Insurer concurrently with the issuance of the 2020 Bonds. See the caption “BOND INSURANCE” and APPENDIX F.

**Additional Parity Obligations.** The District will covenant in the Indenture not to incur additional obligations payable from Net Water Revenues senior to the 2020 Bonds. The District may enter into additional Bonds and Contracts payable from Net Water Revenues on a parity basis with the 2020 Bonds, as more fully described under the caption “SECURITY FOR THE 2020 BONDS—Additional District Indebtedness.”

**Professionals Involved in the Offering.** The Bank of New York Mellon Trust Company, N.A. will act as Trustee with respect to the 2020 Bonds and as escrow agent with respect to the Refunded Bonds. The 2020 Bonds are offered when, as and if issued, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and certain other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation, is serving as Disclosure Counsel to the District with respect to the 2020 Bonds. NHA Advisors, LLC is serving as Municipal Advisor to the District with respect to the 2020 Bonds. Certain legal matters will be passed on for the Underwriter by its counsel, Kutak Rock LLP, for the District and the Authority by Aleshire & Wynder LLP, their general counsel, for the Trustee by its counsel and for the Insurer by its counsel. Causey Demgen & Moore, P.C., is serving as verification agent with respect to the Refunded Bonds (the “Verification Agent”).

**Other Information about this Official Statement.** The summaries and references to the Indenture and all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary or reference is qualified in its entirety by reference to the full Indenture and each such document, statute, report or instrument, copies of which are available for inspection at the offices of the District in Palmdale, California and will be available from the Trustee upon request and payment of duplication cost. The capitalization of any word not conventionally capitalized or otherwise defined herein indicates that such word is defined in the Indenture and, as used herein, has the meaning given to it in the Indenture. Unless otherwise indicated, all financial and statistical information herein has been provided by The District.

The District regularly prepares a variety of reports, including audits, budgets and related documents. Any registered owner of the 2020 Bonds (each, an “Owner”) may obtain a copy of such report, as available, from the Trustee or the District. Additional information regarding the Official Statement may be obtained by

contacting the Trustee or Palmdale Water District, 2029 East Avenue Q, Palmdale, California 93550, Telephone: (661) 947-4111.

## **REFUNDING PLAN**

The Authority issued the 2013 Bonds pursuant to an Indenture of Trust (the “2013 Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as prior trustee (the “2013 Trustee”), dated as of May 1, 2013. The 2013 Bonds are payable from installment payments made by the District under the 2013 Installment Purchase Agreement. The District plans to apply a portion of the proceeds of the 2020 Bonds, together with moneys held in certain funds and accounts established in connection with the 2013 Bonds, and other moneys contributed by the District, to refund all of the Refunded Bonds on October 1, 2023.

A portion of the proceeds from the sale of the 2020 Bonds will be deposited into an Escrow Fund (the “2013 Escrow Fund”) created and maintained by the 2013 Trustee, as escrow agent, under a certain escrow agreement (the “Escrow Agreement”), by and between the District and the 2013 Trustee, for the purpose of paying any interest due on the Refunded Bonds through and including October 1, 2023 and redeeming the Refunded Bonds on October 1, 2023. See the caption “ESTIMATED SOURCES AND USES OF FUNDS.”

Moneys in the 2013 Escrow Fund will be invested in cash and/or non-callable direct obligations of the United States Treasury or other non-callable obligations, the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America. The Verification Agent will certify that the proceeds of the 2020 Bonds deposited into the 2013 Escrow Fund, along with the interest earnings thereon, if any, together with other funds therein, will be sufficient: (i) to pay the interest due on the Refunded Bonds through October 1, 2023, and (ii) to redeem the Refunded Bonds on October 1, 2023 at a redemption price equal to the principal amount thereof, together with all interest accrued thereon, without premium. See “VERIFICATION.”

As a result of the deposit and application of funds and defeasance securities as provided in the 2013 Escrow Agreement, the Refunded Bonds will be defeased pursuant to the provisions of the 2013 Installment Purchase Agreement and the 2013 Indenture, as of the date of issuance of the 2020 Bonds.

The amounts held by the 2013 Trustee in the 2013 Escrow Fund are pledged solely to the payment of the Refunded Bonds. The funds deposited in the 2013 Escrow Fund will not be available for the payments of principal of and interest on the 2020 Bonds.

## **THE 2020 BONDS**

### **General Provisions**

The 2020 Bonds will be issued in the aggregate principal amount of \$20,435,000.\* The 2020 Bonds will be dated as of the date of initial issuance thereof (the “Issuance Date”), will bear interest from such date at the rates per annum set forth on the inside cover page hereof, payable on each April 1 and October 1, commencing April 1, 2021 (each, an “Interest Payment Date”), and will mature on the dates set forth on the page following the cover page hereof. Interest on the 2020 Bonds will be computed on the basis of a 360-day year of twelve thirty-day months.

The 2020 Bonds will be issued only in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the 2020 Bonds. Ownership interests in the 2020 Bonds may be purchased

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\* Preliminary; subject to change.

in book entry form, in denominations of \$5,000 or any integral multiple thereof. See the caption “—Book Entry Only System” below and Appendix D.

In the event that the book entry only system described below is discontinued, the principal of and redemption premium (if any) on the 2020 Bonds are payable by check of the Trustee upon presentation and surrender thereof at maturity or upon prior redemption at the office of the Trustee in Los Angeles, California (the “Office of the Trustee”). Interest on the 2020 Bonds is payable on each Interest Payment Date to the person whose name appears on the registration books maintained by the Trustee (the “Registration Books”) as the Owner thereof as of the close of business on the fifteenth day of the calendar month preceding the Interest Payment Date (the “Record Date”), such interest to be paid by check of the Trustee, sent by first class mail on the applicable Interest Payment Date to the Owner at such Owner’s address as it appears on the Registration Books. An Owner of \$1,000,000 or more in principal amount of 2020 Bonds may, at such Owner’s option, be paid interest by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Owner prior to the applicable Record Date. The principal of and interest and premium, if any, on the 2020 Bonds will be payable in lawful money of the United States of America.

Interest on any 2020 Bond will be payable from the Interest Payment Date preceding the date of authentication thereof, unless such date is after a Record Date and on or before the succeeding Interest Payment Date, in which case interest thereon will be payable from such Interest Payment Date, or unless such date is on or before March 15, 2021, in which case interest thereon will be payable from the date of issue of the 2020 Bonds.

#### **Transfers and Exchanges upon Termination of Book Entry Only System**

In the event that the book entry system described above is discontinued, the 2020 Bonds will be printed and delivered as provided in the Indenture. Thereafter, any 2020 Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by such person’s duly authorized attorney, upon surrender of such 2020 Bond for cancellation at the Office of the Trustee, accompanied by delivery of a duly executed instrument of transfer in a form approved by the Trustee. Upon the surrender of a 2020 Bond for transfer, the Trustee is to issue a new 2020 Bond or 2020 Bonds of the same maturity, for a like aggregate principal amount and of authorized denomination or denominations. The Trustee may charge a sum for each new 2020 Bond issued upon any transfer. The Trustee may require the payment by any 2020 Bond Owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2020 Bonds, the Trustee will cancel and destroy the 2020 Bonds it has received.

2020 Bonds may be exchanged at the Office of the Trustee, for a like aggregate principal amount of 2020 Bonds of other authorized denominations of the same maturity. The Trustee may charge a sum for each new 2020 Bond issued upon any exchange except in the case of any exchange of temporary 2020 Bonds for definitive 2020 Bonds. The Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2020 Bonds, the Trustee will cancel and destroy the 2020 Bonds it has received.

The Trustee is not required to register the exchange or transfer of any 2020 Bond: (i) within 15 days preceding selection of 2020 Bonds for redemption; or (ii) selected for redemption.

#### **Redemption of the 2020 Bonds\***

**Optional Redemption.** The 2020 Bonds maturing on or before October 1, \_\_\_\_, are not subject to optional redemption prior to their respective stated maturities. The 2020 Bonds maturing on or after

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\* Preliminary; subject to change.

October 1, \_\_\_\_ shall be subject to optional redemption, in whole or in part, on any date on or after October 1, \_\_\_\_, at the option of the District, from any source of available funds, at a redemption price equal to the principal amount of the 2020 Bonds to be redeemed, plus accrued interest thereon to the date of redemption.

***Mandatory Sinking Fund Redemption.*** The 2020 Bonds maturing on October 1, \_\_\_\_ (the “\_\_\_\_ Term Bonds”) shall be paid at maturity and are subject to mandatory sinking fund redemption, in part by lot, from sinking fund payments as set forth in the following schedule commencing on October 1, \_\_\_\_ and on each October 1 thereafter until maturity, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the \_\_\_\_ Term Bonds have been redeemed pursuant to the optional redemption or extraordinary redemption provisions of the Indenture, the total amount of sinking fund payments to be made subsequent to such redemption will be reduced in an amount equal to the principal amount of the \_\_\_\_ Term Bonds so redeemed by reducing each such future sinking fund payments on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as will be designated pursuant to written notice filed by the District with the Trustee.

***Redemption Date  
(October 1)***

***Principal  
Amount***

\*

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\* Final Maturity.

In lieu of such redemption, the Trustee may apply amounts in the Principal Account to the purchase of \_\_\_\_ Term Bonds at public or private sale for cancellation, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as may be directed by the District, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the \_\_\_\_ Term Bonds, as set forth in a Written Request of the District and subsequently cancelled or surrendered to the Trustee for cancellation. The par amount of any \_\_\_\_ Term Bonds so purchased by the District in any twelve-month period immediately preceding any September 15 will be credited towards and will reduce the principal amount of such \_\_\_\_ Term Bonds required to be redeemed on the succeeding October 1.

#### **Notice of Redemption; Rescission**

When redemption is authorized or required, the Trustee on behalf and at the expense of the District shall mail (by first class mail) notice of any redemption to the respective Owners of any 2020 Bonds designated for redemption at their respective addresses appearing on the Registration Books at least 20 but not more than 60 days prior to the date fixed for redemption; provided, however, so long as such 2020 Bonds are registered in the name of DTC, or its nominee, notice shall be sent in any manner approved by DTC. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, if any, the 2020 Bond numbers and the maturity or maturities of the 2020 Bonds to be redeemed (except in the event of redemption of all of the 2020 Bonds of such maturity or maturities in whole), and shall require that such 2020 Bonds be then surrendered at the Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such 2020 Bonds will not accrue from and after the date fixed for redemption. Neither the failure to receive any notice so mailed, nor any defect in such notice, shall affect the validity of the proceedings for the redemption of the 2020 Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

With respect to any notice of any optional redemption of 2020 Bonds, unless at the time such notice is given the 2020 Bonds to be redeemed shall be deemed to have been paid within the meaning of the Indenture, such notice shall state that such redemption is conditional upon receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the redemption price of, and accrued interest on, the 2020 Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the District shall not be required to redeem such 2020 Bonds. In the event a notice of redemption of 2020 Bonds contains such a condition and such moneys are not so received, the redemption of 2020 Bonds as described in the conditional notice of redemption shall not be made and the Trustee shall, within a reasonable time after the date on which such redemption was to occur, give notice to the Persons and in the manner in which the notice of redemption was given, that such moneys were not so received and that there shall be no redemption of 2020 Bonds pursuant to such notice of redemption.

### **Section of 2020 Bonds for Redemption**

Whenever provision is made for the optional redemption of less than all of the 2020 Bonds, the Trustee shall select the 2020 Bonds to be redeemed from all 2020 Bonds not previously called for redemption among maturities of 2020 Bonds as directed in a Written Request of the District, and approved in writing by the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy), and by lot among 2020 Bonds with the same maturity in any manner which the Trustee in its sole discretion shall deem appropriate. Whenever provision is made for the sinking fund redemption of less than all of the 2020 Bonds, the Trustee shall select the 2020 Bonds to be redeemed from all 2020 Bonds not previously called for redemption by lot among 2020 Bonds with the same maturity in any manner which the Trustee in its sole discretion shall deem appropriate. For purposes of such selection, all Bonds shall be deemed to be comprised of separate \$5,000 denominations and such separate denominations shall be treated as separate 2020 Bonds which may be separately redeemed.

### **Partial Redemption of 2020 Bonds**

Upon surrender of any 2020 Bonds redeemed in part only, the District shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the District, a new 2020 Bond or 2020 Bonds with the same maturity in an aggregate principal amount equal to the unredeemed portion of the 2020 Bonds surrendered.

### **Effect of Notice of Redemption**

Notice of redemption having been duly given, and moneys for the redemption price, and the interest to the applicable date fixed for redemption, having been set aside with the Trustee, the 2020 Bonds shall become due and payable on said date, and, upon presentation and surrender thereof at the Office of the Trustee, said 2020 Bonds shall be paid at the redemption price thereof, together with interest accrued and unpaid to said date. If, on said date fixed for redemption, moneys for the redemption price of all the 2020 Bonds to be redeemed, together with interest to said date, shall be held by the Trustee so as to be available therefor on such date, and, if notice of redemption thereof shall have been duly given and not canceled, then, from and after said date, interest on said 2020 Bonds shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of 2020 Bonds shall be held in trust for the account of the Owners of the 2020 Bonds so to be redeemed without liability to such Owners for interest thereon.

### **Reserve Fund**

The Insurer has made a commitment to issue, simultaneously with the initial execution and delivery of the 2020 Bonds, the debt service reserve insurance policy in the amount of \$\_\_\_\_, which amount is sufficient to satisfy the initial Reserve Requirement, for deposit in the Reserve Fund, effective as of the date of issuance of the 2020 Bonds. Under the terms of the debt service reserve insurance policy, the Insurer will

unconditionally and irrevocably guarantee to pay that portion of the scheduled payments of principal of and interest on the 2020 Bonds that becomes due for payment but shall be unpaid by reason of nonpayment by the District.

See Appendix B—“DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS” for further information with respect to the debt service reserve insurance policy.

### **Book Entry Only System**

One fully-registered 2020 Bond of each maturity will be issued in the principal amount of the 2020 Bonds of such maturity. Such 2020 Bond will be registered in the name of Cede & Co. and will be deposited with DTC.

The District may decide to discontinue use of the system of book entry transfers through DTC (or a successor securities depository). In that event, the 2020 Bonds will be printed and delivered and will be governed by the provisions of the Indenture with respect to payment of principal and interest and rights of exchange and transfer.

The District cannot and does not give any assurances that DTC participants or others will distribute payments of principal of and interest on the 2020 Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement. See Appendix D for additional information concerning DTC.

## DEBT SERVICE PAYMENT SCHEDULE

Set forth below is an annualized schedule of principal of and interest on the 2020 Bonds and other Bonds and Contract payments for the period ending October 1 in each of the years indicated:

<i>October 1</i>	<i>2020 Bonds</i>		<i>Parity Obligations<sup>(1)*</sup></i>	<i>Total</i>
	<i>2020 Bonds Principal</i>	<i>2020 Bonds Interest</i>		
2021			\$ 3,553,882	
2022			3,716,156	
2023			3,626,023	
2024			3,757,400	
2025			3,758,299	
2026			3,763,300	
2027			1,321,800	
2028			1,320,800	
2029			4,009,049	
2030			4,012,399	
2031			1,131,425	
2032			1,126,924	
2033			1,126,674	
2034			1,128,394	
2035			1,959,093	
2036			1,960,538	
2037			1,960,074	
2038			1,957,706	
2039			1,963,431	
2040			1,963,431	
2041			1,960,581	
2042			1,959,881	
2043			1,961,081	
2044			818,500	
2045			819,625	
2046			819,388	
2047			822,788	
2048			819,575	
TOTAL			\$59,098,217	

\* *Preliminary, subject to change.*

<sup>(1)</sup> Includes payments due under Parity Obligation Documents. Payments due under the 2013 Installment Purchase Agreement assume the defeasance of the Refunded Bonds.

Source: The District.

## SECURITY FOR THE 2020 BONDS

### General

The 2020 Bonds are limited obligations of the District. The 2020 Bonds are payable solely from Net Water Revenues (defined below) and from certain other amounts on deposit in funds and accounts under the Indenture. The obligation to make payments of principal of and interest on the 2020 Bonds is payable on a parity with the obligation of the District to make payments with respect to the Parity Obligation Documents.

***The obligation of the District to pay principal of and interest on the 2020 Bonds pursuant to the Indenture does not constitute an obligation for which the District is obligated to levy or pledge any form of***



*taxation or for which the District has levied or pledged any form of taxation. The obligation of the District to pay principal of and interest on the 2020 Bonds is a special obligation of the District payable solely from Net Water Revenues, and does not constitute a debt of the District or of the State of California or of any political subdivision thereof in contravention of any Constitutional or statutory debt limitation or restriction.*

### **Pledge of Water Revenues**

All Water Revenues and all amounts on deposit in the Water Revenue Fund and the Rate Stabilization Fund will be irrevocably pledged by the District to the payment of the principal of and interest on the 2020 Bonds and payments due under the Parity Obligation Documents, as described in the Indenture. The District will further covenant not to use Water Revenues for any other purpose while any of the 2020 Bonds remain Outstanding; provided that out of the Water Revenues and amounts on deposit in the Water Revenue Fund there may be apportioned such sums for such purposes as are expressly permitted in the Indenture. Such pledge, together with the pledge created by all other Bonds and Contracts, constitutes a first lien on Water Revenues and the Water Revenue Fund and all amounts on deposit therein as permitted in the Indenture and subject to the application of Water Revenues in accordance with the terms thereof. Under the Indenture, the term "Bonds" means all revenue bonds or notes of the District authorized, executed, issued and delivered by the District, the payments of which are on a parity with the payments on the 2020 Bonds and which are secured by a pledge of and lien on the Water Revenues, including the 2013 Bonds and 2018 Bonds, and the term "Contracts" means all contracts of the District authorized and executed by the District, the payments under which are on a parity with the payments on the 2020 Bonds and which are secured by a pledge and lien on the Water Revenues, including the payments made under the Parity Obligation Documents. The term "Contracts" does not include the contracts with the State of California for the State Water Project, including the State Water Supply Contract.

The obligation of the District to make the payments on the 2020 Bonds is a special obligation of the District payable solely from Net Water Revenues of the Water System of the District, and does not constitute a debt of the District or of the State of California or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

The obligation of the District to make the payments on the 2020 Bonds from Net Water Revenues is absolute and unconditional, and until such time as all of the 2020 Bonds have been paid in full (or provision for the payment thereof has been made pursuant to the Indenture), the District will not fail to make any payments on the 2020 Bonds when due, whether or not the Water System or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments are not subject to reduction whether by offset or otherwise and are not conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

As defined in the Indenture, the term "Water Revenues" means, for any Fiscal Year, all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the District's Water System, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System, plus (2) proceeds of the District's share of the County's 1% property tax received by the District, if any, plus (3) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including District reserves and the Reserve Fund, plus (4) the proceeds of any stand by or water availability charges collected by the District, but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and excluding any proceeds of any taxes or assessments required by law to be used by the District to pay bonds heretofore or hereafter issued and any assessments levied and collected by the District to pay any contract payments due under the State Water Supply Contract (as hereinafter defined), plus (5) money withdrawn from the Rate Stabilization Fund in such Fiscal Year, minus (6) any Revenues transferred to the Rate Stabilization Fund in such Fiscal Year.

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

Net Water Revenues means, for any Fiscal Year of the District (currently, the District’s Fiscal Year begins January 1 and ends on December 31), Water Revenues remaining after payment of Operation and Maintenance Costs. See Appendix B—“DEFINITIONS AND SUMMARY OF THE INDENTURE.”

The obligation of the District to make the payments on the 2020 Bonds from Net Water Revenues is payable on a parity with the obligation of the District to make payments under the Parity Obligation Documents. See the caption “INTRODUCTION—Sources of Payments for the 2020 Bonds.”

Upon the defeasance of the 2012 Installment Purchase Agreement, the 2013 Installment Purchase Agreement and the 2017 Installment Purchase Agreement, the definition of Water Revenues will be revised as follows:

“For any Fiscal Year, all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the District’s Water System, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System, plus (2) proceeds of the District’s share of the County’s 1% property tax received by the District, if any, plus (3) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including District reserves and the Reserve Fund, plus (4) the proceeds of any stand by or water availability charges collected by the District, but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and excluding any proceeds of any taxes or assessments required by law to be used by the District to pay bonds heretofore or hereafter issued and any assessments levied and collected by the District to pay any contract payments due under the State Water Supply Contract, plus (5) money withdrawn from the Rate Stabilization Fund in such Fiscal Year.”

THE OBLIGATION OF THE DISTRICT TO MAKE THE PAYMENTS ON THE 2020 BONDS IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET WATER REVENUES OF THE DISTRICT AND CERTAIN OTHER AMOUNTS DESCRIBED IN THE INDENTURE, AND DOES NOT CONSTITUTE AN OBLIGATION OF THE DISTRICT THAT THE DISTRICT IS OBLIGATED TO PAY FROM ANY OTHER DISTRICT REVENUES OR TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE DISTRICT TO MAKE THE PAYMENTS ON THE 2020 BONDS UNDER THE INDENTURE DOES NOT CONSTITUTE A DEBT OF THE DISTRICT OR OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

If the District defaults on its obligation to make the required payments of principal of and interest on the 2020 Bonds or under any Parity Obligation Document, the Trustee has the right to accelerate the entire principal amount of the Outstanding 2020 Bonds and the accrued interest thereon, and the entire principal amount of the unpaid principal owed under the Parity Obligation Documents, together with the accrued interest thereon. However, in the event of a default and such acceleration there can be no assurance that the District will have sufficient Net Water Revenues to pay the accelerated amounts due.

So long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, payments on the 2020 Bonds may only be accelerated with the written approval of the Insurer.

### **Allocation of Water Revenues**

In order to carry out and effectuate the pledge and lien contained in the Indenture, the District will agree and covenant in the Indenture that all Water Revenues shall be received by the District in trust and shall be deposited when and as received in the Water Revenue Fund which fund the District has previously established and agrees and covenants to maintain and to hold separate and apart from other funds so long as any 2020 Bonds, Contracts or Bonds remain unpaid. Moneys in the Water Revenue Fund shall be used and applied by the District as provided in the Indenture.

The District shall, from the moneys in the Water Revenue Fund, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as such Operation and Maintenance Costs become due and payable. All moneys Water Revenue Fund shall be set aside by the District at the following times for the transfer to the following respective special funds in the following order of priority:

(a) Interest and Principal Payments. Not later than the tenth day prior to each Interest Payment Date, the District shall, from the moneys in the Water Revenue Fund, transfer to the Trustee for deposit in the Payment Fund the payments of interest and principal on the 2020 Bonds due and payable on such Interest Payment Date. The District shall also, from the moneys in the Water Revenue Fund, transfer to the applicable trustee or payee for deposit in the respective payment fund, without preference of priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of any Bond or Contract.

(b) Reserve Funds. On or before each payment date required pursuant to the provisions of any Contract or Bond, or any resolution or indenture related thereto, the District shall, from the remaining moneys in the Water Revenue Fund, thereafter, without preference of priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the Trustee for deposit to the Reserve Fund and to applicable trustee for deposit to any reserve fund or account for Bonds or Contracts the amount, if any, needed to increase the balance in such fund or account to the amount required to be deposited therein and to pay any Policy Costs then due.

(c) Subordinate Obligations. On or before the payment of principal or interest is due with respect to any Subordinate Obligations, the District shall from moneys in the Water Revenue Fund, transfer to the applicable trustee or payee for deposit in the applicable payment fund, without preference of priority, and in the event of any insufficiency of such moneys ratably without discrimination or preference, payment on such Subordinate Obligations, in accordance with the provisions of such Subordinate Obligations.

(d) Surplus. On the last day of each month, moneys on deposit in the Water Revenue Fund not required to make any of the payments required above may be expended by the District at any time for any purpose permitted by law, including but not limited to the deposit of amounts in the Rate Stabilization Fund in accordance with the Indenture.

## **Rate Covenant**

The Indenture will require the District, to the fullest extent permitted by law, shall fix, prescribe and collect Water Revenues for Water Service which will be at least sufficient to yield during each Fiscal Year Net Water Revenues equal to one hundred ten percent (110%) of Debt Service and one hundred percent (100%) of Policy Costs. The District may make adjustments from time to time in such Water Revenues and may make such classification thereof as it deems necessary, but shall not reduce the Water Revenues then in effect unless the Net Water Revenues from such reduced Water Revenues will at all times be sufficient to meet the requirements of the Indenture.

## **Rate Stabilization Fund**

The Indenture continues the existence of a special fund designated as the “Rate Stabilization Fund” which is held by the District in trust. The District will covenant to maintain and to hold the Rate Stabilization Fund separate and apart from other funds so long as any 2020 Bonds remain outstanding. Money transferred by the District to the Rate Stabilization Fund, if any, in accordance with the Indenture will be held in the Rate Stabilization Fund and applied in accordance with the Indenture.

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 the Indenture or, in the event that all or a portion of the 2020 Bonds are discharged in accordance with the Indenture, transfer all or any portion of such amounts for application to the payment of the principal of and interest on the 2020 Bonds in accordance with the Indenture. The District may also use moneys in the Rate Stabilization Fund to make makes payments due under the Parity Obligation Documents. The District had approximately \$369,780 on deposit in the Rate Stabilization Fund as of September 1, 2020.

Upon the defeasance of the 2012 Installment Purchase Agreement, the 2013 Installment Purchase Agreement and the 2017 Installment Purchase Agreement, the definition of Water Revenues will be revised as described under the caption “—Pledge of Water Revenues” above so as to not subtract revenues transferred to the Rate Stabilization Fund in the applicable Fiscal Year when calculating the amount of Water Revenues. See Appendix B under the caption “DEFINITIONS AND SUMMARY OF THE INDENTURE.”

## **Additional District Indebtedness**

The District may at any time execute any Contract or issue any Bonds, as the case may be, payable from Net Water Revenues on a parity with the 2020 Bonds; provided there shall be on file with the District either:

(a) A Certificate of the District demonstrating that, during the last audited Fiscal Year or any consecutive twelve (12) calendar month period during the immediately preceding eighteen (18) calendar month period, the Net Water Revenues were at least equal to 110% of Maximum Annual Debt Service and one hundred percent (100%) of any Policy Costs, including for purposes of said calculation the Contracts proposed to be executed or the 2020 Bonds proposed to be issued and excluding any Contracts or Bonds to be defeased with the proceeds of the Contracts or Bonds to be executed; provided, that for the purpose of providing this Certificate, the District may adjust the foregoing Net Water Revenues to reflect;

(i) An allowance for Net Water Revenues that would have been derived from each new connection to the Water System that, during all or any part of such Fiscal Year or twelve (12) calendar month period, was not in existence, in an amount equal to the estimated additional Net Water Revenues that would have been derived from each such connection if it had been made prior to the beginning of such Fiscal Year or twelve (12) calendar month period, and

(ii) An allowance for Net Water Revenues that would have been derived from any increase in the rates, fees and charges fixed and prescribed for Water Service which, during all or any part of such Fiscal Year or twelve (12) calendar month period, was not in effect, in an amount equal to the estimated additional Net Water Revenues that would have been derived from such increase in rates, fees and charges if it had been in effect prior to the beginning of such Fiscal Year or twelve (12) calendar month period; or

(b) A Certificate of the District or an Engineer's Report demonstrating that the estimated Net Water Revenues for each of the five (5) Fiscal Year next following the earlier of (i) the end of the period during which interest on the Contracts proposed to be executed, or the Bonds proposed to be issued is to be capitalized or, if no interest is capitalized, the Fiscal Year in which the Contracts proposed to be executed, or the Bonds proposed to be issued, are executed or issued, or (ii) the date on which substantially all Projects financed with the Contracts proposed to be executed, or the Bonds proposed to be issued, plus all Projects financed with all existing Contracts and Bonds are expected to commence operations, will be at least equal to 110% of the Maximum Annual Debt Service and one hundred percent (100%) of any Policy Costs for such period; provided, that the foregoing estimated Net Water Revenues may be adjusted to reflect:

(i) An allowance for Net Water Revenues that are estimated to be derived from any increase in the rates, fees and charges for Water Service in effect and being charged or from any increase in the rates, fees and charges for Water Service that are expected to be charged; and

(ii) An allowance for Net Water Revenues that are estimated to be derived from customers of the Water System anticipated to be served by the additions, betterments or improvements to the Water System to be financed by the Contracts proposed to be executed, or the Bonds proposed to be issued, together with any additional Contracts and Bonds expected to be executed or issued during such five (5) year period.

Notwithstanding the foregoing provisions, the District may at any time issue bonds and contracts the payment of which are subordinate to Bonds and Contracts and which are subordinate to the payment by the District of the principal and interest due on the 2020 Bonds.

Notwithstanding the foregoing provisions, the District may issue refunding Bonds and execute Contracts for the purpose of refunding any Bond or Contract without complying with the parity requirements set forth above; provided that the Debt Service payable by the District for each Fiscal Year with respect to such refunding Contracts or Bonds is less than or equal to 105% of the Debt Service for each corresponding Fiscal Year for such Contracts or Bonds being refunded.

Notwithstanding satisfaction of the other conditions to the execution of any Contract or the issuance of Bonds set forth in the Indenture, no such execution or issuance may occur if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such Event of Default is cured upon such execution or issuance.

The District shall not execute any Contracts or issue any Bonds, as the case may be, that are payable from or secured by a pledge of and lien on Water Revenues and any money in the Water Revenue Fund superior to the pledge securing the payment of principal of and interest on the 2020 Bonds.

With the exception of the Recharge Project and the other capital projects discussed under the heading "THE WATER SYSTEM—Future Capital Projects," the District currently does not anticipate issuing any Bonds or executing any Contracts within the next five years that will be payable from Net Water Revenues on a parity with the payment of principal of and interest on the 2020 Bonds.

## Reserve Fund

The Indenture requires that the Trustee establish a Reserve Fund in connection with the issuance of the 2020 Bonds. The Insurer has made a commitment to issue, simultaneously with the initial execution and delivery of the 2020 Bonds, the Reserve Surety Policy in the amount of \$\_\_\_\_\_ for deposit in the Reserve Fund, effective as of the date of issuance of the 2020 Bonds. Under the terms of the Reserve Surety Policy, the Insurer will unconditionally and irrevocably guarantee to pay that portion of the scheduled payments of principal of and interest on the 2020 Bonds that becomes due for payment but shall be unpaid by reason of nonpayment by the District.

## BOND INSURANCE

[TO COME]

## ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds:

### *Sources:*

Principal Amount	\$
[Plus/Less] Original Issue [Premium/Discount]	_____
Total Sources	<u>\$</u> _____

### *Uses:*

2013 Escrow Fund	\$
Costs of Issuance <sup>(1)</sup>	_____
Total Uses	<u>\$</u> _____

<sup>(1)</sup> Includes Underwriter's Discount and fees for Trustee, escrow agent fees, legal fees, printing costs, rating agency fees, bond insurance and reserve surety premiums and other costs of delivery.

## PALMDALE WATER DISTRICT

### General

The Palmdale Irrigation District was formed in 1918 by a vote of the people for the principal purpose of supplying irrigation water to the 4,600 acres then contained in its boundaries. In 1973, the name of the Palmdale Irrigation District was changed to Palmdale Water District by Resolution No. 73-3. The name was changed to eliminate public confusion; however, the District still operates as an "Irrigation District" as such term is defined in Division 11 of the California Water Code. Since its formation, the District has supplied domestic water to the residents within the District.

From the time of its formation until the early 1950's, the area within the District continued to be primarily agricultural in nature. Transformation of the District from a basically agricultural area to an urban area occurred simultaneously with activation of Air Force Plant No. 42 in Palmdale and the increased utilization of Edwards Air Force Base during the early 1950's. Agricultural use of water in the District steadily diminished to the point that only 51 acre-feet of agricultural water was supplied during 1965. After that year, irrigation demand, if any, was supplied from the District's domestic system and effectively, thereafter, the District became an urban water system.

In 1962, when it became apparent that the District could contract for water from the State Water Project, inclusion privileges were extended to a large portion of the south Antelope Valley for the primary purpose of participating in the State's Supplemental Water Program. As a result of this, the service area of the District was expanded during the latter part of 1962 and the early part of 1963 from approximately 7,000 acres

to approximately 83,894 acres. The expanded service area includes the Littlerock Creek watershed area located in the Angeles National Forest. Exclusive of the area within the Angeles National Forest, the current service area of the District is approximately 42,806 acres. See “—Land and Land Use” below for additional information.

## Land and Land Use

The District contains approximately 131 square miles of land in northeastern Los Angeles County, consisting of more than 30 non-contiguous areas scattered throughout the southern Antelope Valley and services a population of approximately 116,000 people. The District is partially located within the City boundaries with the remainder of its territory comprised of unincorporated areas of Los Angeles County. Approximately 96% of the District’s customers reside within the City. The urban areas of the District are substantially developed and the District expects to see additional future development occurring within its boundaries. The District serves an area in the high desert at elevations of 2,600 feet to 3,800 feet within the Antelope Valley.

The Antelope Valley and the Los Angeles Basin are the two major economic zones that influence the economic outlook for the District. The Antelope Valley encompasses over 3,000 square miles. It generally extends from the northern end of the San Gabriel Mountains northwards to Randsberg and Johannesburg in Kern County, and from the eastern region of Los Angeles and Kern Counties to the western end of the Tehachapi Mountains. The southern portion of the Antelope Valley is significantly urbanized and focused around the City, as well as the City of Lancaster. These cities accommodate nearly half of the Antelope Valley’s population and are located in the nearest proximity to the large metropolitan employment center of the Los Angeles Basin. The City encompasses approximately 106 square miles within the Antelope Valley and is located in the northeast area of Los Angeles County.

**Population.** Approximately 156,737 people reside in the City, and approximately 10,172,951 people reside in the County of Los Angeles. The County of Los Angeles is California’s most populous County with approximately 25.6% of the State’s population residing within its borders. The following chart illustrates the historical population growth in the City, County and the State.

**Table 1**  
**POPULATION ESTIMATES**  
**2016-2020**

<i>Year</i>	<i>City of Palmdale<sup>(1)</sup></i>	<i>Annual Change</i>	<i>Los Angeles County</i>	<i>Annual Change</i>	<i>State of California</i>	<i>Annual Change</i>
2016	157,623	-	10,158,196	-	39,131,307	-
2017	157,441	(0.12)%	10,193,753	0.35%	39,398,702	0.68%
2018	157,416	(0.02)	10,209,676	0.16	39,586,646	0.48
2019	151,117	(4.00)	10,184,378	(0.25)	39,695,376	0.27
2020	156,737	(3.72)	10,172,951	(0.11)	39,782,870	0.22

<sup>(1)</sup> The number of persons located within the District’s boundaries is less than the population of the City. Approximately 116,000 people lived within the District’s boundaries in 2020.

Source: California State Department of Finance, Demographic Research Unit.

## Local Economy

A severe economic recession which commenced in the late 2000s (the “Great Recession”) adversely affected economic conditions in the Antelope Valley, including the District. Home prices within the District declined significantly during the Great Recession, though home prices stabilized in 2013 and have been increasing since. Foreclosure rates and unemployment levels greatly increased during the Great Recession,

though such rates and levels have since returned to pre-recession levels. See APPENDIX G—“SUPPLEMENTAL INFORMATION CONCERNING THE CITY OF PALMDALE.”

The adverse economic conditions during the Great Recession had a negative impact on the District, including increased delinquent accounts, a reduction in water accounts due to service terminations at properties in foreclosure, a decrease in property tax collections due to reduced property values, increased tax delinquencies and a decline in capital improvement fees paid to the District given the lack of new development in the District. However, the economic condition of the Antelope Valley population stabilized in 2013 and has been improving for the last several years. The COVID-19 outbreak and the related government measures taken to stop the spread of COVID-19 have recently caused an economic downturn in the region. The District cannot currently predict the long-term impact that the COVID-19 outbreak will have on the economy of the District’s service area. See the caption “SYSTEM FINANCIAL INFORMATION—COVID-19 Outbreak.”

## **Governance and Management**

The District is governed by a 5-member Board of Directors (the “Board”) that is elected to staggered four year terms by the registered voters in the District’s five divisions. The current directors, their occupations and the expiration dates of their terms are set forth below.

<i>Director</i>	<i>Expiration of Term</i>	<i>Occupation</i>
Vincent Dino, President	2022	Retired
Kathy Mac Laren, Vice President	2020	Business Development
Don Wilson, Secretary	2022	Retired
Gloria Dizmang, Treasurer	2020	Retired
Robert E. Alvarado, Director	2020	Teacher

Day-to-day management of the District is delegated to the General Manager. Set forth below is a brief resume for each of the District’s key staff members.

**Dennis D. LaMoreaux, General Manager/Chief Executive Officer.** Mr. LaMoreaux, the District’s General Manager, was initially employed by the District from March 1989 until March 2008 and was rehired in January 2010. Originally hired as the Assistant Engineer-Manager, he was promoted to General Manager in September 1994. His responsibilities are chiefly to oversee the day-to-day District operations and implementation of Board policies. His previous employment was with private consulting firms in California and Wyoming where he was involved in design and inspection of projects. He is licensed as a Civil Engineer in California who graduated from the University of Wyoming with a B.S. Degree in Civil Engineering in 1984.

**Adam Ly, Assistant General Manager.** Mr. Ly joined the District as its Assistant General Manager in August 2018. He oversees the District’s Information Technology, Operations, Engineering and Facilities departments. Mr. Ly has 22 years of experience in both public and private sectors in Southern California’s water industry. He has worked for the Metropolitan Water District, the cities of Riverside, Pomona and Anaheim, and Liberty Utilities California, a private utilities company based in Downey. Mr. Ly received Bachelor of Science degrees in Chemical Engineering and Chemistry from the California State Polytechnic University, Pomona. Mr. Ly also received a Master of Business Administration from California State Polytechnic University, Pomona.

**Michael A. Williams, Sr., Finance Manager/Chief Financial Officer.** Mr. Williams began his employment with the District in October 2006. He was originally hired as the Finance and Services Manager and in October 2008, his title was changed to Finance Manager. In his current capacity as Finance Manager, his primary duties are to oversee the Finance department. Prior to his employment with the District, he served as Assistant Chief Administrative Officer/Finance Director for the City of Maywood. He was employed for twenty years with the City of Maywood. Mr. Williams majored in Finance at Regis University.



**Robert M. Egan, C.P.A., Financial Consultant.** Mr. Egan has been associated with the District since 1987. He assists District personnel in all aspects of financial accounting and reporting, as well as annual budgeting. He is a member of the District Finance Committee and has advised on the investment of District funds since 1987. He is the founding Partner of Egan & Egan Certified Public Accountants, a firm that audits many water districts, as well as other business entities in a variety of industries. Mr. Egan has a B.S. in Accounting, an M.S. in Tax and has taught accounting in the Los Angeles Community College District for thirty years.

## **Powers**

The District has broad general powers over the use of water within its boundaries, including the right of eminent domain and the authority to acquire, control, distribute, store, spread, sink, treat, purify, reclaim, recapture and salvage any water for beneficial use, to acquire, construct and operate facilities for the collection, treatment, and disposal of waste and storm water, to sell and deliver potable or nonpotable water, to contract with the United States, other public agencies, private corporations, or other persons and, subject to constitutional limitations, to levy assessments, taxes and standby charges.

## **Employees**

The District currently employs 90 persons, of whom 57 work in the Information Technology, Facilities, Operations and Engineering departments and 33 work in the Administration or Finance departments. Currently, the District's labor force is not represented by a union. The District has never experienced a strike, slow down or work stoppage.

## **Pension Benefits**

**CalPERS Plan.** Accounting and financial reporting by state and local government employers for defined benefit pension plans is governed by Governmental Accounting Standards Board ("GASB") Statement No. 68 ("GASB 68"). GASB 68 governs the accounting treatment of defined benefit pension plans, including how expenses and liabilities are calculated and reported by state and local government employers in their financial statements. GASB 68 includes the following components: (i) unfunded pension liabilities are included on the employer's balance sheet; (ii) pension expense incorporates rapid recognition of actuarial experience and investment returns and is not based on the employer's actual contribution amounts; (iii) lower actuarial discount rates are required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities are required to be used for certain purposes of the financial statements; and (v) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. GASB 68 changed the District's accounting reporting and disclosure requirements, but it did not change the District's pension plan funding obligations. The pension information provided below is in conformance with GASB 68 standards.

The District participates in a CalPERS run agent multiple-employer public employee defined benefit pension plan for all of the District's full-time and certain of its temporary employees that have worked for the District for a total of over 1,000 hours (the "District's Miscellaneous Plan"). CalPERS provides retirement, disability and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State, including the District.

CalPERS plan benefit provisions and all other requirements are established by State statute and the District's Board of Directors. The District's employees participate in one of two plans under the District's Miscellaneous Plan depending upon their date of hire. Employees hired prior to January 1, 2013 participate in the Classic Tier 1 plan and employees hired after that date participate in the PEPR Tier 2 plan. The benefits of each plan are summarized below:

<i>Miscellaneous Plans</i>		
	<i>Classic Tier 1</i>	<i>PEPRA Tier 2</i>
	Prior to	On or after
Hire date	January 1, 2013	January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required member contribution rates	6.902%	6.250%
Required employer contribution rates – FY 2019	9.409%	6.533%
Required employer contribution rates – FY 2018	8.921%	6.842%

At June 30, 2019, the following members were covered by the benefit terms:

<i>Miscellaneous Plans</i>			
	<i>Classic Tier 1</i>	<i>PEPRA Tier 2</i>	<i>Total</i>
<i>Plan Members</i>			
Active members	61	21	82
Transferred and terminated members	43	2	45
Retired members and beneficiaries	<u>53</u>	<u>-</u>	<u>53</u>
<b>Total plan members</b>	<u>157</u>	<u>23</u>	<u>180</u>

District employees who were hired on and after January 1, 2013 and who were not previously CalPERS members receive benefits based on a 2.0% at age 62 formula; such employees are required to make the full amount of required employee contributions themselves under the California Public Employees' Pension Reform Act of 2013 ("AB 340"), which was signed by the State Governor on September 12, 2012. AB 340 established a new pension tier – 2.0% at age 62 formula, with a maximum benefit formula of 2.5% at age 67. Benefits for such participants are calculated on the highest average annual compensation over a consecutive 36 month period. Employees are required to pay at least 50% of the total normal cost rate. AB 340 also caps pensionable income for 2019 as noted below. Amounts are set annually, subject to Consumer Price Index increases, and retroactive benefits increases are prohibited, as are contribution holidays and purchases of additional non-qualified service credit.

**Palmdale Water District  
Pensionable Income Caps for 2019 (AB 340 and Non-AB 340 Employees)**

<i>Hire Date</i>	<i>Before January 1, 2013 (Non-AB 340 Employees)</i>	<i>After January 1, 2013 (AB 340 Employees)</i>
<b>Maximum Pensionable Income</b>	\$280,000	\$149,019

Source: District.

