



# PALMDALE WATER DISTRICT

## A CENTURY OF SERVICE

### BOARD OF DIRECTORS

#### AMBERROSE MERINO

Division 1

#### DON WILSON

Division 2

#### GLORIA DIZMANG

Division 3

#### KATHY MAC LAREN-GOMEZ

Division 4

#### VINCENT DINO

Division 5

#### DENNIS D. LaMOREAUX

General Manager

#### ALESHIRE & WYNDER LLP

Attorneys

June 9, 2021

### AGENDA FOR A MEETING OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY 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: 528-986-665#**  
**Submit Public Comments at: <https://www.gomeet.com/528-986-665>**

**MONDAY, JUNE 14, 2021**

**6:00 p.m.**

**NOTE:** 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.

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, ordinance to take action on any item.

- 1) Roll Call.
- 2) Adoption of Agenda.
- 3) Public comments for non-agenda Public Financing Authority items.



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PUBLIC FINANCING AUTHORITY

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- 4) Action Items: (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.)
  - 4.1) Consideration and possible action on approval of minutes of meeting held October 12, 2020.
  - 4.2) Consideration and possible action on Resolution No. 2021-1 being a Resolution of the Palmdale Water District Public Financing Authority Authorizing the Issuance of Not to Exceed \$10,500,000 Water Revenue Bonds, Series 2021A, Approving the Execution of Certain Documents and Authorizing Certain Acts In Connection Therewith. (Finance Manager Williams/Financial Advisor Egan/Mark Northcross, NHA Advisors/Finance Committee)
- 5) Information Items.
- 6) Board Members' requests for future agenda items.
- 7) Adjourn to Palmdale Water District Board meeting.



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ADAM C. LY,  
PWD Assistant General Manager

DDL/ACL/dd

**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:** June 8, 2021 **June 14, 2021**  
**TO:** BOARD OF DIRECTORS **Board Meeting and**  
**FROM:** Mr. Michael Williams, Finance Manager/CFO **Public Financing Authority Meeting**  
**VIA:** Mr. Dennis D. LaMoreaux, General Manager  
**RE:** ***AGENDA ITEM NO. 7.5 – CONSIDERATION AND POSSIBLE ACTION ON RESOLUTION NO. 21-12 BEING A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT AUTHORIZING THE ISSUANCE BY THE PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY OF WATER REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$10,500,000 AND APPROVING CERTAIN DOCUMENTS IN CONNECTION THEREWITH. (FINANCE MANAGER WILLIAMS/FINANCIAL ADVISOR EGAN/NHA ADVISORS/FINANCE COMMITTEE)***

***AGENDA ITEM NO. 4.2 (PUBLIC FINANCING AUTHORITY) – CONSIDERATION AND POSSIBLE ACTION ON RESOLUTION NO. 2021-1 BEING A RESOLUTION OF THE PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$10,500,000 WATER REVENUE BONDS, SERIES 2021A, APPROVING THE EXECUTION OF CERTAIN DOCUMENTS AND AUTHORIZING CERTAIN ACTS IN CONNECTION THEREWITH. (FINANCE MANAGER WILLIAMS/FINANCIAL ADVISOR EGAN/NHA ADVISORS/FINANCE COMMITTEE)***

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**Recommendation:**

Staff recommends that the District Board adopt Resolution No. 21-12 being a Resolution of the Board of Directors of the Palmdale Water District Authorizing the Issuance of Not to Exceed \$10,500,000 Water Revenue Bonds, Series 2021A, Approving the Execution of Certain Documents.

Staff also recommends that the Board of the Public Financing Authority adopt Resolution No. 2021-1 being a Resolution of the Palmdale Water District Public Financing Authority Authorizing the Issuance of Not to Exceed \$10,500,000 Water Revenue Bonds, Series 2021A, Approving the Execution of Certain Documents and Authorizing Certain Acts in Connection Therewith.

**Alternative Options:**

The Board can choose not to adopt these Resolutions and instruct staff to seek alternative financing methods to pay for the capital projects it would like to complete.

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VIA: Mr. Dennis D. LaMoreaux, General Manager

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**Impact of Taking No Action:**

The impact from no action would result in the District's inability to issue bonds for financing the construction of the capital projects it intends to complete.

**Background:**

The District has an approximately \$20 million CIP through FY 24 which it intends to finance through the issuance of revenue bonds, as noted in its FY 2021 budget. These bonds are proposed to be issued in two series of approximately \$10 million each. The first such series is scheduled for 2021, and the second such series in 2023. The legal documents proposed for approval by these two resolutions would approve the first such series of bonds for the first \$10 million in CIP projects. The specific capital improvements to be funded with the 2021A Bonds are listed in the following table:

<b>Project Description</b>	<b>Estimated Costs</b>
Sierra Hwy. Tie-in and Abandonment	450,000
P @ 10TH (LOCKHEED)	250,000
Ave. P-12, Division, 2nd, 3rd, Stanridge WM Replacement	1,341,000
2800 Zone Avenue P-8 from 32nd St to 37 St. (12" Dia. Pipe)	778,700
17TH FR P-4 TO P-8	352,800
25TH FR P TO P-8	825,000
CAMARES @ S	52,500
Ave. Q1, Q2, Q3, Q4, & Q5 @ 5th St. E. Wtr Main Repl.	86,000
Ave. Q14 and 15th Street East Water Main Replacement	56,700
Ave. Q10 and 12th Street East Water Main Replacement	47,000
2800 Zone Avenue Q-6 between 12th St East and 15th St. East	280,900
New Pump to 3600 Zone at 3600 Ft. Booster Pump Station	366,600
Fire Pump Deficiency at Existing T-8 Pump Station	938,000
Sedimentation Basin Retrofit	2,000,000
6M Curtains Upgrades	1,500,000
Future Well # 36 (2850 Zone, Capacity 2,150 gpm)	<u>3,000,000</u>
<b>TOTAL</b>	<b><u>12,325,200</u></b>

By adopting the attached resolutions, in combination, the District and Authority are taking the following steps:

1. Approval of an Installment Purchase Agreement, wherein the District makes installment purchase payments (debt service payments) 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, which assigns 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 Trust Company, N.A. ("BNY Mellon").

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3. Approval of the Purchase Contract, wherein Hilltop Securities, the bond underwriter, sets forth its commitment to purchase the 2021A Bonds from the Public Financing Authority.
4. Approval of the Indenture of Trust, wherein BNY 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.

The District's municipal advisor, NHA Advisors, made a presentation to the Board's Finance Committee on Wednesday, May 19<sup>th</sup>, regarding the potential debt financing.

The District's debt is secured by the net revenues of the District after operating expenses. The District has ample capacity based on current net revenues to issue this debt. However, rates will need to have continued adjustments as approved in the 2019 rate study to service this debt and meet other anticipated increases in operating expenses.

The proposed bonds will be amortized over a period of 30 years. In order to minimize rate impact, the bonds will be interest only through 2034, "wrapping around" the bulk of the District's existing debt. An all-in interest rate of approximately 3.4% is expected, based on current bond market conditions. Annual debt service for the first series of bonds is expected to be approximately \$350,000 per year through 2034 and \$725,000 per year thereafter through 2051. Since the rate study approved by the Board in 2019 provides ample revenue to support both the 2021A Bonds and the anticipated 2023A bond issue, there will be no additional rate pressure from the issuance of both the proposed bond issues.

Note that for legal reasons, the District's joint powers authority formed in connection with the 2021A Bonds, the Palmdale Water District Public Financing Authority, needs to be involved in the transaction. The Installment Purchase Agreement securing the financing is technically a purchase by the District of the improvements to be funded by the proposed bond issue. Consequently, there needs to be both a purchaser (the District) and a seller (the Public Financing Authority). Otherwise, the Public Financing Authority takes no active role in the financing, since pursuant to the Assignment Agreement it assigns all of its rights (other than to indemnification and notice) under the Installment Purchase Agreement to BNY Mellon, the trustee for the bond issue. In addition, use of the Public Financing Authority as the actual issuer of the bonds enables the debt obligation to be called a "revenue bond," which has advantages with bond investors.

**Budget Impact:**

The fixed expenses of the District for debt service will increase by approximately \$350,000 per year after issuance of the Series 2021A Bonds. While debt service on the Series 2021A Bonds is estimated to increase to \$725,000 in 2034, the overall debt service of the District will actually decrease, because of the final amortization in 2033 of earlier District bond issues. Ample rate capacity under the 2019 rate study exists for both proposed series of bonds.

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**Strategic Plan Initiative/Mission Statement:**

This item is under Strategic Initiative No. 1 – “Water Resource Reliability” and Strategic Initiative No. 4 – “Financial Health and Stability”

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

**Supporting Documents:**

- Resolution No. 21-12 of the Palmdale Water District
- Resolution No. 2021-1 of the Palmdale Financing Authority
- Installment Purchase Agreement
- Assignment Agreement
- Bond Purchase Agreement
- Indenture of Trust
- Preliminary Official Statement

## **RESOLUTION NO. 2021-1**

### **RESOLUTION OF THE PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$10,500,000 WATER REVENUE BONDS, SERIES 2021A, APPROVING THE EXECUTION OF CERTAIN DOCUMENTS AND AUTHORIZING CERTAIN ACTS IN CONNECTION THEREWITH**

WHEREAS, the Palmdale Water District Public Financing Authority is a joint exercise of powers authority duly organized and existing under the laws of the State of California (the “Authority”) which has the authority to assist in financing the acquisition, construction, installation and equipping of capital improvements on behalf of the Palmdale Water District (the “District”);

WHEREAS, the District has requested that the Authority assist the District in financing certain capital improvements to the District’s Water System, including, but not limited to, pipeline, well, booster and water treatment plant projects (the “2021 Project”); and

WHEREAS, the Board of Directors of the Authority has determined to assist the District with the financing of the 2021 Project through the issuance of the Palmdale Water District Public Financing Authority Water Revenue Bonds, Series 2021A (the “2021A Bonds”) and desires to approve certain documents in connection therewith;