Additional employee contributions, limits on pensionable compensation and higher retirement ages for new members as a result of the passage of AB 340 are expected to reduce the District's unfunded pension liability and potentially reduce District contribution levels in the long term.

The District is also required to contribute the actuarially determined remaining amounts necessary to fund benefits for its members. Employer contribution rates for all public employers are determined on an annual basis by the CalPERS actuary and are effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The total

minimum required employer contribution is the sum of the plan's employer normal cost rate (expressed as a percentage of payroll) plus the employer unfunded accrued liability contribution amount (billed monthly). The normal cost rate is the annual cost of service accrual for the upcoming Fiscal Year of active employees.

Beginning in Fiscal Year 2018, CalPERS began collecting employer contributions toward a pension plan's unfunded liability as dollar amounts instead of the prior method of a percentage of payroll. According to CalPERS, this change was intended to address potential funding issues that could arise from a declining payroll or a reduction in the number of active members in the plan. Funding the unfunded liability as a percentage of payroll could lead to underfunding of pension plans. Due to stakeholder feedback regarding internal needs for total contributions expressed as an estimated percentage of payroll, the CalPERS reports include such results in the contribution projection for informational purposes only. Contributions toward a pension plan's unfunded liability will continue to be collected as set dollar amounts.

The District's required contributions to CalPERS fluctuate each year and, as noted, include a normal cost component and a component equal to an amortized amount of the unfunded liability. Many assumptions are used to estimate the ultimate liability of pensions and the contributions that will be required to meet those obligations. The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase the District's required contributions to CalPERS in future years. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions. CalPERS earnings reports for Fiscal Years 2010 through 2019 report investment gains of approximately 13.3%, 21.7%, 0.1%, 13.2%, 18.4%, 2.4%, 0.6%, 11.2%, 8.6% and 6.7%, respectively. In July 2020, CalPERS reported a preliminary 4.7% investment return in Fiscal Year 2020, which was below its investment target. Reductions in CalPERS' earnings could increase future contribution rates for plan participants, including the District, beginning in Fiscal Year 2023, although the District is unable to estimate the magnitude of any such increases at this time. See the caption "—COVID-19 Outbreak."

On December 21, 2016, the CalPERS Board of Administration voted to lower its discount rate from the current rate of 7.50% to 7.00% over a three-year period. For public agencies such as the District, the first discount rate reduction took effect July 1, 2018. Lowering the discount rate means that employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013 will also see their contribution rates rise under AB 340. The reduction of the discount rate will result in average employer rate increases of approximately 1% to 3% of normal cost as a percentage of payroll for most Miscellaneous retirement plans such as the District's plan. Additionally, many employers will see a 30% to 40% increase in their current unfunded accrued liability payments. These payments are made to amortize unfunded liabilities over 20 years to bring pension funds to a fully funded status over the long term.

For Fiscal Years 2018 and 2019, the District made required Miscellaneous plan contributions of \$1,251,063 and \$1,268,063, respectively. The District's annual required contribution in Fiscal Year 2020 is \$1,493,530 (assuming that the District elects the lump sum payment option). The District notes that contributions in future years may increase because of losses in CalPERS' portfolio resulting from stock market declines in the wake of the COVID-19 outbreak, although the District is unable to estimate the magnitude of any such increases at this time. See the caption "—COVID-19 Outbreak."

*Portions of the above information are primarily derived from information that has been produced by CalPERS, its independent accountants and its actuaries. Neither the District nor the Underwriter has independently verified such information and neither makes any representations nor expresses any opinion as to the accuracy of the information that has been provided by CalPERS.*

*The comprehensive annual financial reports of CalPERS are available on CalPERS' Internet website at [www.calpers.ca.gov](http://www.calpers.ca.gov). The CalPERS website also contains CalPERS' most recent actuarial valuation reports*

and other information that concerns benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. Neither the District nor the Underwriter can guarantee the accuracy of such information. Actuarial assessments are “forward-looking” statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future.

The District’s Miscellaneous plan had a proportionate share of the risk pool collective net pension liability of approximately \$10,081,661 for the Fiscal Year ended June 30, 2017, approximately \$9,809,458 for the Fiscal Year ended June 30, 2018 and approximately \$10,691,338 for the Fiscal Year ended June 30, 2019. The net pension liability is the difference between the total pension liability and the fair market value of pension assets. The District’s total pension assets include funds that are held by CalPERS, and its net pension asset or liability is based on such amounts. The District notes that its net pension liability may increase in the future because of losses in CalPERS’ portfolio resulting from stock market declines in the wake of the COVID-19 outbreak, although the District is unable to estimate the magnitude of any such increases at this time. See the caption “—COVID-19 Outbreak.”

For the measurement period ending June 30, 2019 and 2018, the total pension liability was determined by rolling forward the June 30, 2018 and 2017, total pension liability. The December 31, 2019 and 2018, total pension liability was based on the following actuarial methods and assumptions:

**Palmdale Water District  
Actuarial Assumptions for CalPERS Miscellaneous Pension Plan**

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method	Market Value of Assets
<i>Actuarial Assumptions:</i>	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by entry age and service
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter
Mortality Rate Table <sup>(1)</sup>	Derived using CalPERS’ membership data for all funds

<sup>(1)</sup> The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

Source: District.

Changes in the net pension liability for the District’s Miscellaneous plan were as follows:

**Palmdale Water District  
Changes in CalPERS Miscellaneous Pension Plan Net Pension Liability**

	<i>Increase / (Decrease)</i>		
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability / (Asset)</i>
Balance at June 30, 2018	\$ 42,065,728	\$ 32,256,270	\$ 9,809,458
Balance at June 30, 2019	<u>44,392,170</u>	<u>33,700,832</u>	<u>10,691,338</u>
Net Changes <sup>(1)</sup>	<u>\$ 2,326,442</u>	<u>\$ 1,444,562</u>	<u>\$ 881,880</u>

<sup>(1)</sup> Reflects net changes for the period from July 1, 2018 through June 30, 2019.

Source: District.

The following table presents the net pension liability of the District's Miscellaneous plan, calculated using the discount rate applicable to Fiscal Year 2019 (7.15%), as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the current rate:

**Palmdale Water District**  
**Sensitivity of the Miscellaneous Plan Net Pension Liability to Changes in the Discount Rate**

	<i>Discount Rate – 1 % (6.15%)</i>	<i>Current Discount Rate (7.15%)</i>	<i>Discount Rate + 1 % (8.15%)</i>
Plan's Net Pension Liability/(Asset)	\$16,662,221	\$10,691,338	\$5,762,797

Source: District.

For additional information relating to the District's CalPERS Miscellaneous pension plan, see Note 9 to the District's audited financial statements for Fiscal Year 2019 set forth in Appendix A.

**Other Post-Employment Benefits**

**Plan Description – Eligibility.** The District administers its post-employment benefits plan, a single-employer defined benefit plan ("OPEB Plan"). The following requirements must be satisfied in order to be eligible for the post-employment medical, dental and vision benefits: (1) attainment of age 55, and 20 years for full-time service with the District and (2) retirement from the District (the District must be the last employer prior to retirement).

Membership in the OPEB Plan consisted of the following members as of December 31 of each of the following years:

	<b>2019</b>	<b>2018</b>
Active plan members	87	82
Retirees and beneficiaries receiving benefits	<u>17</u>	<u>16</u>
Total plan membership	<u>104</u>	<u>98</u>

**OPEB Plan Description – Benefits.** The District offers post-employment medical, dental and vision benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any plan available through the Association of California Water Agencies – Joint Power Insurance Authority ("ACWA-JPIA") medical, dental and vision programs. The contribution requirements of OPEB Plan members and the District are established and may be amended by the Board of Directors. OPEB Plan benefits do not sunset when a retiree becomes eligible for Medicare.

The District's total OPEB liabilities of \$12,965,981 and \$13,598,136 as of December 31, 2019 and 2018, respectively, were measured as of December 31, 2018 and 2017, and were determined by an actuarial valuation as of those dates.

GASB Statement No. 75 ("GASB 75") requires governmental agencies to account for and report outstanding obligations and commitments related to post-employment benefits in essentially the same manner as for pensions. For the District, the reporting obligation began in Fiscal Year 2018.

The District retained Bartel Associates (the "Actuarial Consultant") to calculate the District's post-employment benefits funding status. In a report dated May 28, 2020 (the "Report"), the Actuarial Consultant concluded that, as of June 30, 2019, the District's net liability for post-employment benefits was \$12,965,681.

Changes in the net liability for the District's post-employment benefit plan were as follows.

**Palmdale Water District  
Changes in Post-Employment Benefit Plan Liability**

	<i><b>Total OPEB Liability</b></i>
<b>Balance at January 1, 2019 (MD Jan. 1, 2018)</b>	<u>\$ 13,598,136</u>
<b>Changes for the year:</b>	
Service cost	533,709
Interest	480,852
Assumption changes	(1,339,825)
Benefit payments	<u>(307,191)</u>
Net changes	<u>(632,455)</u>
<b>Balance at December 31, 2019 (MD Dec. 31, 2018)</b>	<u><u>\$ 12,965,681</u></u>

Source: District.

The following table presents the net liability of the District's post-employment benefits plan, calculated using the discount rate applicable to Fiscal Year 2018 (4.09%), as well as what the net post-employment benefit liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.09%) or 1 percentage point higher (5.09%) than the Fiscal Year 2018 rate:

**Palmdale Water District  
Sensitivity of the Post-Employment Benefit Plan Net Liability to Changes in the Discount Rate**

<i><b>1% Decrease 3.09%</b></i>	<i><b>Discount Rate 4.09%</b></i>	<i><b>1% Increase 5.09%</b></i>
\$15,108,233	\$12,965,681	\$11,228,900

Source: District.

The District's projections of Maintenance and Operation Costs under the caption "SYSTEM FINANCIAL INFORMATION—Projected Earnings and Debt Service Coverage" do not assume unusual increases in post-employment benefit funding expenses in the future. However, future changes in funding policies and assumptions, including those related to assumed rates of investment return and healthcare cost inflation, could trigger increases in the District's annual required contributions, and such increases could be material to the finances of the District. No assurance can be provided that such expenses will not increase significantly in the future. The District does not expect that any increased funding of post-employment benefits will have a material adverse effect on the ability of the District to make the payments on the 2020 Bonds.

For additional information relating to the post-employment benefit plan, see Note 8 to the District's audited financial statements set forth in Appendix A.

**Budget Process**

The District operates on a calendar year basis. Historically, prior to the closing of each calendar year a tentative budget is proposed by the District's General Manager based on the previous year's revenues and expenses, taking into account growth within the District and inflationary factors. The preliminary budget is then presented to the Board of Directors for their approval and the final budget is normally adopted before the close of the calendar year. The Board approved the District operating budget for the 2020 calendar year on December 16, 2019.

The District's budget is prepared on the accrual basis. For budgeting purposes, the District generally sets user charges to cover operating expenses of the District, including certain transportation charges assessed by the State of California's Department of Water Resources ("DWR"), and sets ad valorem assessments to pay for other expenses arising from the contract between the District and DWR relating to the State Water Project. In addition, the District sets its capital improvement fee amounts to finance capital projects. See "SYSTEM FINANCIAL INFORMATION" herein for a detailed description of the District's various rates, assessments and fees. For a discussion of current and potential limitations on the District's ability to maintain or increase taxes, fees and other charges, including such fees and other charges as may be limited by the terms of Proposition 218. See "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218" herein. See also APPENDIX A—"AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR YEAR ENDING DECEMBER 31, 2019."

## **Insurance**

The District maintains general liability and automotive liability and public officials liability (errors and omissions) insurance through the Association of California Water Agencies - Joint Powers Insurance Authority ("ACWA-JPIA") with limits of \$60,000,000. The District's self-insured retention amount for the general and auto liability coverage is \$25,000. The District maintains employee dishonesty coverage of up to \$100,000 per loss, which includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage. The District maintains replacement property insurance coverage through ACWA-JPIA with a \$100,000 deductible per occurrence, with \$500,000,000 maximum per claim amount and no maximum annual coverage amount. The District maintains boiler and machinery insurance coverage for the replacement cost of up to \$100,000,000, subject to various deductibles depending on the type of equipment. The District maintains public officials' personal liability coverage of up to \$100,000 for each occurrence, with an annual maximum of \$100,000 per each elected/appointed official to which this coverage applies and is subject to certain terms and a \$1,000 deductible per claim. The District also maintains worker's compensation insurance with ACWA-JPIA, with statutory limits and employers' liability coverage with limits of \$2,000,000. The District does not currently carry insurance to cover the Littlerock Dam, which retains water in a reservoir, one of the District's primary water storage facilities. The District carries earthquake insurance on its headquarters building, and the contents therein, in an amount up to \$3,000,000, and business and interruption insurance in an amount up to \$6,000,000. In addition, ACWA/JPIA provides cyber liability coverage up to \$3,000,000 per occurrence through the commercial liability policy for participating members of the general liability pool program.

## **Seismic Consideration**

The District is located near two seismically active faults: the San Andreas Fault located along the base of the San Gabriel Mountains and the Garlock Fault, located along the Tehachapi Mountains. The San Andreas Fault traverses the south central portion of the District's service area in roughly a northwest-southeast manner. The San Andreas Fault at this locale is actually a system of fault splays which include the Cemetery, the Littlerock and the Nadeau fault traces. In addition, there are several other regional faults near the District's service area, including the Sierra Madre fault, the White Wolf fault, and the Owens Valley fault. In the event of a major earthquake, the District believes that it could sustain ruptured pipelines or failures to facilities.

All facilities at the District have been designed in conformance with the Uniform Building Code standards for seismic Region 4 (the region of highest risk). In addition, storage tanks are designed based on site specific geotechnical engineering studies. The District also has incorporated certain precautions into its maintenance and construction practices to reduce impact on its facilities in the event of an earthquake. For example, rehabilitation of the Littlerock Dam was done in compliance with the standards set by the Division of Safety of Dams and all newly replaced pipeline segments are joined with rubber gasket joints for maximum flexibility. In addition, the District replaces and relines portions of old pipelines as part of its water system

maintenance program. The District also maintains extra pipes and fittings in its inventory for use during an emergency. See “THE WATER SYSTEM” below.

### **Outstanding Indebtedness**

In November 2012, the District caused to be executed and delivered its Refunding Revenue Certificates of Participation, Series 1998, payable from the 2012 Installment Purchase Agreement. Upon the issuance of the 2020 Bonds, the 2012 Installment Payments will be outstanding in the amount of \$3,904,026. In May 2013, the Authority issued its Water Revenue Bonds, Series 2013A (the “2013 Bonds”), which are secured by the 2013 Installment Payments. A portion of the 2013 Installment Payments were prepaid with the proceeds of the 2020 Installment Purchase Agreement and certain other 2013 Installment Payments will be prepaid with the proceeds of the 2020 Bonds. Upon the issuance of the 2020 Bonds, the 2013 Installment Payments will be outstanding in the amount of \$9,400,000.\* Upon the issuance of the 2020 Bonds, the 2017 Installment Payments will be outstanding in the amount of \$261,137. Upon the issuance of the 2020 Bonds, the 2018 Installment Payments will be outstanding in the amount of \$12,805,000. Upon the issuance of the 2020 Bonds, the 2020 Installment Payments will be outstanding in the amount of \$8,978,105. The 2012 Installment Payment due under the 2012 Installment Purchase Agreement, the 2013 Installment Payments due under the 2013 Installment Purchase Agreement, the 2017 Installment Payments due under the 2017 Installment Purchase Agreement, the 2018 Installment Payments due under the 2018 Installment Purchase Agreement, the 2020 Installment Payments due under the 2020 Installment Purchase Agreement and the payments on the 2020 Bonds are secured on a parity and payable from Net Water Revenues.

Upon the issuance of the 2020 Bonds, the Parity Obligation Documents will be the only outstanding indebtedness payable from Net Water Revenues on a parity with the obligation to make payments of principal of and interest on the 2020 Bonds. With the exception of debt that may be issued to finance the Palmdale Regional Groundwater Recharge and Recovery Project (the “Recharge Project”) discussed under the heading “THE WATER SYSTEM—Future Capital Projects,” the District currently does not anticipate issuing any Bonds or executing any Contracts within the next six years that will be payable from Net Water Revenues on a parity with the 2020 Bonds or payments due under the Parity Obligation Documents.

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\* Preliminary, subject to change.



The overlapping debt table of the District as of October 1, 2020 is set forth in Table 2 below.

**Table 2**  
**PALMDALE WATER DISTRICT**  
**OVERLAPPING BONDED DEBT**

2020-21 Land Only Assessed Valuation: \$2,152,709,268

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u> (Based on all property valuation of \$7,478,149,985)		
	<u>% Applicable</u>	<u>Debt 10/1/20</u>
Antelope Valley Joint Community College District	18.948%	\$ 90,656,456
Pasadena Area Community College District	0.003	1,876
Acton-Agua Dulce Unified School District	0.992	101,191
La Canada Unified School District	0.038	28,660
Antelope Valley Union High School District	21.333	9,662,755
Palmdale School District	65.082	81,967,412
Westside Union School District	0.874	418,328
Palmdale School District Community Facilities District No. 90-1	79.489	43,757,719
City of Palmdale Street Lighting Assessment Districts	56.110-62.332	5,729,785
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$232,324,182</b>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Los Angeles County General Fund Obligations	0.438%	\$ 10,089,342
Los Angeles County Superintendent of Schools Certificates of Participation	0.438	19,996
Acton-Agua Dulce Unified School District Certificates of Participation	0.992	19,840
Antelope Valley Union High School District General Fund Obligations	21.333	1,759,973
Palmdale School District Certificates of Participation	65.082	10,244,987
City of Palmdale Certificates of Participation	46.617	26,683,848
<b>Palmdale Water District Certificates of Participation and Water Revenue Bonds</b>	<b>100.000</b>	<b>58,344,746<sup>(1)</sup></b>
Los Angeles County Sanitation District No. 14 Authority	0.112	385
Los Angeles County Sanitation District No. 20 Authority	63.006	180,415
Antelope Valley Hospital District General Fund Obligations	20.187	1,482,249
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$108,825,781</b>
<u>OVERLAPPING TAX INCREMENT DEBT:</u>		
Successor Agency to Palmdale Redevelopment Agency Merged Project Area	41.691%	\$25,921,401
<b>TOTAL OVERLAPPING TAX INCREMENT DEBT</b>		<b>\$25,921,401</b>
<b>COMBINED TOTAL DEBT</b>		<b>\$367,071,364<sup>(2)</sup></b>

Ratios to 2020-21 Land Only Assessed Valuation:

**Direct Debt (\$58,344,746) ..... 2.71%**

Ratios to 2020-21 All Property Assessed Valuation:

Total Overlapping Tax and Assessment Debt ..... 3.11%

Combined Total Debt ..... 4.91%

Ratios to Redevelopment Incremental Valuation (\$628,981,250):

Total Overlapping Tax Increment Debt ..... 4.12%

<sup>(1)</sup> Excludes the Bonds.

<sup>(2)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

## District's Investment Policy

On November 25, 2019, the District adopted an updated Investment Policy to promote its stated objectives of (i) preserving principal through diversification, (ii) maintaining liquidity, and (iii) providing market rate of return throughout budgetary and economic cycles, taking into account risk constraints and the cash flow characteristics of the entire portfolio.

Under the current Investment Policy, investments are made in compliance with the Prudent Investor Rule and are governed by certain provisions of the California Government Code. Within the limitations imposed by the California Government Code, the District further restricts the types of investments and their maturities. Generally, permitted investments include: bonds issued by the District; United States Treasury Bills, Notes and Bonds, Federal agency or United States government-sponsored enterprise obligations, participations or other instruments; certificates of deposits not exceeding 40% of all money invested by the District pursuant to the Investment Policy; bonds, notes, warrants or other debt issued by a local agency within California, including pooled investment accounts established by the State of California, County Treasurer or other local agencies or joint powers agencies (including investments in the Local Agency Investment Fund); and monies held in trust pledged to the payment or security of bonds, or other indebtedness of a local agency. Under the Investment Policy, prohibited investments include inverse floaters, range notes, interest-only strips derived from a pool of mortgages or any investment that may result in zero interest accrual if held to maturity.

In addition, the Statement of Investment Policy provides certain guidelines for diversification of investments, liquidity goals, qualification of banks and securities dealers, and collateralization requirements for certain investments. While the District is currently required to adopt its Investment Policy annually, such requirement may be changed in the future and the investment guidelines may also be changed in the future.

The District's investments by category and their respective market value as of March 31, 2020 and June 30, 2020 are set forth in the table below. For additional information relating to the District's investments, see APPENDIX A—"AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR YEAR ENDING DECEMBER 31, 2019," Note 2.

**Table 3**  
**PALMDALE WATER DISTRICT**  
**SUMMARY OF INVESTMENTS**

<i>Investment Category</i>	<i>Market Value</i>	
	<i>3/31/20</i>	<i>6/30/20</i>
Federal Agency Obligations	\$ 3,205,765	\$ 4,739,933
Negotiable Certificates-of-Deposit	5,564,046	4,602,242
Local Agency Investment Fund (LAIF)	12,506	12,569
TOTAL	<u>\$ 8,786,317</u>	<u>\$ 9,354,744</u>

Source: The District.

The Investment Policy may be changed at any time at the discretion of the District (subject to the State law provisions relating to authorized investments) and as the California Government Code is amended. Any exception to the Investment Policy must, however, be formally approved by the Board of Directors of the District. There can be no assurance the State law or the Investment Policy will not be amended in the future to allow for investments which are currently not permitted under such State law or the Investment Policy, or that the objectives of the District with respect to investments will not change.

### **Unrestricted Reserves**

The following chart illustrates the unencumbered reserves of the District for Fiscal Years 2010 through 2019. While the operating reserves may be allocated by the District to make payments on the 2020 Bonds and payments due under the Parity Obligation Documents, they are not pledged for such purpose. Such reserves may be utilized at any time for lawful expenditures by the District, and no assurance can be made that the reserves will be available to make any such payments.

**Table 4**  
**PALMDALE WATER DISTRICT**  
**HISTORY OF UNRESTRICTED RESERVES**  
**2010-2019**

<i>Year</i>	<i>Cash and Cash Equivalents</i>	<i>Investments</i>	<i>Total Unrestricted Reserves</i>
2010	\$ 4,547,765	\$ 1,948,571	\$ 6,496,336
2011	5,263,244	2,538,275	7,801,519
2012	7,240,103	2,019,050	9,259,153
2013	8,481,773	3,734,701	12,216,474
2014	9,220,142	3,761,914	12,982,056
2015	7,835,005	4,408,985	12,243,990
2016	4,412,202	8,441,547	12,853,749
2017	3,784,789	10,542,238	14,327,027
2018	3,679,407	8,105,601	11,785,008
2019	5,700,809	6,720,309	12,421,118

Source: The District.

## THE WATER SYSTEM

### General Description

The District is the sole provider of potable water service to water users within its boundaries, currently serving a population of approximately 116,000 people (through 27,439 connections), approximately 81% of whom are residential users. The District receives its water from three sources: (i) local groundwater, (ii) surface water from Littlerock Creek and the Santiago Canyon deposited in the Littlerock Dam and Reservoir, and (iii) imported water from the DWR through the State Water Project. As set forth in Table 5 below, the percentage of water received from each of these sources fluctuates depending on levels of rainfall year to year. The District uses Palmdale Lake to store water it receives from the Littlerock Dam and Reservoir and the State Water Project. Palmdale Lake has a storage capacity of 4,250 acre-feet. The District maintains Palmdale Lake at 90-100% of total capacity during the months of February through September and at 75-100 percent of capacity from October through January. The amount of water stored in Palmdale Lake is capable of supplying water to the District's customers for approximately two months in the event water from the State Water Project and Littlerock Dam and Reservoir is not available.

The District operates 22 active water wells which extract groundwater from the Antelope Valley Groundwater Basin (the "Basin"). The District also maintains 20 reservoirs ranging in individual capacity from 40,000 to 6,000,000 gallons with an aggregate storage capacity of 49.9 million gallons of water. Other District water system facilities include two interconnections between the District's water system and the facilities of the Antelope Valley – East Kern Water Agency and Littlerock Creek Irrigation District which can be utilized during emergencies to transfer water from one system to the other.

The District's water system includes seven pressure zones. The distribution system includes over 408 miles of pipelines ranging in size from 4 inches to 42 inches in diameter. The District also operates 22 active water wells and 14 booster pumping stations which contain a total of 43 separate pumps. See "— District Water Facilities" below for additional information.

The table below sets forth the history of sources and use of water for the District from its three sources: local groundwater, surface water, and imported water from the DWR through the State Water Project. The District also expects to expand its water supply by approximately 4,000 acre feet of groundwater in 2026 with the Recharge Project which includes construction of new facilities to deliver SWP water from the

California Aqueduct along with recycled water from the Palmdale Water Reclamation Plant to surface spreading basins in the northeast portion of the City of Palmdale. See “—Local Groundwater” and “Future Capital Projects—Palmdale Regional Groundwater Recharge and Recovery Project.” Quantities of water are expressed in terms of acre-feet. An acre-foot is the amount of water which will cover one acre to a depth of one foot and is equivalent to approximately 325,000 gallons.

**Table 5**  
**PALMDALE WATER DISTRICT**  
**WATER SOURCE AND USE SUMMARY TABLE**

<i>Calendar Year</i>	<i>Groundwater Production (ac.-ft.) (a)</i>	<i>Raw Surface Water Sources</i>		<i>Treated Surface Water Production</i>			<i>Total Water Production (ac.-ft.) (a+e)</i>	<i>Total Water Metered (ac.-ft.)<sup>(3)</sup></i>	<i>Unaccounted for Water (ac.-ft.) (%)</i>	
		<i>Littlerock Reservoir (ac.-ft.) (b)</i>	<i>State Water Project (ac.-ft.) (c)</i>	<i>Total Water Sources (ac.-ft.) (d)<sup>(1)</sup></i>	<i>Yearly Total (ac.-ft.) (e)</i>	<i>Yearly Average<sup>(2)</sup> (MGD) (f)</i>				
2015 <sup>(4)</sup>	11,227	572	6,305	18,104	5,788	7.1	17,015	15,207	1,808	10.6
2016 <sup>(4)</sup>	8,473	0	11,155	19,629	8,894	10.7	17,367	15,854	1,513	8.7
2017	4,335	965	15,044	20,364	14,310	16.7	18,665	17,337	1,328	7.1
2018	6,058	3,138	10,184	19,380	13,829	12.4	19,887	18,086	1,801	9.0
2019	4,425	3,129	11,859	19,413	14,109	12.6	18,534	17,045	1,489	8.0

<sup>(1)</sup> Difference between the annual Total Water Sources in column “(d)” and the Total Water Production column is primarily the result of water storage, reservoir replenishment and water lost due to environmental factors.

<sup>(2)</sup> Column “f” reflects the average daily production from the water treatment plant (WTP) over each year. WTP production during summer months averages 16 million gallons per day (MGD). The WTP production capacity is 35 MGD.

<sup>(3)</sup> Total includes water treated on behalf of Antelope Valley East Kern Water Agency (“AVEK”) and water supplied to Littlerock Creek Irrigation District.

<sup>(4)</sup> Due to dry conditions throughout the State, the Governor enacted mandatory water restrictions for all water agencies, including the District. See “FACTORS AFFECTING WATER SUPPLIES—California Drought and Response.”

Source: The District.

### Local Groundwater

Over the last five years, the District received an average of approximately 35% of its water supply from local groundwater, with a high of 62% and a low of 21% during this time. As described below, the District has various rights to groundwater which could provide the District with up to approximately 8,140 acre feet of groundwater per year.

Historically, the District’s primary service area was supplied with groundwater pumped from deep wells. Natural recharge of the Basin is achieved primarily from watershed areas in the San Gabriel Mountains. Creeks and streams spread runoff from precipitation in the mountains over alluvial fans on the northern slopes. Recharge of the area is limited by the semi-arid regional climate.

Groundwater supplies in the Antelope Valley have been determined to be overdrafted, which has resulted in litigation to adjudicate water rights in the Basin. In late 2015, the District as well as the majority of parties involved in such litigation agreed to a stipulated judgment for the adjudication of the Basin (the “Judgment”). Under the Judgment, the District receives a groundwater production right to a fixed amount of water. Prior to the Judgment, the District had an unquantified right to pump water from the Basin for beneficial use, and assumed projected pumping volumes of approximately 12,000 acre feet per year. As a result of the Judgment, the District has reduced its groundwater production to 2,769.63 acre feet per year from the safe yield (as such term is described below). See “FACTORS AFFECTING WATER SUPPLIES—Antelope Valley Groundwater Basin” for further discussion of the Judgment.

Under the Judgment, the District is additionally entitled to a pumping allocation equal to 39.1% of the water the District used from the SWP in prior years either for direct use via the Leslie O. Carter Water Treatment Plant or for recharge at the proposed Recharge Project after it is recovered and used by customers (the “Return Flow Credit”). The District projects that the Return Flow Credit will provide approximately 4,000 acre feet per year. Any unused portion of the Return Flow Credit for a given year may be carried forward for use in future years. The District also projects that the Recharge Project will provide approximately an additional 4,000 acre feet of groundwater upon completion in 2026 due to the additional conjunctive use of recycled water. See “—Future Capital Projects—Palmdale Regional Groundwater Recharge and Recovery Project” for a discussion of the Recharge Project.

In addition to the groundwater allocation and the Return Flow Credit, the District is further entitled under the Judgment to a share of the unused reserve right of the Federal Government relating to the Edwards Air Force Base, which is projected to be approximately 1,370 acre feet per year through at least 2025. The District’s right to this water will be reduced or terminated in the event that the Federal Government increases water usage at the base.

The District also receives the following benefits from the Judgment, all of which make its groundwater supply more reliable: (1) the right to pump additional groundwater if the District pays the cost to replace it with imported water, (2) the right to store water in the Basin in wet years for use in dry years, and (3) the right to purchase additional water rights from other pumpers in the Basin.

The District is a member of a joint powers authority called the Antelope Valley State Water Contractors Association (the “Association”). The other members of the Association are the Littlerock Creek Irrigation District and the Antelope Valley – East Kern Water Agency, the other two State Water contractors in the Antelope Valley. A principal goal of the Association is for the three members to work together to develop conjunctive use projects, including groundwater banking.

The District’s primary service area overlies three sub-units of the Basin – the Lancaster, Buttes and Pearland sub-units. In addition, the District overlies a portion of the San Andreas Rift Zone, which also contains water bearing deposits. The District presently pumps groundwater from 22 wells in the Lancaster and Pearland sub-units and from the San Andreas Rift Zone. In Phase 3 of the trial in the Basin’s adjudication, the court determined the safe yield for the Basin, including imported water return flows, was 110,000 acre-feet per year. The term “safe yield” is generally defined as the maximum rate of extraction from a groundwater basin which, if continued over an indefinite period of years, would result in the maintenance of certain desirable fixed conditions.

Groundwater from the District’s wells meets all current water quality requirements and is not treated, other than the addition of disinfectant prior to being pumped into the water distribution system. Recently updated regulations, such as the new and lower arsenic maximum contaminant level, will also be met without treatment. The only present potential known threat to the District’s groundwater quality is the presence of a plume of high nitrate levels in groundwater located approximately two miles northeast of the District’s main well field that has resulted from the operation of the Sanitation Districts of Los Angeles County District No. 20 (the “Sanitation District”). The Sanitation District is currently under a Cleanup and Abatement Order from the Regional Water Quality Control Board, Lahontan Region, to fully identify and clean up the plume. The District’s wells are currently unaffected by the higher nitrate levels that exist in the plume.

## **Surface Water**

Over the last five years, the District received an average of approximately 8% of its water supply from local surface water. The amount of local surface supply varies annually and has ranged from 0% to 16% in the last five years. Surface water in Littlerock Creek and the Santiago Canyon is fed by runoffs from a 65 square mile watershed in the Angeles National Forest. Water from the watershed is diverted into the Littlerock Dam which currently has a usable storage capacity of approximately 3,000 acre-feet of water. Construction of

Littlerock Dam and Reservoir was completed in 1924 by the Palmdale Irrigation District, predecessor to the District, and the Littlerock Creek Irrigation District. Title to the Littlerock Dam and Reservoir is jointly held by the District and the Littlerock Creek Irrigation District. Pursuant to the Littlerock Dam Agreement, the District financed the rehabilitation of the Littlerock Dam and Reservoir in compliance with directions from the Division of Safety of Dams. In consideration of the District's undertaking of all rehabilitation costs of the Littlerock Dam and Reservoir, the District was granted an irrevocable license to 100% of the storage capacity of the Littlerock Dam and Reservoir for a term of 50 years through 2042. Under the Littlerock Dam Agreement, the District is also responsible for the maintenance and operation of the Littlerock Dam and Reservoir, except as otherwise provided by such agreement. The average annual yield from the Littlerock Dam and Reservoir is estimated at 4,000 acre-feet per year. In 2019, the District received 3,129 acre-feet of water from the Littlerock Dam and Reservoir.

### **State Water Project**

Over the last five years, the District received an average of approximately 57% of its water supply from the State Water Project ("SWP"). The SWP encompasses a complex array of reservoirs, pumping plants, power plants, canals and tunnels owned and operated by DWR. SWP water, which originates primarily north of the San Francisco Bay/Sacramento-San Joaquin River Delta (the "Bay-Delta" or "Delta"), is transported from the Delta to serve water contractors and their member agencies in the San Francisco Bay area, the San Joaquin Valley and Southern California.

Pursuant to a Water Supply Contract, dated February 2, 1963, by and between the Palmdale Irrigation District, as predecessor to the District and DWR, as amended from time to time (as so amended, the "District's State Water Supply Contract"), the District received entitlements to SWP water. Pursuant to the District's State Water Supply Contract, the District is entitled to receive up to 21,300 acre-feet of SWP water each year. In 2019, the District received 11,859 acre-feet of water from the SWP, which includes its 2019 allocation, additional water supplied pursuant to a contract with Butte County, and a carryover allocation of water from 2018. The allocation of water made by DWR in 2019 was 75% of each State Water Contractor's contract amount, but the District was able to supplement its supply through an agreement with Butte County to lease a portion of that County's Table "A" water allocation. The District has a long term lease agreement with Butte County for 10,000 acre-feet per year of their SWP Table A Quantity (the "Butte County Agreement"). The amount available through the Butte County Agreement varies primarily on the final annual allotment from DWR to the SWP contractors and can be roughly calculated by multiplying the final allotment percentage by 10,000 acre-feet. The Butte County Agreement runs through 2031 and has a renewal option through 2035. The District's State Water Supply Contract, the Butte County Agreement and any other agreements to which the District is a party for SWP water and for which the District levies or will levy an assessment are collectively referred to herein as the "State Water Supply Contract." The amount of water which DWR supplies to the District under the State Water Supply Contract may be reduced in any year in which there is a shortage or interruption, due to drought or other temporary cause, in the supply of water available for delivery to the District and other SWP contractors. DWR reduces allotments where the available water supply is less than the total of the annual project allotments of all project participants in the SWP facilities for that year.

In the event that the State is unable to construct sufficient additional conservation facilities to prevent a reduction in the minimum SWP yield, or if for any other reason there is a reduction in the minimum SWP yield, which, notwithstanding preventative or remedial measures taken or to be taken by the State, threatens a permanent shortage in the supply of SWP water to be made available to the District under the State Water Supply Contract, the District's SWP allotment will be reduced in accordance with the State Water Supply Contract.

Pursuant to the District's State Water Supply Contract, the District is obligated to pay its allocable share of a capital cost component and a minimum operation, maintenance, power and replacement component (together, the "SWP Fixed Costs") of the SWP. In addition to the SWP Fixed Costs, the District pays a variable amount to the SWP from Net Water Revenues based on the amount of water that is purchased for

delivery to the District each year. Such variable costs have averaged approximately \$1.96 million per year over the last five years. The obligation to pay the SWP Fixed Costs exists and is required to be honored by the District whether or not water is furnished to it from the SWP facilities at all times, or at all, and whether or not the SWP facilities are operable. Such costs of participation rights are being amortized over the District's water entitlement period through 2035. The District expects that the District's State Water Supply Contract will be extended beyond 2035. The table below sets forth the District's allocable share of the SWP Fixed Costs for the last five years:

**Table 6**  
**PALMDALE WATER DISTRICT**  
**HISTORY OF SWP FIXED COSTS**

<i>Year</i>	<i>Capital Cost Component</i>	<i>Minimum Fixed Operating Component</i>	<i>Total SWP Fixed Costs</i>
2015	\$4,575,111	\$125,715	\$4,700,826
2016	4,649,693	86,001	4,735,694
2017	4,497,113	26,070	4,523,183
2018	4,598,609	22,269	4,620,878
2019	4,236,121	22,593	4,258,714

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Source: The District.

Under the State Water Supply Contract, DWR is obligated to deliver to the District on or before July 1 of each year a statement of the SWP Fixed Costs payable in the next calendar year. The District levies an *ad valorem* assessment on the assessed value of the land (not including the value of any improvements) within its service area to pay the SWP Fixed Costs charged for operation, maintenance, power and replacement costs payable under the State Water Supply Contract. These assessments are placed on the tax roll and collected as a part of the annual tax bills sent to the property owners within the District by Los Angeles County. Any assessments collected are available only to pay amounts due under the State Water Supply Contract and are not a part of Water Revenues of the District pledged to secure the payments on the 2020 Bonds and any payments due under the Parity Obligation Documents. Increases or decreases in the District's allocable share of the SWP Fixed Costs generally will not require adjustments in the water rates of the District but will be factored in the subsequent *ad valorem* assessment levied. The District is not liable under the State Water Supply Contract for the obligations of any other SWP participants.

### **District Water Facilities**

The District's surface water system consists of Palmdale Lake into which water from Littlerock Dam and from the SWP aqueduct are deposited. Water from Palmdale Lake is treated at the Leslie O. Carter Water Treatment Plant (the "Water Treatment Plant") using chemical addition, flocculation, sedimentation, filtration, granular activated carbon ("GAC") and disinfection. The treated water enters the distribution system by gravity or through the low head transfer pump stations. The capacity of the existing plant is 35 million gallons per day. On average, the District utilizes less than 50% of the Water Treatment Plant's annual capacity and, currently, the District expects this capacity to meet projected demand for at least the next five years. Since 2004, the District has spent approximately \$56,000,000 to upgrade the Water Treatment Plant in order to meet more stringent water quality regulations. These upgrades were completed in April 2009, and include a GAC system for total trihalomethane ("TTHM") control. GAC is considered Best Available Technology by the Environmental Protection Agency for meeting the new TTHM standards as well as a number of other standards.

In addition to its surface water supply system, the District operates 22 active wells. Water from the majority of the wells is pumped directly into the distribution system adjacent to their physical location. The

remaining wells pump water into adjacent holding tanks from which booster pumps lift the water to the appropriate system pressure.

The District's water distribution system includes 14 water booster or pumping plants, 49.9 million gallons of surface storage capacity and more than 408 miles of distribution pipeline ranging from 4 to 42 inches in diameter. The oldest pipelines are constructed of steel and many have experienced excessive leakage. The District has an ongoing, prioritized replacement program for these older steel pipelines. During calendar years 2015 through 2019, the District replaced 20,390 lineal feet of pipelines, representing 1% of all of the pipelines within the District. Water loss in the District's distribution system in the last five years has ranged from a low of 7.1% in 2017 to a high of 10.6% in 2015. The District considers losses of water in its distribution system to be within acceptable industry standards.

Elevation within the District varies from 2,600 to 3,800 feet, and 7 pressure zones have been created within the District to provide water service at acceptable minimum and maximum pressures. The District attempts to maintain zone pressures between 40 and 120 pounds per square inch. Each pressure zone requires pumping plants or other sources of supply for providing water at the desired pressure. Most pressure zones also have storage facilities for providing water during peak demand, and under emergency and fire flow conditions. There are 43 booster pumps located within the District which vary in size from 10 to 150 hp to boost water in four of the seven primary pressure zones.

### **Quality of District's Water**

Water quality requirements for potable water are developed by the U.S. Environmental Protection Agency and the California Department of Health Services, pursuant to mandates contained in the Safe Drinking Water Act. On August 2, 1996 Congress passed the Safe Drinking Water Act Amendments of 1996, and President Clinton signed them into law on August 6, 1996. Stored water at Palmdale Lake is conveyed through a 42-inch pipeline to the District's Water Treatment Plant. The treatment process includes chemical addition, flocculation, sedimentation, filtration, GAC, and disinfection. Treated water at the District satisfies all current requirements of the Federal Safe Drinking Water Act and regulations of the California Department of Public Health. However, future legislation and/or regulations could impose additional requirements necessitating modifications to the water treatment process and procedure currently used by the District, which could have the effect of increasing the cost of treating such water.

### **Future Capital Projects**

The District conducts capital improvement planning on an ongoing basis for the rehabilitation, upgrade, and expansion of facilities, equipment, and improvements necessary to meet current and future needs for water treatment, storage, and conveyance within the existing service area. The table below sets forth a summary of estimated project costs for the capital projects which the District may undertake over the next six years based on certain categories. It is important to note that should sufficient funds not be available, several of these projects can be deferred beyond the six year period. Such capital projects, in the amount of up to \$10,000,000, are expected to be financed through water sales, connection fees and loans/grants from the State or other indebtedness incurred by the District.



**Table 7**  
**PALMDALE WATER DISTRICT**  
**FIVE YEAR CAPITAL PROJECT PLAN**

<i>Category</i>	<i>Years</i> <b>2020-2026</b>
Pipeline	\$ 7,489,664
Water Supply	6,000,000
Wells & Boosters	7,715,053
Water Treatment Plant	3,595,000
Facilities	1,192,500
Vehicles & Equipment	2,077,500
Recharge Project <sup>(1)</sup>	43,900,000
Miscellaneous	1,364,500
<b>TOTAL:</b>	<b><u>\$ 73,334,217</u></b>

<sup>(1)</sup> See the caption “—Palmdale Regional Groundwater Recharge and Recovery Project” below.  
Source: The District.

The District expects to issue bonds in 2021 (the “2021 Bonds”) to finance most of the capital projects identified in Table 7, other than the Recharge Project. The 2021 Bonds are currently expected to be issued in the approximate amount of \$20,000,000 and would be secured by Net Water Revenues on a parity basis with the 2020 Bonds and the payments due under the Parity Obligation Documents. See Table 20 under the heading “SYSTEM FINANCIAL INFORMATION—Projected Earnings and Debt Service Coverage.”

The District completed a Water System Master Plan (the “WSMP”) in December 2016. The WSMP provides details for an updated capital improvement program through 2030. Based on the WSMP, the District develops updated capital improvement fees. The WSMP, EIR and capital improvement fees were approved by the Board in late 2018.

***Palmdale Regional Groundwater Recharge and Recovery Project.*** The District is in the process of developing the Recharge Project. The completion of the Recharge Project will not be a necessity unless residential and commercial development within the District returns to pre-2007 recession levels. The District has certified the environmental impact report and is currently working through permitting approvals as well as funding strategies for the Recharge Project. The Recharge Project includes construction of new facilities to deliver SWP water from the California Aqueduct along with recycled water from the Palmdale Water Reclamation Plant to surface spreading basins in the northeast portion of the City of Palmdale. The recharged water would percolate through soil and infiltrate through the recharge basins, mixing with native groundwater, until it is eventually extracted via recovery wells as potable water and delivered to District customers. The first phase of the Recharge Project is intended to assist the District in meeting its water needs to year 2040 by developing a groundwater banking, storage and extraction program. Subsequent phases of the Recharge Project would meet the District’s water needs to build-out of its service area which would be around year 2070. The first phase of the Recharge Project would provide an estimated 4,000 acre feet per year of recycled water to augment the District’s existing water supplies. The capital cost to construct the facilities needed for the first phase of the Recharge Project is projected to be approximately \$40,700,000 and design and construction management is projected to cost approximately \$3,200,000, for a total of \$43,900,000. Construction of the first phase of the Recharge Project is expected to begin in 2023 and take approximately 3 years to complete. The overall funding for the \$40,700,000 in construction costs is expected to come from a combination of grants and loans from the Clean Water State Revolving Fund (the “SRF Loan”) with the repayment coming from Net Water Revenues consisting primarily of water supply fees from new development and water revenue from existing customers, while the District would pay the \$3,200,000 in design and construction management costs from funds on hand. Payments on the SRF Loan are expected to be made from Net Water Revenues on a parity with the payments on the 2020 Bonds and any payments under the Parity Obligation Documents. The

District has an approved water supply fee that is calculated based on estimated Recharge Project costs necessary to support new service connection/water demands. The District collects these fees from new development based on the District's estimate of the water supplies needed for the new development. The District has submitted the required application and technical reports to the State Water Resource Control Board (the "SWRCB") and has requested that the SWRCB fund the SRF Loan. The District is waiting for a response from the SWRCB and there is no assurance that the SWRCB will fund all or a portion of the SRF Loan. If SWRCB funding is not available to cover any or all of the projected cost of the Recharge Project, the District may seek other financing through a direct loan or the sale of Bonds by the Authority secured by Net Water Revenues on a parity with the payments on the 2020 Bonds and payments due under the Parity Obligation Documents. Even if development levels rise to the point that the Recharge Project will be required, the District does not expect to obtain financing for the Recharge Project until rates have been increased by an amount sufficient for the District to comply with the additional bonds test and its covenants under the Indenture and the Parity Obligation Documents. See the captions "SYSTEM FINANCIAL INFORMATION—Operating Revenues—*Future Rate Setting*," "SECURITY FOR THE 2020 BONDS—Rate Covenant" and "—Additional Bonds and Contracts" herein.

### **Future Water Sources**

The Strategic Water Resources Plan ("SWRP") that was adopted by the District in March, 2010, and the related Programmatic Environmental Impact Report that was certified by the Board of Directors in August, 2012, were developed to establish guiding objectives and identify necessary steps in order to meet the projected future needs of its customers. Over the next 23 years, the population residing within the District's current service area is projected to more than double which will require the District to increase supply to meet the water demands of these customers. The District has a number of water resource options available to it in order to meet these needs, including imported water, groundwater, local runoff, recycled water, conservation and water banking. To understand where the District should be placing its emphasis, the SWRP was developed to consider and evaluate the District's options with respect to a variety of factors including cost, reliability, flexibility, implementation ability and sustainability.

In order to fund the costs of facilities and acquisitions of new water supplies, the principles followed by the SWRP are as follows:

- New customers establishing new connections must pay for new supplies and the infrastructure to deliver those supplies. This includes funding new imported water acquisition, recharge and recovery facilities, and recycled water facilities.
- Current and future customers must pay for reliability of current supply up to budgeted allotments for indoor and outdoor usage. This would include the costs of improvements to maintain Littlerock Reservoir, of the District's share of improvements to the Delta, and of improvements needed to meet water quality standards.
- Those customers choosing to use more than their allotment need to contribute more to help fund water reliability projects including conservation and recycling.
- Current and future customers are to pay for all Operation and Maintenance Costs as well as fixed costs of existing systems.

In 2015, the District adopted an Urban Water Management Plan ("UWMP"). The UWMP examined the District's current and future water sources and concluded that existing supplies in combination with identified future and potential water supply opportunities will enable the District to meet all future water demands under all hydrologic conditions through the end of the planning period (2040). Under single dry and multiple-dry year scenarios, there could be pressure (potential deficits) on future water supply, although potential measures to address these situations include controlling future growth (e.g. limiting connections),

implementing additional conservation efforts and identifying/securing other long-term sources of supply projects/opportunities that would help overcome supply shortages.

The District currently strives to maintain the capacity to receive approximately 40% of its supply from groundwater. The District is reviewing the possibility of increasing yield at Littlerock Creek. The District is also actively promoting water conservation within its service area to reduce future demands. Finally, recycled water use through the Palmdale Recycled Water Authority (“PRWA”), a joint powers agency of which the District and the City are the only members, is being pursued. PRWA adopted a consolidated Recycled Water Facilities Master Plan in 2015 that addresses potential recycled water use within the District including direct non-potable use (irrigation), agricultural deliveries, and possible groundwater recharge with recycled water.

## **FACTORS AFFECTING WATER SUPPLIES**

### **State Water Project**

*General.* One of the District’s major sources of water is the State Water Project (“SWP”), which is owned by the State and operated by the California Department of Water Resources (“DWR”). The SWP transports Feather River water stored in and released from Oroville Dam and unregulated flows diverted directly from the Bay-Delta south via the California Aqueduct to delivery points near the boundaries of the District’s service area. The total length of the California Aqueduct is approximately 444 miles.

DWR’s ability to consistently deliver water to the District is one of the most challenging issues affecting the District’s long term water supply. See the caption “—California Water Policy Framework” below.

DWR faces various challenges in the continued supply of imported water to the District and other member agencies. A description of the challenges DWR faces in continuing to supply imported water as well as a variety of other operating information with respect to DWR is included in detail under the caption “STATE WATER PROJECT WATER SUPPLY” in DWR’s Official Statement dated July 29, 2020, relating to its Central Valley Project Water System Revenue Bonds Series BB and BC (“DWR’s Water Supply Disclosure”). The District incorporates DWR’s Water Supply Disclosure by specific reference in this Official Statement. DWR’s Water Supply Disclosure is the disclosure of DWR and, accordingly, neither the District nor the Underwriter makes any representations as to the accuracy or completeness of DWR’s Water Supply Disclosure or as to the absence of material adverse changes in DWR’s Water Supply Disclosure after the date hereof.

DWR has entered into certain continuing disclosure agreements pursuant to which it is contractually obligated for the benefit of owners of certain outstanding obligations to file with certain information repositories annual reports, notices of certain material events as defined under Rule 15c2-12 of the Exchange Act (“Rule 15c2-12”) and annual audited financial statements (the “DWR Information”). This information is to be filed by DWR with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>. DWR disclosure documents and annual reports should be reviewed for information pertaining to water supply matters. DWR has not entered into any contractual commitment with the District, the Trustee or the Owners of the 2020 Bonds to provide Department of Water Resources Information to the District or the Owners of the 2020 Bonds. The District has not incorporated by reference the information filed by DWR described above and neither the District nor the Underwriter guarantees the accuracy of the DWR Information.

**DWR HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE 2020 BONDS TO PROVIDE DWR INFORMATION TO THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE 2020 BONDS.**

**DWR HAS NOT REVIEWED THIS OFFICIAL STATEMENT AND HAS MADE NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO SWP AND DWR. DWR IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH DWR INFORMATION, FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE 2020 BONDS UNDER RULE 15C2-12.**

The SWP was designed to meet demands of 4.2 million acre-feet per year. Initial SWP facilities were completed in the early 1970s, and it was envisioned that additional facilities would be constructed as contractor demands increased. Several factors, including public opposition, increased costs, and increased non-SWP demands for limited water supplies, combined to delay the construction of additional facilities. At the same time, contractors' demands for SWP entitlement water have been increasing.

The quantity of SWP water available for delivery each year to its contractors such as the District is controlled by both hydrology and operational considerations, including overall demand from contractors, weather, environmental controls, operational constraints and litigation regarding the SWP. The SWP has been unable to meet contractors' requests for entitlement water in drought periods. DWR has projected that future SWP supplies in normal weather years will be insufficient to meet demands unless additional facilities are constructed. DWR's planning efforts are currently focused on the California Water Fix effort to develop a long-term Bay-Delta solution discussed below.

DWR has stated to contractors that, under its long-term forecast, absent the addition of new facilities, it will be able to deliver an average of approximately 58% of the existing allocations to contractors in the SWP. Under more stringent environmental regulations, the projected allocation to contractors is expected to range between 46% and 51%.

The District's allocation from SWP for calendar year 2019 was 75% of its contracted-for amount, or 15,975 acre-feet. This allocation took into account the above average snowpack and reservoir levels, which resulted in an improved water year as compared to calendar 2018.

Based on a May 22, 2020 announcement by DWR, the District's current SWP allocation under the District's State Water Supply Contract for 2020 is 20% of its contracted-for amount, or 4,260 acre-feet. The allocation for 2020 is subject to revision by DWR. This allocation took into account below average participation during most of the winter. See "—California Drought and Response" below.

***Endangered Species Act Considerations.*** The District's imported and local supplies are subject to regulatory restrictions due to implementation of the federal Endangered Species Act ("ESA"). The listing of winter-run Chinook salmon in 1989 and delta smelt in 1993 resulted in pumping restrictions imposed on the state and federal water projects to protect these species. These pumping restrictions resulted in reduced deliveries from the SWP and Central Valley Project ("CVP"), compounding the shortages created by the ongoing drought at the time. In 1993, the United States Environmental Protection Agency (the "EPA") also proposed to implement water quality standards for the Bay-Delta that would impose severe restrictions on the operation of the SWP and CVP. It was these circumstances that led to the historic Bay-Delta Accord in 1994, in which the state and federal governments, along with urban, agricultural and environmental interests, agreed to an interim set of ESA protection measures coupled with water supply certainty. The Bay-Delta Accord laid the groundwork for the establishment of the CALFED Bay-Delta Program, which has been succeeded by a number of efforts, including the California Water Action Plan, the Delta Plan and the California Water Fix (See the below caption "—California Water Policy Framework") to develop a long-term solution for conflicts in the Bay-Delta.

***Delta Litigation.*** Various legal challenges have been filed impacting the conveyance of water through the Delta by the DWR via the SWP and by the United States Bureau of Reclamation (the "Bureau") via the

CVP. These have included such cases as *Watershed Enforcers v. Broderick* (California Department of Fish and Game), *et al.* (Alameda County Superior Court, J. Smith, presiding) (the “Watershed Smelt Litigation”), which relates to the SWP; *Natural Resources Defense Council v. Kempthorne* (United States Department of the Interior) (United States District Court for the Eastern District of California, J. Wanger, presiding) (the “Delta Smelt OCAP Litigation”) and *Pacific Coast Federation of Fisherman’s Association/Institute for Fisheries Resources v. Gutierrez* (United States Department of Commerce) (United States District Court for the Eastern District of California, J. Wanger, presiding) (the “Salmon OCAP Litigation”), which relate to the coordinated operations of the CVP and SWP; and *State Water Contractors (“SWC”), San Luis and Delta Mendota Water Authority (“SLDMWA”), Westlands Water District (“WWD”), et al. v. California Department of Fish and Game* (Sacramento Superior Court) (“Longfin Smelt Litigation”), which also relates to the operations of the SWP.

The above-listed lawsuits constitute challenges to Biological Opinions (“BOs”) relating to the coordinated operations of the CVP and SWP; required permitting for “incidental take” related to the SWP; a decision to list a new species as threatened under the California Endangered Species Act (“CESA”), or other, similar grounds. The factual basis for these cases relate to claims of recent population declines of pelagic organisms, which include the delta smelt and longfin smelt, and certain salmon species, in and around the Delta. While there are other potential causes for the decline of these Delta fish, the BOs, permitting requirements, and listing decisions that underlie these cases have significantly curtailed SWP and CVP deliveries and threaten to further curtail them.

**Watershed Smelt Litigation.** On October 4, 2006, Watershed Enforcers, a nonprofit organization related to the California Sportfishing Protection Alliance, filed an action against DWR in the Alameda County Superior Court, alleging that DWR was illegally operating certain pumping facilities without obtaining a “take” permit under CESA. Kern County Water Agency (“KCWA”) and SWC, a non-profit association of twenty-seven public agencies, including the District, and others intervened as real-parties-in-interest in the action in support of DWR. The fish species at issue were endangered winter-run Chinook salmon, threatened Delta smelt and spring-run Chinook. The court determined that DWR did not have the required State permit to “take” protected fish species in the Delta, and, on April 17, 2007, issued a final order directing DWR to shut down its Delta export pumps in 60 days, unless it obtained a determination from the State Department of Fish and Game (“DFG”) that SWP operations are in compliance with CESA. Immediate appeals were filed, which stayed enforcement of such order. In July 2009, DWR obtained a Consistency Determination (the “CD”) from DFG providing CESA incidental take coverage and DWR, SWC and KCWA dismissed their appeals. Other parties continued to litigate the appeal on other issues, which have all been determined. The case is now closed.

**Delta Smelt OCAP Litigation.** In 2005, a coalition of environmental and sportfishing organizations challenged the no jeopardy and no adverse modification findings in a 2005 Operating Criteria and Plan (“2005 OCAP”) BO in the United States District Court for the Eastern District of California. In May 2007, Judge Wanger ruled that the 2005 OCAP BO was unlawful and inadequate. Following a subsequent remedies hearing, the court determined that the water supply to the SWP and CVP would have to be reduced by up to one-third (approximately 2,000,000 acre-feet per year) to mitigate for impacts to the declining population of Delta smelt, and based on that determination issued an interim injunction, which was to remain in effect until a new BO for Delta smelt was prepared.

The 2008 BO prepared by United States Fish and Wildlife Service (“FWS”) and delivered to the Bureau on December 15, 2008 appeared to create water supply impacts greater than those that had already resulted from the Delta Smelt OCAP Litigation court’s interim injunction. This led to the filing of five separate challenges to the 2008 BO in 2009 by SLDMWA, SWC, Metropolitan Water District of Southern California (“MWD”), Central Delta Water Agency, and the Coalition for a Sustainable Delta. The challenges were consolidated before Judge Wanger. On May 28, 2009, Judge Wanger granted the motion for preliminary injunction filed by plaintiffs SLDMWA and WWD, which was joined by SWC and the other plaintiffs, finding that plaintiffs were likely to prevail on their National Environmental Policy Act (“NEPA”) challenge to the

2008 BO. Thereafter, the plaintiffs filed motions for summary judgment, which Judge Wanger granted in part, determining that the Bureau must perform environmental review under NEPA prior to accepting and implementing the BO and its restrictive measures that would result in a further reduction in water deliveries from the SWP and CVP and other impacts.

On December 14, 2010, Judge Wanger issued a decision on summary judgment finding that there were major scientific and legal flaws in the 2008 BO. The court found that some but not all of the restrictions on project operations contained in the 2008 BO were arbitrary, capricious and unlawful. On May 18, 2011, Judge Wanger issued a final amended judgment directing the FWS to complete a new draft biological opinion by October 1, 2011, and a final biological opinion with environmental documentation by December 1, 2013. Later stipulations and orders changed the October 1, 2011 due date for a draft biological opinion to December 14, 2011. A draft biological opinion was issued on December 14, 2011. The draft biological opinion deferred specification of a reasonable and prudent alternative and an incidental take statement pending completion of environmental impact review under NEPA. The federal defendants and environmental intervenors appealed the final judgment invalidating the 2008 BO to the U.S. Court of Appeals for the Ninth Circuit. SWP and CVP contractor plaintiffs cross-appealed from the final judgment. On March 13, 2014, the Ninth Circuit reversed the district court's findings that portions of the 2008 BO failed to meet the requirements of the ESA and its regulations, but upheld the requirement that the Bureau was required to perform NEPA review. The U.S. Court of Appeals for the Ninth Circuit issued a mandate on September 16, 2014. Petitions for Writ of Certiorari were submitted to the U.S. Supreme Court; however, the Court decided not to hear the case. The District Court issued the Final Order on October 1, 2014.

The SWP and CVP have been operating under the 2008 BO since it was issued. Deliveries of water supply from the SWP and CVP are not likely to increase in the near future unless new information or projects are developed that support a reconsultation and reconsideration of project operations.

***Salmon Operating Criteria and Plan Litigation.*** In the Salmon Operating Criteria and Plan Litigation, the United States District Court for the Eastern District of California issued a summary judgment order invalidating a 2004 BO related to certain salmon species, steelhead, and other aquatic species, finding it unlawful and inadequate on a variety of legal grounds under the ESA, and holding that NEPA review was required. A new BO was released on June 4, 2009 (the "2009 BO") by the National Marine Fisheries Service ("NMFS") which contained new measures concerning complex habitat management schemes and studies which are likely to cause additional water supply impacts. As a result, seven separate actions challenging the 2009 BO were filed in the United States District Court for the Eastern District of California and assigned to Judge Wanger, including challenges by the SWC, MWD, and KCWA. The court consolidated the cases under the caption Consolidated Salmon Cases.

On May 25, 2010, the court granted the plaintiffs' request for preliminary injunction in the Consolidated Salmon Cases, restraining enforcement of two requirements under the 2009 BO that limit exported water during the spring months based on San Joaquin River flows into the Bay-Delta and reverse flows on the Old and Middle Rivers. Hearings on motions for summary judgment in the Consolidated Salmon Cases were held on December 16, 2010. On September 20, 2011, Judge Wanger issued a decision on summary judgment, finding that the 2009 BO was flawed, and that some but not all of the project restrictions in the 2009 BO were arbitrary and capricious. On December 12, 2011, Judge O'Neill (who was assigned to this case following Judge Wanger's retirement) issued a final judgment in the Consolidated Salmon Cases. The final judgment remands the 2009 BO to NMFS, and directs that a new draft salmon BO be issued by October 1, 2014, and that a final salmon BO be issued by March 1, 2017, after completion of environmental impact review under NEPA. On January 19, 2012, Judge O'Neill approved a joint stipulation of the parties that specifies how to comply with one of the 2009 BO restrictions that applies to water project operations in April and May of 2012. In January and February 2012, the federal defendants and environmental intervenors filed appeals of the final judgment in the Consolidated Salmon Cases, and the SWP and CVP contractors filed cross-appeals, but the NEPA holding was not appealed and thus stands. A hearing before the U.S. Court of Appeals for the Ninth Circuit was held in September 2014, and on December 22, 2014, the Ninth Circuit

reversed the district court decision and upheld the 2009 BO. The remand order related to the 2009 BO was rescinded. The Ninth Circuit issued a mandate on February 17, 2015. The district court issued the final order on May 5, 2015.

**Longfin Smelt Litigation.** The California Fish and Game Commission listed the longfin smelt as a threatened species under CESA in March 2009. On February 23, 2009, in anticipation of the listing action, the DFG issued a CESA section 2081 incidental take permit to DWR authorizing the incidental take of longfin smelt by the SWP. This permit authorizes continued operation of the SWP under the conditions specified in the section 2081 permit through December 31, 2018. SWC filed suit against the DFG on March 25, 2009, alleging that the export restrictions imposed by the section 2081 permit have no reasonable relationship to any harm to longfin smelt caused by SWP operations, are arbitrary and capricious and are not supported by the best available science. Such litigation was recently settled and dismissed.

**Monterey Plus Cases.** Comprised of four (4) separate but related cases: *Central Delta Water Agency v. California Department of Water Resources* (“CD-I” and CD-II”), *Rosedale-Rio Bravo Water Storage District v. California Department of Water Resources* (“Rosedale”), *Center for Food Safety v. California Department of Water Resources* (“CFS”) (Court of Appeal of the State of California, Third Appellate District, J. Raye, presiding) (“Monterey Plus Cases”), which arose following the DWR transfer of the Kern Water Bank (“KWB”) in 1995, to the Kern County Water Agency (“KCWA”), who subsequently transferred it to the Kern Water Bank Authority (“KWBA”), a public-private JPA formed in anticipation of the transfer and for the purpose of operating the KWB. They are currently pending before the Third District Court of Appeal, awaiting scheduling of oral arguments.

In 1994, the DWR and SWP contractors engaged in mediated negotiations to settle allocation disputes, which resulted in a comprehensive agreement known as the “Monterey Agreement.” The Monterey Agreement became a standard amendment to the long-term water supply contracts, known as the “Monterey Amendments.” Among other things, the Monterey Amendments required the DWR to transfer the KWB property to the KCWA in exchange for the agricultural contractors’ permanent retirement of 45,000 AF in water; the transfer took place in 1995. The DWR first prepared an EIR for the transfer (the “1995 EIR”) as part of a larger EIR prepared by the Central Coast Water Agency (“CCWA”) for the Monterey Amendments. The 1995 EIR was challenged by the Planning and Conservation League and other petitioners (“PCL”), and, on appeal, was decertified and the transfer approvals stricken. However, the court allowed the KWB to continue to be owned and operated by the KWBA on an interim basis until a new environmental review was completed. In 2003, the CCWA set aside its certification of the 1995 EIR and the DWR started a new EIR (the “2003 EIR”). The 2003 EIR was certified on February 1, 2010. In August 2010, the court, following the DWR’s filing of a Return to Peremptory Writ of Mandate (the “2010 Writ”), entered an order discharging the writ and PCL consented.

This led to the *CD-I*, *CD-II* and *Rosedale* petitions, challenging the adequacy of the 2003 EIR and the validity of the transfer. The petitions were ordered “related” and assigned to the same judge at the Superior Court of California, Sacramento. Subsequently, *CD-I* and *Rosedale* were consolidated; *CD-II* was, and continues to be, stayed. In 2014, the court concluded the 2003 EIR was adequate in all aspects except for the part related to the KWB development, operation and use, but allowed DWR’s prior approvals to continue in place on an interim basis and prohibited KWBA from expanding KWB’s operations during this interim period, and issued a judgment and peremptory writ of mandate (the “2014 Writ”) requiring that DWR rectifies the deficiencies in the 2003 EIR by preparing a Revised EIR. *CD-I* petitioners appealed.

In 2016, the DWR issued a Revised EIR (the “REIR”), which was certified on September 20, 2016. The DWR then filed a Return to the 2014 Writ on September 28, 2016. In response, *CD-I* petitioners filed a new petition along with a new party, the Center for Food Safety (“CFS”), alleging that although the KWBA is a public JPA, it is controlled by private operators of agricultural land who have planted significant acreage of permanent crops since obtaining control of the KWB. *CFS* was ordered related to the other cases and reassigned to the same judge.

A single, joint hearing on all four cases was held on August 18, 2017. On October 2, 2017, the court issued an order discharging the 2014 Writ. CFS petitioners appealed. On May 4, 2018, the Court of Appeal for the Third Appellate District granted DWR's request to consolidate the cases for purposes of oral argument and decision. No oral arguments have been scheduled yet.

*The SWP and CVP have been operating under the 2008 BO and 2009 BO since they were issued. Deliveries of water supply from the SWP is not likely to increase in the near future unless new information or projects are developed that support a reconsultation and reconsideration of project operations. The District believes that any future decision or order by a State or Federal court related to one or more of the above-described BOs or to the Monterey Plus Cases and leading to adverse decisions reducing SWP supplies would not have a material impact on the District's ability to pay debt service on the 2020 Bonds.*

### **California Water Policy Framework**

The District's water supply under its contracts with the SWP is imported through the Bay-Delta. The Bay-Delta is the largest estuary on the west coast and supports more than 750 species of plants and wildlife. However, decades of competing demands have taken a toll on the Bay-Delta and today it no longer functions as a healthy ecosystem. Regulatory actions to protect threatened or endangered fisheries have reduced the reliability of Bay-Delta water supplies. Water quality is degraded, making it difficult and expensive to meet drinking water standards. In addition, the vulnerability of Delta levees to seismic and flooding failures threatens both the infrastructure and the quality of California's water supply.

In 1995, the SWRCB adopted a Water Quality Control Plan for the Sacramento-San Joaquin Delta estuary. The Water Quality Control Plan's standards protect municipal, industrial and agricultural beneficial uses as well as fish and wildlife resources. In January 2003, the SWRCB completed its water rights process for implementing the Water Quality Control Plan.

In 2000, several State and federal agencies released the CALFED Bay-Delta Programmatic Record of Decision and Environmental Impact Report/Environmental Impact Statement ("EIR/EIS") that outlined and disclosed the environmental impacts of a 30-year plan to improve the Bay-Delta's ecosystem, water supply reliability, water quality, and levee stability. The CALFED Record of Decision remains in effect and many of the State, federal, and local projects begun under CALFED continue.

Building on CALFED and other Bay-Delta planning activities, in 2006 multiple State and federal resource agencies, water agencies, and other stakeholder groups entered into a planning agreement for the Bay-Delta Conservation Plan ("BDCP"). The BDCP was originally conceived as a comprehensive conservation strategy for the Bay-Delta designed to restore and protect ecosystem health, water supply, and water quality within a stable regulatory framework to be implemented over a 50-year time frame with corresponding long-term permit authorizations from fish and wildlife regulatory agencies. The BDCP includes both alternatives for new water conveyance infrastructure and extensive habitat restoration in the Bay-Delta. The existing State Water Project Delta water conveyance system needs to be improved and modernized to address operational constraints on pumping in the south Delta as well as risks to water supplies and water quality from climate change, earthquakes, and flooding. Operational constraints are largely due to biological opinions and incidental take permits to which the State Water Project is subject that substantially limit the way DWR operates the State Water Project.

In 2015, the State and federal lead agencies proposed an alternative implementation strategy and new alternatives to the BDCP to provide for the protection of water supplies conveyed through the Bay-Delta and the restoration of the ecosystem of the Bay-Delta, termed "California WaterFix" and "California EcoRestore," respectively. In this alternative approach, DWR and the Bureau of Reclamation would implement planned water conveyance improvements (California WaterFix) as a stand-alone project with the required habitat restoration limited to that directly related to construction mitigation. The associated costs of such mitigation would be underwritten by the public water agencies participating in the conveyance project. Ecosystem



improvements and habitat restoration more generally (California EcoRestore) would be undertaken under a more phased approach than previously contemplated by the BDCP and would not be linked with the conveyance project or permits. As part of California EcoRestore, which was initiated in 2015, the State is pursuing more than 30,000 acres of Delta habitat restoration. Work on a number of EcoRestore projects is ongoing. Among other things, EcoRestore was undertaken to implement restoration projects required by the biological opinions to which the State Water Project has been and is subject. EcoRestore is estimated to cost approximately \$300 million in the first four years, and includes amounts being paid by the State Water Contractors, for the costs of habitat restoration required to mitigate State and federal water project impacts pursuant to the biological opinions. See also “—Endangered Species Act Considerations.”

In July 2017, DWR certified a final EIR and approved the California WaterFix as an improvement to the State Water Project. As originally approved by DWR, California WaterFix, if completed, would have provided new conveyance facilities for the transportation of SWP and Central Valley Project water from the north Delta, principally from three new intakes, with a total maximum capacity of 9,000 cfs, through two 30-mile long tunnels running under the Delta, to the existing aqueduct systems in the south Delta. Under the California WaterFix as approved, DWR would have extended the delivery system from new north Delta water intakes on the Sacramento River to a new forebay in the south Delta to provide additional flexibility in operating the State Water Project.

On February 12, 2019, then recently elected Governor Gavin Newsom presented at the State of the State address a conceptual proposal supporting a single-tunnel configuration for new Bay-Delta conveyance instead of the two-tunnel California WaterFix. Subsequently, on April 29, 2019, Governor Newsom issued an executive order directing identified State agencies to develop a comprehensive statewide strategy to build a climate-resilient water system. Among other things, the Governor’s executive order directed the State agencies to inventory and assess the current planning for modernizing conveyance through the Bay-Delta with a new single tunnel project. Following the Governor’s executive order, in May 2019, DWR withdrew approval of the California WaterFix project and decertified the EIR. In August 2019, DWR terminated the last permit associated with the project.

DWR is pursuing a new environmental review and planning process for a single tunnel project to modernize the State Water Project’s Bay-Delta conveyance. The formal environmental review process commenced with the issuance by DWR of a Notice of Preparation under CEQA on January 15, 2020. Planning, environmental review and conceptual design work by DWR for a proposed single tunnel project is expected to take approximately 18 to 36 months.

Between mid-2017 and mid-2019, California WaterFix was subject to several lawsuits primarily related to DWR’s powers to finance and construct the project and various environmental approvals and related matters. The lawsuits, administrative proceedings, and other matters were dismissed as a result of the cancellation of the California WaterFix project. However, new lawsuits could be filed in the future with respect to any new Bay-Delta conveyance project and may impact the anticipated timing and costs of a proposed new single tunnel project.

Two joint powers agencies were formed for purposes of the Bay-Delta conveyance project: the Delta Conveyance Design and Construction Authority (the “Construction JPA”), formed by the participating water agencies to actively participate with DWR in the design and construction of the conveyance project in coordination with DWR and under the control and supervision of DWR; and the Delta Conveyance Finance Authority, formed by the participating water agencies to facilitate financing for the conveyance project. The Construction JPA is providing engineering and design activities to support the DWR’s planning and environmental analysis for a potential new single tunnel Bay-Delta conveyance project. The District is a member of the Construction JPA.

## **Antelope Valley Groundwater Basin**

In 1999, two lawsuits naming the District were filed in Superior Court by landowners owning property in the Antelope Valley. In addition to the District, the lawsuits named as defendants Los Angeles County Waterworks District No. 40, the City of Lancaster, the Rosamond Community Services District, the Littlerock Creek Irrigation District, the Antelope Valley Water Company and the Quartz Hill Water District. The plaintiff landowners claimed in their suit that, as landowners, they were entitled to produce groundwater for use on their overlying land, and that their rights had priority over those of the defendants. The defendants contended that they acquired rights to the Basin groundwater through prescription, and that these prescriptive rights have priority over the rights of the plaintiffs.

In late 2004, the County of Los Angeles Waterworks District No. 40 filed a civil complaint against various groundwater users in the Antelope Basin, including the District, for adjudication of water rights. The lawsuit was consolidated with the prior lawsuits. In late 2015, the District as well as the majority of parties involved agreed to the Judgment for the adjudication of the Antelope Valley Groundwater Basin. The Judgment is on appeal, but the District believes that it is unlikely that its groundwater production right will change significantly as a result of the appeal.

Though the District will be required to make certain changes to its water supply sources as a result of the Judgment, the District does not believe that the Judgment will impact the District's ability to provide the required amount of water to its customers in future years. See "THE WATER SYSTEM—Local Groundwater."

## **California Drought and Response**

***State Water Project Allocations.*** Hydrological conditions in California can vary widely from year to year. California has experienced many droughts, recorded as far back as 1841, with the most recent occurring from late 2010 to early 2017.

On January 31, 2014, DWR reduced the SWP contractors' 2014 Table A allocations percentage to zero although it later increased the allocation to five percent. Under a zero percent allocation SWP contractors would not have received any of their Table A Amounts, with the exception of carryover amounts from previous years. In 2015, DWR increased the contractor's Table A allocations to 20 percent. The District's actual SWP Table A allocations for 2016, 2017, 2018 and 2019 were 60%, 85%, 35% and 75%, respectively, which is approximately 12,780 acre-feet, 18,105 acre-feet, 7,455 acre-feet and 15,975 acre-feet, respectively. Based on a May 22, 2020 announcement by DWR, the District's SWP contractors' Table A allocation for 2020 is 20%, which is approximately 4,269 acre-feet.

***State Actions.*** On January 17, 2014, after several years of below-average precipitation in the State, the State Governor declared a drought state of emergency (the "Declaration") with immediate effect. The Declaration also required DWR and the SWRCB to craft and enforce numerous emergency regulations that were designed to reduce water usage and increase water supplies.

For instance, a May 2015 SWRCB regulation required the District to effect a 28% reduction from its 2013 potable water usage. On May 18, 2016, the SWRCB adopted a revised regulation that gave water agencies the ability to establish their own conservation standards based on a "stress test" of supply reliability. By June 22, 2016, water agencies were required to submit self-certifications to the SWRCB demonstrating that they had sufficient supplies to withstand three additional years of severe drought. Any identified percentage gap between supplies and demands became the water agency's updated mandatory conservation target.

On April 7, 2017, after significant improvement in water supply conditions across the State, the Governor issued Executive Order B-40-17, which rescinded mandatory conservation measures for most California counties.

In 2018, the California Governor signed Senate Bill 606 and Assembly Bill 1668 into law. These bills relate to water conservation and drought planning and empower DWR and the SWRCB to adopt long-term standards on water use. The District is unable to predict the substance, timing of adoption or effect on the Water System of the implementation of Senate Bill 606 and Assembly Bill 1668 or any future legislation with respect to water conservation. District staff is actively participating in all applicable working groups in order to ensure the effective implementation of Senate Bill 606 and Assembly Bill 1668.

To improve water conservation and drought planning, the California Legislature adopted and the Governor signed Senate Bill 606 (Hertzberg) and Assembly Bill 1668 (Friedman) into law in 2018. This legislation lays out a new long-term water conservation framework for the State and mandates that DWR and the SWRCB develop new standards for indoor residential water use, outdoor residential water use, commercial, industrial and institutional water use for landscape irrigation and water loss. The District is unable to predict the substance, timing of adoption or effect on the Water System of the implementation of Senate Bill 606 and Assembly Bill 1668 or any future legislation with respect to water conservation.

The indoor water use standard has been defined as 55 gallons per person per day (“GPCD”) until January 2025; the standard will decrease over time to 50 GPCD in January 2030. Standards for outdoor residential water use, commercial, industrial and institutional water use for landscape irrigation are still being developed. Urban water suppliers will be required to stay within annual water budgets, based on these standards, for their service areas.

The District is monitoring regulations promulgated pursuant to Senate Bill 606 and Assembly Bill 1668. While reductions in water usage resulting from implementation of Senate Bill 606 and Assembly Bill 1668 may adversely affect the District’s projected operating results set forth under the caption “SYSTEM FINANCIAL INFORMATION—Projected Earnings and Debt Service Coverage,” the effect of any such reduction would likely be minimized by the current rate structure. The District does not currently believe that such reductions, if achieved by the District, will have a material adverse effect on the District’s ability to make the payments on the 2020 Bonds. The District is obligated under the Indenture to set rates and charges sufficient to provide Net Water Revenues equal to 110% of Debt Service due in each Fiscal Year as more particularly described under the caption “SECURITY FOR THE 2020 BONDS—Rate Covenant.”

***District Drought Response Actions and Impact.*** Although the District’s customers cut water use by 95% of the mandated reductions, the District stabilized revenues through the imposition of the drought surcharge, which was triggered by the Governor’s proclamation of a drought emergency and subsequent Board action. The District imposed the Stage-1 drought surcharge from June 1, 2015 through March 1, 2017. In 2016, the Stage-1 drought surcharge accounted for approximately \$1.2 million in revenues. The drought surcharge has not been imposed since February 2017, but may be imposed if the Governor proclaims a future drought emergency.

In 2018, the District’s water supply was 31.3% groundwater and 68.7% surface water. In 2019, the District’s water supply was 22.8% groundwater and 77.2% surface water. The District projects that it will be able to meet existing demands for imported water in Fiscal Years 2020 and 2021 even if dry conditions continue. The 20% SWP Table A allocation for 2020, in combination with the 2,000 acre-feet of leased Butte County Table A water and the availability of 10,500 acre-feet of return water from exchanges with Kern County Water Agency and AVEK will provide the District with more than sufficient carry over supply of surface water to meet current demands should the District experience three more consecutive drought years of identical severity to 2013, 2014 and 2015. In the event of such a drought period the District would also rely on its Water Shortage Contingency plan developed as part of the 2015 UWMP. This plan provides the District with five levels of actions based on the severity of the water shortage. These actions involve progressively more stringent voluntary and mandatory reductions in customer water use as well as the ability to assess a drought surcharge. The Water Shortage Contingency Plan will be updated as part of the 2020 UWMP Update occurring in 2021.

## **Water Supply Limitations**

Factors beyond the control of the District could impair the ability of the District to supply water to its customers in an amount sufficient to yield Net Water Revenues sufficient to pay the principal of and interest on the 2020 Bonds when due. Such factors could include, without limitation, the following:

***Weather Patterns.*** The District's existing sources of water could become limited due to changes in Statewide weather patterns caused by climate changes and other factors. There can be no assurance that currently available water supplies would be sufficient to meet demand under current and future conditions in the event of long-term climate changes that could alter snowpack levels or precipitation patterns. In its most recent California Water Plan (Update 2018), DWR assessed the possible impacts of climate changes on the State's future water supplies and the SWP. The District, as a SWP contractor, will receive updated information from DWR on any impacts to its SWP allocations and will update its water supply planning accordingly.

***Challenges to Department of Water Resources Water Supplies.*** DWR faces various challenges in continuing to supply imported water to its respective member agencies. The ability of the District to provide water is significantly dependent upon its receipt of imported water from DWR. No assurance can be given that additional water supplies will be secured, or that the District will receive its full Table A Amount pursuant to its contract with DWR. See the caption "—State Water Project" above.

## **SYSTEM FINANCIAL INFORMATION**

### **Rates and Charges**

***Existing Rates.*** The District has the power and authority under California law to establish charges for service without the review or approval of any other governmental body. The District staff annually determines, at the direction of the Board, the adequacy of the District water charge structure after full consideration of expected operations, maintenance and capital costs. See "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218" herein for a discussion of an initiative approved by the voters of the State of California which affects the District's ability to increase rates and charges in the future. The District's rates and charges are established by resolution or ordinance adopted by the Board of Directors.

On October 28, 2019, the Board conducted a hearing in accordance with Proposition 218 and adopted a resolution approving annual rate increases of 8.1% beginning in the calendar year 2020 through 2024. Under the new rate structure, metered revenues comprise approximately 55% of total revenues collected by the District making the District's revenue stream more reliable. The average water bill per customer under the new rate structure is approximately \$58.63 per month, which is lower than the average water bill for other nearby public water providers.

The District's rate structure each customer is allotted a certain amount of water that the customer may use during the billing period. If the customer uses more than the allotted amount, then the customer pays the commodity rate at increasing tiered amounts, as shown in Table 8 below. Customers are allotted water equally regardless of customer class.

Of the 27,439 meter connections within the District, the District currently serves approximately 26,782 active customers. The District is on a monthly billing cycle for water usage. Payment is due upon receipt of the bill by the customer and is considered delinquent if not paid by the 25th day after the billed date (the "Due Date"). In the event of failure to pay by the Due Date, the District imposes a late charge of 10% of amount due and an additional 1.5% every thirty days. In addition to imposing the late charge, non-payment of a water bill will also cause the District to initiate its Delinquent Final Notice procedure. The District's policy is to discontinue water service within an average of 48 calendar days from the date of the Delinquent Final

Notice. After an additional 30-45 days, accounts which continue to be delinquent are turned over to a collection agency. Customer accounts not paid by the Due Date have ranged from 10 to 13% in the past five years, but such delinquency has never resulted in a net reduction in connections because all disconnected water customers generally re-connect their water service within a week of disconnection. Furthermore, delinquencies as a whole have little to no current impact on the District because delinquency rates have been very low. See “PALMDALE WATER DISTRICT—Local Economy.” In addition, the District requires that all account holders provide an initial deposit to the District prior to connection from which the District can draw upon in the event of a delinquency. Under the District’s current policy, meter connections are only provided to property owners and not to renters or other short-term inhabitants. For Fiscal Year 2019, \$15,258 or 0.06% of billings were written off as uncollectible.

In addition to water rates, the District also charges capital improvement fees. In general, the methodology used to determine capital improvement fees consists of estimating the cost of needed capital improvements for each elevation zone and the District as a whole, estimating the number of new customers which provides the base on which the cost will be allocated and then adjusting the capital improvement fees based upon those estimates. See “—Operating Revenues—*Capital Improvement Fees*” and “—*Future Capital Projects*” below for additional information.

***Suspension of Disconnections.*** On April 2, 2020, Governor Newsom signed Executive Order N-42-20 (“Order N-42-20”), which, among other things, (i) suspends the authority of water systems, such as the District, from suspending water service for non-payment, (ii) orders that residential service to occupied residences that has been discontinued for nonpayment since March 4, 2020 be restored and (iii) provides that the SWRCB will identify best practices, guidelines, or both to be implemented during the COVID-19 emergency (a) to address non-payment or reduced payments, (b) to promote and to ensure continuity of service by water systems and wastewater systems, and (c) to provide measures such as the sharing of supplies, equipment and staffing to relieve water systems under financial distress. Order N-42-20 does not eliminate the obligation of water customers to pay for water service, prevent a water system, such as the District, from charging a customer for such service, or reduce the amount a customer already may owe to a water system, such as the District.

The District cannot predict whether the Governor or local governments will issue additional orders limiting the District’s ability to compel the payment of delinquent amounts owed for water service. In addition, the District cannot predict whether the impact of the COVID-19 pandemic on the economy within the District’s service area will have an adverse impact on delinquency rates following the expiration of Order N-42-20. See “INVESTMENT CONSIDERATIONS—COVID-19 Pandemic.”

***Future Rate Setting.*** The District is obligated under the Parity Obligation Documents, and will covenant in the Indenture, to set rates and charges sufficient to provide Net Water Revenues equal to 110% of Debt Service due in each Fiscal Year (the “Coverage Requirement”) as more particularly described under the caption “SECURITY FOR THE 2020 BONDS—Rate Covenant.” As of the date of this Official Statement, the District does not anticipate increasing rates above the rates adopted by the by the Board in October 2019 prior to the end of calendar year 2024. Pursuant to District policy, the District conducts a rate study every five years that considers the costs of maintaining its infrastructure, new projects, water imports, staffing and other District financial needs. The data from the rate study is used to determine the water rates needed to maintain economic stability over the next five years.

While the District has never had a majority protest under Proposition 218 to prior rate increases, the City of Palmdale did file litigation objecting to rate increases approved by the District in 2009 challenging the District’s rates and rate structure as unlawful under Proposition 218. After trial court and appellate litigation, and resulting revisions to the District’s rate structure tiers, in 2012, the District and the City entered into a settlement agreement. That settlement allowed the District’s new rate structure, as revised, and previously implemented rate increases to remain in effect, and also allowed for the previously approved future years’ increases to be implemented at the discretion of the District’s Board of Directors.

There can be no assurance that District ratepayers in the future will not protest one or more rate increases under Proposition 218, approve an initiative to repeal or modify any increase in water service rates and charges approved by the Board or file litigation challenging District rates, thereby preventing the Board from complying with the Coverage Requirement. There also can be no assurance that the Board will adopt future rate increases or will not repeal or modify any adopted rate increase.

## Operating Revenues

Revenues of the District are derived primarily from the following sources: (a) water sales and water services, (b) *ad valorem* taxes and assessments and (c) capital improvement fees. The District does not assess standby charges at this time.

**Water Rates and Sales.** The rates described below are the rates approved by the District on October 28, 2019. The rates adopted in 2019 were based on the analysis set forth in a rate study prepared by a consultant engaged by the District. That rate study took into consideration the District's revenue requirements and cost projections in reaching its recommended amounts of the rates and charges.

The new commodity rates that went into effect on January 1, 2020 are stated in the table below.

**Table 8  
PALMDALE WATER DISTRICT  
COMMODITY RATES FOR 2020**

<i><b>Tier</b></i>	<i><b>All Classes <sup>(1)</sup></b></i>
Tier 1 (\$0.08/unit)	0-100% Essential Allocation
Tier 2 (\$1.52/unit)	100% Essential Allocation – 100% Efficient Allocation
Tier 3 (\$2.03/unit)	101-130% Efficient Allocation
Tier 4 (\$3.29/unit)	131-160% Efficient Allocation
Tier 5 (\$4.64/unit)	161 and Above Efficient Allocation

<sup>(1)</sup> The District conducted a new water rate study in 2019. Final approval of the 2019 Water Rate Study was passed on October 28, 2019 with the first year's rates taking effect on January 1, 2020.

Source: The District.

Certain other fees and charges of the District are set forth below:

**Water quality fees (\$/ccf)**  
\$ 0.11

<i><b>Zone</b></i>	<i><b><u>Elevation booster surcharge (\$/ccf)</u></b></i>
B	\$0.00
A 1	0.08
A 2	0.62
A 3	1.26

The table below sets forth the drought surcharge for Fiscal Years 2019 through 2024. The drought surcharge is triggered by the Governor's proclamation of a drought emergency, including water conservation mandated by the Governor, and subsequent Board action. The District imposed the Stage-1 drought surcharge from July 1, 2015 through March 1, 2017. For additional information about the drought surcharge, see the caption "FACTORS AFFECTING WATER SUPPLIES—California Drought and Response—District Drought Response Actions and Impact."

**Drought surcharge (\$/ccf)**

<i>Stage No.</i>	<i>Mandated Reduction in Water Deliveries<sup>(1)</sup></i>	<i>Fiscal Year 2019</i>	<i>Fiscal Year 2020</i>	<i>Fiscal Year 2021</i>	<i>Fiscal Year 2022</i>	<i>Fiscal Year 2023</i>	<i>Fiscal Year 2024</i>
1	20%	\$0.53	\$0.35	\$0.38	\$0.40	\$0.42	\$0.45
2	30	0.91	0.54	0.58	0.61	0.65	0.69
3	40	1.40	0.79	0.84	0.89	0.94	1.00

<sup>(1)</sup> Reflects conservation mandated by the Governor.  
Source: The District.

The current fixed meter charges, which went into effect on January 1, 2020 for calendar year 2020 are listed in the table below.

**Table 9  
PALMDALE WATER DISTRICT  
FIXED METER CHARGES FOR 2020**

<i>Meter Size</i>	<i>Monthly Service Charge</i>
1" and smaller	\$ 38.22
1-1/2"	92.99
2"	140.84
3"	252.48
4"	412.05
6"	810.62
8"	1,289.09
10"	1,847.47

Source: The District.

As discussed above, on October 28, 2019, the District's Board of Directors adopted increases of 8.1% in the District's commodity rate and meter charges which are to be effective on January 1 of each subsequent year through 2024.

Table 10 below sets forth a comparison of the District's typical monthly residential water bill for a user of 20 CCF per month with a 3/4 inch service to those of nearby water purveyors effective as of January 1, 2020.

**Table 10**  
**PALMDALE WATER DISTRICT**  
**COMPARATIVE WATER RATES**

<i>Water Service Provider</i>	<i>Average Monthly Charge</i>
Littlerock Creek Irrigation District	\$ 38.56
Los Angeles County Waterworks – District 4	42.15
Los Angeles County Waterworks – District 34	63.56
Quartz Hill Water District	54.52
City of Victorville	50.21
City of Hesperia	54.61
Indian Wells Water District	57.98
<b>Palmdale Water District</b>	<b>58.63</b>
Santa Clarita Valley Water District	63.33
City of California City	67.12
Rosamond Community Services District	85.61
Golden State Water	85.84
California Water Company	111.68

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Source: The District.

**Water Services.** Water Revenues are also derived from various services provided to the District's customers. These services are charged for on a "cost plus basis" and constitute less than 5% of total annual Water Revenues for the District.

**Capital Improvement Fees.** To provide construction costs of new facilities and the enhancement costs of existing facilities to serve new development, the District undertook a cost/benefit study to determine its capital improvement fee structure and adopted a capital improvement fee policy in October 2013. Pursuant to its policy, the District levies capital improvement fees to pay for improvements necessitated by new development according to water pressure elevation zone and use type. For new residential development, the capital improvement fees are based upon the relative cost of providing service to residential connections in specific elevation zones. For commercial and industrial projects, elevation zones and fire flow requirements fixed by the County determine the capital improvement fees to be paid.

**Table 11**  
**PALMDALE WATER DISTRICT**  
**HISTORY OF COLLECTED CAPITAL IMPROVEMENT FEES**

<i>Year</i>	<i>CIF Amount</i>
2015	\$ 367,480
2016	234,747
2017	1,021,406
2018	106,947
2019	624,101

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Source: The District.



In addition to the capital improvement fee, the District levies a fee on new developments in the Palmdale Lake drainage area to provide construction costs of a diversion canal around the western and southern sides of Palmdale Lake. A capital improvement fee (exclusive of any applicable Palmdale Lake drainage area fee) is payable to the District upon application for and before installation or approval of installation of any new water service. The capital improvement fees for single family residential connections, approved by the Board on November 26, 2018, are set forth in Table 12 below. Unlike past years, the capital improvement fee structure was modified to include a water supply and a combined infrastructure component. Capital improvement fees for all other development is calculated on a case by case basis based upon estimated fire flow and domestic water demands.

**Table 12**  
**PALMDALE WATER DISTRICT**  
**2020 CAPITAL IMPROVEMENT FEES**  
**Capital Improvement Fees for Single Family Residential Connection**

<i>Service/Benefit Zones</i>	<i>2800' and 2850' Zones</i>	<i>2950' and 3000' Zones</i>	<i>3200' and 3250' Zones</i>	<i>3400' and Higher Zones</i>
Infrastructure	\$ 3,541	\$ 9,816	\$ 12,028	\$ 14,316
Water Supply	<u>8,128</u>	<u>8,196</u>	<u>7,852</u>	<u>7,852</u>
	\$ 11,669	\$ 18,012	\$ 19,880	\$ 22,168

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Source: The District.

***Ad Valorem Property Taxation.*** Beginning in fiscal year 1978-79, Article XIII A and its implementing legislation permitted each county to levy and collect all property taxes (except for levies to support prior voter approved indebtedness) and prescribed how levies on county wide property values were to be shared with local taxing entities within each county. All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law, however, provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

For purposes of allocating a county's 1% base property tax levy, future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, up to 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" sources from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in the tax bases in such entities may be affected by the existence of redevelopment agencies which, under certain circumstances, may be entitled to sources resulting from the increase in certain property values. State law exempts \$7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is made up by the State.

Taxes are levied for each fiscal year on taxable real and personal property which is situated in a county as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the county assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and February 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) ringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

***District Assessed Valuation.*** The general 1% *ad valorem* property tax levy is based upon the assessed valuation of the parcels of taxable property in the District. Property taxes allocated to the District are collected by the County at the same time and on the same tax rolls as are county, city and special district taxes. The assessed valuation of each parcel of property is the same for both District and county taxing purposes. The valuation of secured property by the County is established as of January 1, and is subsequently equalized in September of each year, when tax bills are mailed to property owners.

***Appeals and Adjustments of Assessed Valuations.*** Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

The District does not have information regarding pending appeals of assessed valuation of property within the District. No assurance can be given that property tax appeals currently pending or in the future will not significantly reduce the assessed valuation of property within the District.

***Taxation of State-Assessed Utility Property.*** A portion of property tax revenue of the District is derived from utility property subject to assessment by the State Board of Equalization ("SBE"). State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions that are assessed as part of a "going concern" rather than as individual pieces of real or personal property. The assessed value of unitary and certain other State-assessed property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions

(including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Changes in the California electric utility industry structure and in the way in which components of the industry are regulated and owned, including the sale of electric generation assets to largely unregulated, nonutility companies, may affect how utility assets are assessed in the future, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on utility property tax revenues, or whether legislation or litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District.

**No Teeter Plan.** Certain counties in the State operate under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"). Under the Teeter Plan local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the county. The County has not adopted the Teeter Plan, and consequently the Teeter Plan is not available to local taxing entities within the County, such as the District. The District's receipt of property taxes is therefore subject to delinquencies.

**Assessed Valuations.** The following tables present the assessed valuation for both land only and all property located within the District for the most recent five fiscal years.

**Table 13**  
**PALMDALE WATER DISTRICT**  
**ASSESSED VALUATIONS (LAND ONLY)**  
**FOR FISCAL YEARS 2016-17 TO 2020-21**

<i>Year</i>	<i>Total</i>
2016-17	\$1,719,332,925
2017-18	1,810,290,238
2018-19	1,917,077,483
2019-20	2,029,142,347
2020-21	2,151,933,768

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Source: Los Angeles County Assessor.

**Table 14**  
**PALMDALE WATER DISTRICT**  
**ASSESSED VALUATIONS (ALL PROPERTY)**  
**FOR FISCAL YEARS 2016-17 TO 2020-21**

<i>Year</i>	<i>Total</i>
2016-17	\$5,955,421,369
2017-18	6,279,536,818
2018-19	6,649,750,856
2019-20	7,042,368,116
2020-21	7,478,149,985

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Source: Los Angeles County Assessor.

The following table shows the twenty largest secured property taxpayers in the District and their 2020-21 assessed valuations.

**Table 15**  
**PALMDALE WATER DISTRICT**  
**LARGEST 2020-21 LOCAL SECURED TAXPAYERS**

<i>Property Owner</i>	<i>Primary Land Use</i>	<i>2020-21 Assessed Valuation</i>	<i>Percent of Total</i>
Charter Communications	Communications	\$ 20,314,002	0.94%
Richmond American Homes	Residential Development	14,939,134	0.69
MGP X Properties LLC	Shopping Center	14,642,461	0.68
Robertson's Ready Mix	Industrial	9,735,496	0.45
Palmdale Realty Holdings LLC	Apartments	8,323,200	0.39
Palmdale Shopping Center Inc.	Shopping Center	7,840,409	0.36
Palm Gateway SC LLC	Shopping Center	7,037,362	0.33
AP-Palmdale Place LLC	Shopping Center	6,294,420	0.29
Wal Mart Real Estate Business Trust	Shopping Center	6,284,857	0.29
Shayan Capital Ventures	Commercial	5,800,835	0.27
West Palmdale 10th Street Center	Shopping Center	5,628,646	0.26
Lowes HIW Inc.	Shopping Center	4,843,319	0.23
Savas and Helen Stathatos, Trustees	Commercial	4,708,466	0.22
Stater Bros. Markets	Shopping Center	4,588,565	0.21
Target Corporation	Shopping Center	4,290,187	0.20
Lisa G. Quateman	Hotel	4,202,375	0.20
3747 Palmdale Blvd. LLC	Commercial	3,953,520	0.18
Benjamin Gabayan Trust	Undeveloped	3,566,507	0.17
AEO LP	Commercial	3,559,963	0.17
SFJ Alrabadi Inc.	Shopping Center	<u>3,350,083</u>	<u>0.16</u>
		\$ 143,903,807	6.69%
2020-21 Local Secured Assessed Valuation (Land Only)	\$ 2,151,933,768		

Source: California Municipal Statistics

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## Principal Water Users

In 2019, the District's ten largest water customers constituted 9.94% of total District operating revenues. The City, which is the District's largest customer, was charged for an amount representing 3.63% of the District's total operating revenues. The largest water customers in the District are as follows:

**Table 16**  
**PALMDALE WATER DISTRICT**  
**PRINCIPAL WATER USERS (2019 SALES)<sup>(1)</sup>**

<i>Customer Name</i>	<i>Amount Charged</i>	<i>% of Total Operating Revenues</i>
City of Palmdale	\$ 913,018.18	3.63%
Palmdale School District	676,998.02	2.69
Lockheed Martin Skunkwork	205,414.86	0.82
AV Union High School District	194,608.85	0.77
HK Realty Inc	129,543.93	0.51
Group XIII Properties LP	84,520.87	0.34
Linc Housing Corp	80,902.86	0.32
38300 30th Street Multi LLC	80,029.13	0.32
J K Properties Inc	71,429.16	0.28
Canyon Creek Apartments	<u>64,883.85</u>	<u>0.26</u>
<b>TOTAL:</b>	<b>\$ 2,501,349.71</b>	<b>9.94</b>

<sup>(1)</sup> 2019 operating revenues totaled \$25,165,648  
Source: The District.

## Customer Base

The table below shows the District's water consumption by customer class in 2019.

**Table 17**  
**PALMDALE WATER DISTRICT**  
**WATER CONSUMPTION BY CUSTOMER CLASS (2019)**

<i>Type of Customer</i>	<i>Number of Accounts</i>	<i>Total Consumption (ccf)</i>	<i>Total Charges</i>	<i>Percent of Total</i>
Single Family	25,179	4,695,396	\$ 17,974,359	75.57%
Multi-Family	548	578,690	1,375,972	5.78
Commercial/Industrial	639	518,199	1,659,727	6.98
Fire Service	157	712,381	1,648,063	6.93
Irrigation	236	393,829	974,761	4.10
Construction	20	11,611	142,717	0.60
Other	<u>3</u>	<u>1,168</u>	<u>10,091</u>	<u>0.04</u>
<b>TOTAL:</b>	<b>26,782</b>	<b>6,911,274</b>	<b>\$ 23,785,690</b>	<b>100.00%</b>

Source: The District.

## New Meter Connections, Consumption and Sales

The table below indicates total meter connections, water consumption and sales for the District from 2015 through 2019. With 27,439 meter connections, the District expects to serve approximately 26,763 active customers during calendar year 2020. Of such active customers, approximately 81% were residential customers and 19% were non-residential customers.

**Table 18**  
**PALMDALE WATER DISTRICT**  
**TOTAL METER CONNECTIONS, WATER CONSUMPTION AND SALES**  
**FOR CALENDAR YEARS 2015-2019**

<i>Calendar Year</i>	<i>Total Meters</i>	<i>Water Consumption (in acre-feet)</i>	<i>Total Water Sales Revenues<sup>(1)</sup></i>
2015 <sup>(2)</sup>	27,394	14,781	\$19,948,297
2016 <sup>(2)</sup>	27,407	15,213	21,578,227
2017 <sup>(2)</sup>	27,399	16,242	22,404,307
2018	27,403	16,769	23,538,802
2019	27,439	15,871	23,647,991

<sup>(1)</sup> Accounts for water revenues derived from sales related to water, meter, elevation, water quality charges.

<sup>(2)</sup> Includes revenues derived from Stage-1 drought surcharge charges which were in effect from June 1, 2015 to March 1, 2017. For additional information about the drought surcharge, see the captions “—Water Rates and Sales” and “FACTORS AFFECTING WATER SUPPLIES—California Drought and Response—District Drought Response Actions and Impact.”

Source: The District.

Actual water sales achieved by the District in future years may increase from the water sales assumptions made by the District and such variation would be material. Increased water sales volume due to additional meter connections may generate additional Water Revenues of the District and could provide increased Net Water Revenues available to make payments on the 2020 Bonds. An increase in Net Water Revenues would generate debt service coverage greater than that set forth in the table under the caption “—Projected Earnings and Debt Service Coverage” below.

## COVID-19 Outbreak

The spread of a novel strain of coronavirus, and the resultant disease called COVID-19 (“COVID-19”), is having significant negative impacts throughout the world, including within the District’s service area. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the County, the State and the United States. The purpose of these declarations is to coordinate and formalize emergency actions across federal, State and local governmental agencies and to proactively prepare for a wider spread of COVID-19.

To date there have been a number of confirmed cases of COVID-19 in the County and health officials are expecting the number of confirmed cases to grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools (including schools within the District’s service area). The United States is also restricting certain non-citizens and permanent residents from entering the country. In addition, financial markets in the United States and globally have been volatile, with significant declines attributed to COVID-19 concerns.

Potential impacts to the District associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges to the public health system in and around the District's service area, cancellations of public events and disruption of the regional and local economy with corresponding decreases in water use.

The District has remained operational during the COVID-19 outbreak and its offices are currently open, though employee work schedules have been staggered to reduce the number of employees in the District's offices at any one time, and employees have been encouraged to work from home when possible.

In addition, the State Governor has suspended utility service shutoffs (including for the District's Water System) for the duration of the state of emergency declared by the State, though the District is still imposing late fees and penalties which it seeks to collect. Although no service charges are being forgiven, the District expects its accounts receivable amount to increase as a result of the foregoing policy. See "SYSTEM FINANCIAL INFORMATION—Rates and Charges—*Suspension of Disconnections from System.*"

The COVID-19 outbreak is ongoing, and the duration and severity of the outbreak and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of COVID-19 on the operations and finances of the District is unknown at this time. The projected operating results which are set forth under the caption "SYSTEM FINANCIAL INFORMATION—Projected Earnings and Debt Service Coverage" do not include significant changes in District revenues as a result of the COVID-19 outbreak. The District continues to actively monitor customer usage, revenues and delinquencies so that any further impacts can be anticipated.

The District does not currently expect that the COVID-19 outbreak will have a material adverse effect on the District's ability to pay the 2020 Bonds. See the caption "SYSTEM FINANCIAL INFORMATION—Rates and Charges."

## **Financial Statements**

A copy of the most recent audited financial statements of the District prepared by the Nigro & Nigro, P.C., a professional accountancy corporation (the "Auditor"), is included as Appendix A hereto (the "Audited Financial Statements"). The Auditor's letter concludes that the Audited Financial Statements present fairly, in all material respects, the financial position of the District as of December 31, 2018 and 2019, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. The Audited Financial Statements of the District should be read in their entirety.

The summary operating results contained under the caption "—Historic Operating Results and Debt Service Coverage" below are based on the audited financial statements of the District for calendar years 2015 through 2019 (excluding certain non-cash items and after certain other adjustments) and are qualified in their entirety by reference to such statements, including the notes thereto. The Auditor has not reviewed the historical operating results provided below.

The District accounts for its activities as an enterprise fund. Its financial statements use the accrual basis of accounting. Under this method, all assets and liabilities associated with operations are included on the balance sheet, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

## Historical Operating Results and Debt Service Coverage

The following table sets forth historical operating results and debt service coverage for the District for the years 2015 through 2019. The historical information in the table for the years 2015 through 2019 is based on the District's audited financial statements for each of these years with certain adjustments to operating expenses and nonoperating revenues described below.

Included within the District's *ad valorem* property taxes collected are assessments that may be used only to pay for certain costs under the State Water Supply Contract. The operating results in the table below have been adjusted from those total amounts reflected in the audited financial statements to exclude the property taxes collected for capitalized and fixed operating expenses related to the SWP. Specifically, the operating expenses of the District have been reduced in the table below to exclude the amounts paid by the District for amounts due for fixed operating expenses under the State Water Supply Contract and also to exclude capitalized labor and overhead costs. Included in the non-operating revenues included in the table below are the available *ad valorem* assessments collected not related to the capitalized and fixed operating expenses of State Water Supply Contract. See APPENDIX A—"AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR YEAR ENDING DECEMBER 31, 2019" hereto.

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**Table 19**  
**PALMDALE WATER DISTRICT**  
**HISTORICAL OPERATING RESULTS AND DEBT SERVICE COVERAGE**  
**FOR YEAR ENDED DECEMBER 31**

	<i>Audited</i>				
	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
<b>Operating Revenues</b>					
Operating Revenues <sup>(1)</sup>	\$ 21,248,419	\$ 22,586,801	\$ 23,693,095	\$ 24,884,078	\$ 25,165,648
Rate Stabilization Transfers	-	-	-	240,000	(120,757)
<b>Total Operating Revenues</b>	<b>\$ 21,248,419</b>	<b>\$ 22,586,801</b>	<b>\$ 23,693,095</b>	<b>\$ 25,124,078</b>	<b>\$ 25,044,891</b>
<b>Operating Expenses</b>					
Gross Operating Expenses <sup>(1)</sup>	\$ 19,950,403	\$ 22,298,745	\$ 22,580,982	\$ 23,863,950	\$ 24,456,462
CalPERS Unfunded Liability Payments <sup>(2)</sup>	368,884	405,564	472,523	571,885	635,434
Overhead Adjustment <sup>(1)(3)</sup>	(26,134)	(152,890)	(46,276)	(103,353)	(1,049,246)
SWP Fixed O&M Expenses <sup>(4)</sup>	(125,715)	(86,000)	(26,060)	(22,269)	(22,593)
Shortfall in SWP Assessments <sup>(5)</sup>	-	-	-	-	-
Non-cash Related OPEB Expense <sup>(6)</sup>	(1,828,000)	(2,069,452)	(1,384,456)	(959,067)	(864,570)
<b>Total Operating Expenses</b>	<b>18,339,437</b>	<b>20,395,967</b>	<b>21,596,713</b>	<b>23,351,146</b>	<b>23,155,487</b>
<b>Net Operating Revenues</b>	<b>\$ 2,908,982</b>	<b>\$ 2,190,834</b>	<b>\$ 2,096,382</b>	<b>\$ 1,772,932</b>	<b>\$ 1,889,405</b>
<b>Non-Operating Revenues</b>					
Ad Valorem Property Taxes <sup>(1)</sup>	\$ 2,145,811	\$ 2,189,472	\$ 2,289,337	\$ 2,436,208	\$ 2,507,927
Interest Income <sup>(1)</sup>	42,705	42,729	56,054	292,316	451,831
Capital Improvement Fees <sup>(1)</sup>	367,481	234,747	1,021,406	106,947	624,101
Other <sup>(1)(7)</sup>	619,855	523,597	426,668	646,969	397,531
<b>Total Non-Operating Revenues</b>	<b>\$ 3,175,852</b>	<b>\$ 2,990,545</b>	<b>\$ 3,793,465</b>	<b>\$ 3,482,440</b>	<b>\$ 3,981,390</b>
<b>Net Water Revenue Available for Debt Service</b>	<b>\$ 6,084,834</b>	<b>\$ 5,181,379</b>	<b>\$ 5,889,847</b>	<b>\$ 5,255,372</b>	<b>\$ 5,870,795</b>
<b>Debt Service</b>					
2012 Installment Purchase Agreement	1,372,328	1,373,697	1,372,785	1,369,593	1,373,241
2013 Water Revenue Bonds (Unrefunded)	2,349,625	2,345,225	2,350,975	2,351,125	2,345,825
2017 Installment Purchase Agreement	190,416	184,459	112,000	178,953	178,953
2018 Water Revenue Bonds	-	-	-	146,964	568,894
<b>Total Debt Service</b>	<b>\$ 3,912,369</b>	<b>\$ 3,903,381</b>	<b>\$ 3,835,760</b>	<b>\$ 4,046,636</b>	<b>\$ 4,466,913</b>
Debt Service Coverage <sup>(8)</sup>	<b>1.56x</b>	<b>1.33x</b>	<b>1.54x</b>	<b>1.30x</b>	<b>1.31x</b>
Rate Stabilization Fund Balance <sup>(9)</sup>	\$ 480,250	\$ 481,401	\$ 486,078	\$ 244,210	\$ 369,780
Debt Service Coverage if All Amounts in the Rate Stabilization Fund are Used <sup>(9)</sup>	<b>1.68x</b>	<b>1.45x</b>	<b>1.66x</b>	<b>1.36x</b>	<b>1.40x</b>
<b>Net Water Revenues Available after Payment of Debt Service<sup>(8)</sup></b>	<b>\$ 2,172,465</b>	<b>\$ 1,277,998</b>	<b>\$ 2,054,087</b>	<b>\$ 1,208,736</b>	<b>\$ 1,403,882</b>

(1) From the District's Audited Financial Statements. Gross Operating Expenses are reduced by CalPERS Unfunded Liability Payments as described in Footnote 2 below.

(2) In the District's Audited Financial Statements, these amounts are included in the Gross Operating Expenses total. Includes only unfunded accrued liability. Does not include the normal cost, which is reflected in Gross Operating Expenses.

(3) Adjustment made to exclude overhead absorption which represents capital costs and does not constitute Operation and Maintenance Costs under the Indenture.

(4) Represents fixed operation and maintenance expenses paid by the District for SWP costs from assessments levied to pay costs associated with the State Water Supply Contract. Does not include fixed capital costs.

(5) Constitutes amounts paid by the District to cover costs related to the State Water Supply Contract in excess of the assessments available to pay such costs. Such payments were last made in 2008 and 2009 in the amount of approximately \$172,000 and \$377,000, respectively.

(6) The District has removed the non-cash related portion of the Other Post-Employment Benefits (OPEB) expense from the Gross Operating Expenses. This portion constitutes the unfunded annual required contribution of OPEB liability required by GASB 45.

(7) Represents rental income, legal/insurance refunds, DWR credits for overpayment of fixed expenses, energy refunds, and other net miscellaneous items.

(8) All Debt Service Coverage and Net Water Revenues Available after Payment of Debt Service for 2013 - 2017 have been recalculated based on changes made for OPEB accommodation.

(9) \$480,000 and \$120,757 were deposited into the Rate Stabilization Fund in 2013 and 2019, respectively. In 2018, a withdrawal was made for \$240,000 to insure that the District met its coverage requirement.

Note: Totals may not add due to rounding.

Source: The District.

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## Projected Earnings and Debt Service Coverage

The District is obligated under the Parity Obligation Documents, and will covenant in the Indenture, to set rates and charges sufficient to comply with the Coverage Requirement, as more particularly described under the caption “SECURITY FOR THE 2020 BONDS—Rate Covenant.” See the captions “SYSTEM FINANCIAL INFORMATION—Operating Revenues—*Future Rate Setting*” and “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.”

Table 20 below sets forth projected debt service coverage for the District for the years 2020 through 2024. These projections are based upon the District’s adopted rates for 2020 through 2024, which provide for an 8.1% annual rate increase, and includes other assumptions that the District believes to be reasonable. Table 20 below does not include projections of debt service on any future debt to be incurred to finance future capital projects. The District expects to incur costs of up to \$73,334,217 over the next six years as part of its capital improvement project plan, including approximately \$43,900,000 on the Recharge Project. See “THE WATER SYSTEM—Future Capital Projects.” As the SRF Loan is not yet approved, the timing, amount, interest rates and amortization schedules for such debt are unknown and the impact of such debt on the projections cannot be forecasted accurately at this time. It is expected that the payments on an SRF Loan would not begin before 2023. If the SRF Loan is obtained or other debt is issued by the District to finance the Recharge Project, or other capital projects, additional rate increases beyond those projected in Table 22 will be required.

The assumptions used in Table 20 may be affected by numerous factors and there can be no assurance that such projections will be achieved. The projections in Table 20 are based upon certain forward-looking statements with respect to the financial condition, results of operations and business of the Water System. Forward-looking statements can be identified generally as those containing words such as “anticipates,” “assumes,” “believes,” “estimates,” “expects,” “should,” “will,” “will likely result,” “forecast,” “outlook,” “projects,” “may,” or similar expressions. By their nature, forward looking statements involve risk and uncertainty because they relate to future events and circumstances and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, water rates different than assumed, changes in water demand and related conservation levels, raw materials, rate of technological changes, employee costs, pension costs and actuarial assumptions, debt service payments, interest rates respecting interest income of the Water System, changes in legislation, legal claims and changes in tax rates, among other factors. As a result, future results of the Water System may differ materially from the plans, goals and expectations set forth in such forward-looking statements. For a discussion of other factors that could cause future results to differ from such forward-looking statements, see also “RISK FACTORS” and “FACTORS AFFECTING WATER SUPPLIES.”

**Table 20**  
**PALMDALE WATER DISTRICT**  
**PROJECTED OPERATING RESULTS AND DEBT SERVICE COVERAGE**  
**2020 THROUGH 2024**

	2020 <sup>(1)</sup>	2021	2022	2023	2024
Operating Revenues					
Operating Revenues <sup>(2)</sup>	\$ 27,204,065	\$ 29,407,595	\$ 31,789,610	\$ 34,364,568	\$ 37,148,098
Rate Stabilization Transfers	-	-	-	-	-
Total Operating Revenues	\$ 27,204,065	\$ 29,407,595	\$ 31,789,610	\$ 34,364,568	\$ 37,148,098
Operating Expenses					
Gross Operating Expenses <sup>(3)</sup>	\$ 25,088,109	\$ 26,677,059	\$ 27,504,048	\$ 28,356,674	\$ 29,235,731
CalPERS Unfunded Liability Payments <sup>(4)</sup>	726,688	839,841	893,533	949,542	1,007,957
Overhead Adjustment <sup>(5)</sup>	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
SWP Fixed Operation and Maintenance Expenses <sup>(6)</sup>	(38,084)	(42,358)	(42,358)	(42,358)	(42,358)
Shortfalls in SWP Assessments <sup>(7)</sup>	-	-	-	-	-
Non-Cash Related OPEB Expense <sup>(8)</sup>	(914,715)	(943,072)	(972,307)	(1,002,448)	(1,033,524)
Total Operating Expenses	24,361,998	26,031,471	26,882,916	27,761,410	28,667,805
Net Operating Revenues	\$ 2,842,068	\$ 3,376,124	\$ 4,906,694	\$ 6,603,159	\$ 8,480,293
Non-Operating Revenues <sup>(9)</sup>					
Ad Valorem Property Taxes	\$ 2,507,927	\$ 2,507,927	\$ 2,507,927	\$ 2,507,927	\$ 2,507,927
Interest Income	100,000	100,000	100,000	100,000	100,000
Capital Improvement Fees	175,362	-	-	-	-
Other <sup>(10)</sup>	500,000	500,000	500,000	500,000	500,000
Total Non-Operating Revenues	\$ 3,283,289	\$ 3,107,927	\$ 3,107,927	\$ 3,107,927	\$ 3,107,927
Net Water Revenue Available for Debt Service	\$ 6,125,357	\$ 6,484,051	\$ 8,014,621	\$ 9,711,086	\$ 11,588,220
Debt Service <sup>(11)</sup>					
2012 Installment Purchase Agreement	\$ 1,374,152	\$ 1,372,329	\$ 1,372,329	\$ 1,373,924	\$ -
2013 Water Revenue Bonds (Unrefunded) <sup>(12)*</sup>	2,345,225	1,125,825	1,997,825	1,993,075	3,498,975
Capital Leases	178,953	178,953	89,477	-	-
2018 Water Revenue Bonds	568,894	568,894	818,894	821,394	820,794
2020 Installment Sale Agreement	131,681	307,881	307,881	307,881	307,881
2020 Water Revenue Refunding Bonds*	-	755,355	753,752	751,156	753,206
2021 Bonds <sup>(13)</sup>	-	-	814,251	823,400	823,400
Total Debt Service*	\$ 4,598,906	\$ 4,309,237	\$ 6,154,409	\$ 6,070,829	\$ 6,204,256
Debt Service Coverage*	1.33x	1.50x	1.30x	1.60x	1.87x
Rate Stabilization Fund Balance <sup>(14)</sup>	\$ 369,780	\$ 369,780	\$ 369,780	\$ 369,780	\$ 369,780
Debt Service Coverage if all Amounts in the Rate Stabilization Fund are used*	1.41x	1.59x	1.36x	1.66x	1.93x
Net Water Revenues Available after Payment of Debt Service*	\$ 1,526,451	\$ 2,174,814	\$ 1,860,212	\$ 3,640,256	\$ 5,383,965

\* Preliminary, subject to change.

(1) Projection based on the District's projected results for Fiscal Year 2020.

(2) Projected to increase 8.1% in 2020 through 2024 as a result of rate increases. See SYSTEM FINANCIAL INFORMATION—Rates and Charges—Existing Charges.”

(3) Gross Operating Expenses include the normal cost of the CalPERS Unfunded Liability Program Payments, but not the unfunded accrued liability. Projected to increase by 2.6% in 2020, 6.3% in 2021 and by 3.1% annually thereafter.

(4) Includes only unfunded accrued liability cost projected by CalPERS. Does not include the normal cost, which is reflected in Gross Operating Expenses. Projected to increase by 15.6%, 6.6%, 5.9% and 6.2% between Fiscal Years 2021 through and including 2024.

(5) Adjustment made to exclude overhead absorption which represents capital costs and does not constitute Operation and Maintenance Costs under the Indenture. Projected to remain flat through 2024.

(6) Represents fixed operation and maintenance expenses projected to be paid by the District for SWP costs from assessments levied to pay costs associated with the State Water Supply Contract. Does not include fixed capital costs. Projected to remain flat through 2024.

(7) Constitutes amounts projected to be paid by the District to cover costs related to the State Water Supply Contract in excess of the assessments available to pay such costs. The District does not project any such shortfalls in the next five years.

(Footnotes Continued on Next Page)

- (8) The District has removed the non-cash related portion of the Other Post-Employment Benefits (OPEB) expense from the Gross Operating Expenses. This portion constitutes the estimated unfunded annual required contribution of OPEB liability required by GASB 45. Projected to increase by 5.8% in 2020 and annually by 3.1% thereafter.
- (9) Except for capital improvement fees in 2020, projected to remain flat through 2024.
- (10) Represents rental income, legal/insurance refunds, DWR credits for overpayment of fixed expenses, energy refunds and other net miscellaneous items.
- (11) Other than the bonds referenced in footnote 13 below, projected debt service does not include any debt service to finance the future capital projects. The District has not yet secured financing for any such future projects and the timing, amount, interest rates and amortization schedule for any future debt is unknown but could result in reduced debt service coverage ratios from those shown above.
- (12) Represents the payments owed under the 2013 Installment Purchase Agreement to secure those 2013 Bonds that will remain outstanding following the issuance of the 2020 Bonds.
- (13) The District expects to issue water revenue bonds in 2021 in the approximate principal amount of \$20,000,000 to finance certain capital improvements. See “THE WATER SYSTEM—Future Capital Projects.” Whether the District actually issues such bonds and the amount of such bonds if issued cannot be assured.
- (14) No contributions to or withdrawals from the Rate Stabilization Fund are projected through 2024.

Note: Totals may not add due to rounding.

Source: The District.

## **INVESTMENT CONSIDERATIONS**

*The following information, in addition to the other matters that are described in this Official Statement, should be considered by prospective investors in evaluating the 2020 Bonds. However, the following does not purport to be comprehensive, definitive or an exhaustive listing of risks and other considerations that may be relevant to making an investment decision with respect to the 2020 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. If any risk factor materializes to a sufficient degree, it alone could delay or preclude payment of principal or interest on the 2020 Bonds.*

### **Accuracy of Assumptions**

To estimate the Net Water Revenues which will be available to pay the 2020 Bonds, the District has made certain assumptions with regard to various matters, including but not limited to future development within the District, the rates and charges to be imposed in future years, the expenses associated with operating the Water System and the interest rate at which funds will be invested. The District believes these assumptions to be reasonable, but to the extent that any of such assumptions fail to materialize, the Net Water Revenues available to pay the 2020 Bonds will, in all likelihood, be less than those projected herein. See the caption “PALMDALE WATER DISTRICT—Projected Operating Results and Debt Service Coverage.” The District may choose, however, to maintain compliance with the rate covenant set forth in the Indenture in part by means of contributions from available reserves or resources, including the Rate Stabilization Fund. In such event, Net Water Revenues may generate amounts which are less than 110% of Debt Service in any given Fiscal Year. See the captions “SECURITY FOR THE 2020 BONDS—Rate Covenant” and “SECURITY FOR THE 2020 BONDS—Rate Stabilization Fund.”

### **System Demand**

There can be no assurance that the demand for Water Service will occur as described in this Official Statement. Reduction in levels of demand could require an increase in rates or charges in order to comply with the rate covenant. See the caption “SECURITY FOR THE 2020 BONDS—Rate Covenant.” Demand for Water Service could be reduced or may not occur as projected by the District as a result of reduced levels of development in the District’s service area, hydrological conditions, conservation efforts, an economic downturn, mandatory State conservation orders and other factors.

### **System Expenses**

There can be no assurance that the District’s expenses will be consistent with the descriptions in this Official Statement. Maintenance and Operations Costs may vary with groundwater conditions, the cost of

imported water and the quality and amount of local supplies, as well as treatment costs, regulatory compliance costs, labor costs (including costs related to pension and other post-employment benefits) and other factors.

Some of the District water supply is sold to the District by other public agencies, and increases in such agencies' costs or changes in such agencies' operations over which the District has limited control could impact the District's cost of water to supply its customers. See the caption "PALMDALE WATER DISTRICT—Water Supply." Increases in Maintenance and Operations Costs could require an increase in rates or charges in order to comply with the rate covenant. See the caption "SECURITY FOR THE 2020 BONDS—Rate Covenant."

### **Limited Recourse on Default**

If the District defaults on its obligation to pay the 2020 Bonds, the Trustee has the right to declare the total unpaid principal amount of the 2020 Bonds, together with the accrued interest thereon, to be immediately due and payable. However, in the event of a default and such acceleration, there can be no assurance that the District will have sufficient funds to pay such accelerated amounts from Net Water Revenues.

### **Natural Disasters and Seismic Considerations**

**General.** The District, like all southern California communities, is subject to unpredictable seismic activity, fires, floods, high winds, landslides or other natural disasters. A severe natural disaster, such as an earthquake, fire, flood, high wind event or landslide, could result in substantial damage to the District, including the Water System.

Although the District maintains insurance, including flood insurance, for damage to the Water System as described under the caption "PALMDALE WATER DISTRICT—Insurance," there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers. Furthermore, significant portions of the Water System, including underground pipelines and valves, are not covered by property casualty insurance. Damage to such portions of the Water System as a result of natural disasters could result in uninsured losses to the District.

**Seismic Activity.** The District is located in a seismically active region. Significant faults are located near the District. There is potential for destructive ground shaking during the occurrence of a major seismic event. In addition, land along fault lines may be subject to liquefaction during the occurrence of such an event. In the event of a severe earthquake, there may be significant damage to both property and infrastructure within the District, including the Water System. The District has an emergency response plan that would be implemented under such circumstances.

Newer Water System facilities are designed to withstand earthquakes with minimal damage, as earthquake loads are taken into consideration in the design of project structures. The District has also undertaken a vulnerability assessment of critical Water System facilities. The vulnerability assessment ranks District infrastructure by importance, builds redundancy into existing operations and includes contingency plans in the event of damage to District assets and succession plans for critical staff. The impact of lesser magnitude events is expected by the District to be temporary, localized and repairable. The Water System has never sustained major damage to its facilities or experienced extended incidences of service interruptions as a result of seismic disturbances.

The District does not maintain earthquake insurances on Water System facilities. See the caption "PALMDALE WATER DISTRICT—Insurance."

**Fire.** Wildfires have occurred in recent years in different regions of the State, including areas near the District's service area. There can be no assurance that fires will not occur within the boundaries of the District

in the future, leading to decreased usage of the District's Water System and a decline in Net Water Revenues. The District carries property insurance for fire damage.

***Flooding.*** Portions of the District are mapped within the 100-year flood plain and have the potential to flood if rain events exceed the floodplain capacity. Although the District maintains insurance, including flood insurance, for damage to the Water System as described under the caption "PALMDALE WATER DISTRICT—Insurance," there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers. See the captions "PALMDALE WATER DISTRICT—Insurance" above and "—Climate Change" below.

***Drought.*** On April 1, 2015, for the first time in California's history, the State Governor directed the SWRCB to implement mandatory water reductions in cities and towns across California to reduce total water usage in the State by 25%. Such restrictions applied to the District, as described under the caption "PALMDALE WATER DISTRICT—California Drought and Response." Although most of such mandatory water reductions have since been lifted, the State has since enacted permanent restrictions on water usage. There can be no assurance that future drought conditions will not re-appear in the future, leading to decreased usage of the District's Water System, or that the State's permanent water usage restrictions will not lead to decreased usage of the District's Water System.

***Climate Change.*** Climate change caused by human activities is having, and is likely to continue to have, an effect on California and District water resources, as evidenced by a reduction in mountain snowpack, a rise in sea level, and a change in the amount and seasonal timing of river flows. In the foreseeable future, more of the precipitation in California is likely to fall as rain instead of snow. This potential change in weather patterns will exacerbate flood risks and add additional challenges for water supply reliability.

Currently, the Sierra snowpack provides as much as a third of California's water supply by accumulating snow during winter and releasing it slowly during spring and summer. Warming temperatures will cause the snowpack to melt faster and earlier, making it more difficult to store and use water released by the melting snowpack. The loss of snowpack may curtail SWP deliveries which, on average, account for approximately 50% of the District's water supply. Climate change is also expected to result in more variable weather patterns throughout California. More variability can lead to longer and more severe droughts. In addition, the sea level is expected to continue to rise, potentially threatening the existing channels within the Delta.

The District considers the potential effects of climate change in its planning. Although it is clear that climate change has affected and will continue to affect the District, the District's ability to support debt service has not been impacted by the effects of climate change. However, there can be no assurance that climate change will not affect the ability of the District to support debt service in the future.

### **Limitations on Remedies Available; Bankruptcy**

The enforceability of the rights and remedies of the Owners of the 2020 Bonds and the obligations of the District may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equitable principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercising of powers by the federal or State government, if initiated, could subject the Owners of the 2020 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation or modification of their rights.

The opinions to be delivered by Bond Counsel concurrently with the issuance of the 2020 Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the 2020 Bonds will be similarly qualified. See Appendix C. In the event that the District fails to comply with its covenants under the Indenture or fails to principal of and interest on the 2020 Bonds, there can be no assurance of the availability of remedies adequate to protect the interest of the Owners of the 2020 Bonds.

### **Special Obligations**

The 2020 Bonds are special obligations of the District payable solely from Net Water Revenues and secured solely by the Water Revenues pledged in the Indenture. If for any reason, the District does not collect sufficient Water Revenues to pay principal of and interest on the 2020 Bonds, the District will not be obligated to utilize any other of its funds, other than certain amounts on deposit in the funds and accounts established under the Indenture, to pay the 2020 Bonds, as applicable. The District has no taxing power. The obligation of the District does not constitute an indebtedness in contravention of any constitutional or statutory debt limitation or restriction.

### **Statutory and Regulatory Compliance**

Laws and regulations governing treatment and delivery of water are enacted and promulgated by federal, State and local government agencies. Compliance with these laws and regulations is and will continue to be costly, and, as more stringent standards are developed, such costs will likely increase.

Claims against the Water System for failure to comply with applicable laws and regulations could be significant. Such claims may be payable from assets of the Water System and constitute Operation and Maintenance Costs or from other legally available sources. In addition to claims by private parties, changes in the scope and standards for municipal water systems such as that operated by the District may also lead to administrative orders issued by federal or State regulators. Future compliance with such orders can also impose substantial additional costs on the District. In addition to the other limitations described herein, the State electorate or Legislature could adopt a Constitutional amendment, legislation or an initiative with the effect of reducing revenues payable to or collected by the District. No assurance can be given that the cost of compliance with such laws, regulations and orders would not adversely affect the ability of the District to generate Net Revenues in amounts that are sufficient to pay principal of and interest on the 2020 Bonds.

### **Future Capital Projects and Additional Obligations**

The District issues debt from time to time for the purpose of financing capital projects, and expects to issue debt to finance the proposed Recharge Project and may issue debt to finance additional capital projects. See “THE WATER SYSTEM—Future Capital Projects.” The District is required under the Indenture to fix, prescribe and collect Water Revenues for Water Service which will be at least sufficient to yield during each Fiscal Year Net Water Revenues equal to one hundred ten percent (110%) of Debt Service. In the event the District issues future debt, it is possible that future debt service coverage ratios could approach this minimum threshold rather than the levels shown in Table 20 hereof.

The Indenture permits the issuance of additional obligations payable from Net Water Revenues on parity with the 2020 Bonds. See “SECURITY FOR THE 2020 BONDS—Additional Bonds and Contracts.”

In addition, the District is considering participation in California Water Fix or a similar program with other agencies in connection with contemplated upgrades to the State Water Project. It has not been determined at this time if payments by the District with respect to California Water Fix or a related program will be payable from the property tax override available to pay State Water Project costs payable by the District (and therefore would not be payable from Water Revenues) or if such costs would be payable from Water Revenues. If such costs are payable from Water Revenues, there can be no assurances that such

payments would not constitute Operation and Maintenance Costs of the District, payable prior to payments on the 2020 Bonds. Payments of the District in connection with these additional obligations could materially adversely affect the financial condition of the District.”

## **Secondary Market**

There can be no guarantee that there will be a secondary market for the 2020 Bonds or, if a secondary market exists, that any 2020 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

## **COVID-19 Pandemic**

The spread of the novel strain of coronavirus and the disease it causes (now known as “COVID-19”) is having significant negative impacts throughout the world, including in Southern California. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the United States, the State, and numerous counties throughout the State, including Santa Barbara County on March 12, 2020. The purpose behind these declarations are to coordinate and formalize emergency actions and across federal, state and local governmental agencies, and to proactively prepare for a wider spread of the virus.

To date there have been a number of confirmed cases of and deaths caused by COVID-19 in the State, including in the County, and health officials are expecting the number of confirmed cases to grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools. In addition, financial markets in the United States and globally have been volatile, with significant price fluctuation attributed to coronavirus concerns.

Potential impacts to the District associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges to the public health system in and around the District’s service area, cancellations of public events and disruption of the regional and local economy with corresponding decreases in the District’s Water System revenues. Further, an economic downturn affecting the District’s service area could have an adverse impact on development activities within the District’s service area. See the caption “SYSTEM FINANCIAL INFORMATION—Rates and Charges—*Suspension of Disconnections From System*” for a discussion of Order N-42-20, which, among other things, suspends the authority of water systems, such as the District, from suspending water service for non-payment during the COVID-19 emergency.

In response to the outbreak of COVID-19, on March 19, 2020, Governor Newsom ordered all individuals living in the State to stay home or at their place of residence, except as needed to maintain continuity of operation of the critical infrastructure sectors, critical government services, schools, and construction. On May 4, 2020, the Governor issued Executive Order N-60-20 to allow reopening of lower-risk business and spaces as part of Stage Two of a four-state reopening plan (the “California Resilience Roadmap”), and then to allow the reopening of high-risk businesses and spaces as part of Stage Three of such plan. Executive Order N-60-20 further allowed a county to pursue a variance to move further into the stages upon notification and certification of a written attestation to the State. On May 20, 2020, the State approved the County’s variance attestation, which allowed the County to progress through the various stages of the California Resilience Roadmap upon satisfying certain requirements.

On July 13, 2020, the Governor issued another order requiring all counties within the State to close indoor operations in certain sectors, including dine-in restaurants, wineries and tasting rooms, movie theatres, family entertainment centers, zoos and museums and cardrooms. The Governor’s July 13, 2020 order also



required certain counties (including the County) to shut down additional industries and activities, including gyms and fitness centers, places of worship and cultural ceremonies (such as wedding and funerals), offices for non-critical infrastructure sectors, personal care services (such as nail salons, body waxing and tattoo parlors) and shopping malls. On August 28, 2020, the State released further guidance regarding re-opening certain types of businesses based on a county-by-county approach where each county is assigned a tier based on COVID-19 case rates within each County. Based on the initial assessment from the State, Los Angeles County is in the “Widespread” tier as of September 1, 2020. For counties in the “Widespread” tier, certain non-essential indoor businesses are required to remain closed and certain businesses may open with modifications, such as limitations on capacity.

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of COVID-19 on the operations and finances of the District is unknown and there can be no assurance that the outbreak of COVID-19 will not affect the District’s ability to pay the 2020 Bonds.

### **Property Tax Collections**

The District receives a portion of its revenue from the 1% property tax levy under Article XIII A of the State Constitution. It is possible that future downturns in the housing market could cause the District to experience higher delinquency rates and reduced property tax collections in future fiscal years due to foreclosures, delinquencies, natural disasters or other events adversely affecting property values. In past years, the allocation of Article XIII A property taxes to local agencies has been revised such that property tax revenue was diverted away from special districts, such as the District, to school districts. It cannot be predicted if future legislation will be enacted or Constitutional amendments approved to further reduce, or entirely eliminate, the percentage of the 1% Article XIII A levy paid to the District or whether the State will exercise its rights under Proposition 1A to borrow property taxes from the District. See “SYSTEM FINANCIAL INFORMATION—Operating Revenues—*Ad Valorem Property Taxation*” and “—District Assessed Valuation,” and “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 1A.”

### **Environmental Regulation**

The kind and degree of drinking water treatment is regulated, to a large extent, by the federal government and the State of California. Treatment standards set forth in federal and state law control the operations of the Water System, and mandate their use of technology. If the federal government, acting through the Environmental Protection Agency, or the State of California, acting through the Department of Health Services, or additional federal or state legislation, should impose stricter water quality standards upon the Water System, the District’s expenses could increase accordingly and rates and charges would have to be increased to offset those expenses.

It is not possible to predict the direction which federal or state regulation will take with respect to drinking water and wastewater quality standards, although it is likely that both will impose more stringent standards with attendant higher costs.

### **Limited Recourse on Default; Insurer Right to Control Remedies**

Failure by the District to pay the principal of and interest on the 2020 Bonds when due constitutes an event of default under the Indenture and the Trustee is permitted to pursue remedies at law or in equity to enforce the District’s obligation to make such payments. There is no assurance that the District will have sufficient funds to make the payments of principal of and interest on the 2020 Bonds when due. See also “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218” above.

So long as the Insurer has not defaulted under any obligation of the Insurance Policy or the Reserve Surety Policy, it shall be deemed to be the sole holder of the 2020 Bonds insured under the Insurance Policy for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the 2020 Bonds insured by it are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. Remedies granted to the Owners shall expressly include mandamus.

### **Acceleration upon Default**

If the District defaults on its obligation to make the Parity Payments, the Trustee has the right to accelerate the entire principal amount of the unpaid principal of the 2020 Bonds and the accrued interest thereon and the entire principal amount of the unpaid principal under the Parity Obligation Documents and the accrued interest thereon. However, in the event of a default and such acceleration of the such amounts there can be no assurance that the District will have sufficient Net Water Revenues to pay the accelerated amounts.

So long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, the payments on the 2020 Bonds may only be accelerated with the written approval of the Insurer.

### **Rate Covenant Not a Guarantee; Failure to Meet Projections**

The ability of the District to pay the principal of and interest on the 2020 Bonds depends on the ability of the District to generate Net Water Revenues in the levels required by the Indenture. Although, as more particularly described herein, the District expects that sufficient revenues will be generated through the imposition and collection of water charges and fees and other Water System Revenues described herein, there is no assurance that such imposition of water charges, fees, or other Water System Revenues will result in the generation of Net Water Revenues in the amounts required by the Indenture. As a result, the District's covenant does not constitute a guarantee that sufficient Net Water Revenues will be available to make debt service payments on the 2020 Bonds.

In addition, the District's projected operating results are based on a number of assumptions, the capital and operating costs of the capital improvements, and are based on current regulatory requirements. Changes in circumstances, including but not limited to higher than expected capital or operating costs, and increasing regulatory requirements, could have a material adverse impact on the ability of the District to pay the principal of and interest on the 2020 Bonds.

### **Cybersecurity**

Municipal agencies, like other business entities, face significant risks relating to the use and application of computer software and hardware. Recently, there have been significant cyber security incidents affecting municipal agencies, including a freeze affecting computer systems of the City of Atlanta, an attack on the City of Baltimore's 911 system, an attack on the Colorado Department of Transportation's computers and an attack that resulted in the temporary closure of the Port of Los Angeles' largest terminal.

The District relies on computers and technology to conduct its operations. The District and its departments face cyber threats from time to time including, but not limited to, hacking, viruses, malware and other forms of technology attacks. Recently, there have been significant cyber security incidents affecting municipal agencies, including a freeze affecting computer systems of the District of Atlanta, an attack on the District of Baltimore's 911 system, an attack on the Colorado Department of Transportation's computers and an attack that resulted in the temporary closure of the Port of Los Angeles' largest terminal.

The District employs a multi-level cyber detection and protection scheme that includes firewalls, anti-virus software, anti-spam/malware software, intrusion protection, employee training, network monitoring

software and appliances, and domain name filtering software. The District also contracts with third party vendors and consultants to monitor and augment internal monitoring of the District's network and computer systems. To date, the District has not experienced a successful attack on its computer operating systems nor its network. However, there can be no assurance given that the District's security, and operational control measures, will be successful in safeguarding against all cyber threats and attacks. The results of any attack on the District's network or computer systems could negatively impact the District's operations, and the costs related to such attacks could be substantial, although the District expects such impact to be temporary. In the event of a successful attack the District has several plans in place to limit the disruption to data and services.

Although the District maintains cyber security liability insurance, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers.

## **CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES**

### **Article XIII A**

**General.** On June 6, 1978, California voters approved Proposition 13, which added Article XIII A to the California Constitution ("Article XIII A"). Article XIII A limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and (as a result of an amendment to Article XIII A approved by California voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property that has been approved on or after July 1, 1978 by the voters voting on such indebtedness. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

**Legislation Implementing Article XIII A.** Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by each California county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon the location of reappraised property and the value of property within each taxing agency. Any such allocation made to a local agency continues as part of its allocation in future years.

### **Article XIII B**

Article XIII B of the California State Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The "base year" for establishing such appropriation limit is the 1978-79 State fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if: (i) the financial responsibility for a service is transferred to another public entity or to a private entity; (ii) the financial source for the provision of

services is transferred from taxes to other revenues; or (iii) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations subject to Article XIII B generally include the proceeds of taxes levied by or for the State or other entity of local government, exclusive of certain State subventions, refunds of taxes and benefit payments from retirement, unemployment, insurance and disability insurance funds. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to an entity of government from: (a) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost reasonably borne by the entity in providing the service or regulation); and (b) the investment of tax revenues. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Certain expenditures are excluded from the appropriations limit, including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by a vote of electors of the issuing entity and payments required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the providing of existing services more costly.

The District is of the opinion that its water charges do not exceed the costs it reasonably bears in providing such services and therefore are not subject to the limits of Article XIII B. The District will covenant in the Indenture that it will prescribe rates and charges sufficient to provide for payment of the principal of and interest on the 2020 Bonds in each year.

### **Proposition 218**

**General.** An initiative measure entitled the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIII C and Article XIII D to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges."

**Article XIII D.** Article XIII D defines the terms "fee" and "charge" to mean "any levy other than an *ad valorem* tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service." A "property-related service" is defined as "a public service having a direct relationship to property ownership." Article XIII D further provides that reliance by an agency on any parcel map (including an assessor's parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIII D requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for water service is ultimately determined to be a "fee" or "charge" as defined in Article XIII D, the local government's ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIII D includes a number of limitations applicable to existing fees and charges, including provisions to the effect that: (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to

the parcel; and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

In July 2006, the California Supreme Court held, in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) (“*Bighorn*”), that the initiative power described in Article XIII C applies to any local taxes, assessments, fees and charges as defined in Articles XIII C and XIII D. Article XIII D defines “fee” or “charge” to mean a levy (other than *ad valorem* or special taxes or assessments) imposed by a local government “upon a parcel or upon a person as an incident of property ownership,” including a user fee for a “property related service.” The Court also found that charges for water delivery are charges for a property-related service and, therefore, constitute “fees” or “charges” within the meaning of both Article XIII D and section 3 of Article XIII C. In accordance with Article XIII D and the decision in *Bighorn*, the District has conducted notice and hearing proceedings to comply with requirements of Article XIII D with respect to proposed increases of rates and charges since Fiscal Year 2006-07. See the captions “SYSTEM FINANCIAL INFORMATION – Rates and Charges.”

On April 20, 2015, the California Court of Appeal, Fourth District, issued an opinion in *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano*, 235 Cal. App. 4th 1493 (2015) (“*SJC*”) upholding tiered water rates under Proposition 218 provided that the rates correspond to the actual cost of furnishing service at a given level of usage. The opinion was specific to the facts of the case, including a finding that the City of San Juan Capistrano did not attempt to calculate the actual costs of providing water at various tier levels. The District’s tiered water rates are described under the caption “THE WATER SYSTEM—Water System Rates and Charges.” The District does not currently expect the *SJC* ruling to affect its water rate structure or have a material adverse effect on its financial condition.

**Article XIII C.** Article XIII C provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIII C does not define the terms “local tax,” “assessment,” “fee” or “charge.” In light of *Bighorn* and as discussed above under the caption “—Article XIII D,” the terms “fee” and “charge” as used in Article XIII C include, at a minimum, all of the fees and charges within the “property related” qualification set forth in Article XIII D. Moreover, the provisions of Article XIII C are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the State Supreme Court held in the *Bighorn* Case that the provisions of Article XIII C applied to rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations.

On August 3, 2020, the State Supreme Court issued an opinion in *Wilde v. City of Dunsmuir* (Cal. S. Ct. S252915) holding that the taxation exemption from the State Constitution’s referendum process applies to measures setting water rates, and that the Initiative does not subject water rates to challenge by referendum. The District does not believe that Article XIII C grants to the voters within the District the power (whether by initiative under Article XIII C or otherwise, or by referendum, which is not authorized under Article XIII C) to repeal or reduce rates and charges for the Water Service in a manner that would interfere with the contractual obligations of the District or the obligation of the District to maintain and operate the Water System. However, there can be no assurance as to the availability of particular remedies adequate to protect the Beneficial Owners of the 2020 Bonds. Remedies that are available to Beneficial Owners of the 2020 Bonds in the event of a default by the District are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain. So long as the 2020 Bonds are held in book-entry form, DTC (or its nominee) will be the sole registered owner of the 2020 Bonds and the rights and remedies of the 2020 Bond Owners will be exercised through the procedures of DTC.

In addition to the specific limitations on remedies contained in the applicable documents themselves, the rights and obligations with respect to the 2020 Bonds and the Indenture are subject to bankruptcy,

insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as Appendix C), will be similarly qualified.

### **Proposition 26**

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The District does not believe that the enactment of Proposition 26 has affected its ability to levy rates and charges for water service.

### **Proposition 1A**

Proposition 1A, which was approved by the voters in November 2004, restricts State authority to reduce major local tax revenues such as the tax shifts permitted to take place in fiscal years 2004-05 and 2005-06. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe State financial hardship, the shift is approved by two thirds of both houses and certain other conditions are met. See the captions "SYSTEM FINANCIAL INFORMATION—Operating Revenues—*Ad Valorem Property Taxation*" and "—District Assessed Valuation" above.

### **Proposition 15**

On May 29, 2020, a proposed ballot initiative became eligible for the November 2020 Statewide ballot (the "Proposition 15"). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, Proposition 15 would amend Article XIII A such that the "full cash value" of commercial and industrial real property, for each lien date, would be equal to the fair market value of that property. If approved, Proposition 15 would not affect the "full cash value" of residential property, real property used for commercial agricultural production, or commercial and industrial real property with combined value of \$3 million or less, which would continue to be subject to annual increases not to exceed 2%. In addition Proposition 15 would eliminate the business tangible personal property tax on equipment and fixtures for small businesses and provide a \$500,000 per year exemption for all other businesses.

The District cannot predict whether Proposition 15 will be approved by a majority of voters casting a ballot. If approved, the District cannot make any assurance as to what effect the implementation of Proposition 15 will have on District revenues or the assessed valuation of real property in the District.

### **Future Initiatives**

Articles XIII A, XIII B, XIII C and XIII D and Proposition 26 were adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiatives could be proposed and adopted affecting The District's revenues or ability to increase revenues.

### **APPROVAL OF LEGAL PROCEEDINGS**

The valid, legal and binding nature of the 2020 Bonds is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, acting as Bond Counsel. The form of such legal opinion is attached hereto as Appendix C, and such legal opinion will be attached to each 2020 Bond. Certain legal matters will be passed upon for the District by Aleshire & Wynder LLP, Riverside, California, general counsel to the District, for the Underwriter by its counsel, Kutak Rock LLP, Irvine, California, and for the Trustee by its counsel.

### **LITIGATION**

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the District, threatened against the District affecting the existence of the District or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the sale or issuance of the 2020 Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the 2020 Bonds, the Indenture, or any action of the District contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the District or its authority with respect to the 2020 Bonds or any action of the District contemplated by any of said documents, nor to the knowledge of the District, is there any basis therefor.

### **VERIFICATION**

Sufficiency of the deposits with the 2013 Trustee for such purposes will be verified by Verification Agent. Assuming the accuracy of such computations, as a result of the deposit and application of funds as provided above, the Refunded Bonds will be defeased pursuant to the provisions of the 2013 Indenture, and the District's obligations under the 2013 Installment Sale Agreement corresponding to the Refunded Bonds will be prepaid.

Upon the issuance of the 2020 Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations based upon certain information provided to it by the Underwriter relating to the adequacy of the moneys deposited with the 2013 Trustee to pay the redemption price of the Refunded Bonds.

The amounts deposited in the 2013 Escrow Fund are pledged solely to the payment of the Refunded Bonds. Neither the funds deposited with the 2013 Trustee nor any interest thereon will be available for the payments of principal of and interest on the 2020 Bonds.

### **TAX MATTERS**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulation, rulings and judicial decisions, interest on the

2020 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code but interest (and original issue discount) is exempt from State of California personal income tax.

With certain exceptions, the difference between the issue price of a 2020 Bond (the first price at which a substantial amount of the 2020 Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such 2020 Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the Beneficial Owner of a 2020 Bond will increase the Beneficial Owner's basis in the 2020 Bond. Beneficial Owners of the 2020 Bonds should consult their own tax advisors with respect to taking into account any original issue discount on the 2020 Bonds.

The amount by which a Beneficial Owner's original basis for determining loss on sale or exchange in the applicable 2020 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the Beneficial Owner of a 2020 Bond may elect to amortize under Section 171 of the Code; such amortizable bond premium reduces the Beneficial Owner's basis in the applicable 2020 Bond (and the amount of taxable interest received with respect to the 2020 Bonds), and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Beneficial Owner realizing a taxable gain when a 2020 Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series B Bond to the Beneficial Owner. The Beneficial Owners of the 2020 Bonds that have a basis in the 2020 Bonds that is greater than the principal amount of the 2020 Bonds should consult their own tax advisors with respect to whether or not they should elect such premium under Section 171 of the Code.

In the event of a legal defeasance of a 2020 Bond, such bond might be treated as retired and "reissued" for federal tax purposes as of the date of the defeasance, potentially resulting in recognition of taxable gain or loss to the applicable 2020 Bondholder generally equal to the difference between the amount deemed realized from the deemed redemption and reissuance and the 2020 Bondholder's adjusted tax basis in such bond.

The federal tax and State of California personal income tax discussion set forth above with respect to the 2020 Bonds is included for general information only and may not be applicable depending upon a Beneficial Owner's particular situation. The ownership and disposal of the 2020 Bonds and the accrual or receipt of interest with respect to the 2020 Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. **BEFORE PURCHASING ANY OF THE 2020 BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR INDEPENDENT TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES RELATING TO THE SERIES B BONDS AND THE TAXPAYER'S PARTICULAR CIRCUMSTANCES.**

A complete copy of the proposed opinion of Bond Counsel is set forth in Appendix C.

## **RATINGS**

The District expects that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") will assign the 2020 Bonds the rating of "\_\_\_" based upon the delivery of the Insurance Policy by the Insurer at the time of issuance of the 2020 Bonds. S&P has assigned the 2020 Bonds the rating of "A-" without regard to the delivery of the Insurance Policy. There is no assurance that any credit rating given to the 2020 Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2020 Bonds. Such ratings reflect only the view of S&P and an explanation of the significance of such ratings may be obtained from S&P.



The District will covenant in the Continuing Disclosure Certificate described below to file on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA") notices of any rating changes on the 2020 Bonds. See the caption "CONTINUING DISCLOSURE UNDERTAKING" below and APPENDIX E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." Notwithstanding such covenant, information relating to rating changes on the 2020 Bonds may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the 2020 Bonds are directed to the ratings agencies and their respective websites and official media outlets for the most current ratings changes with respect to the 2020 Bonds after the initial issuance of the 2020 Bonds.

In providing a rating on the 2020 Bonds, certain rating agencies may have performed independent calculations of coverage ratios using their own internal formulas and methodology which may not reflect the provisions of the Indenture. The District makes no representations as to any such calculations, and such calculations should not be construed as a representation by the District as to past or future compliance with any financial covenants, the availability of particular revenues for the payment of debt service on the 2020 Bonds or for any other purpose.

### **UNDERWRITING**

The 2020 Bonds are being purchased for reoffering by Piper Sandler & Co. (the "Underwriter"). The Underwriter has agreed to purchase the 2020 Bonds pursuant to a Bond Purchase Agreement with the District (the "Purchase Agreement") at the initial purchase price of \$\_\_\_\_\_ (being equal to the aggregate principal amount of the 2020 Bonds, less an Underwriter's discount of \$\_\_\_\_\_, [plus/less] a net original issue [premium/discount] of \$\_\_\_\_\_). The Purchase Agreement provides that the Underwriter will purchase all of the 2020 Bonds if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Agreement. The Underwriter may offer and sell the 2020 Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

The Underwriter has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Distribution Agreement, CS&Co will purchase 2020 Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any 2020 Bonds that CS&Co sells.

### **CONTINUING DISCLOSURE UNDERTAKING**

The District will covenant in a Continuing Disclosure Certificate to be executed by the District upon the issuance of the 2020 Bonds for the benefit of the Underwriter and the beneficial owners of the 2020 Bonds to provide certain financial information and operating data relating to the District by not later than nine (9) months following the end of the District's Fiscal Year (currently its Fiscal Year ends on the last day of December) (the "Annual Report"), commencing with the report for Fiscal Year ending December 31, 2020, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of such enumerated events will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report and of the enumerated events is set forth in APPENDIX E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE" hereto. These covenants will be made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934.

In the last five years, the District has failed to comply with certain of its continuing disclosure undertakings by failing to timely file notices of certain insurer ratings changes and failing to state its reserve fund balance in connection with the 2013 Bonds in its annual reports for 2013 and 2014. The District has since brought itself current with respect to these notices and reports. The District has retained the services of

an outside consultant to assist with filing all notices and reports due under its continuing disclosure undertakings going forward, including for the 2020 Bonds. [UPDATE]

### **MISCELLANEOUS**

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements made will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the 2020 Bonds.

The execution and delivery of this Official Statement have been duly authorized by The District.

### **PALMDALE WATER DISTRICT**

By: \_\_\_\_\_  
General Manager

**APPENDIX A**  
**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT**  
**FOR YEAR ENDING DECEMBER 31, 2019**

## **APPENDIX B**

### **DEFINITIONS AND SUMMARY OF THE INDENTURE**

*The following is a summary of certain provisions of the Indenture which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the Indenture for a full and complete statement of the provisions thereof.*

## APPENDIX C

### FORM OF OPINION OF BOND COUNSEL

*Upon issuance of the 2020 Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:*

\_\_\_\_\_, 2020

Palmdale Water District  
Palmdale, California 93550

*Re: Palmdale Water District 2020 Water Revenue Refunding Bonds (Federally Taxable)*

Members of the Board of Directors:

We have examined a certified copy of the record of the proceedings of the Palmdale Water District (the “District”) relative to the issuance of the \$\_\_\_\_\_ Palmdale Water District 2020 Water Revenue Refunding Bonds (the “2020 Bonds”), dated the date hereof, and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the District, the initial purchaser of the 2020 Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The 2020 Bonds are being issued pursuant to an Indenture of Trust, dated as of \_\_\_\_\_ 1, 2020 (the “Indenture”), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The 2020 Bonds mature on the dates and in the amounts referenced in the Indenture. The 2020 Bonds are dated their date of delivery and bear interest at the rates per annum referenced in the Indenture. The 2020 Bonds are registered in the form set forth in the Indenture.

Based on our examination as Bond Counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. The proceedings of the District show lawful authority for the issuance and sale of the 2020 Bonds under the laws of the State of California now in force, and the Indenture has been duly authorized, executed and delivered by the District, and, assuming due authorization, execution and delivery by the Trustee, as appropriate, the 2020 Bonds and the Indenture are valid and binding obligations of the District enforceable against the District in accordance with their terms.

2. The obligation of the District to make the payments of principal of and interest on the 2020 Bonds from Net Water Revenues (as defined in the Indenture) is an enforceable obligation of the District and does not constitute an indebtedness of the District in contravention of any constitutional or statutory debt limit or restriction.

3. Interest (and original issue discount) on the 2020 Bonds is not excluded from gross income for federal income tax purposes; however, such interest (and original issue discount) is exempt from State of California personal income tax.

4. Except for certain exceptions, the difference between the issue price of a 2020 Bond (the first price at which a substantial amount of the 2020 Bonds of a maturity is to be sold to the public) and the stated payment price at maturity with respect to such 2020 Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a

constant yield method. The amount of original issue discount deemed received by a 2020 Bond owner will increase the 2020 Bond owner's basis in the applicable 2020 Bond.

5. The amount by which a 2020 Bond owner's original basis for determining gain or loss on sale or exchange of the applicable 2020 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the owner of a 2020 Bond may elect to amortize under Section 171 of the Code. Such amortizable bond premium reduces the 2020 Bond owner's basis in the applicable 2020 Bond (and the amount of taxable interest received) for federal income tax purposes. The basis reduction as a result of the amortization of 2020 Bond premium may result in the owner of a 2020 Bond realizing a taxable gain when a 2020 Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the 2020 Bond to the owner. The owners of the 2020 Bonds that have a basis in the 2020 Bonds that is greater than the principal amount of the 2020 Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

Except as set forth in paragraphs (3), (4) and (5), we express no opinion regarding tax consequences with respect to the 2020 Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture and the 2020 Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

By delivering this letter, we are not expressing any opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the Indenture, nor are we expressing any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the 2020 Bonds or other offering material relating to the 2020 Bonds and expressly disclaim any duty to advise the owners of the 2020 Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

## APPENDIX D

### INFORMATION CONCERNING DTC

*The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2020 Bonds ( the "Obligations"), payment of principal, premium, if any, accreted value, if any, and interest on the Obligations to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Obligations and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Obligation will be issued for each annual maturity of the Obligations, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated AA+ by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligations documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Obligations within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Obligations unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Obligation Owner shall give notice to elect to have its Obligations purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Obligation by causing the Direct Participant to transfer the Participant's interest in the Obligations, on DTC's records, to the Trustee. The requirement for physical delivery of Obligation in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Obligation are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Obligation to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Obligations at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Obligations will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE OBLIGATIONS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE OBLIGATIONS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.



## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

*Upon issuance of the 2020 Bonds, The District proposes to enter into a Continuing Disclosure Certificate in substantially the following form:*

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is dated \_\_\_\_\_, 2020 and executed and delivered by the Palmdale Water District (the “District”) in connection with the issuance of its \$\_\_\_\_\_ 2020 Water Revenue Refunding Bonds (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of \_\_\_\_\_ 1, 2020 (the “Indenture”), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The District covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined below).

**SECTION 2. Definitions.** In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean, initially, NHA Advisors, LLC, or any successor Dissemination Agent designated in writing by the District and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

“EMMA” shall mean the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

“Holders” shall mean the Owners as defined in the Indenture.

“Listed Event” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“Official Statement” shall mean the Official Statement relating to the Bonds, dated \_\_\_\_\_, 2020.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports. The District shall, not later than nine (9) months after the end of the District's Fiscal Year (which is currently December 31) commencing with the report for the Fiscal Year ending December 31, 2020 (due September 30, 2021), provide to EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

If the District is unable to provide to EMMA an Annual Report by the date required in this Section 3, the District shall send a notice in a timely manner to EMMA in substantially the form attached as Exhibit A.

SECTION 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

The audited financial statements of the District for the most recent Fiscal Year then ended prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they come available.

(b) If not included in the audited financial statements, the principal amount of Bonds outstanding for the most recent Fiscal Year of the District then ended only;

(c) Amount on deposit in the Reserve Fund established under the Indenture; and

(d) An update, for the most recent Fiscal Year of the District then ended only, of the information in Tables \_\_\_\_\_ under the caption entitled "PALMDALE WATER DISTRICT" in the Official Statement.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;

5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);

6. tender offers;

7. defeasances;

8. ratings changes;

9. bankruptcy, insolvency, receivership or similar proceedings; and

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;

2. modifications to the rights of Bond holders;

3. Bond calls;

4. release, substitution or sale of property securing repayment of the Bonds;

5. non-payment related defaults;

6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

7. appointment of a successor or additional trustee or the change of the name of a trustee; and

8. incurrence of a financial obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect Bond holders.

(c) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the District shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

(d) While the failure to file a notice of the occurrence of a Listed Event under Section 5(a)(8) shall constitute non-compliance with the terms hereof and may be required to be disclosed by the District in accordance with the Rule, failure shall not constitute an event of default hereunder if (i) the District did not receive written notice of such rating change from the respective rating agency, (ii) the rating change was a result of a change in the rating of a liquidity or credit enhancement and the market was generally aware of the change in the rating of such liquidity or credit enhancer or (iii) the rating agency filed a notice of such rating change with EMMA.

(e) For purposes of the events identified in subparagraphs (a)(10) and (b)(8) under this Section 5, the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

**SECTION 6. Termination of Reporting Obligation.** The District’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

**SECTION 7. Dissemination Agent.** The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be NHA Advisors, LLC. The Dissemination Agent may resign by providing thirty days written notice to the District and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the District. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the District in a timely manner and in a form suitable for filing.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**SECTION 9. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the

District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to file an annual report under Section 4 hereof or to file a report of a significant event under Section 5 hereof, any Holders or Beneficial Owners of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to make such filing. Notwithstanding the foregoing, no action may be undertaken by Holders or Beneficial Owners of the Bonds with respect to the accuracy of the information contained in any such filing or otherwise without the approval in writing of Holder or Beneficial Owner of at least 50% of the aggregate principal amount of the Bonds. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

No Owners or Beneficial Owners may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as Holders or Beneficial Owners of at least 50% aggregate principal amount of the Bonds, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: \_\_\_\_\_, 2020

PALMDALE WATER DISTRICT

By: \_\_\_\_\_  
General Manager

**EXHIBIT A**

**NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT**

Name of Obligated Person: PALMDALE WATER DISTRICT

Name of Obligation: 2020 WATER REVENUE REFUNDING BONDS (FEDERALLY  
TAXABLE)

Date of Issuance: \_\_\_\_\_, 2020

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate executed by the District on the date of issuance of the Bonds. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

PALMDALE WATER DISTRICT

By: [no signature required; form only]

**APPENDIX F**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

## **APPENDIX G**

### **SUPPLEMENTAL INFORMATION CONCERNING THE CITY OF PALMDALE**

[TO BE UPDATED]

*The information and expressions of opinion set forth in this Appendix G have been obtained from sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness. Statements contained herein which involve estimates, forecasts, or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale thereafter of the securities offered hereby shall under any circumstances create any implication that there has been no change in the affairs of the District or the Authority or in any other information contained herein since the date of the Official Statement.*

**THE FOLLOWING INFORMATION AND EXPRESSIONS OF OPINION HAVE BEEN PROVIDED AS GENERAL BACKGROUND INFORMATION ONLY. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE CITY, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE 2020 BONDS.**

#### **Employment and Industry**

The following table summarizes the civilian labor force, civilian employment and civilian unemployment figures over the period from 2014 through 2018 in the City, the County, the State of California and the United States.

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**TABLE NO. G-1**  
**City of Palmdale, County of Los Angeles, State of California and United States**  
**Labor Force, Employment and Unemployment**  
**Yearly Average**

<i>Year and Area</i>	<i>Civilian Labor Force</i>	<i>Civilian Employment<sup>(1)</sup></i>	<i>Civilian Unemployment<sup>(2)</sup></i>	<i>Civilian Unemployment Rate<sup>(3)</sup></i>
2014				
Palmdale	64,300	57,200	7,100	11.0%
Los Angeles County	5,006,800	4,593,900	412,900	8.2
California	18,758,400	17,351,300	1,407,100	7.5
United States	155,922,000	146,305,000	9,617,000	6.2
2015				
Palmdale	63,900	58,200	5,700	8.9%
Los Angeles County	5,000,600	4,668,200	332,400	6.6
California	18,896,500	17,724,800	1,171,700	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
2016				
Palmdale	64,100	59,500	4,500	7.1%
Los Angeles County	5,043,300	4,778,800	264,500	5.2
California	19,093,700	18,048,800	1,044,800	5.5
United States	159,187,000	151,436,000	7,751,000	4.9
2017				
Palmdale	63,800	59,800	4,000	6.2%
Los Angeles County	5,123,900	4,883,600	240,300	4.7
California	19,312,000	18,393,100	918,900	4.8
United States	160,320,000	153,337,000	6,982,000	4.4
2018				
Palmdale				
Los Angeles County	5,136,300	4,896,500	239,800	4.7
California	19,398,200	18,582,800	815,400	4.2
United States <sup>(4)</sup>	162,075,000	155,761,000	6,314,000	3.9

Note: Data is not seasonally adjusted.

(1) Includes persons involved in labor-management trade disputes.

(2) Includes all persons without jobs who are actively seeking work.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

(4) Not strictly comparable with data for prior years.

Source: California Employment Development Department and U.S. Department of Labor, Bureau of Labor Statistics.

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The following table sets forth the industry employment and the labor force estimates for the years 2015 through 2019 for the Los Angeles Long Beach Glendale MD. Annual industry employment information is not compiled by sector for the City.

**TABLE G-2**  
**LOS ANGELES-LONG BEACH-GLENDALE MD**  
**INDUSTRY EMPLOYMENT & LABOR FORCE - BY ANNUAL AVERAGE**  
**2015 through 2019**

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Civilian Labor Force	4,980,300	5,030,500	5,084,000	5,095,500	5,121,600
Civilian Employment	4,650,700	4,765,900	4,841,900	4,860,300	4,894,300
Civilian Unemployment	329,600	264,600	242,200	235,200	227,300
Civilian Unemployment Rate	6.6%	5.3%	4.8%	4.6%	4.4%
 Total Farm	 5,000	 5,300	 5,700	 4,600	 4,500
Total Nonfarm	4,288,500	4,397,700	4,451,000	4,518,100	4,566,900
Total Private	3,720,000	3,820,000	3,864,900	3,927,500	3,972,700
Goods Producing	497,300	497,300	489,800	489,400	490,500
Mining and Logging	2,900	2,400	2,000	1,900	1,900
Construction	126,100	134,000	138,700	146,300	149,300
Manufacturing	368,200	360,800	349,000	341,200	339,200
Service Providing	3,791,200	3,900,400	3,961,200	4,028,700	4,076,500
Trade, Transportation & Utilities	822,200	835,600	845,700	851,600	851,500
Wholesale Trade	222,400	222,100	221,500	223,200	220,500
Retail Trade	422,200	424,600	426,100	424,800	417,300
Transportation, Warehousing & Utilities	177,600	188,900	198,200	203,600	213,800
Information	207,600	229,400	214,900	216,400	217,300
Financial Activities	215,600	219,800	221,600	223,200	223,900
Professional & Business Services	593,800	603,000	612,100	630,400	642,800
Educational & Health Services	745,900	772,700	800,600	821,300	843,600
Leisure and Hospitality	486,600	510,000	524,600	536,500	544,700
Other Services	151,000	153,300	155,700	158,800	158,400
Government	<u>568,500</u>	<u>576,700</u>	<u>586,100</u>	<u>590,600</u>	<u>594,200</u>
Total, All Industries	<u>4,293,500</u>	<u>4,403,000</u>	<u>4,456,700</u>	<u>4,522,700</u>	<u>4,571,400</u>

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households and persons involved in labor-management trade disputes. Employment reported by place of work. Items may not add to total due to independent rounding. The "Total, All Industries" data is not directly comparable to the employment data found in this Appendix G.

Source: State of California, Employment Development Department, Los Angeles-Long Beach-Glendale MD Industry Employment & Labor Force - by Annual Average, March 2019 Benchmark.

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The principal employers operating within the City and their respective number of employees as of Fiscal Year 2018-2019 are as follows:

**TABLE G-3  
PRINCIPAL EMPLOYERS  
CITY OF PALMDALE  
FISCAL YEAR 2018-2019**

<i>Employer</i>	<i>Number of Employees</i>	<i>Percentage of Total Employment</i>
Edwards Air Force Base	11,149	2.06%
China Lake NWC	9,906	1.83
Northrop Grumman	4,200	0.78
County of Los Angeles	4,211	0.78
Lockheed Martin	3,700	0.68
Antelope Valley Union High School District	2,500	0.46
Antelope Valley Hospital Medical Center	2,425	0.45
Lancaster School District	2,200	0.41
Wal-Mart (5) Stores	1,922	0.35
Antelope Valley Mall (All Stores)	<u>1,800</u>	<u>0.33</u>
Total Top Employers	44,013	8.13%

Source: City of Palmdale, Comprehensive Annual Financial Report for the year ending June 30, 2019

### **Income**

The following table summarizes per capita personal income for Los Angeles County, California and the United States for 2014 through 2018.

**TABLE NO. G-4  
PER CAPITA PERSONAL INCOME  
2014 through 2018**

<i>Year</i>	<i>Los Angeles County</i>	<i>State of California</i>	<i>United States</i>
2014	51,111	51,317	46,486
2015	54,298	54,664	48,429
2016	55,624	56,308	49,204
2017	59,058	60,156	51,885
2018	62,224	63,557	54,446

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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## Commercial Activity

The following table summarizes the volume of retail sales and taxable transactions for Palmdale for 2015 through 2019.

**TABLE NO. G-5  
CITY OF PALMDALE  
TOTAL TAXABLE TRANSACTIONS  
(in Thousands)  
2012 – 2016**

<i>Year</i>	<i>Retail Sales \$(000's)</i>	<i>Retail Sales Permits</i>	<i>Total Taxable Transactions \$(000's)</i>	<i>Issued Sales Permits</i>
2015	\$1,409,813	1,839	\$1,559,109	2,659
2016	1,425,869	1,893	1,590,372	2,732
2017	1,538,841	2,001	1,734,811	2,845
2018	1,625,004	2,110	1,818,028	3,063
2019	1,643,871	2,215	1,859,138	3,274

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Source: California State Board of Equalization, *Taxable Sales in California (Sales and Use Tax)*.

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## Building Activity

As a result of the relatively moderate cost of land in the Antelope Valley, single family detached housing is affordable when compared with most areas of the County. The availability of reasonably affordable housing in the Antelope Valley was an important factor in the District's population growth during the 1980s and early 1990s. Below are valuations of building permits in the City from 2015 through 2019.

**TABLE NO. G-6**  
**CITY OF PALMDALE**  
**BUILDING ACTIVITY VALUATIONS**  
**(Dollars expressed in Thousands)**  
**2015 – 2019**

	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
<u>Residential</u>					
Single Family	\$ 21,357	\$ 37,122	\$ 24,022	\$ 16,276	\$ 17,560
Multi-Family	0	0	15,366	0	5,647
Alteration/Additions	<u>4,014</u>	<u>3,907</u>	<u>5,302</u>	<u>6,315</u>	<u>5,167</u>
Total <sup>(3)</sup>	\$ 25,371	\$ 41,029	\$ 44,690	\$ 22,591	\$ 28,374
<u>Non-Residential</u>					
New Commercial	\$ 2,799	\$ 3,150	\$ 7,412	\$ 7,017	\$ 544
New Industry	30	0	0	92	1,383
Other <sup>(1)</sup>	4,590	3,333	9,838	5,512	8,684
Alteration/Additions	<u>15,388</u>	<u>8,525</u>	<u>13,214</u>	<u>16,442</u>	<u>14,754</u>
Total <sup>(3)</sup>	\$ 22,807	\$ 15,008	\$ 30,464	\$ 29,063	\$ 25,365
<u>Total<sup>(3)</sup></u>	<u>\$ 48,178</u>	<u>\$ 56,037</u>	<u>\$ 75,154</u>	<u>\$ 51,654</u>	<u>\$ 53,739</u>
Single Family Units <sup>(2)</sup>	99	170	99	64	76
Multi-Family Units <sup>(2)</sup>	<u>0</u>	<u>0</u>	<u>161</u>	<u>0</u>	<u>80</u>
Total	99	170	260	64	156

<sup>(1)</sup> Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and non-residential alterations and additions.

<sup>(2)</sup> Number of units rather than dollars. Not in thousands.

<sup>(3)</sup> Total may not add due to rounding.

Source: Construction Industry Research Board.

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## Real Estate

The following table shows the median sales prices of homes for the City in January in the years 2016 through 2020.

**TABLE NO. G-7  
CITY OF PALMDALE  
MEDIAN HOME SALES PRICES  
2016 – 2020**

<i>January</i>	<i>Median Home Sales Prices</i>
2016	\$244,400
2017	265,500
2018	297,600
2019	305,000
2020	324,000

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Source: Zillow Research.

The following table shows the median home values for the City on January 1 of the years 2016 through 2020.

**TABLE NO. G-8  
CITY OF PALMDALE  
MEDIAN HOME VALUES  
2016 – 2020**

<i>January 1,</i>	<i>Median Home Value</i>
2016	\$241,855
2017	265,889
2018	302,620
2019	321,000
2020	333,000

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Source: Zillow Research.

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The following table shows the number of homes foreclosed on in the City from 2012 through 2016.

**TABLE NO. G-9**  
**CITY OF PALMDALE**  
**FORECLOSURES**  
**2012 – 2016**

<i>Year</i>	<i>Foreclosures (per 10,000 Homes)</i>
2012	267.94
2013	108.75
2014	82.39
2015	61.22
2016	38.71

---

Source: Zillow Research.

\$ \_\_\_\_\_  
**PALMDALE WATER DISTRICT**  
**2020 WATER REVENUE REFUNDING BONDS (FEDERALLY TAXABLE)**

**BOND PURCHASE AGREEMENT**

\_\_\_\_\_, 2020

Palmdale Water District  
2029 E. Avenue Q  
Palmdale, California 93550

Ladies and Gentlemen:

Piper Sandler & Co. (the “**Underwriter**”), acting on behalf of itself and not as an agent or fiduciary for you, offers to enter into this Bond Purchase Agreement (the “**Bond Purchase Agreement**”) with the Palmdale Water District (the “**District**”), which Bond Purchase Agreement will be binding upon the District and the Underwriter upon the acceptance hereof by the District. This offer is made subject to its acceptance by the District, by the execution of this Bond Purchase Agreement and its delivery to the Underwriter on or before 11:59 p.m., California time, on the date hereof. Capitalized terms used herein and not otherwise defined shall have the respective meanings given to such terms in the Indenture (as hereinafter defined).

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriter hereby agrees to purchase for offering to the public, and the District hereby agrees to cause to be delivered to the Underwriter all (but not less than all) of the \$\_\_\_\_\_ aggregate principal amount of the Palmdale Water District 2020 Water Revenue Refunding Bonds (Federally Taxable) (the “**Bonds**”), at the interest rates shown on Exhibit A hereto, which is incorporated herein by this reference, and subject to purchase and redemption as set forth in the Indenture.

The aggregate purchase price for the Bonds shall be \$\_\_\_\_\_ (representing the aggregate principal amount of the Bonds, plus/less net original issue premium/discount of \$\_\_\_\_\_, less an underwriting discount of \$\_\_\_\_\_).

2. Description and Purpose of the Bonds. The Bonds shall be issued pursuant to an Indenture of Trust, dated as of \_\_\_\_\_ 1, 2020 (the “**Indenture**”), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”).

The Bonds are being issued to: (i) to refund a portion of the outstanding Palmdale Water District Public Financing Authority Water Revenue Bonds, Series 2013A (the “**Refunded Bonds**”); (ii) to purchase a municipal bond insurance policy (the “**Insurance Policy**”) from \_\_\_\_\_ (the “**Insurer**”) to guarantee payment of the principal of and interest on the Bonds; (iii) to purchase a municipal bond debt service reserve insurance policy (the “**Reserve Policy**”) from the Insurer for deposit in the Reserve Fund; and (iv) to pay costs of issuance of the Bonds.

The Refunded Bonds will be defeased and refunded in accordance with an Escrow Agreement, dated as of \_\_\_\_\_ 1, 2020 (the “**Escrow Agreement**”), between the Palmdale Water



District Public Financing Authority (the “**Authority**”) and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the “**Escrow Agent**”).

3. Public Offering. The Underwriter agrees to make an initial bona fide public offering of all the Bonds at a price of 100% of the principal amount thereof. Subsequent to the initial public offering, the Underwriter reserves the right to change such initial offering price or prices as the Underwriter shall deem necessary in connection with the marketing of the Bonds and to offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial offering price or prices set forth in the hereinafter referred to Official Statement. The Underwriter also reserves the right: (i) to engage in transactions that stabilize, maintain or otherwise affect the market price of the Bonds at a level above that which might otherwise prevail in the open market; and (ii) to discontinue such transactions, if commenced, at any time.

4. Delivery of Official Statement. Pursuant to the authorization of the District, the Underwriter has distributed copies of the Preliminary Official Statement, dated \_\_\_\_\_, 2020, relating to the Bonds, which, together with the cover page and appendices thereto, is herein called the “**Preliminary Official Statement.**” By its acceptance of this proposal, the District hereby approves and ratifies the distribution and use by the Underwriter of the Preliminary Official Statement. The District has previously deemed the Preliminary Official Statement to be final as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (“**Rule 15c2-12**”), except for information permitted to be omitted therefrom by Rule 15c2-12, and has executed a certificate to that effect substantially in the form attached as Exhibit B.

The District agrees to execute and deliver a final Official Statement (the “**Official Statement**”) in substantially the same form as the Preliminary Official Statement with such changes as may be made thereto, with the consent of the District and the Underwriter, and to provide copies thereof to the Underwriter as set forth in Section 6(n) hereof. The District hereby authorizes the Underwriter to use and distribute, in connection with the offer and sale of the Bonds, the Preliminary Official Statement, the Official Statement, the Escrow Agreement, the Indenture and other documents or contracts to which the District is a party in connection with the transactions contemplated by this Bond Purchase Agreement, including this Bond Purchase Agreement and all information contained herein, and all other documents, certificates and statements furnished by the District to the Underwriter in connection with the transactions contemplated by this Bond Purchase Agreement.

5. The Closing. At 8:00 a.m., California time, on \_\_\_\_\_, 2020 or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the District and the Underwriter (the “**Closing Date**”), the District will cause to be executed and delivered: (i) the Bonds in book-entry form through the facilities of The Depository Trust Company, or its agent, on behalf of the Underwriter, (ii) the closing documents hereinafter mentioned, at the offices of Stradling Yocca Carlson & Rauth, a Professional Corporation (“**Bond Counsel**”), in Newport Beach, California or another place to be mutually agreed upon by the District and the Underwriter. The Underwriter will accept such delivery of the Bonds and pay the purchase price of such Bonds set forth in Section 1 hereof in immediately available funds to the order of the District. This payment for and delivery of the Bonds, together with the execution and delivery of the aforementioned documents is herein called the “**Closing.**”

6. The District's Representations, Warranties and Covenants. The District represents, warrants and covenants to the Underwriter that:

(a) Due Organization, Existence and Authority. The District is a water district duly organized and existing under the Constitution and laws of the State of California (the "**State**"), with full right, power and authority to execute, deliver and perform its obligations under this Bond Purchase Agreement, the Indenture, the Second Amendment to Installment Purchase Agreement dated as of \_\_\_\_\_ 1, 2020 (the "**Second Amendment to Installment Purchase Agreement**"), between the District and the Authority and the Continuing Disclosure Certificate, dated the Closing Date, executed by the District (the "**Continuing Disclosure Certificate**" and, collectively with the Bond Purchase Agreement, the Second Amendment to Installment Purchase Agreement and the Indenture, the "**District Documents**") and to carry out and consummate the transactions contemplated by the District Documents and the Official Statement.

(b) Due Authorization and Approval. By all necessary official action of the District, the District has duly authorized and approved the execution and delivery of, and the performance by the District of the obligations contained or described in, the Preliminary Official Statement, the Official Statement and the District Documents and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, each District Document will constitute the legally valid and binding obligation of the District enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws or equitable principles relating to or affecting creditors' rights generally or by the exercise of judicial discretion in appropriate cases or by limitations on legal remedies against public agencies in the State.

(c) Official Statement Accurate and Complete. The Preliminary Official Statement was as of its date, and the Official Statement is, true and correct in all material respects, and the Preliminary Official Statement and the Official Statement contain no misstatement of any material fact and do not omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading (except no representation is made with respect to information relating to DTC or DTC's book-entry system, prices and yields for the Bonds or any other information provided by the Underwriter).

(d) Amendments and Supplements to Official Statement. The District will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement. The District will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(e) District Agreement to Amend or Supplement Official Statement. If after the date of this Bond Purchase Agreement and until 25 days after the end of the "underwriting period" (as defined in Rule 15c2-12), any event occurs as a result of which the Official Statement as then amended or supplemented would include an untrue statement of a material fact, or omit to state any material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and, in the reasonable opinion of the Underwriter, an amended or supplemented Official Statement should be delivered in connection with the offers or sales of the Bonds to reflect such event, the District promptly will prepare at its expense an amendment or supplement which will correct such statement or omission and the District shall

promptly furnish to the Underwriter a reasonable number of copies of such amendment or supplement. The Underwriter hereby agrees to deposit the Official Statement with the Municipal Securities Rulemaking Board. The Underwriter acknowledges that the end of the “underwriting period” will be the Closing Date.

(f) No Material Change in Finances. Except as otherwise described in the Official Statement, there shall not have been any material adverse changes in the financial condition of the Water System since December 31, 2019.

(g) No Breach or Default. As of the time of acceptance hereof: (A) the District is not in default, nor has it been in default, as to principal or interest with respect to an obligation issued by the District; and (B) the District is not, in any manner which would materially adversely affect the transactions contemplated by the District Documents, in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the District is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute, in any manner which would materially adversely affect the transactions contemplated by the District Documents, a default or event of default under any such instrument; and, as of such time, the authorization, execution and delivery of the District Documents and compliance with the provisions of each of such agreements or instruments do not in any manner which would materially adversely affect the transactions contemplated by the District Documents, conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the District (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound, nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the District Documents.

(h) No Litigation. As of the time of acceptance hereof, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, is pending and notice of which has been received from the District or, to the best knowledge of the District after due investigation, threatened: (A) in any way questioning the corporate existence of the District or the titles of the officers of the District to their respective offices; (B) affecting, contesting or seeking to prohibit, restrain or enjoin the execution or delivery of any of the Bonds, or in any way contesting or affecting the validity of the Bonds or the District Documents or the consummation of the transactions contemplated thereby, or contesting the exclusion of interest on the Bonds from gross income for State income tax purposes or contesting the powers of the District to enter into the District Documents; (C) which, except as described in the Official Statement, may result in any material adverse change to the financial condition of the Water System or to the sufficiency of Net Water Revenues to pay the principal of and interest on the Bonds when due; or (D) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and there is no basis for any

action, suit, proceeding, inquiry or investigation of the nature described in clauses (A) through (D) of this sentence.

(i) No Prior Liens on Net Water Revenues. Except as otherwise described in the Official Statement, the District does not and will not have outstanding any indebtedness which indebtedness is secured by a lien on the Net Water Revenues superior to or equal to the lien of the Bonds on the Net Water Revenues.

(j) Further Cooperation: Blue Sky. The District will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order: (A) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; and (B) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the District shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction. The Underwriter shall be responsible for all costs relating to such qualification or determination under Blue Sky or other securities laws.

(k) Consents and Approvals. All authorizations, approvals, licenses, permits, consents and orders of or filings with any governmental authority, legislative body, board, agency or commission having jurisdiction in the matters which are required for the due authorization of, which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the District of its obligations in connection with the District Documents have been duly obtained or made, except as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds.

(l) No Other Obligations. Between the date of this Bond Purchase Agreement and the Closing Date, the District will not, without the prior written consent of the Underwriter, offer or issue any bonds, notes or other obligations for borrowed money, or incur any material liabilities, directly or contingently payable from the Net Water Revenues.

(m) Certificates. Any certificate signed by any official of the District and delivered to the Underwriter shall be deemed to be a representation and warranty by the District to the Underwriter as to the statements made therein.

(n) Provision of Official Statement. The District hereby covenants and agrees that no later than the Closing Date, the District shall cause final printed copies of the Official Statement to be delivered to the Underwriter in such number of copies as shall reasonably be requested by the Underwriter.

(o) Continuing Disclosure. Except as disclosed in the Preliminary Official Statement, for the previous five years, the District has been and the District is currently in compliance with all continuing disclosure undertakings that it has entered into pursuant to Rule 15c2-12 in all material respects.

7. Closing Conditions. The Underwriter has entered into this Bond Purchase Agreement in reliance upon the representations, warranties and covenants herein and the

performance by the District of its obligations hereunder, both as of the date hereof and as of the Closing Date. The Underwriter's obligations under this Bond Purchase Agreement to purchase and pay for the Bonds shall be subject to the following additional conditions:

(a) Bring-Down Representation. The representations, warranties and covenants of the District contained herein, shall be true, complete and correct at the date hereof and at the time of the Closing, as if made on the Closing Date.

(i) Executed Agreements and Performance Thereunder. At the time of the Closing: (i) the District Documents shall be in full force and effect, and shall not have been amended, modified or supplemented except with the written consent of the Underwriter; (ii) there shall be in full force and effect such resolutions (collectively, the "**Resolutions**") as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated by the Official Statement and the District Documents; (iii) the District shall perform or have performed its obligations required or specified in the District Documents to be performed at or prior to Closing; and (iv) the Official Statement shall not have been supplemented or amended, except pursuant to Paragraphs 6(d) and 6(e) hereof or as otherwise may have been agreed to in writing by the Underwriter.

(ii) No Default. At the time of the Closing, no default, or any event that with the passage of time would be reasonably likely to result in default, shall have occurred or be existing under the Resolutions, the District Documents, or any other agreement or document pursuant to which any of the District's financial obligations was issued and the District shall not be in default in the payment of principal or interest on any of its financial obligations which default would materially adversely impact the ability of the District to pay the principal of and interest on the Bonds.

(b) Termination Events. The Underwriter shall have the right to terminate this Bond Purchase Agreement, without liability therefor, by written notification to the District if at any time at or prior to the Closing:

(i) any event shall occur which causes any statement contained in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading; or

(ii) the marketability of the Bonds or the market price thereof, in the reasonable opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of this Bond Purchase Agreement in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such

House to which such legislation has been referred for consideration, or any decision of any federal or State court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or State authority materially adversely affecting the federal or State tax status of the District, or the status of the interest on bonds or notes or obligations of the general character of the Bonds; or

(iii) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State, or a decision by any court of competent jurisdiction within the State or any court of the United States shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Bonds; or

(iv) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the execution, delivery, offering or sale of obligations of the general character of the Bonds, or the execution, delivery, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Indenture needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(v) a general suspension of trading in securities on the New York Stock Exchange or any other national securities exchange shall be in force, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on any such exchange, whether by virtue of determination by that exchange or by order of the SEC or any other governmental authority having jurisdiction; or

(vi) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which restrictions materially adversely affect the Underwriter's ability to trade the Bonds; or

(vii) a general banking moratorium shall have been established by federal or state authorities or any material disruption in commercial banking or securities settlement or clearance services, including, but not limited to, those of DTC, shall have occurred; or

(viii) there shall have occurred (1) an outbreak or escalation of hostilities or the declaration by the United States of a national emergency or war or (2) any other calamity or crisis in the financial markets of the United States or elsewhere or the escalation of such calamity or crisis; or

(ix) any rating of the securities of the District reflecting the creditworthiness of the District shall have been downgraded, suspended, withdrawn or have had any action taken with respect thereto by a national rating service, which, in the Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Bonds; or

(x) establishment of any new restrictions in securities materially affecting the free market for securities of the same nature as the Bonds (including the imposition of any limitations on interest rates) or the charge to the net capital requirements of the Underwriter established by the New York Stock Exchange, the Securities and Exchange Commission, any other Federal or state agency or the Congress of the United States, or by Executive Order; or

(xi) any rating of the Bonds or other obligations of the Insurer by a national rating agency shall have been withdrawn or downgraded or placed on negative outlook or negative watch; or

(xii) there shall have occurred any materially adverse change in the affairs or financial position, results of operations or condition, financial or otherwise, of the District, other than changes in the ordinary course of business or activity or in the normal operation of the District, except as described in the Official Statement; or

(xiii) the commencement of any action, suit or proceeding described in Paragraph 6(h) hereof which, in the reasonable judgment of the Underwriter, materially adversely affects the market price of the Bonds; or

(xiv) the occurrence of an adverse event in the affairs of the District which, in the opinion of the Underwriter, materially impairs the investment quality of the Bonds.

(c) Closing Documents. At or prior to the Closing, the Underwriter shall receive with respect to the Bonds the following documents:

(i) Bond Opinion. An approving opinion of Bond Counsel dated the Closing Date and substantially in the form included as Appendix C to the Official Statement, together with a letter from such counsel, dated Closing Date and addressed to the Underwriter, to the effect that the foregoing opinion addressed to the District may be relied upon by the Underwriter to the same extent as if such opinion were addressed to it.

(ii) Supplemental Opinion. A supplemental opinion or opinions of Bond Counsel addressed to the Underwriter, in form and substance acceptable to the Underwriter, and dated the Closing Date substantially to the following effect:

(A) The District Documents have been duly authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the other parties thereto, constitute valid and binding agreements of the District enforceable in accordance with its terms, except that the rights and obligations under the Bond Purchase Agreement are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State;

(B) The statements contained in the Official Statement on the cover page and under the captions "INTRODUCTION," "REFUNDING PLAN," "THE 2020A BONDS," "SECURITY FOR THE 2020A BONDS" and "TAX MATTERS" and in Appendices B and C thereto, insofar as such statements purport to summarize certain provisions of the Bonds, the Indenture and Bond Counsel's opinions concerning certain federal and State tax matters relating to

the Bonds, are accurate in all material respects as of the date of the Official Statement and as of the Closing Date; and

(C) The Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

(iii) District General Counsel Opinion(s). An opinion or opinions of the District's General Counsel, dated the Closing Date and addressed to the Underwriter, in its capacity as counsel to the District, in form and substance acceptable to the Underwriter and Bond Counsel, substantially to the following effect:

(A) The District is a water district duly organized and validly existing under the Constitution and the laws of the State;

(B) The District Documents have been duly authorized, executed and delivered by the District and the District has full right, power and authority to carry out and consummate all transactions contemplated by the District Documents to which it is a party as of the date of the Official Statement and as of the Closing Date;

(C) The resolution of the Board of Directors of the District approving and authorizing the execution and delivery of the District Documents, and approving the Official Statement (the "**District Resolution**"), has been duly adopted at a meeting of the Board of Directors of the District, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the District Resolution is in full force and effect and have not been modified, amended or rescinded;

(D) The execution and delivery of the District Documents and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not, in any respect which will have a material adverse impact on the transactions contemplated by the District Documents conflict with, or constitute, or with the giving of notice or the passage of time would constitute, on the part of the District, a breach of or default under, any material agreement or other instrument to which the District is a party or by which it is bound (and based in part on factual certificates of the District) or any existing law, administrative rule, regulation, order, decree, judgment, license or permit to which the District is subject (excluding, however, any opinion as to compliance with any applicable federal securities laws); or by which the District or any of its property is bound;

(E) The Official Statement has been prepared by, or on behalf of, the District under the supervision of District staff, and executed on its behalf by authorized officers of the District;

(F) No additional authorization, approval, consent, waiver or any other action by any person, board or body, public or private, not previously obtained is required as of the Closing Date for the District to enter into the District Documents to which they are a party or to perform their obligations thereunder; and

(G) No litigation, proceeding, action, suit, or investigation (or any basis therefor) at law or in equity before or by any court, governmental agency or body, pending or



threatened, against the District challenging the creation, organization or existence of the District, or the validity of the District Documents or seeking to restrain or enjoin the Bonds or in any way contesting or affecting the validity of the District Documents or any of the transactions referred to therein or contemplated thereby or contesting the authority of the District to enter into or perform their obligations under any of the District Documents to which it is a party, or under which a determination adverse to the District would have a material adverse effect upon the financial condition of the Water System, or which, in any manner, questions or affects the right or ability of the District to enter into the District Documents or affects in any manner the right or ability of the District to use the Net Water Revenues for repayment of the Bonds or in any manner the right or ability of the District to collect or pledge the Net Water Revenues.

(iv) Trustee/Escrow Agent Counsel Opinion. The opinion or opinions of counsel to the Trustee and Escrow Agent, dated the Closing Date, addressed to the Underwriter, to the effect that:

(A) The Trustee and Escrow Agent is a national banking association, duly organized and validly existing under the laws of the United States of America, having full corporate power to undertake the trust created under the Indenture;

(B) The Indenture and the Escrow Agreement have been duly authorized, executed and delivered by the Trustee and the Escrow Agent, as applicable, and, assuming due authorization, execution and delivery by the other parties thereto, the Indenture and the Escrow Agreement constitute the valid and binding obligations of the Trustee and Escrow Agent, as applicable, enforceable in accordance with their terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles, if equitable remedies are sought;

(C) The Trustee has duly authenticated the Bonds upon the order of the District;

(D) The Trustee's and Escrow Agent's actions in executing and delivering the Indenture and the Escrow Agreement, as applicable, are in full compliance with, and do not conflict with any applicable law or governmental regulation and, to the best of such counsel's knowledge, after reasonable inquiry with respect thereto, do not conflict with or violate any contract to which the Trustee or Escrow Agent is a party or any administrative or judicial decision by which the Trustee or Escrow Agent is bound; and

(E) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the banking or trust powers of the Trustee and Escrow Agent that has not been obtained is or will be required for the execution and delivery of the Bonds or the consummation by the Trustee and Escrow Agent of its obligations under the Indenture or Escrow Agreement, as applicable.

(v) Underwriter's Counsel Opinion. An opinion of Kutak Rock LLP, counsel to the Underwriter ("**Underwriter's Counsel**"), dated the Closing Date and addressed to the Underwriter in form and substance acceptable to the Underwriter.

(vi) District Certificate. A certificate of the District, dated the Closing Date, signed on behalf of the District by the General Manager/Chief Executive Officer or other duly authorized officer of the District to the effect that:

(A) The representations, warranties and covenants of the District contained in the Bond Purchase Agreement are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date, and the District has complied in all material respects with all of the terms and conditions of the Bond Purchase Agreement required to be complied with by the District at or prior to the Closing Date;

(B) No event affecting the District has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (except no representation is made with respect to information relating to DTC or DTC's book-entry system, prices and yields for the Bonds or any other information provided by the Underwriter); and

(C) No event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute an event of default under the District Documents.

(vii) Trustee/Escrow Agent Certificate(s). A certificate or certificates, dated the Closing Date, signed by a duly authorized official of the Trustee and the Escrow Agent satisfactory in form and substance to the Underwriter, to the effect that:

(A) The Trustee and Escrow Agent is duly organized and existing as a national banking association under the laws of the United States of America, having the full corporate power and authority to enter into and perform its duties under the Indenture and Escrow Agreement;

(B) The Trustee and Escrow Agent is duly authorized to enter into the Indenture and Escrow Agreement and has duly executed and delivered the Indenture and Escrow Agreement, and assuming due authorization and execution by the other parties thereto, the Indenture and Escrow Agreement are legal, valid and binding upon the Trustee and Escrow Agent, as applicable, and enforceable against the Trustee and Escrow Agent in accordance with their terms;

(C) The Trustee has duly authenticated the Bonds under the Indenture and delivered the Bonds to or upon the order of the Underwriter; and

(D) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the banking or trust powers of the Trustee and Escrow Agent that has not been obtained is or will be required for the issuance of the Bonds or the consummation by the Trustee of its obligations under the Indenture and Escrow Agreement.

(viii) Disclosure Counsel Opinion. A letter of Stradling Yocca Carlson & Rauth, a Professional Corporation, as disclosure counsel to the District ("**Disclosure Counsel**"), addressed to the Underwriter and the District, to the effect that nothing has come to such counsel's attention that would lead them to believe that the Preliminary Official Statement, as of its date and as

of the date of the Bond Purchase Agreement and the Official Statement, as of its date and as of the Closing (but excluding therefrom the appendices thereto, CUSIP numbers, financial, accounting, statistical, economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any determinations regarding valuation, real estate, and environmental matters, or any basis therefor, information about the Underwriter, underwriting, the Insurer, the Insurance Policy, the Reserve Policy and information regarding The Depository Trust Company and its book-entry system, as to which no opinion need be expressed), contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided during the period from the date of the Official Statement to the date of the letter, except for Disclosure Counsel's review of the certificates and opinions regarding the Official Statement delivered on the Closing Date, Disclosure Counsel is not obligated to undertake any procedures or taken any actions which would be intended or likely to elicit information concerning the accuracy, completeness or fairness of any of the statements contained in the Official Statement.

(ix) Transcripts. Two transcripts of all proceedings relating to the authorization and issuance of the Bonds.

(x) Official Statement. The Official Statement and each supplement or amendment, if any, thereto, executed on behalf of the District by duly authorized officers of the District.

(xi) District Documents. An original executed copy of each of the District Documents.

(xii) Escrow Agreement. An original executed copy of the Escrow Agreement.

(xiii) District Resolution. A certified copy of the District Resolution certified by the District Secretary.

(xiv) Trustee/Escrow Agent Resolution. A certified copy of the general resolution of The Bank of New York Mellon Trust Company, N.A. authorizing the execution and delivery of certain documents by certain officers and employees of The Bank of New York Mellon Trust Company, N.A., which resolution authorizes the execution and delivery of the Indenture and the Escrow Agreement.

(xv) CDIAC Statements. A copy of the Notices of Sale required to be delivered to the California Debt and Investment Advisory Commission ("CDIAC") pursuant to Sections 8855(g) and 53583 of the California Government Code.

(xvi) Ratings. Evidence satisfactory to the Underwriter that the Bonds shall have received the ratings as set forth in the Official Statement and that any such ratings have not been revoked or downgraded.

(xvii) 15c2-12 Certificate. In connection with printing and distribution of the Preliminary Official Statement, an executed certificate of the District substantially in the form attached hereto as Exhibit B.

(xviii) DTC Letter. A Blanket Letter of Representations between the District and The Depository Trust Company.

(xix) Authority Resolution. A Resolution of the Authority authorizing the Authority's execution of the Escrow Agreement and the Second Amendment to Installment Purchase Agreement.

(xx) Authority Incumbency Certificate. A certificate of the Authority designating authorized officers to sign the Escrow Agreement and the Second Amendment to Installment Purchase Agreement.

(xxi) Debt Management Policy. Evidence of the District's compliance with or exemption from Section 8855(i) of the California Government Code

(xxii) Verification Report. A verification report related to the refunding of the Refunded Bonds.

(xxiii) Defeasance Opinion. An opinion of Bond Counsel addressed to the Authority, the Underwriter and the Escrow Agent relating to the refunding of the Refunded Bonds.

(xxiv) Insurance Policy and Reserve Policy. The Insurance Policy and Reserve Policy, each duly executed by the Insurer.

(xxv) Insurer Certificate. A certificate or certificates of the Insurer, dated the Closing Date, as to the accuracy of the information relating to the Insurer and the Insurance Policy included in the Official Statement and such other matters reasonably requested by the Underwriter and Bond Counsel;

(xxvi) Additional Documents. Such additional certificates, instruments and other documents as the Underwriter may reasonably deem necessary.

If the District shall be unable to satisfy the conditions contained in this Bond Purchase Agreement, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and neither the Underwriter nor the District shall be under further obligation hereunder, except as further set forth in Section 8 hereof.

8. Expenses. Subject to the second paragraph of this Section 8, the Underwriter shall be under no obligation to pay and the District shall pay or cause to be paid the expenses incident to the performance of the obligations of the District hereunder including but not limited to: (a) the costs of the preparation and printing, or other reproduction (for distribution on or prior to the date hereof) of the District Documents, the Preliminary Official Statement and the Official Statement and the cost of preparing, printing, issuing, and delivering the Bonds; (b) the fees and disbursements of any counsel, financial advisors, accountants or other experts or consultants retained by the District; (c) the fees and disbursements of Bond Counsel and Disclosure Counsel; (d) the cost of printing the Official Statement and any supplements and amendments thereto, including the requisite number of copies thereof for distribution by the Underwriter; (e) charges of rating agencies for any rating with respect to the Bonds; (f) expenses (included in the expense component of the Underwriter's spread) incurred on behalf of the District's officers or employees which are incidental to implementing this Bond

Purchase Agreement, including, but not limited to, meals, transportation, lodging, and entertainment of those officers or employees; (g) the premiums for the Insurance Policy and Reserve Policy due to the Insurer; and (h) Trustee's and Escrow Agent's fees.

The Underwriter shall pay and the District shall be under no obligation to pay all expenses incurred by it in connection with the public offering and distribution of the Bonds, including any advertising expenses, and the Underwriter shall pay any costs and expenses incurred in connection with the preparation and distribution of any blue sky surveys or any legal investment memoranda, the costs and fees of Underwriter's Counsel, CUSIP fees and CDIAC fees.

9. Notice. Any notice or other communication to be given to the District under this Bond Purchase Agreement may be given by delivering the same in writing to Palmdale Water District at the address set forth on the first page hereof, to the attention of the General Manager/Chief Executive Officer.

Any notice or other communication to be given to the Underwriter under this Bond Purchase Agreement may be given by delivering the same in writing to Piper Sandler & Co., 50 California Street, Suite 3100, San Francisco, California 94111; Attention: Tom Innis.

10. Entire Agreement. This Bond Purchase Agreement, when accepted by the District shall constitute the entire agreement among the District and the Underwriter with respect to the subject matter hereof.

11. No Advisory or Fiduciary Role. The District acknowledges and agrees that: (a) the purchase and sale of the Bonds pursuant to this Bond Purchase Agreement is an arm's-length commercial transaction between the District and the Underwriter and the only obligations that the Underwriter has to the District with respect to the transaction that is contemplated hereby expressly are set forth in this Bond Purchase Agreement; (b) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as the agent, advisor or fiduciary of the District; (c) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the District with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District on other matters) and the Underwriter has no obligation to the District with respect to the offering contemplated hereby except the obligations expressly set forth in this Bond Purchase Agreement; (d) the Underwriter is not acting as municipal advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended); (e) the Underwriter has financial and other interests that may differ from and be adverse to those of the District; and (f) the District has consulted its own legal, financial, accounting, tax and other advisors to the extent that it has deemed appropriate.

12. Benefit. This Bond Purchase Agreement is made solely for the benefit of the District and the Underwriter (including the successors thereof) and no other person, partnership or association, shall acquire or have any right hereunder or by virtue hereof. All representations and agreements by the District in this Bond Purchase Agreement shall remain operative and in full force and effect except as otherwise provided herein, regardless of any investigations made by or on behalf of the Underwriter and shall survive the delivery of and payment of the Bonds. No other person shall acquire or have any right hereunder by virtue hereof, except as provided herein.

13. Counterparts. This Bond Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

14. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

15. State Law Governs. THE VALIDITY, INTERPRETATION AND PERFORMANCE OF THIS BOND PURCHASE AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

16. No Assignment. The rights and obligations created by this Bond Purchase Agreement shall not be subject to assignment by the Underwriter or the District without the prior written consent of the other parties hereto.

**PIPER SANDLER & CO.**

By: \_\_\_\_\_  
Managing Director

The foregoing is hereby agreed to and accepted as of the date first above written:

**PALMDALE WATER DISTRICT**

By: \_\_\_\_\_  
Authorized Representative

**[EXECUTION PAGE OF BOND PURCHASE AGREEMENT – PALMDALE WATER  
DISTRICT 2020 WATER REVENUE REFUNDING BONDS (FEDERALLY TAXABLE)]**

**EXHIBIT A**

**MATURITY SCHEDULE**

\$\_\_\_\_\_

**PALMDALE WATER DISTRICT**

**2020 WATER REVENUE REFUNDING BONDS (FEDERALLY TAXABLE)**

**MATURITY SCHEDULE**

Maturity (October 1)	Principal Amount	Interest Rate	Yield	Price
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				

<sup>(T)</sup> Term Bond.

<sup>(C)</sup> Priced to optional call at [par] on October 1, 20\_\_.



**EXHIBIT B**

\$ \_\_\_\_\_ \*

**PALMDALE WATER DISTRICT  
2020 WATER REVENUE REFUNDING BONDS (FEDERALLY TAXABLE)**

**RULE 15c2-12 CERTIFICATE**

The undersigned hereby certifies and represents to Piper Sandler & Co. (the “Underwriter”), that the undersigned is a duly appointed and acting officer of the Palmdale Water District (the “District”) authorized to execute this Certificate, and further hereby certifies and confirms on behalf of the District to the Underwriter as follows:

(1) This Certificate is delivered to enable the Underwriter to comply with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934 (the “Rule”) in connection with the offering and sale of the District’s 2020 Water Revenue Refunding Bonds (Federally Taxable) (the “Bonds”).

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement, dated \_\_\_\_\_, 2020, setting forth information concerning the Bonds, the District’s water system and the District, as issuer of the Bonds (the “Preliminary Official Statement”).

(3) As used herein, “Permitted Omissions” shall mean the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters and the identity of the underwriter(s), all with respect to the Bonds.

(4) The Preliminary Official Statement is, except for the Permitted Omissions, deemed final within the meaning of the Rule and has been, and the information therein is accurate and complete in all material respects except for the Permitted Omissions.

IN WITNESS WHEREOF, I have hereunto set my hand as of the \_\_\_th day of \_\_\_\_\_, 2020.

**PALMDALE WATER DISTRICT**

By \_\_\_\_\_  
Authorized Representative

\* Preliminary, subject to change.

# Palmdale Water District, CA Rating Outlook Revised To Positive From Stable On Very Strong Liquidity, Financial Strength

October 6, 2020

CENTENNIAL (S&P Global Ratings) Oct. 6, 2020--S&P Global Ratings revised its outlook to positive from stable and affirmed its 'A-' long-term rating on Palmdale Water District, Calif.'s bonds outstanding. At the same time, S&P Global Ratings assigned its 'A-' rating to the district's \$20 million series 2020 water revenue refunding bonds.

"The outlook revision reflects a one-in-three chance that we could raise the rating given the district's very strong liquidity position compared with that of peers and its prerecession financial strength, both of which are representative of a higher rating," said S&P Global Ratings credit analyst Alexandra Rozgonyi. The positive outlook further reflects management's actions to undergo formal rate analysis with an outside consultant every five years and adoption of multi-year rate increases. Should this financial strength continue after the economic recovery, we could raise the rating. S&P Global Economics projects credit conditions may not fully return to prepandemic levels until 2021.

The rating reflects our opinion of the district's strong enterprise and financial risk profiles. This district (population: 116,000) is located north of Los Angeles and serves approximately 26,782 active connections, which are primarily residential. The adverse economic conditions during the 2008-2009 recession had a negative impact on the district; however, since then, economic conditions in the Antelope Valley have stabilized, and over the years, the local economy has diversified from a historically agricultural base. In our opinion, management's application of formalized financial practices, policies, and annual rate adoptions have resulted in a stronger financial performance, putting the district in a better position now to deal with the financial and economic effects related to the COVID-19 pandemic.

In our opinion, management is mitigating environmental risks through long-term strategic planning focused on water supply diversification, reliability, and environmental compliance. However, there is heightened environmental risk given the district's close proximity to wildfires, specifically the Bobcat Wildfire. As of Sept. 27, this wildfire has been contained. We understand about 52% of the Littlerock Reservoir watershed was affected, and management expects a higher level of total organic carbon in the district's reservoir water supply. Management expects additional treatment and blending to ensure safe water quality to customers. Additionally, we view the diversification of water supply given the planned Regional Groundwater Recharge and Recovery project as favorable, given State Water Project allocations vary from year to year depending on hydrology. Governance is in line with peers, represented by the annual review of capital needs and long-range planning for water supply reliability. We believe social risks could become elevated because of the health and safety issues related to the pandemic, including social

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distancing requirements and their impact on employment and the business environment. In addition, there could be pressure on the affordability of system rates given the city's high unemployment of 20% compared with the nation's 8.5% and its 14.9% county poverty rate.

We could raise the rating if the district maintains sound financial metrics during and after the economic recovery. S&P Global Economics projects credit conditions may not fully return to prepandemic levels until 2021.

We could revise the outlook to stable if the district's financial performance does not meet expectations, resulting in weaker all-in coverage and liquidity.

#### RELATED RESEARCH

Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020

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## Summary:

### Palmdale Water District, California; Water/Sewer

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## Summary:

# Palmdale Water District, California; Water/Sewer

### Credit Profile

US\$20.435 mil wtr rev rfdg bnds (federally taxable) ser 2020 due 10/01/2034

*Long Term Rating*

A-/Positive

New

Palmdale Wtr Dist wtr rev rfdg bnds ser 2016 due 10/01/2043

*Long Term Rating*

A-/Positive

Outlook Revised

Palmdale Wtr Dist wtr (AGM)

*Unenhanced Rating*

A-(SPUR)/Positive

Outlook Revised

Palmdale Wtr Dist wtr (BAM)

*Unenhanced Rating*

A-(SPUR)/Positive

Outlook Revised

Many issues are enhanced by bond insurance.

## Rating Action

S&P Global Ratings revised its outlook to positive from stable and affirmed its 'A-' long-term rating on Palmdale Water District, Calif.'s bonds outstanding. At the same time, S&P Global Ratings assigned its 'A-' rating to the district's series 2020 water revenue refunding bonds.

The outlook revision reflects a one-in-three chance that we could raise the rating given the district's very strong liquidity position compared with that of peers and its prerecession financial strength, both of which are representative of a higher rating. The positive outlook further reflects management's actions to undergo formal rate analysis with an outside consultant every five years and adoption of multi-year rate increases. Should this financial strength continue after the economic recovery, we could raise the rating. S&P Global Economics projects credit conditions may not fully return to prepandemic levels until 2021.

The series 2020 water revenue refunding bonds will have a par amount of approximately \$20 million and will be used to refund the series 2013A bonds. As of Dec. 31, 2019, the district had approximately \$62.5 million of outstanding obligations.

We view bond provisions as credit neutral. The 2020 bonds are payable from net revenues of the water system. Pledged revenues include all water revenues including funds from the rate stabilization fund and ad valorem taxes and assessments based on the county's 1% base property tax levy. The district is an original State Water Project (SWP) contractor, and pledged water revenues exclude property tax receipts levied to pay SWP costs. These costs are also excluded from expenses in the net revenue calculation. We understand that the district plans to fund this with a surety policy. A rate covenant requires the district to generate debt service coverage of at least 1.10x, although withdrawals from a rate stabilization fund can be included in net revenues. The district can issue additional parity debt if projected net revenues provide at least 1.10x debt service coverage on existing and proposed debt. The series 2020 bonds will also have a debt service reserve funded at the lowest of maximum annual debt service, 10% of principal, or 125% of

average annual debt service, expected to be met with surety and not cross-collateralized with any outstanding district debt.

### **Credit overview**

The rating reflects our opinion of the district's strong enterprise and financial risk profiles. This district (population: 116,000) is located north of Los Angeles and serves approximately 26,782 active connections, which are primarily residential. The adverse economic conditions during the 2008-2009 recession had a negative impact on the district; however, since then, economic conditions in the Antelope Valley have stabilized, and over the years, the local economy has diversified from a historically agricultural base. In our opinion, management's application of formalized financial practices, policies, and annual rate adoptions have resulted in a stronger financial performance, putting the district in a better position now to deal with the financial and economic effects related to the COVID-19 pandemic.

As of fiscal 2019, the district had \$12.7 million of total unrestricted liquidity, equivalent to 200 days of operating expenses, which we believe is sufficient to deal with any short-term disruptions related to the COVID-19 pandemic. The district still has a moratorium on shutoffs, following the state order. Most recently, delinquency was about 2.2%, up from 0.4% in 2019. Management indicated that revenues from the district's top 10 customers were 2% higher in 2020 than in 2019. In addition, total water sales are above budget for fiscal 2020. However, the unemployment rate rose to 20% in July 2020, which could weaken the underlying economic base. We continue to monitor events related to COVID-19, though we do not currently expect it to affect the district's ability to maintain budgetary balance and pay debt service costs. For more information, see our article "COVID-19's Potential Effects In U.S. Public Finance Vary By Sector" (published March 5, 2020, on RatingsDirect).

The enterprise risk profile reflects our view of the system's:

- Service area with good income indicators and access to the larger Los Angeles-Long Beach-Anaheim metropolitan statistical area economy;
- Affordable rates based on the average residential bill, however they may be less affordable to a portion of the customer base given the 14.9% county poverty rate; and
- Good Operational Management Assessment (OMA), represented by management's efforts to diversify water supply due to a history of severe drought conditions and good rate-setting practices.

The financial risk profile reflects our view of the system's:

- Improved all-in coverage to a good level given the recent 8% rate increases, which are approved through 2024, and which we expect will generate at least good all-in coverage at above 1.3x;
- Consistently very strong liquidity that management plans to build up, however the district intends to use a portion of liquidity to fund capital needs, but we expect cash to stay in line with a score of very strong during the outlook period;
- Moderate capital improvement program based the size of the utility funded with a mix of cash and debt; and
- Good Financial Management Assessment (FMA), represented by long-term financial and capital planning.

## **Environmental, social, and governance factors**

In our opinion, management is mitigating environmental risks through long-term strategic planning focused on water supply diversification, reliability, and environmental compliance. However, there is heightened environmental risk given the district's close proximity to wildfires, specifically the Bobcat Wildfire. As of Sept. 27, this wildfire has been contained. We understand about 52% of the Littlerock Reservoir watershed was affected, and management expects a higher level of total organic carbon in the district's reservoir water supply. Management expects additional treatment and blending to ensure safe water quality to customers. Additionally, we view the diversification of water supply given the planned Regional Groundwater Recharge and Recovery project as favorable, given SWP allocations vary from year to year depending on hydrology. Governance is in line with peers, represented by the annual review of capital needs and long-range planning for water supply reliability. We believe social risks could become elevated because of the health and safety issues related to the pandemic, including social distancing requirements and their impact on employment and the business environment. In addition, there could be pressure on the affordability of system rates given the city's high unemployment of 20% compared with the nation's 8.5% and its 14.9% county poverty rate.

## **Positive Outlook**

### **Upside scenario**

We could raise the rating if the district maintains sound financial metrics during and after the economic recovery. S&P Global Economics projects credit conditions may not fully return to prepandemic levels until 2021.

### **Return to stable scenario**

We could revise the outlook to stable if the district's financial performance does not meet expectations, resulting in weaker all-in coverage and liquidity.

## **Credit Opinion**

### **Enterprise risk**

The district provides potable water services to about 26,782 active connections located within a large portion of Palmdale and in surrounding unincorporated Los Angeles County. Palmdale is located about 62 miles by highway from downtown Los Angeles. The area grew rapidly during the 1980s, early 1990s, and much of the 2000s. Residential growth stalled during the Great Recession, but the housing market has stabilized since that time. Palmdale was originally a farming community but has evolved into a diverse economy, with employers including Edwards Air Force Base, Northrop Grumman, the County of Los Angeles, and Lockheed Martin; residents also have access to the Los Angeles metropolitan area. The city of Palmdale's median household effective buying income (MHHEBI) in 2019 was good, in our view, at 94% of the national median.

The customer base is primarily residential and diverse, and annual customer growth is modest. The customer base is extremely diverse, in our view, with the top 10 customers accounting for 10% of system revenues in fiscal 2019. The leading customer, the city of Palmdale, represented 3.6% of revenues for 2019. As a result of the COVID-19 pandemic, unemployment rose to 20% in July 2020 from the annual average of 6.1% in 2019. This July 2020 rate is higher than both the state and national averages of 11.6% and 8.5%, respectively, for the same month.



The district has autonomous rate-setting ability and increases rates as needed to meet its requirements and capital needs. Customers pay a flat monthly rate plus a tiered variable rate based on individual water budgets, with the most recent rate increases of approximately 8% approved annually for 2020 through 2024. Approximately 60% of the district's rate revenue comes from fixed charges, which we believe provide more stability of future revenues during changes in hydraulic conditions. This does not include a drought surcharge that is built into the current rate structure but is levied during drought conditions. The district indicated the average residential bill for 2019 was roughly \$58.63, based on the typical usage of 17 hundred cubic feet. The average residential monthly water bill is about 1.42% of MHHEBI, which we consider affordable; however, we understand these rates may be less affordable to a portion of the customer base, given the 14.9% county poverty rate. Management has a history of performing five-year rate studies and completed the Prop. 218 processes in 2009, 2014, and 2019. In the past, rate increases received pushback from the public and ended up in court; these matters have been resolved, and the relationship has improved, according to the district. In its recent Prop. 218 rate process in 2019, the district indicated it received minimal feedback.

Based on our OMA, we view the district as a '3' on a six-point scale with '1' being the strongest. An assessment of good, in our view, represents management's plans to diversify water supply to ensure reliability during drought conditions and changes in SWP annual allocations. The SWP allocation was 20% for 2020, 75% for 2019, and 35% for 2018. In a typical year, most of the district's water supply comes from surface water (65%) primarily from the SWP, with the remaining portion (35%) coming from groundwater. However, in 2019, the water supply was made up of 22% groundwater and 78% surface water. The groundwater supply has been decreasing because of an adjudication settlement in 2015, which calls for groundwater use ramping down. As a result of the judgment, the district has reduced its groundwater production to 2,769.63 acre-feet (AF) per year from the safe yield. The district's future water supply through 2040 consists of return flow credits under the Antelope Valley adjudication of about 5,000 AF, Surface Water from Littlerock Reservoir of 4,000 AF, SWP water supply at 13,000 AF (assuming 62% SWP allocation), imported SWP water through the district's Butte Transfer Agreement at 6,100 AF, and recycled water at 2,500 AF. In our opinion, the district's plans to diversify water supply through the recycled groundwater recharge and recovery project will create sufficient supply to meet future demand. Total available water supply in 2021 is projected at 34,740 AF, compared with the projected demand in 2021 of 16,318.

The district's Leslie O. Carter Water Treatment Plant is operating at 50% of capacity compared to average daily demand during the peak summer months. The last upgrade to the treatment plant was in 2009. The district maintains a water conservation program, policies, and additional customer resources on its website.

### **Financial risk**

In our opinion, the district's all-in coverage is what we consider strong, averaging 1.38x during the past four fiscal years. All-in coverage is our internally adjusted debt service coverage metric that we believe best tracks the use of every dollar of utility operating revenues, regardless of lien position, accounting treatment, or ultimate purpose. The district receives about 8% of nonoperating revenues from property taxes--a portion of the county's 1% base property tax, which are a security of the bonds. The property tax levied to cover SWP fixed costs is not included in our calculation of all-in coverage and is not a security to the bonds. Operating expenses excludes depreciation, noncash-related other postemployment benefits (OPEB) expenses, SWP fixed costs that are secured by property tax revenues, and overhead absorption, which represent capital costs. During the past three fiscal years, all-in coverage

was approximately 1.31x (2019), 1.30x (2018), and 1.54x (2017). Management attributes the lower all-in coverage in fiscal 2018 to higher operating expenses related to water treatment in that year.

Based on our analysis of management-provided projections, we expect all-in coverage to remain sound during the outlook time frame. Those projections assume the adoption of the 8% annual preapproved rate increases through 2024 and 0.1% annual single-family residential customer growth-- O&M expenses are expected to increase by 5.8% during the test year (calendar year 2020) and 3.1% to 3.2% annually thereafter (calendar years 2021-2024). Based on our analysis of management projections, we expect all-in coverage at above 1.3x, a figure we consider good. All-in coverage is projected to decline in fiscal 2022, related to a rise in debt service associated with the approximately \$20 million of bond proceeds to fund the capital improvement plan. After 2022, metrics are expected to rebound to above 1.5x.

The district's liquidity position is very strong, in our view. Unrestricted cash and investments totaled \$12 million as of Dec. 31, 2019, representing about 200 days' of operating expenses on hand. Management's goal is to increase available liquidity to \$16 million by fiscal 2023. However, this depends on the district's annual capital spending. Despite capital spending, we expect cash to stay within a range we consider very strong, between \$5 million and \$20 million (90-150 days of operating expenses).

In our opinion, the district's pro forma debt-to-capitalization ratio is manageable at approximately 40% including the planned 2021 bond issuance. The district's capital improvement plan is large during the next six years at \$73 million. The largest project is the Recharge Project at about \$43.9 million. The district plans to start the recharge project in 2023 and fund this project pursuing grants, State Revolving Fund loans, and other alternative funding. The remaining projects consist primarily of renewal and replacements of current infrastructure and will be funded from the planned \$20 million bond issuance, connection fees, rate revenue, and available reserves. Approximately 70% of the capital plan excluding the Recharge Project will be debt funded.

Based on our FMA, we view the district as a '3' on a six-point scale, with '1' being the strongest. A FMA of good represents that financial practices exist and are formalized and comprehensive in most but not all areas. The district updates its five-year financial projections annually as a part of the budget process. In addition, management updates the long-range capital plan on an annual basis with general assumptions for which projects will be cash funded versus debt funded. The district has a formal debt and investment policy and an informal liquidity policy of meeting operating expenses and planned and unplanned capital improvement projects. Management also produces annual audited financial statement that complies with the Generally Accepted Accounting Principles.

## **Related Research**

Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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A hydraulic analysis was performed using the current distribution system demands while utilizing the 2016 Water System Master Plan future demand projections into 2030 including demands from the inter-tie with AVEK and the future Quail Valley development. It was determined that the existing 2950 booster pumps at the 3M site were not sufficient and will need to be upgraded to provide the necessary supply to the 2950 pressure zone with the 6M booster station out of service while the work on the reservoir is completed.

BOARD OF DIRECTORS  
PALMDALE WATER DISTRICT

VIA: Mr. Adam Ly, Assistant General Manager  
Mr. Dennis D. LaMoreaux, General Manager

October 6, 2020

Based off the analysis, Engineering designed the proposed 3M Booster Station to provide an estimated supply capacity of 12,000 GPM utilizing a combination of six proposed new booster pumps to support the 2950 pressure zones while the 6 MG reservoir undergoes maintenance. The proposed design includes a new booster station building, piping realignments, electrical, and an overall more efficient and reliable booster pump station for the distribution system. P2S will provide the electrical engineering for the booster station.

Engineering requested proposals from three firms – P2S, Carollo, and A-C Electric Company. Staff received two proposals for the electrical engineering design, bid, and construction phase services. Based on cost, experience, qualifications, availability, and design approach, P2S Engineering, Inc was selected. The electrical engineering design work is anticipated to take 3-4 months to complete, after which bids for the project will be advertised. The 3M Booster Station Upgrade design is planned to be fully completed by January 2021.

**Strategic Plan Initiative/Mission Statement:**

This item is under Strategic Initiative No. 3 – Systems Efficiency.

This item directly relates to the District's Mission Statement.

**Budget:**

This item is budgeted and will be covered as part of Work Order No. 20-610 funded with proceeds from the 2018 bond issue.

**Supporting Documents:**

- P2S Engineering, Inc. Proposal

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October 6, 2020

**Palmdale Water  
District**

Scott Rogers, PE  
Engineering Manager  
2029 East Avenue Q  
Palmdale, CA. 93550

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**SUBJECT: Revised Proposal for Mechanical and Electrical Engineering Services  
for the Design of the 3M Booster Station for Palmdale Water District**

Dear Scott,

Thank you for considering P2S Engineering, Inc. for the referenced project. We are pleased to provide you our fee proposal for mechanical and electrical engineering and design of the 3M Booster Station.

**STATEMENT OF UNDERSTANDING**

We understand that Palmdale Water District (PWD) is upgrading the 3M tank and booster site and has asked P2S to provide a proposal for engineering services for the design of the new booster station located at 850 Avenue S, in Palmdale, CA.

P2S will prepare the mechanical and electrical plans for the booster station and coordinate with the project team selected by PWD. This proposal defines our scope of work, assumptions and exclusions, schedule, and fees, and is based on the booster station architectural plans we received from you via email on August 27<sup>th</sup> and subsequent conversations we have had with you on the subject project.

**ELECTRICAL SCOPE OF WORK**

P2S will provide the following;

- Electrical design including incoming power from utility transformer
- Electrical lighting and power plans for the booster station site
- Electrical lighting and power plans for the booster station building
- Electrical plans for booster pumps and electric motors with VFD drives
- Electrical plans for the emergency diesel generator with automatic transfer switch
- Instrumentation and control conduit and conductor plans for the booster station building based on direction from PWD instrumentation staff
- PLC input and output card schematic diagrams based on direction from PWD
- SCADA cabinet elevations and component bill of material based on direction from PWD
- ROM cost estimates using RS Means.
- Bid Phase Support Services. P2S will provide the following services: answering pre-bid RFI's and issuing addenda to the electrical drawings to clarify the design intent. Redesign of the electrical plans due to a change in project scope or budget is not included.

- Construction Phase Support Service. P2S will provide the following services: answering construction RFI's, review of contractors' submittals, one punch walk site visit at substantial completion, and review of as-built drawings prepared by contractor.

## **MECHANICAL SCOPE OF WORK**

P2S will provide the following;

- Mechanical design of the HVAC system for the booster station consisting of the following:
  - Design of powered exhaust fan ventilation for the booster pump room, including intake louvers with sand and dust infiltration mitigation features
  - Design of mechanical cooling for the electrical room. It is assumed that the electrical room is normally unoccupied and mechanical cooling will be designed to maintain the room temperature for proper operation of electrical power and control equipment
- ROM cost estimates using RS Means.
- Bid Phase Support Services. P2S will provide the following services: answering pre-bid RFI's and issuing addenda to the mechanical drawings to clarify the design intent. Redesign of the mechanical plans due to a change in project scope or budget is not included.

P2S will provide plans in electronic format and assumes that there will be three (3) plan review submittals: 50% Design, 90% Design, and Final Bid Documents. For each plan review, P2S will respond to plan review comments and make appropriate revisions to the plans. All drawings will be prepared utilizing AutoCAD software and conform to PWD requirements.

P2S will utilize PWD technical specifications and supplement as required. A final mechanical and electrical ROM cost estimate will be prepared and submitted.

## **ASSUMPTIONS AND EXCLUSIONS**

The following services are not included in the above scope of work. If any of these services are requested, a separate scope of work can be prepared.

- Off-site telemetry and SCADA system design; electrical plans for landscaping and irrigation.
- HVAC design for occupied spaces
- Tasks or services not specifically identified; additional work required due to PWD changes.

## **SCHEDULE**

P2S will adhere to a schedule mutually agreed upon by P2S and PWD.

## **FEE**

We propose to undertake the project defined in this proposal for a fixed fee of **SIXTY-TWO THOUSAND EIGHT HUNDRED FIFTEEN DOLLARS (\$62,815)**. Fees will be billed monthly until project completion. Our breakdown of fees will be as follows:

**Engineering Services Proposal to:**  
 Scott Rogers, PE, Palmdale Water District  
 October 6, 2020

		Senior Engineer (EN5)			Design Engineer (DE2)		
		hours	rate	extension	hours	rate	extension
50% Electrical Design Documents	\$14,100	33.44*	\$260	\$8,693.95	34.65*	\$156	\$5,406.05
50% Mechanical Design Documents	\$7,200	18.50*	\$260	\$4,809.16	15.33*	\$156	\$2,390.84
90% Electrical Design Documents	\$10,200	24.28*	\$260	\$6,312.70	24.92*	\$156	\$3,887.30
90% Mechanical Design Documents	\$4,500	10.15*	\$260	\$2,637.93	11.94*	\$156	\$1,862.07
Final Electrical Bid Documents	\$7,125	15.76*	\$260	\$4,098.45	19.40*	\$156	\$3,026.55
Final Mechanical Bid Documents	\$3,400	7.96*	\$260	\$2,069.57	8.53*	\$156	\$1,330.43
Bid Phase Support Services, Electrical	\$3,140	12.08*	\$260	\$3,140.00	0.00*	\$156	0.00
Bid Phase Support Services, Mechanical	\$1,500	5.77*	\$260	\$1,500.00	0.00*	\$156	0.00
Construction Phase Support Services, Elec	\$7,850	30.19*	\$260	\$7,850.00	0.00*	\$156	0.00
Construction Phase Support Services, Mech	\$3,800	14.62*	\$260	\$3,800.00	0.00*	\$156	0.00
Electrical subtotal	\$42,415	115.75*	\$260	\$30,095.10	78.97*	\$156	\$12,319.90
Mechanical subtotal	\$20,400	56.99*	\$260	\$14,816.66	35.79*	\$156	\$5,583.34
Total	<b>\$62,815</b>			<b>\$44,911.76</b>			<b>\$17,903.24</b>

\*slight rounding errors are present in these numbers

We look forward to working with you on completing this project successfully. Should you have any questions or need clarifications, please contact us.

Sincerely,

*Marco Cabibbo*

**Marco Cabibbo, P.E.**  
 Senior Electrical Engineer and Project Manager

P20-2180REV3 LTR 201006 SR  
 MC/st

The above is understood and accepted and shall serve as a Letter of Contract.

\_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Print Name**

\_\_\_\_\_  
**Title**



## P2S, Inc. TERMS & CONDITIONS OF AGREEMENT

1. Engineer will provide Client with monthly invoices accurately reflecting as appropriate the progress of the services and/or current expenditures of professional time and reimbursable expenses. Each invoice shall be due and payable upon receipt, and delinquent 60 days after its date. In the event of delinquency, interest shall accrue from the invoice date at 1.5% per month, compounded monthly, or the highest rate permitted by California law, whichever is lower, with payments applied first to accrued interest. No deductions shall be made from Engineer's compensation on account of problems or losses for which Engineer has not been held legally liable. Engineer's fee shall be equitably adjusted in the event of significant changes to the Project's scope or schedule, or should Client expressly request expedited performance.
2. The reimbursable expenses for which Client shall be responsible at a multiple of 1.15 include without limitation all costs reasonably incurred for document reproduction, deliveries, travel, long distance telephone and facsimile charges, and any fees or costs advanced as a Client accommodation.
3. Towards the mutual goal of a successful project, Client shall make reasonable efforts to cooperate with Engineer including without limitation: (i) designating a single representative with appropriate authority with whom Engineer can deal, and directing all communications to Engineer's project manager; (ii) providing timely information regarding Project requirements and conditions; (iii) responding to Engineer's questions and requests for information and approval within a reasonable time; (iv) promptly evaluating Engineer's invoices and providing fair notice of any questions or dissatisfaction, and waiving the right to challenge the accuracy and appropriateness of any invoice for which no such notice has been provided within 30 days of receipt of the invoice; (v) refraining from authorizing or allowing recorded or unrecorded deviations from Engineer's instruments of service or the use of Engineer's unfinalized instruments of service without Engineer's knowledge and consent; and (vi) providing appropriate arrangements for coordination of the Project's various design consultants, for construction quality control and for Project risk management.
4. Engineer's services will be performed in a timely manner consistent with good professional practice and the desire that the Project proceed as expeditiously as practical, and Engineer will use its best efforts to meet any reasonable Project schedule. Further, these services will be performed in accordance with generally and currently accepted engineering principles and practices as embodied in Engineer's standard procedures and protocols and without either express or implied warranties. In particular, and without limitation, Engineer will use its best professional judgment in interpreting and applying the requirements of all laws applicable to the Project such as building codes and accessibility standards, etc.; but compliance with these laws as they may be eventually interpreted by others cannot be guaranteed. In no event will Engineer guarantee cost estimates or Project schedules, or any prognostications as to future events including without limitation the discretionary decisions of governmental officials; and when used in conjunction with the providing of services pursuant to this Agreement, such terms as "certify," "warrant," "verify," "confirm," "make certain," "insure," "ensure," "assure," or the like do not constitute a guarantee, but rather a representation based on professional opinion or judgment.
5. Unless expressly agreed otherwise in writing: (i) Engineer's investigation of existing conditions will be limited to visually reviewing the reasonably accessible portions of the existing facility to ascertain in general the accuracy of the Project's "as built" documentation, and will not involve detailed surveys, destructive inspections or equipment or material testing; (ii) Engineer's statements of probable construction costs will be based solely on Engineer's informed judgment and prepared without the benefit of a professional cost estimator; (iii) Engineer's instruments of service will be prepared in its standard format and level of quality and detail; (iv) Engineer's submittal reviews will be pursuant to the industry-standard protocol set forth in AIA Document A201-1997; (v) Engineer will provide site observations for only the limited purpose of reviewing the construction for the extent of contractor progress and addressing any specific issues which may be brought to Engineer's attention by field personnel or others; and (vi) any "record documents" prepared by Engineer will reflect only any formal changes to the Construction Documents and the information provided to Engineer by way of a marked up set of those documents.
6. Design/build designs shall be reviewed by Engineer only for conformance with the Project's major space limitations; and other than possibly providing performance specifications, Engineer will have no other responsibility concerning such systems. In this regard Owner shall require each design/build contractor to be responsible for (1) preparing all the engineering and other drawings and specifications for the components of its design/build undertaking; (2) complying with the Project's requirements and space limitations; (3) coordinating and interfacing with other trades and consultants; (4) obtaining any required or appropriate approvals from authorities having jurisdiction of other Project; and (5) serving as the Professional of Record for its portion of work, responsible directly to Owner.
7. At Client's express request, Engineer will provide at its then current standard hourly fee rates the following additional services: (i) additional construction observation services; (ii) revisions to instruments of service previously prepared by Engineer where such revisions are inconsistent with prior Client approval or due to substantial changes in Client's instructions, necessitated by amendments to or changes in the interpretation of the laws and regulations applicable to the Project, the result of conditions of which Engineer had not been timely informed, or other matters beyond Engineer's reasonable control; (iii)

- evaluating and responding to contractor proposals, substitution submittals, change order requests or the like; (iv) services necessitated by inadequate or improper co-consultant or contractor performance, unreasonable contractor requests and claims and/or construction accidents or losses; and (v) such other services as the parties may mutually agree.
8. Engineer will undertake professional responsibility for only the engineering services expressly undertaken pursuant to this Agreement, and not otherwise. Engineer will not be legally liable for the providing of or the failure to provide environmental, acoustical, structural or other such engineering services, even if information from others is incorporated into Engineer's instruments of service for ease of reference or otherwise. Further, and without limitation, Engineer will not be responsible for delays or other matters beyond its reasonable control; for inaccurate information provided to it by Client or other reasonably reliable sources; for site conditions of which it was not informed; for hazardous materials or toxic substances at the Project site; for the specification of products or equipment for purposes consistent with the manufacturer's published literature; for construction means, methods, techniques, sequences or procedures including without limitation investigation and demolition procedures and safety precautions and programs; for the timeliness or quality of contractor performance or for the failure of any contractor to perform work in accordance with the Project's construction documents; or for actions or inaction of others including utility companies, co-consultants and governmental or quasi governmental agencies.
9. In light of the limited ability of Engineer to affect the risks inherent in the Project, and of the disparity between Engineer's fee and the potential liability for problems or alleged problems with the Project, Client shall to the fullest extent allowed by law release and indemnify Engineer and its affiliated entities and individuals concerning any and all claims, liability, expenses and/or losses related to the Project to which they are subjected through no active negligence or willful misconduct on their part. Also and in any event, to the fullest extent allowed by law Client agrees to limit the total aggregate liability concerning the Project of Engineer and its affiliated entities and individuals as to Client and Client's affiliated individuals and entities, contractors and successors and assigns, to the amount of Engineer's fee received concerning the Project, and waives any right to impose any legal liability concerning the Project and/or this Agreement against Engineer's affiliated individuals.
10. In order to control the risks inherent in Engineer's professional undertaking pursuant to this Agreement, Engineer's basic services are intended to be performed fully and solely by or through Engineer. Unless this Agreement is terminated for Engineer's material breach, if Client prevents or frustrates Engineer's full performance of the basic services, or without Engineer's express consent causes or allows modifications to or deviations from the requirements or recommendations of Engineer's instruments of service or the use of unfinalized instruments of service for bidding or otherwise, then Client shall release and indemnify Engineer and its affiliated entities and individuals to the fullest extent allowed by law from and concerning any and all claims, costs, losses and/or liability concerning or related to the uncompleted services or the use of modified, deviated from or unfinalized instruments of service.
11. Engineer and Client shall strive to maintain a good working relationship throughout the duration of the Project; and because of the importance of a good working relationship, either party may terminate this Agreement by giving written notice to the other provided only that such notice is given in the good faith belief that the working relationship is unsatisfactory. Further, Engineer may suspend its performance under this Agreement, withhold or withdraw any instruments of service or licenses or terminate this Agreement with no liability for so doing at any time if Client allows an Engineer invoice to become delinquent.
12. Client shall become the owner of any and all deliverables provided by Engineer pursuant to this Agreement upon payment for the related services and Project completion. If Client uses or allows the use of some or all of these documents for a different project or for extensions of the Project without Engineer's participation, however, then Client shall release and indemnify Engineer and its affiliated entities and individuals to the fullest extent allowed by law concerning the consequences of such reuse.
13. This Agreement supersedes all negotiations and prior agreements concerning the Project and is intended as a complete and exclusive statement of the entire agreement between Client and Engineer concerning the Project. This Agreement is being entered into and will be performed in Los Angeles, California; and it shall be interpreted and enforced under and pursuant to the laws of the State California. No failure to exercise or delay in exercising any right under this Agreement shall be construed as a waiver, and no waiver of a breach of any term of this Agreement shall be construed as a waiver of a subsequent breach of the same or other terms. In the event of any dispute concerning this Agreement and/or the Project, each party shall bear its own attorney's fees. The Parties hereby mutually waive any claims for consequential damages which either might have against the other concerning this Agreement or its termination. In the event that this Agreement is for any reason terminated, then its risk allocation and indemnity provisions shall remain in full force and effect; and in the event that any such provisions shall be prohibited by law, then the subject provisions shall not be void, but rather shall be interpreted as operating only to the fullest extent allowed by law. Any and all actual or alleged causes of action concerning any services rendered pursuant to this Agreement, including without limitation those for indemnification, shall in all circumstances be deemed to have accrued for purposes of any statutes of limitation no later than the date of Engineer's last invoice concerning the Project. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective partners, joint ventures, principals, heirs, estates, personal representatives, successors and assigns; but except as expressly provided for herein, this Agreement is not intended to bestow any rights on any third parties.

**October 12, 2020**

## Board Meeting

**RE: AGENDA ITEM NO. 7.5 – CONSIDERATION AND POSSIBLE ACTION ON AUTHORIZING STAFF TO ENTER INTO A CONTRACT FOR WELL NO. 7A REHABILITATION FOR CONSTRUCTION INSPECTION AND OVERSIGHT SERVICES WITH KYLE GROUNDWATER, INC. (\$37,973.50 – BUDGETED – WORK ORDER NO. 20-601 – ENGINEERING/GRANT MANAGER ROGERS)**

Staff recommends that the Board authorize staff to enter into a contract with Kyle Groundwater, Inc. for construction inspection and oversight services related to Well No. 7A Rehabilitation project.

The Board's only alternative is to continue without construction inspection and oversight services.

The potential impact from taking no action would result in the lack of professional expertise inspection services for the Well No. 7A Rehabilitation project.

Well No. 7A was drilled and constructed to a depth of approximately 920 feet below ground surface (bgs) in 1985 using the reverse circulation rotary drilling method. The well blank casing consists of 16-inch diameter by 1/4-inch wall thickness mild steel extending from ground surface to 570 feet bgs and from 900 to 920 feet bgs. The well screen consists of mild steel wire-wrap with 0.050-inch openings extending from 570 to 900 feet bgs, differing slightly from as-built construction details observed during the downhole video survey conducted on May 4, 2020. The water level in the well was reported to occur at a depth of 485 feet bgs at time of construction (i.e., mid- to late-1985). The instantaneous production rate recorded at the time of construction was approximately 2,000 gallons per minute (gpm) with an associated specific capacity of approximately 37 gpm per foot.

BOARD OF DIRECTORS  
PALMDALE WATER DISTRICT

VIA: Mr. Adam Ly, Assistant General Manager  
Mr. Dennis D. LaMoreaux, General Manager

October 6, 2020

Currently, the well has severe corrosion on the screened section of the well. Therefore, Well No. 7A rehabilitation consists of injection of chemical dispersant, redevelopment prior to liner installation, bailing, installation of 12-inch liner, redeveloped by focused intake pumping, pump test, redevelopment by pumping and surging, bailing and removal of debris from bottom of well, aquifer testing, post rehabilitation survey, and disinfection.

Kyle Groundwater, Inc. was asked by staff to evaluate the well video and make a recommendation workplan for repair and redevelopment for the well. The project was bid and approved for award to LO Lynch Quality Wells and Pumps. Work is scheduled to start October 12, 2020.

Due to the amount of rehabilitation work to be completed and the technical expertise needed, staff requested a proposal from Kyle Groundwater, Inc. for construction inspection and oversight services. Kyle Groundwater, Inc. was selected based off their experience, availability, and their current work with PWD for the Well Rehabilitation Prioritization Program. Their inspection and oversight services will ensure a successful well rehabilitation project.

**Strategic Plan Initiative/Mission Statement:**

This item is under Strategic Initiative No. 3 – Systems Efficiency.

This item directly relates to the District's Mission Statement.

**Budget:**

This item is budgeted and will be covered as part of Work Order No. 20-601.

**Supporting Documents:**

- Kyle Groundwater, Inc. Proposal



October 2, 2020

Mr. Scott L. Rogers, PE  
Engineering Manager  
Palmdale Water District  
2029 East Avenue Q  
Palmdale, CA 93550

**Subject: Proposal for Professional Hydrogeological Support Services  
Repair, Redevelopment, and Testing Palmdale Water District Well No. 7A**

Dear Mr. Rogers:

KYLE Groundwater, Inc., (KGI) is pleased to present this proposal to Palmdale Water District (PWD) for professional hydrogeological services in support of repair, redevelopment, and testing of Well No. 7A, located at 39395 25th Street, in the City of Palmdale, California. Our detailed scope of work and cost proposal is provided on the following pages.

**SCOPE OF WORK**

**Task 1.0 – Technical Support Services**

KGI reviewed available data and information related to the reported structural casing failure at Well No. 7A, prepared a detailed assessment of the condition of the well, including recommendations regarding possible repair methods, and subsequently prepared detailed technical specifications, provided bid support, and assisted with bid review and Contractor selection.

**Task 2.0 – Construction Management & Inspection**

*Task 2.1 – Construction Coordination and Support*

Our project manager will be involved throughout all phases of construction, and will serve as the primary contact for PWD, the Contractor, and other affected agencies and utilities. During the construction phase, KGI will provide construction management support, including Contractor submittal review, response to RFIs and RFCs, change order review, project schedule review, Contractor progress payment request review for accuracy, and regular construction updates.

KYLE Groundwater, Inc.  
557 E. Pasadena Street, Suite 2  
Pomona, CA 91767  
(626) 379-7569

*Task 2.2 – Removal of Oil, Sediment, and Debris*

KGI personnel will provide part-time inspection during removal of turbine oil from the water surface (if present), and complete removal of sediment and debris from the bottom of the well.

*Task 2.3 – Alignment Verification*

KGI will witness lowering of a slug tool within the well to verify acceptable well alignment prior to installation of the well liner.

*Task 2.4 – Pre-Development and Chemical Treatment with Polymer Dispersant*

KGI personnel will provide full-time inspection during pre-development pumping and application of the dispersant polymer to verify that the type, volume, and concentrations of chemicals utilized are consistent with the specifications, that proper dispersal techniques are employed by the Contractor, and that proper chemical removal and disposal techniques are used (as necessary).

*Task 2.5 – Installation of Well Liner*

KGI personnel will provide full-time inspection during installation of the well liner, including gravel envelope and annular cement seal, to verify placement in accordance with the technical specifications. Installed volumes of the gravel envelope and cement seal will be checked to verify that there are no bridges and/or voids within the annular space between the original well casing and liner.

KGI personnel will inspect all construction materials as they are delivered to the site, including the blank and perforated well liner, gravel envelope, and sealing materials. Casing materials will be inspected to verify that dimensions and material types are in conformance with the specifications. The gravel envelope material will be sampled upon delivery and sieved to verify that the as-delivered gradation meets design parameters. Cement mixes will be compared to design and the time of mixing will be noted to ensure that an extended period has not taken place between mixing and delivery to the site. Cement samples will be collected during installation and submerged in water to simulate downhole conditions and verify that the cement has sufficiently set prior to proceeding with further work.

*Task 2.6 – Downhole Video Survey following Liner Installation*

KGI will provide full-time inspection and review of a dual-cam downhole video survey to verify that the liner is at the correct depth and that the upper section of the liner has been properly made flush with the original well casing.

*Task 2.7 – Initial Redevelopment by Focused Intake Pumping and Swabbing*

Well redevelopment is a critical phase of any well rehabilitation and redevelopment program. The goal is to remove as much residual material from the well as is considered practical, maximizing production rates and well efficiency, and minimizing production of entrained material (i.e., sand and silt). The first phase of well development is particularly critical and consists of focused intake pumping through a

double-surge block while simultaneously swabbing of the entire length of well screen in 30-foot increments. For each interval of screen, sand production will be measured immediately following swabbing, and as the discharge clears. Those intervals exhibiting significant sand production (i.e., greater than 1 ml/L) or high turbidity will be targeted for additional development.

KGI will provide part-time inspection services during redevelopment by focused intake pumping and swabbing throughout all perforated intervals of the well.

#### *Task 2.8 – Well Development by Pumping and Surging*

The second phase of well development consists of pumping and surging with a temporary test pump to be furnished by the Contractor. During the final development process, pumping will begin at low rates, with no surging, slowly building to the maximum specified pumping rate (typically 1.5x the anticipated design pumping rate). Gentle surging will then begin at lower rates, becoming increasingly aggressive as development progresses. Tests for sand production and specific capacity will be performed throughout the process to measure the progress of development. Once specific capacity approaches a maximum, sand production approaches a minimum, and well performance criteria are met, development is considered complete and the aquifer pumping test phase can begin.

The technical specifications call for 30 hours of final well development to properly develop a well of this depth. However, this can vary based on many factors, including the drilling fluid properties, formation characteristics, and well design. As such, KGI will review data collected during final development and provide real-time recommendations regarding the need for additional development. KGI will provide part-time inspection during final well development.

#### *Task 2.9 – Aquifer Pumping Tests*

KGI will provide full-time inspection during a step-drawdown pumping test, the purpose of which is to allow calculation of well efficiency and to determine the desired rate for the constant rate pumping test. It is assumed that the test will be 8 hours in duration and will consist of four (4) discrete pumping rates. KGI will provide part-time inspection during the 24-hour constant rate pumping test, the purpose of which is to determine the design pumping rate, allow calculation of short- and long- term pumping dynamics, and determine optimal pump intake settings. Water level recovery will be measured for a period of four (4) hours following cessation of pumping. During aquifer testing, static and pumping water levels, totalizer flowmeter readings, and sand production will be measured at specified intervals.

#### *Task 2.10 – Post-Rehabilitation Downhole Video Survey*

KGI will provide full-time inspection and review of a post-rehabilitation dual-cam downhole video survey to verify and document the condition of the well following well rehabilitation and redevelopment.

*Task 2.11 – Well Disinfection*

KGI will provide full-time inspection services during disinfection of the well to ensure that suitable chemicals, concentrations, and methods of mixing and emplacement are employed.

**Task 3.0 – Reporting**

*Task 3.1 – Analyze Aquifer Pumping Test Data*

Data collected from the aquifer pumping tests will be analyzed immediately following completion. KGI will use the results of the analysis to make recommendations regarding optimal operational parameters, including instantaneous pumping rate, short- and long-term drawdown characteristics, well efficiency, and recommended pump intake setting. Analysis, results, and recommendations will be presented to PWD in letter format with appropriate charts, figures, and data.

*Task 3.2 – Summary Report*

KGI will assemble all relevant construction records from the project and provide this information in a written summary report. The report will include a summary of the project, project timeline, daily field reports, methods used, pumping test plots, video survey DVDs, field data, results, and recommendations. An electronic draft summary report will be presented to PWD for review, and, upon incorporation of comments, an electronic copy of the final version will be submitted.

Thank you for considering our proposal and please do not hesitate to contact me at 626.379.7569 or russell.kyle@kylegroundwater.com should you have any questions or concerns. We welcome the opportunity to continue our mutually beneficial working relationship with Palmdale Water District.

Sincerely,



Russell John Kyle, PG, CHG  
President / Principal Hydrogeologist



**PALMDALE WATER DISTRICT**  
**Professional Hydrogeological Support Services**  
**Repair, Redevelopment, and Testing Well No. 7A**

		Principal Hydrogeologist	Project Hydrogeologist	Staff Hydrogeologist	Inspector	Clerical	Labor	Direct Costs	Total Cost
<i>Hourly Rate:</i>		\$165	\$135	\$125	\$105	\$75			
1.1	Well 7A Technical Support Services (Condition Assessment, Specifications, Bidding Assistance, and Contractor Selection)	37.5					\$ 6,187.50	\$ -	\$ 6,187.50
2.1	Construction Management during Well Rehabilitation and Redevelopment, Including Review of Contractor Submittals, Invoices, CORs, and RFIs	8	4				\$ 1,860.00	\$ -	\$ 1,860.00
2.2	Inspect Removal of Oil, Sediment, and Debris from Well	1			8		\$ 1,005.00	\$ 123.00	\$ 1,128.00
2.3	Inspect Slug Tool Verification	1			6		\$ 795.00	\$ 123.00	\$ 918.00
2.4	Inspect Pre-Development and Chemical Treatment with Polymer Dispersant	1			20		\$ 2,265.00	\$ 246.00	\$ 2,511.00
2.5	Inspect Installation of Well Liner, Gravel Envelope, and Annular Seal	2			40		\$ 4,530.00	\$ 491.00	\$ 5,021.00
2.6	Inspect and Review Post-Liner Downhole Video Survey	1			6		\$ 795.00	\$ 123.00	\$ 918.00
2.7	Inspect Redevelopment by Focused Intake Pumping and Swabbing	2			30		\$ 3,480.00	\$ 368.00	\$ 3,848.00
2.8	Inspect Redevelopment by Pumping and Surging	3			30		\$ 3,645.00	\$ 368.00	\$ 4,013.00
2.9	Inspect Aquifer Pumping Tests (step drawdown, constant rate drawdown, and recovery)	3			34		\$ 4,065.00	\$ 368.00	\$ 4,433.00
2.10	Inspect and Review Post-Rehabilitation Downhole Video Survey	1			6		\$ 795.00	\$ 123.00	\$ 918.00
2.11	Inspect Well Disinfection	1			8		\$ 1,005.00	\$ 123.00	\$ 1,128.00
3.1	Analyze Aquifer Pumping Test Data	4	4	8			\$ 2,200.00	\$ -	\$ 2,200.00
3.2	Prepare Summary Letter Report	4	8	8		2	\$ 2,890.00	\$ -	\$ 2,890.00
<b>TOTAL HOURS AND COST:</b>		<b>70</b>	<b>16</b>	<b>16</b>	<b>188</b>	<b>2</b>	<b>\$ 35,517.50</b>	<b>\$ 2,456.00</b>	<b>\$ 37,973.50</b>

**P A L M D A L E   W A T E R   D I S T R I C T**  
**B O A R D   M E M O R A N D U M**

**DATE:** October 6, 2020 **October 12, 2020**  
**TO:** BOARD OF DIRECTORS **Board Meeting**  
**FROM:** Mr. Dennis D. LaMoreaux, General Manager  
**RE:** ***AGENDA ITEM NO. 7.6 – CONSIDERATION AND POSSIBLE ACTION ON DISTRICT MEMBERSHIP IN THE CALIFORNIA FOUNDATION ON THE ENVIRONMENT AND THE ECONOMY (CFEE) TABLED FROM SEPTEMBER 28, 2020 REGULAR BOARD MEETING. (\$21,000 OR \$38,000 – NON-BUDGETED – GENERAL MANAGER LaMOREAUX/OUTREACH COMMITTEE)***

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**Recommendation:**

Staff recommends the Board approve District membership in the California Foundation on the Environment and the Economy (CFEE) in the not-to-exceed amount of \$21,000.00.

**Alternative Options:**

The Board can choose to not join CFEE.

**Impact of Taking No Action:**

There is no impact from no action.

**Background:**

Created in 1979, CFEE is an independent, nonprofit institution dedicated to educating public and private sector decision makers on the development of creative solutions to California's complex economic environmental and social issues with a focus on long-term, large-scale infrastructure issues confronting the state of California. CFEE encourages the development of common interests and workable policies rather than individualized conflict and develops and conducts public policy conferences as well as study travel projects abroad to educate California leadership on issues and to gain insights from the experience of other states and nations.

District membership in CFEE was considered by the Outreach Committee at their September 22, 2020 meeting with Committee Member Alvarado recommending membership and Chair Wilson requesting additional Board discussion.

**Strategic Plan Initiative/Mission Statement:**

This item is under Strategic Initiative No. 5 – Regional Leadership.  
This item directly relates to the District's Mission Statement.

**Budget:**

\$21,000.00 or \$38,000.00 depending on level of membership. This item is non-budgeted.

**Supporting Documents:**

- CFEE Membership Benefits
- CFEE Information Sheet
- CFEE Workshop
- CFEE Officers and Directors

## CFEE BOARD OF DIRECTORS – MEMBERSHIP BENEFITS

### **General Board Member – \$21,000 annual contribution**

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As a General Board Member of CFEE, you or your designee will enjoy the following privileges:

- You will be invited to participate on our steering committees that:
  - Choose public policy conference topics
  - Build the agenda
  - Design the program
  - Recommend a balanced group of participants and presenters
- You will be invited to each of our conferences which are hosted throughout the state of California. Conference benefits include:
  - A seat at the table with the opportunity to join the conversation with conference participants
  - Authority to invite one “observer” to attend our conference
  - Invitation to the conference reception and dinner for you and your observer
- You (but not your designee) will have Board voting privileges, including voting authorities for:
  - Electing new Board members and officers
  - Reviewing the financial audit
  - Approving the annual CFEE budget

### **Executive Travel Board Member – \$38,000 annual contribution**

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As an Executive Board Member of CFEE, you or your designee—in addition to benefitting from the privileges outlined above—will be extended an invitation to travel with your fellow CFEE Executive Board Members and our legislative delegation on the International Study Travel Projects. The study tours generally consist of the following components:

- Site visits and meetings on projects and policies relating to energy, water, transportation, technology and telecommunications, and housing
- Meetings with relevant elected and appointed officials of foreign nations
- Meetings with U.S. Ambassadors and related staff
- Meetings with business, environmental, labor and NGO leadership of foreign nations
- Cultural and historical activities relating to host nation

We conduct one or two study tours annually, lasting nine to twelve days, in the spring and/or fall. CFEE coordinates all meetings, site visits, travel and lodging arrangements from our US departure onward. Past international destinations include Australia, Germany, Chile, South Africa, Brazil, China, Italy, and New Zealand, among other countries.

*Please note: Although we make all the travel and lodging arrangements, you are charged separately for your airfare, lodging, ground transportation, and meals, the sum of which typically ranges from \$9,000 - \$12,000. This cost can be significantly reduced depending on the class of airfare booked.*

### **Board Member Time Commitment**

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There is one Board of Directors meeting per year typically scheduled for 2.5 hours, followed by our annual holiday lunch. It takes place in Sacramento in December.

Most Board Members choose to spend their time on developing and participating in our conference programs. Each conference has one in-person steering committee meeting for 2-3 hours in which you and your fellow board members are deciding the theme of the conference, building an agenda, recommending the participants, and determining the time and location. The conferences are two days with a dinner reception for attending Board Members and invited guests.

Other work, either preparing for the board meeting or the conferences, is done via phone and email. For a very limited amount of your time, you are able to participate in concentrated interactive sessions with policy makers, agency heads, and top leaders throughout the state from key business, labor, environmental organizations and local government.

### **About the California Foundation on the Environment and the Economy (CFEE)**

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CFEE is a 501(c)(3) nonprofit that conducts intensive public policy conferences, legislative briefings, multiparty workshops, and international study travel projects for California State legislators, regulatory commissioners, members of the Governor's Cabinet, labor, environmental, business, and local government leaders. The subject areas covered by CFEE are energy, water, transportation, technology and telecommunications, housing and other infrastructure and climate issues.

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## OUR MISSION

The California Foundation on the Environment and the Economy (CFEE) brings together leadership from the labor, environmental, local government, and business communities with elected and appointed officials to facilitate non-partisan, substantive, and productive dialogue that moves the needle on fundamental environmental and economic issues in California. We make California a better place to live and be successful.

## WHAT WE DO

In order to advance consensus among those on the frontier of decision making, CFEE:

- 1) Convenes two-day Roundtable Conferences focused on building relationships and educating participants on the core policy challenges of energy, housing, water, telecommunications and technology, and transportation.
- 2) Leads International Study Travel Projects to identify best practices, forge new relationships, exchange insights, and bring lessons back to California focused around CFEE's core policy areas.

## OUR IMPACT

Since 1979, CFEE has shaped California's policy landscape by facilitating collaborative and innovative dialogue on the most critical issues. Participating elected and appointed officials affirm that CFEE's Roundtable Conferences and International Study Travel Projects are successful in:

### ► PROVIDING HANDS-ON EDUCATION

One participant emphasized the power of "touching, feeling, and seeing" policy issues and solutions

### ► ENHANCING UNDERSTANDING OF POLICY

CFEE strengthens participants' understanding of California's critical issues, helping policymakers "develop a more holistic view"

### ► WITNESSING SOLUTIONS IN ACTION

Participants appreciate the opportunity to experience the outcomes of policies firsthand, "outside of the context of a meeting or hearing"

### ► SPURRING IDEAS FOR NEW POLICIES

CFEE helps participants "write better legislation" — many have introduced new legislation or regulations as a result

### ► FOSTERING NON-PARTISAN DIALOGUE

Participants emphasize the rarity of finding a policy forum where policymakers can participate in "open conversation"

### ► SPARKING BROAD AND NEW COLLABORATION

One participant remarked that CFEE consistently "gets the right people in the room"

### ► CREATING OPPORTUNITIES FOR NETWORKING

All participants describe CFEE as a unique opportunity for relationship-building and "developing deeper relationships with colleagues"



"I am a much better, more thoughtful, and more insightful legislator because of the experiences I've had with CFEE." — Senator Bob Wieckowski



"CFEE is a way to detach from the hustle and bustle and be able to focus on the subject matter, on colleagues, and on learning without the rollercoaster of the Capitol environment" — Senator Scott Wiener



"CFEE provides a deep dive on the critical policy issues facing California. By bringing together policymakers, experts, and stakeholders, CFEE helps policymakers to develop a more holistic view of policy, which helps to deliver positive results." — Senator Scott Wilk

"The programs that CFEE puts in place are of incredible value to legislators, to get out of the rat race of Sacramento to see real life experiences and real situations." — Assemblymember Heath Flora



"CFEE adds value by bringing different groups that normally aren't at the same table." — Assemblymember Laura Friedman



"CFEE is an amazing and balanced organization that has given me the opportunity to broaden and expand my knowledge base by visiting other countries and attending policy conferences." — Assemblymember Mike Gipson



"CFEE has provided the useful opportunity to learn with and work with other professionals working on the same policy issues. CFEE helps policymakers to learn more about policy examples in other countries." — Assemblymember Chris Holden



"Things I learned at CFEE events have informed how I voted on energy, water, and transportation legislation. I ran a climate change bill because of what I learned on a CFEE trip. I represent the Long Beach Port and things I learned at a CFEE event have helped me to write better legislation about the Port"

— Assemblymember Patrick O'Donnell



"CFEE is unique because it gives you an opportunity to hear from diverse perspectives without dogma...CFEE offers unique opportunities for elected officials." — Assemblymember Shirley Weber





The California Foundation on the Environment and the Economy's (CFEE) presents

## **“CFEE’s PPE Workshop”**

*Co-hosted by State Treasurer Fiona Ma and the California Medical Association*

**Friday, August 14<sup>th</sup>**

**9:30am – 1:00pm**

**Please RSVP through the Zoom link sent to you via email**

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As California grapples with swelling demand for medical and non-medical grade personal protective equipment (PPE), we must confront the current PPE supply chain that is providing for our state's needs. In spite of better treatments and a hoped for vaccine, COVID-19 looks to be with us for potentially years, and the need for masks, gloves, gowns, and other protective commodities will increase. And as more businesses and schools open up and society is forced to co-exist with COVID-19, has the time come to establish a sustainable *in-state* pipeline of PPE?

This workshop will bring together relevant players from across the PPE continuum – from end users to manufacturers, to distributors and purchasers – to dissect the current situation and consider better outcomes. Our presentations and discussions are designed to explore the following questions:

- What type of PPE are needed for our healthcare professionals along with our state's businesses, schools, and the general public? What is our projected demand for PPE in the months and years ahead, and who should be compiling that information?
- What is our confidence level relying on out-of-state and foreign markets to manufacture and ship top quality, consistent PPE in a timely manner?
- Should we establish a domestic manufacturing PPE market? How could it be done, and what market forces would need to be manipulated to produce success?



## AGENDA

9:30-9:45am

### Introductions, Goals, and Workshop Protocols

*Jay Hansen*, President & CEO, California Foundation on the Environment and the Economy

9:45-10:00am

### PPE 101: What is it, and who needs what levels of protection?

- Differing Levels of PPE
- Is COVID-19 Aerosolized? And what does that mean for PPE?

*Dr. Stuart Cohen*, Chief, Division of Infectious Diseases and Director of Hospital Epidemiology and Infection Control, UC Davis Health System (5-10 min)

*Speaker, World Health Organization* (5-10 min)

10:00-10:45am

### Session 1- Assessing Statewide Need

- Burn Rate and Usage
- Who Will Collect & Compile this Information?

*Carmela Coyle*, President & CEO, California Hospital Association (10 min)

*Dennis Meyers*, Assistant Executive Director, Governmental Relations, California School Board Association (10 min)

Roundtable Discussion and Q&A following remarks

10:45-10:50am

Break





10:50-11:35am

**Session 2 – Supply Lines & Procurement**

- How do Supply Chains Work & What's Needed?
- Who Makes It Today/Suppliers
  - Role of the State, County, Everybody Else
  - Failure rate of PPE in meeting standards?

*Raj Rajagopalan*, Professor of Data Sciences and Operations,  
USC Marshall School of Business (10 min)

*David Magnino*, Emergency Medical Services Administrator,  
County of Sacramento (10 min)

Roundtable Discussion and Q&A following remarks

11:35-11:40am

Break

11:40-12:30pm

**Session 3 – Manufacturing, What's Needed to Bring It Home?**

- Assessing & Solidifying the CA Market for PPE
  - Building Resiliency & Dependability

*Lance Hastings*, President, California Manufacturers &  
Technology Association (5 min)

*Jason McMillen*, Face Mask Manufacturing Project Manager,  
LICAP Technologies, Inc. (5 min)

*Dustin Corcoran*, CEO, California Medical Association (10 min)

Roundtable Discussion and Q&A following remarks

12:30-1:00pm

**Next Steps/Action Items**

- Facilitated Discussion: *Jay Hansen*, President & CEO, CFEE



## Participants

State Treasurer Fiona Ma

Senator Dr. Richard Pan, Chair, Senate Health Committee

Assemblymember Dr. Jim Wood, Chair, Assembly Health Committee

California Medical Association – Dustin Corcoran, CEO

State Building & Construction Trades Council – Robbie Hunter, President

UC Health – Angela Gilliard, Director of State Health Policy

– Dougie Graham, Chief Transformation Officer

UC Davis Health – Dr. David Lubarsky, CEO

Health Net – Carol Kim, VP of Community Investments & Gov't and Public Affairs

Kaiser Permanente – Angelica Gonzalez, Director of Government Relations

League of CA Cities – Carolyn Coleman, Executive Director

– Norman Coppinger, Deputy Exec. Dir., Finance & Operation

CA Manufacturers & Technology Association – Lance Hastings, President

– Gino DiCaro, Senior Vice President

\*CA Dental Association – Carrie Gordon, Chief Strategy Officer

CA Hospital Association – Carmela Coyle, President & CEO

CA School Board Association – Dennis Meyers, Assistant Executive Director

Service Employees Int'l Union State Council – Alma Hernandez, Executive Director

United Domestic Workers of America – Doug Moore, Executive Director

CA State Association of Counties – Farrah McTing, Legislative Rep., Health Policy

\*CA Restaurant Association – Jot Condie, President & CEO

USC Business School – Raj Rajagopalan, Professor of Data Sciences and Operations

County of Sacramento – David Magnino, Emergency Medical Services

Administrator

*\*Invited*

## CFEE OFFICERS AND DIRECTORS

### OFFICERS

[ROBERT BALGENORTH](#), Chairman

[MARCIE MILNER](#), Vice-Chairman

[TIMOTHY O'CONNOR](#), Vice-Chairman

[JAY HANSEN](#), President & CEO

[CURT AUGUSTINE](#), Secretary

[LAURA LEWIS](#), Treasurer

### DIRECTORS

- Aera Energy LLC: [SARA O'NEILL BOUTON](#), Vice President, Government and Regulatory Affairs
- Alliance for Automotive Innovation: [CURT AUGUSTINE](#), Director of Policy & Govt. Affairs
- American Forest & Paper Association: [TERRY WEBBER](#), Executive Director, Packaging
- Americas Styrenics: [JON TIMBERS](#), Director, Innovation & Sustainability
- AT&T California: [RHONDA JOHNSON](#), President
- Antelope Valley East Kern Water Agency: [ROBERT PARRIS](#), Director, Division 5
- Bay Area Council: [JIM WUNDERMAN](#), President & CEO
- Berry Corporation: [A.T. \(TREM\) SMITH](#), Chief Executive Officer
- Boilermakers Union: [J. THOMAS BACA](#), International VP of Western States
- California Alliance for Jobs: [MICHAEL QUIGLEY](#), Executive Director
- California American Water: [RICHARD SVINDLAND](#), President, California & Hawaii
- California Cable & Telecommunications Association: [CAROLYN MCINTYRE](#), President
- California Community Choice Association: [BETH VAUGHAN](#), Executive Director
- California Conference of Carpenters: [DANIEL M. CURTIN](#), Director
- California Construction Industry Labor Management Trust: [ROBERT L. BALGENORTH](#), Chairman
- California Council for Environmental and Economic Balance: [BILL QUINN](#), President & CEO
- California Independent System Operator: [STEPHEN BERBERICH](#), President & Chief Executive Officer
- California League of Conservation Voters: [MARY CREASMAN](#), Chief Executive Officer
- California Medical Association: [DUSTIN CORCORAN](#), CEO

- Calif.-Nev. Conf. of Operating Engineers: TIMOTHY T. CREMINS, Director of Education & Research
- California Plumbing & Mechanical Contractors Association: CHARLES MARTIN, Executive Director
- California Product Stewardship Council: [DOUG KOBOLD](#), Executive Director
- California Resources Group: [PAUL DEIRO](#), Vice President, Government Affairs
- California State Council of Laborers: JOSE MEJIA, Director
- California Water Service Group: [MARTIN KROPELNICKI](#), President & CEO
- Calpine Corporation: [KASSANDRA F. GOUGH](#), Vice-President, Government & Regulatory Affairs
- CFEE: [JAY HANSEN](#), President & CEO
- Chevron Corporation: [ERMELINDA RUIZ MORETTI](#), California Representative, Policy, Government & Public
- Clearway Energy: [RANDY HICKOK](#), Chief Operating Officer
- Comcast: [WALTER HUGHES](#), State Director, Government Affairs
- Constellation (an Exelon company): [MARY LYNCH](#), Director, Wholesale Market Development
- East Bay Community Energy: [NICK CHASET](#), Chief Executive Officer
- EDP Renewables: [SCOTT FARRIS](#), Senior Regulatory & Government Affairs Manager
- Edison International & Southern California Edison Company: [CAROLINE CHOI](#), Senior VP of Corporate Affairs
- Environmental Defense Fund: [TIMOTHY O'CONNOR](#), Senior Attorney / Director, California Climate Initiative
- Frontier Communications: CHARLIE BORN, Director, Government & External Affairs
- General Electric: [JC SANDBERG](#), Director and Executive Counsel, Global Gov. Affairs & Policy
- Golden State Water Company: [DENISE L. KRUGER](#), Senior Vice President, Regulated Utilities
- Haskell Point Advisors, LLC: DAN RICHARD, Principal
- Health Net, Inc.: [CAROL KIM](#), Vice President, Strategic Alliances & Business Development
- Independent Energy Producers Association: [JAN SMUTNY-JONES](#), Chief Executive Officer
- IBEW, Local Union 11: [ANTONIO SANCHEZ](#), Political Director
- IBEW, Local Union 47: PATRICK LAVIN, Business Manager/Financial Secretary
- IBEW, Local Union 1245: THOMAS M. DALZELL, Business Manager/Financial Secretary

- IBEW/NECA/LMCC: DAVID GOMEZ, Executive Director
- Kaiser Permanente: [JOHN GARCIA](#), Vice President, Government Relations
- Lancaster Choice Energy: [JASON CAUDLE](#), City Manager
- League of California Cities: [CAROLYN COLEMAN](#), Executive Director
- Los Angeles County Department of Public Works: [MARK PESTRELLA](#), Director
- Los Angeles Department of Water & Power: [MARTIN ADAMS](#), General Manager
- Marathon Petroleum: [NICOLE PARRA](#), Manager, Government & Public Affairs
- MCE Clean Energy: [DAWN WEISZ](#), Chief Executive Officer
- Metropolitan Water District of Southern California: [JEFFREY KIGHTLINGER](#), General Manager
- National Grid: [NATE SANDVIG](#), Director, US Business Development
- National Stewardship Action Council: [HEIDI SANBORN](#), Executive Director
- Natural Resources Defense Council: [ALEX JACKSON](#), Legal Director, California Climate Project
- The Nature Conservancy: [JAY ZIEGLER](#), Director of External Affairs Policy
- NextEra Energy Resources: CARA MARTINSON, Director West Government Affairs
- Nossaman LLP: [LORI ANNE DOLQUEIST](#), Partner
- NRG Energy: Rebecca Lee, Senior Manager of Government Affairs
- Pacific Gas & Electric Corporation: CHRIS PATTERSON, Director of State Government Relations
- Port of Long Beach: [MARIO CORDERO](#), Executive Director
- Rachelle Chong Strategic Consulting: [RACHELLE B. CHONG](#), Principal
- Recology: [ERIC POTASHNER](#), Vice President & Senior Director of Strategic Affairs
- Sacramento Municipal Utility District: [LAURA LEWIS](#), Chief Legal Officer & General Counsel
- San Francisco Public Utilities Commission: [BARBARA HALE](#), Assistant GM, Power Enterprise
- San Jose Clean Energy, [LORI MITCHELL](#), Director
- Sempra Energy Utilities: [DANIEL SKOPEC](#), Vice President for Regulatory Affairs
- Shell Energy North America: [MARCIE MILNER](#), Vice President, Regulatory Affairs
- Sonoma County Water Agency: [GRANT DAVIS](#), General Manager
- Southern California Contractors Association: PAUL VON BERG, VP of Consulting Services
- Southern California Pipe Trades, District Council No. 16: RODNEY COBOS, Assistant Business Manager

- sPower: [GARRET BEAN](#), Vice President - Development, Land & Permitting
- State Building & Construction Trades Council of California: [ROBERT HUNTER](#), President
- Trans Bay Cable: KERRY HATTEVIK, President
- Turlock Irrigation District: [MICHELLE REIMERS](#), General Manager
- Union of Concerned Scientists: [ADRIENNE ALVORD](#), Director, California and Western States
- University of California, Davis Health: [DAVID LUBARSKY, M.D.](#), Vice Chancellor, Human Health Sciences & CEO
- Western States Petroleum Association: [CATHERINE REHEIS-BOYD](#), President
- Verizon Communications: HEIDI BARSUGLIA, Vice President, Public Policy and Legal Affairs

**MINUTES OF MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, AUGUST 20, 2020:**

*A meeting of the Finance Committee of the Palmdale Water District was held Thursday, August 20, 2020, via teleconference. Chair Dizmang called the meeting to order at 1:00 p.m.*

**1) Roll Call.**

**Attendance:**

Committee:

Gloria Dizmang, Chair (via teleconference)

Don Wilson,

Committee Member (via teleconference)

**Others Present:**

Dennis LaMoreaux, General Manager (via teleconference)

Adam Ly, Assistant General Manager (via teleconference)

Mike Williams, Finance Manager (via teleconference)

Judy Shay, Public Affairs Director (via teleconference)

Dennis Hoffmeyer, Accounting Spvrs. (via teleconf.)

Bob Egan, Financial Advisor (via teleconference)

Dawn Deans, Executive Assistant (via teleconference)

1 member of the public (via teleconference)

**2) Adoption of Agenda.**

It was moved by Committee Member Wilson, seconded by Chair Dizmang, and unanimously carried by all members of the Committee present at the meeting to adopt the agenda, as written.

**3) Public Comments for Non-Agenda Items.**

There were no public comments for non-agenda items.

**4) Action Items: (The Public Shall Have an Opportunity to Comment on Any Action Item as Each Item is Considered by the Committee Prior to Action Being Taken.)**

**4.1) Consideration and Possible Action on Approval of Minutes of Meeting Held July 23, 2020.**

It was moved by Committee Member Wilson, seconded by Chair Dizmang, and unanimously carried by all members of the Committee present at the meeting to approve the minutes of the Finance Committee meeting held July 23, 2020.

**4.2) Discussion and Overview of Cash Flow Statement and Current Cash Balances as of July 2020. (Financial Advisor Egan)**

Financial Advisor Egan provided an overview of the Major Account Activity Report and Investment Funds Report, including the decrease in ending cash due to State Water Project and Palmdale Recycled Water Authority payments, and then reviewed the Cash Flow Statement, including the Upper Amargosa Recharge Project and upcoming bond payments, anticipated Capital Improvement Fees, and the projected year-end balance.

**4.3) Discussion and Overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for July 2020. (Finance Manager Williams)**

Finance Manager Williams reviewed in detail the balance sheet, profit and loss statement and trends, and revenue and expense analysis reports for the period ending July 2020 and stated that most departments are operating at or below the targeted expenditure percentage of 58%.

**4.4) Discussion and Overview of Committed Contracts Issued. (Finance Manager Williams)**

Finance Manager Williams provided an overview of the Contractual Commitments and Needs 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 the payout summary for the Water Revenue Bond Series 2018A through July 2020.

**4.5) Consideration and Possible Action on 2020 Strategic Initiative No. 4 – Financial Health and Stability. (General Manager LaMoreaux/Finance Manager Williams)**

General Manager LaMoreaux reviewed the updated goals under Strategic Initiative No. 4 after which the Committee concurred with the goals, as follows:

**Strategic Initiative No. 4 – Financial Health and Stability**

**Strength, Consistency, Balance**

- Pursue grant funding for District projects and operations
- Maintain the five-year financial plan adopted as part of the 2019 Water Rate Study, including the five-year Capital Improvement Plan



- Build adequate reserve levels and achieve high-level bond rating
- Seek potential revenue sources from vacant District properties
- Monitor finances, operations, and projects affected by emergencies
- Digitize and document departmental workflows

**4.6) Consideration and Possible Action on Change to the District's 457 Annuity Platform to a Lincoln Alliance Product. (Finance Manager Williams)**

Finance Manager Williams provided an overview of the District's current Lincoln 457 annuity plan for employees and the proposed Lincoln Alliance Product, and after a brief discussion of this voluntary program and associated fees, it was moved by Committee Member Wilson, seconded by Chair Dizmang, and unanimously carried by all members of the Committee present at the meeting that the Committee concurs with staff's recommendation to change the District's 457 Annuity Platform to a Lincoln Alliance Product and that this item be presented to the full Board for consideration at the September 14, 2020 Regular Board Meeting.

**5) Reports.**

**5.1) Finance Manager Williams:**

**a) Effect of COVID-19 Event.**

Finance Manager Williams stated that due to COVID-19 events, as of July 31, there were 870 single family accounts with a balance of \$50 or more and over sixty days past due with a total past due amount of \$313,404 compared to 654 accounts at June 30 with an outstanding balance of \$220,780; that there is an increase in 90+ day delinquencies; that cash received for July 2020 was \$254,006 higher than June 2020 consistent with increased water sales; and that cash received August 1 – 11, 2020 is \$226,282 higher than the same 11 day period in June 2020.

**b) Revenue Projections.**

He then stated that revenue is ahead of projections by approximately \$670,000.00 followed by discussion of assistance to customers with the highest delinquency rates.

**5.2) Financial Advisor Egan:**

**a) Debt Service Coverage Status.**

Financial Advisor Egan stated that the Debt Service Coverage for the period of August 2019 through July 2020 is 1.82.

Finance Manager Williams introduced Mr. Mark Northcross, of NHA Advisors, who presented a refinancing opportunity and potential savings for the District's 2013 outstanding bonds, and after a brief discussion of this opportunity, associated fees, and a potential 2021 bond issue, it was determined that the Finance Committee will hold a special meeting on September 3, 2020 at 1:00 p.m. to consider refinancing a portion of the District's outstanding debt.

**6) Board Members' Requests for Future Agenda Items.**

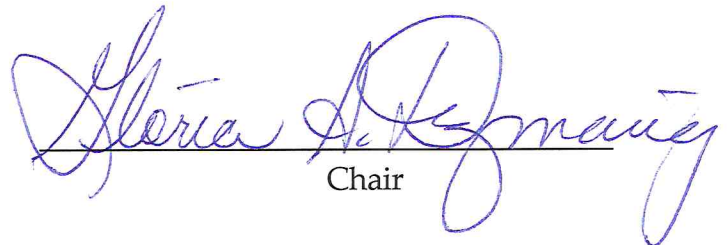
There were no requests for future agenda items.

**7) Date of Next Committee Meeting.**

It was determined that a Special Finance Committee meeting will be held September 3, 2020 at 1:00 p.m.

**8) Adjournment.**

There being no further business to come before the Finance Committee, the meeting was adjourned at 2:10 p.m.

  
Chair

## **MINUTES OF MEETING OF THE RESOURCE AND FACILITIES COMMITTEE OF THE PALMDALE WATER DISTRICT, SEPTEMBER 1, 2020:**

*A meeting of the Resource and Facilities Committee of the Palmdale Water District was held Tuesday, September 1, 2020, via teleconference. Chair Mac Laren called the meeting to order at 3:00 p.m.*

### **1) Roll Call.**

#### **Attendance:**

Committee:

Kathy Mac Laren, Chair (via teleconf.)

Robert Alvarado, Committee

Member (via teleconf.)

#### **Others Present:**

Dennis LaMoreaux, General Manager (via teleconf.)

Adam Ly, Assistant General Manager (via teleconf.)

Don Wilson, PWD Director (via teleconf.)

Mike Williams, Finance Manager (via teleconf.)

Judy Shay, Public Affairs Director (via teleconf.)

Scott Rogers, Engineering/Grant Manager (via teleconf.)

Mynor Masaya, Operations Manager (via teleconf.)

Peter Thompson II, Res. & Analytics Dir. (via teleconf.)

Claudia Bolanos, Res. & Analytics Spvsr. (via teleconf.)

Dawn Deans, Executive Assistant (via teleconf.)

1 member of the public (via teleconf.)

### **2) Adoption of Agenda.**

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

### **3) Public Comments for Non-Agenda Items.**

There were no public comments for non-agenda items.

### **4) Action Items: (The Public Shall Have an Opportunity to Comment on Any Action Item as Each Item is Considered by the Committee Prior to Action Being Taken.)**

#### **4.1) Consideration and Possible Action on Approval of Minutes of Meeting Held August 11, 2020.**

It was moved by Committee Member Alvarado, seconded by Chair Mac Laren, and unanimously carried by all members of the Committee present at the meeting to approve

the minutes of the Resource and Facilities Committee meeting held August 11, 2020, as written.

**4.2) Consideration and Recommendation to Board for the Award of Contract for Meter Procurement and Future Technology Enhancements No. 20-611 to Ferguson Waterworks, Inc. (\$865,136.00 – Budgeted – Budget Item No.'s 20-611, 20-623, and 20-419 – Engineering/Grant Manager Rogers – Board Approval)**

Engineering/Grant Manager Rogers provided an overview of the Request for Proposals and extensive proposal review process for this project, and after a brief discussion of issues with the current vendor, of staff installing new meters, software, customer information available through the Advanced Meter Infrastructure (AMI) system, training, and staff's recommendation for award of contract, it was moved by Committee Member Alvarado, seconded by Chair Mac Laren, and unanimously carried by all members of the Committee present at the meeting on the following roll call vote that the Committee concurs with staff's recommendation to recommend to the full Board the award of contract for Meter Procurement and Future Technology Enhancements No. 20-611 to Ferguson Waterworks, Inc. in the not-to-exceed amount of \$865,136.00 and that this item be considered at the September 14, 2020 Regular Board Meeting:

Chair Mac Laren – aye  
Committee Member Alvarado - aye

**4.3) Consideration and Possible Action on Authorizing the General Manager to Execute Change Order No. 1 to California Compaction Corporation for Installing New Line to the Leslie O. Carter Treatment Plant Main Building. (\$9,793.26 – Budgeted – Budget Item No. 1-05-4235-415 – Operations Manager Masaya – Committee Approval)**

Operations Manager Masaya provided an overview of Change Order No. 1, and after a brief discussion of the installation of the new line, it was moved by Committee Member Alvarado, seconded by Chair Mac Laren, and unanimously carried by all members of the Committee present at the meeting on the following roll call vote that the Committee concurs with staff's recommendation to authorize the General Manager to execute Change Order No. 1 to California Compaction Corporation for installing the new line to the Leslie O. Carter Treatment Plant main building in the not-to-exceed amount of \$9,793.26:

Chair Mac Laren – aye  
Committee Member Alvarado – aye

**5) Reports:**

**5.1) Resource and Analytics Director Thompson II:**

**a) 2020 State Water Project Allocation Use.**

Resource and Analytics Director Thompson II reviewed in detail the District's 2020 surface water supply program and stated that 2,000 acre feet of water will carry over to 2021 and that the District will have continued access to several water exchange programs.

He then informed the Committee that three items regarding the State Water Project will be presented to the Board for consideration prior to year-end being a new amendment for the Yuba Accord Dry Year Program, an amendment to the State Water Project contract providing new water management tools, and an agreement for the District's percentage of planning and engineering for the Delta Conveyance Facility followed by discussion of proposed water management tools and subsidence.

**b) Water Conservation and Education Garden.**

Resource and Analytics Supervisor Bolanos stated that the redesign of the Water Conservation and Education Garden is complete and will be advertised for bids after Engineering's final review.

**5.2) Engineering/Grant Manager Rogers:**

**a) Littlerock Reservoir Sediment Removal Project**

Engineering/Grant Manager Rogers stated that staff is in discussions with Granite Construction for disposal or placement of the sediment from Littlerock Reservoir.

**b) Palmdale Regional Groundwater Recharge and Recovery Project.**

He then stated that during the drilling of Test Well No. 1, hard pan material was encountered at 320 feet, and the contractor has continued drilling to 540 feet and that staff is working with the contractor to determine if drilling will continue.

SEPTEMBER 1, 2020  
RESOURCE AND FACILITIES  
COMMITTEE MEETING

He then stated that conversations have been renewed with the state regarding potential funding for this Project and that the Bureau of Reclamation Title 16 Water Reuse grant application for funding the design of the Project will be submitted.

**6) Board Members' Requests for Future Agenda Items.**

There were no requests for future agenda items.

**7) Date of Next Committee Meeting.**

It was determined that the next Resource and Facilities Committee meeting will be held September 29, 2020 at 3:00 p.m.

**8) Adjournment.**

There being no further business to come before the Resource and Facilities Committee, the meeting was adjourned at 3:37 p.m.

  
Chair

# MINUTES OF SPECIAL MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, SEPTEMBER 3, 2020:

*A special meeting of the Finance Committee of the Palmdale Water District was held Thursday, September 3, 2020, via teleconference. Chair Dizmang called the meeting to order at 1:01 p.m.*

## 1) Roll Call.

### Attendance:

Committee:

Gloria Dizmang, Chair (via teleconf.)

Don Wilson, Committee

Member (via teleconf.)

### Others Present:

Dennis LaMoreaux, General Manager (via teleconf.)

Adam Ly, Assistant General Manager (via teleconf.)

Mike Williams, Finance Manager (via teleconf.)

Judy Shay, Public Affairs Director (via teleconf.)

Dennis Hoffmeyer, Accounting Spvsr. (via teleconf.)

Tara Rosati, Customer Care Spvsr. (via teleconf.)

Bob Egan, Financial Advisor (via teleconf.)

Dawn Deans, Executive Assistant (via teleconf.)

3 members of the public (via teleconf.)

## 2) Adoption of Agenda.

After a brief discussion of the agenda packet, it was moved by Committee Member Wilson, seconded by Chair Dizmang, and unanimously carried by all members of the Committee present at the meeting to adopt the agenda, as written.

## 3) Public Comments for Non-Agenda Items.

There were no public comments for non-agenda items.

## 4) Action Items: (The Public Shall Have an Opportunity to Comment on Any Action Item as Each Item is Considered by the Committee Prior to Action Being Taken.)

### 4.1) Consideration and Possible Action on Refunding Outstanding 2013A Water Revenue Term Bonds Maturing 2032 and 2034. (\$12.4 Million - Non-Budgeted – Finance Manager Williams/Mark Northcross of NHA Advisors – Board Approval)

Finance Manager Williams and Mr. Mark Northcross, of NHA Advisors, provided an overview of potential interest savings for refunding a portion of outstanding 2013A Water Revenue Term Bonds, and after a brief discussion of record-low interest rates, 2013A bonds eligible for refinancing, present value savings, the Debt Service Coverage, and annual cash savings, it was moved by Committee Member



Wilson, seconded by Chair Dizmang, and unanimously carried by all members of the Committee present at the meeting that the Committee concurs with staff's recommendation that the District's outstanding 2013A Water Revenue Term Bonds having a potential present value savings of five percent or greater be refinanced and that this item be presented to the full Board for consideration at the September 14, 2020 Regular Board Meeting.

**4.2) Consideration and Possible Action on Issuing Pension Obligation Bonds for CalPERS Unfunded Liability. (\$ to be Determined – Non-Budgeted – Finance Manager Williams/Mark Northcross of NHA Advisors – Board Approval)**

Mr. Mike Myers and Mr. Mark Northcross, of NHA Advisors, provided an overview of the advantages and disadvantages of issuing pension obligation bonds for the District's CalPERS unfunded liability, and after a brief discussion of the difference between municipal bonds and pension obligation bonds, potential savings, the uncertain effects of COVID-19, CalPERS projected earnings and additional potential unfunded liability, and combining pension obligation bonds with 2021 bonds for capital projects, it was moved by Committee Member Wilson, seconded by Chair Dizmang, and unanimously carried by all members of the Committee present at the meeting that the Committee concurs with staff's recommendation to delay issuing pension obligation bonds for CalPERS unfunded liability and that this item be presented to the full Board for information at the September 14, 2020 Regular Board Meeting.

**4.3) Discussion of Current Interest Rates and Additional Opportunities to Reduce Costs. (Finance Manager Williams/Financial Advisor Egan)**

Finance Manager Williams stated that there are no advantages to issuing the planned 2021 bonds at this time due to COVID-19 issues and time limits to use bond proceeds.

**5) Board Members' Requests for Future Agenda Items.**

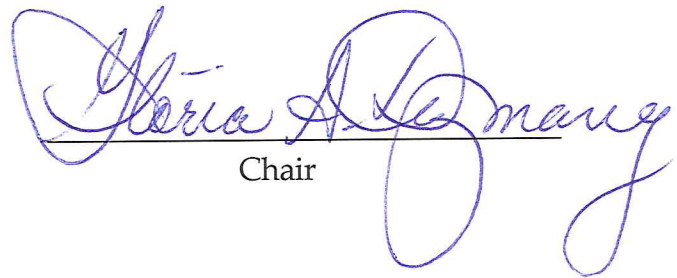
There were no requests for future agenda items.

It was stated that the next Finance Committee meeting is scheduled for September 24, 2020 at 1:00 p.m.



6) **Adjournment.**

There being no further business to come before the Finance Committee, the meeting was adjourned at 2:39 p.m.

  
Chair

**P A L M D A L E   W A T E R   D I S T R I C T**

**B O A R D   M E M O R A N D U M**

<b>DATE:</b>	October 6, 2020	October 12, 2020
<b>TO:</b>	BOARD OF DIRECTORS	Board Meeting
<b>FROM:</b>	Mr. Adam Ly, Assistant General Manager	
<b>VIA:</b>	Mr. Dennis D. LaMoreaux, General Manager	
<b>RE:</b>	<i><b>AGENDA ITEM NO. 8.2.a – 2” WATER LINE REPLACEMENT AT LESLIE O. CARTER WATER TREATMENT PLANT. (WORK ORDER NO. 20-604 – ASSISTANT GENERAL MANAGER LY)</b></i>	

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Director Wilson requested an update and invoices from Work Order No. 20-604, the 2” water line replacement at the Leslie O. Carter Water Treatment Plant. Below is the sequence of events and the work that took place.

**Background:**

August 2017	Color water was reported at the faucet.
August 15, 2017	Samples were taken from two locations and tested for lead, copper, and bacteria.
August 22, 2017	The issue was discussed at a Safety Committee meeting.
September 19, 2017	Results of the samples taken on August 15 were shared with staff. Samples were absent for bacteria, and one sample had elevated copper due to extended period of stagnation in the pipe. Guidance on mitigation was provided. It was suggested that the faucet be flushed before each use. This was consistent to EPA Lead & Copper Rule recommendation.
March 22, 2018	Rusty water issue was discussed in the Distribution System/Operations Group meeting. It was concluded that insufficient water was moving from the 8” main into the building via the 2” service line. The 2” galvanized line was corroding away and was the source of rusty water. Initial work was flushing the 8” line. In addition, the 2” pipe was evaluated and determined that it should be corrected, but the pipe was not in imminent failure status. In order to fix this issue, the plant would not have potable water during the replacement time for a valve drop-in. Engineering had to review the plan for the best approach and work with Facilities on the best time to do this. It looks like May 2018 at the earliest.
January 30, 2019	Facilities was notified of an issue at the plant and plan was in motion to get samples.

BOARD OF DIRECTORS  
PALMDALE WATER DISTRICT

VIA: Mr. Dennis D. LaMoreaux, General Manager

October 6, 2020

January 31, 2019	Samples were taken from the outside and at the faucet.
February 04, 2019	Results showed all WQ standards are met. After additional discussion, it was decided to replace the 2" water line. Engineering will need to design the fix due to the numerous lines between the building and the appropriate tap location.
Summer 2019	Facilities started on meter replacement and prepared for P-8 & 20 <sup>th</sup> Street pipeline replacement. It was decided at this time that Facilities will not be able to tackle the 2" water line at the treatment plant. After these two projects, Facilities will assist the Treatment Plant with Winter Maintenance.
November 06, 2019	Draft design was provided to two contractors for informal quote. One contractor declined to provide a quote due to the small project size. The other contractor provided a non-prevailing wage quote of \$18,702.
January 09, 2020	Design completed and signed off. This was used to get an updated quote with prevailing wage.
January 28, 2020	Received updated quote from contractor for \$25,433. This was not a planned Capital Project. Funds will need to come from O & M Budget.
January 29, 2020	Executed a contract for \$25,433.
February 2020	Contractor was onsite starting on project and could not find pipe shown on drawing. After digging up the area of tapping, it was found to be a potential backflow issue on another 6" line. Contractor could not locate another suitable location to connect to the 8" line due to other conflicts in the area. There are 8 to 12 lines ranging from ¾" sampling line to 6" storm drain plus a 42" pipeline nearby.
March 2020	COVID-19 lock down. Contractor would not come back online until further notice.
July 22-24, 2020	Contractor layout 2" service, try locating the 8" line at multiple spots and found Edison encasement poured under existing main. After checking with Engineering, decided to tap another area. Set 2" saddle on existing 8" water line and then trenched across the street with Jet Vac.
July 27-31, 2020	Tap the 8" water line and install 2" copper service. Backfilled and compacted the area. Then, install 2" meter to backflow device and run copper to the building. Sch. 80 PVCs were used inside the building. Set meter box and backfill meter. Finish tie into existing 1.5" copper line inside the building. Flush the new line and switch over to new line.

BOARD OF DIRECTORS  
PALMDALE WATER DISTRICT

VIA: Mr. Dennis D. LaMoreaux, General Manager

October 6, 2020

August 6, 2020      Clean up and tie loose ends. Job completed, and invoices submitted.

The invoices for this job are attached. Detailed invoices provided for Time & Material change order only. The other invoice is billed as normal job. Below is a summary of the payments.

Original Contract Amount	\$25,433
Change Order	\$9,793.26
Total Contract Amount	\$35,226.26
Payment 1 (April 13, 2020)	<b>\$9,793.26</b>
Balance	\$24,433
Payment 2 (August 31, 2020)	<b>\$24,161.35</b>
Balance (Retainage per Contract)	\$1,721.65

**Supporting Documents:**

- Invoices for this job

## CONDITIONAL WAIVER AND RELEASE ON PROGRESS PAYMENT

(CA CIVIL CODE §8132)

NOTICE: THIS DOCUMENT WAIVES THE CLAIMANT'S LIEN, STOP PAYMENT NOTICE, AND PAYMENT BOND RIGHTS EFFECTIVE ON RECEIPT OF PAYMENT. A PERSON SHOULD NOT RELY ON THIS DOCUMENT UNLESS SATISFIED THAT THE CLAIMANT HAS RECEIVED PAYMENT.

### Identifying Information:

Name of Claimant: CALIFORNIA COMPACTION CORPORATION  
Name of Customer: PALMDALE WATER DISTRICT  
Job Name: W/O 20-604  
Job Location: 700 EAST AVENUE S, PALMDALE, CA 93550  
Owner: PALMDALE WATER DISTRICT  
Through Date: 2/29/2020

### Conditional Waiver and Release

This document waives and releases lien, stop payment notice, and payment bond rights the claimant has for labor and service provided, and equipment and material delivered, to the customer on this job through the Through Date of this document. Rights based upon labor or service provided, or equipment or material delivered, pursuant to a written change order that has been fully executed by the parties prior to the date that this document is signed by the claimant, are waived and released by this document, unless listed as an Exception below. This document is effective only on the claimant's receipt of payment from the financial institution on which the following check is drawn:

Maker of Check: PALMDALE WATER DISTRICT  
Amount of Check: \$ 9,793.26  
Check Payable to: CALIFORNIA COMPACTION CORPORATION

### Exceptions

This document does not affect any of the following:

- (1) Retentions.
- (2) Extras for which the claimant has not received payment.
- (3) The following progress payments for which the claimant has previously given a conditional waiver and release but has not received payment:

Date(s) of waiver and release: NONE

Amount(s) of unpaid progress payment(s): \$ 0.00

- (4) Contract rights, including:
  - (A) a right based on rescission, abandonment, or breach of contract, and
  - (B) the right to recover compensation for work not compensated by the payment.

### SIGNATURE

Claimant's Signature:

Sue Christiansen

Claimant's Title:

SUE CHRISTIANSEN, OFFICE MANAGER

Date of Signature:

FEBRUARY 25, 2020

PAYEE:	<u>CALIFORNIA COMPACTION CORP</u>
Vendor No:	<u>CAL007</u>

[illegible]

PALMDALE WATER DISTRICT

To: CALIFORNIA COMPACTION COI CAL007

Check Number: 061383

Date: 04/13/2020

Invoice Number	Date	Description	Amount	Discount	Paid Amount
7231	02/25/2020	INSTALL 2" SERVICE @ WTP	\$9,793.26	\$0.00	\$9,793.26

TOTALS: \$9,793.26 \$0.00 \$9,793.26



**PALMDALE WATER DISTRICT**  
2029 E AVENUE Q  
PALMDALE, CA 93550

Citizens Business Bank  
970 W. 190th Street  
Suite 120  
Torrance, CA 90502

**061383**

90-3582/1222

Pay Nine Thousand Seven Hundred Ninety Three Dollars And 26 Cents

**DATE**

April 13, 2020

**AMOUNT**

\$9,793.26

to the Order of:

CALIFORNIA COMPACTION CORP

42851 N. SIERRA HWY  
LANCASTER, CA 93534

VOID AFTER 180 DAYS

*Christina*  
*Alfred A. Dominguez*

PALMDALE WATER DISTRICT

To: CALIFORNIA COMPACTION COI CAL007

Check Number: 061383

Date: 04/13/2020

Invoice Number	Date	Description	Amount	Discount	Paid Amount
7231	02/25/2020	INSTALL 2" SERVICE @ WTP	\$9,793.26	\$0.00	\$9,793.26

TOTALS: \$9,793.26 \$0.00 \$9,793.26

**PAYMENT APPLICATION BREAKDOWN**  
**PWD 2" Water Service at Treatment Plant**

**Subcontractor**

CALIFORNIA COMPACTION CORP  
 42851 N. Sierra Hwy  
 Lancaster CA 93534

Application for Payment No.: 1

Payment Application Date: 2/25/2020

Period To: 2/29/2020

A	B	C	D	E	F	G	H	I
Item Number	Description of Work	Value	Previous Payment Application	This Period	Total Completed To Date (D+E)	% (F/C)	Balance To Finish (C-F)	Retainage Held
001	2" Water Service	21,029.00	0.00	0.00	0.00	0.00	21,029.00	0.00
002	2" Backflow w/Pad & Enclosure	4,404.00	0.00	0.00	0.00	0.00	4,404.00	0.00
CO001	Pothole for 8" Water Main	9,793.26	0.00	9,793.26	9,793.26	100.00	0.00	0.00
<b>TOTAL:</b>		35,226.26	0.00	9,793.26	9,793.26	27.80	25,433.00	0.00



## CONDITIONAL WAIVER AND RELEASE ON PROGRESS PAYMENT

(CA CIVIL CODE §8132)

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### Identifying Information:

Name of Claimant: CALIFORNIA COMPACTION CORPORATION  
Name of Customer: PALMDALE WATER DISTRICT  
Job Name: W/O 20-604  
Job Location: 700 EAST AVENUE S, PALMDALE, CA 93550  
Owner: PALMDALE WATER DISTRICT  
Through Date: 8/31/2020

### Conditional Waiver and Release

This document waives and releases lien, stop payment notice, and payment bond rights the claimant has for labor and service provided, and equipment and material delivered, to the customer on this job through the Through Date of this document. Rights based upon labor or service provided, or equipment or material delivered, pursuant to a written change order that has been fully executed by the parties prior to the date that this document is signed by the claimant, are waived and released by this document, unless listed as an Exception below. This document is effective only on the claimant's receipt of payment from the financial institution on which the following check is drawn:

Maker of Check: PALMDALE WATER DISTRICT  
Amount of Check: \$ 24,161.35  
Check Payable to: CALIFORNIA COMPACTION CORPORATION

### Exceptions

This document does not affect any of the following:

- (1) Retentions.
- (2) Extras for which the claimant has not received payment.
- (3) The following progress payments for which the claimant has previously given a conditional waiver and release but has not received payment:

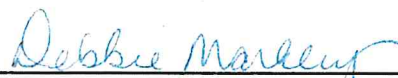
Date(s) of waiver and release: NONE

Amount(s) of unpaid progress payment(s): \$ 0.00

- (4) Contract rights, including:
  - (A) a right based on rescission, abandonment, or breach of contract, and
  - (B) the right to recover compensation for work not compensated by the payment.

### SIGNATURE

Claimant's Signature:



Claimant's Title:

DEBBIE MARKLEY, OFFICE ADMIN

Date of Signature:

AUGUST 19, 2020

### Payment Application Form

**From:** CALIFORNIA COMPACTION CORP  
42851 N. Sierra Hwy  
Lancaster CA 93534

**Contact Name:** Rodney Casaus  
**Phone No.:** 661-949-9799

**To:** PALMDALE WATER DISTRICT  
2029 EAST AVENUE Q  
PALMDALE CA 93550

**Date of Application:** August 19, 2020

**Invoice Number:** 7232

**Project:** PWD 2" Water Service at Treatment Plant  
700 East Avenue S  
Palmdale CA 93550

**End Date of Work:** 8/31/2020

**Owner Project No:** W/O 20-604

Original Contract Amount	25,433.00
Net Change by Change Orders (+/-)	9,793.26
Adjusted Current Contract Value	35,226.26
Total Work Completed (and stored) to-date	35,226.26
Less Retainage (per Agreement) 5%	1,271.65
Total Work Completed (and stored) to-date less retainage	33,954.61
Less Previous Applications for Payment	9,793.26
<b>Total Amount Due This Application</b>	<b>24,161.35</b>

**Subcontractor Signature**

**Name and Title**

**Date**

*Debbie Markley*

Debbie Markley

Office Administration