WHEREAS, the 2021A Bonds will be issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the California Government Code (the “Act”) and an Indenture of Trust by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee;

WHEREAS, in accordance with the requirements of Government Code Section 5852.1, there has been presented to the Board of Directors of the Authority and disclosed at the meeting at which this resolution is being adopted the information required by Government Code Section 5852(a)(1) which is attached hereto as Exhibit A;

NOW THEREFORE, the Board of Directors of the Palmdale Water District Public Financing Authority hereby finds, determines, declares and resolves as follows:

**Section 1.** The issuance of the Palmdale Water District Public Financing Authority Water Revenue Bonds, Series 2021A in the principal amount not to exceed \$10,500,000 is hereby approved in order to finance the 2021 Project, and to pay the cost of issuance for the 2021A Bonds; provided, however, that the 2021A Bonds shall be issued only in accordance with the parameters set forth in Section 5 below.

**Section 2.** The Installment Purchase Agreement by and between the District and the Authority, in substantially the form on file with the Authority, is hereby approved. Each of the President, Vice President, Executive Director, Treasurer and Secretary of the Authority, or the President's designee (collectively, the "Authorized Officers"), acting alone, is hereby authorized and directed to execute and deliver the Installment Purchase Agreement with such changes, insertions and omissions as may be approved by the person executing the same, with the execution of the Installment Purchase Agreement in its final form being conclusive evidence of the approval by such person.

**Section 3.** The Indenture of Trust by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), in substantially the form on file with the Authority, is hereby approved. Each of 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 approved by the person executing the same, with the execution of the Authority Indenture in its final form being conclusive evidence of the approval by such person.

**Section 4.** The Assignment Agreement, by and between the Authority and the Trustee, in substantially the form on file with the Authority, is hereby approved. Each of the Authorized Officers, acting alone, is hereby authorized and directed to execute and deliver the Assignment Agreement with such changes, insertions and omissions as may be approved by the person executing the same, with the



execution of the Assignment Agreement in its final form being conclusive evidence of the approval by such person.

**Section 5.** The Purchase Contract by and among the Authority, the District and Hilltop Securities, Inc. (the “Underwriter”), in substantially the form on file with the Authority, is hereby approved. Each of the Authorized Officers, acting alone, is hereby authorized and directed to execute and deliver the Purchase Contract with such changes, insertions and omissions as may be approved by the person executing the same, with the execution of the Purchase Contract in its final form being conclusive evidence of the approval by such person.; provided, however, that in no event shall the principal amount of the 2021A Bonds exceed \$10,500,000, nor shall the Underwriter’s discount exceed 0.60% of the principal amount of the 2021A Bonds.

**Section 6.** The preparation and distribution of the Preliminary Official Statement, in substantially the form on file with the Authority, is hereby approved, together with such changes as are necessary to make the Preliminary Official Statement accurate as of its date, with the Preliminary Official Statement being subject to final approval as to form by the District’s legal counsel and the law firm of Stradling Yocca Carlson & Rauth, a Professional Corporation (“Bond Counsel”). 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, as amended, relating to the Preliminary Official Statement, and each of the Authorized Officers, acting alone, is hereby authorized and directed to execute, approve and deliver the final Official Statement in the form of the Preliminary Official Statement with such changes, insertions and omissions as may be approved by the person executing the same, said execution being conclusive evidence of the approval of such changes, insertions and omissions. The Underwriter is hereby authorized to distribute copies of the Preliminary Official Statement to persons who may be interested in the initial purchase of the 2021A Bonds and is directed to deliver copies of any final Official Statement to all actual initial purchasers of the 2021A Bonds.

**Section 7.** Each of the Executive Director, the Treasurer or their respective designees, acting alone, is hereby authorized to (i) execute a commitment for municipal bond insurance and/or a reserve surety policy from a municipal bond insurer (the “Insurer”), (ii) to finalize the form of such policy or policies with the Insurer, and (iii) if it is determined Executive Director, the Treasurer or one of their respective designees that the policy or policies will result in interest rate savings on the 2021A Bonds, to pay the insurance premium of such policy or policies from the proceeds of the issuance and sale of the 2021A Bonds. Bond Counsel is hereby directed to make all changes to the Preliminary Official Statement, the Installment Purchase Agreement, the Indenture of Trust, the Assignment Agreement and the Purchase Contract as are necessary to reflect the selection of an Insurer, including the terms of any commitment and the Insurer’s reasonable comments to such documents.

**Section 8.** Each of the President, Vice President, Executive Director, Treasurer or Secretary and any other proper officer of the Authority is 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 Indenture of Trust, the Installment Purchase Agreement, the Assignment Agreement, the Purchase Contract, the Preliminary Official Statement and this Resolution.

**Section 9.** Each of the Authorized Officers is authorized to provide for all services necessary to effect the issuance of the 2021A 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.** The Bank of New York Mellon Trust Company, N.A. is hereby appointed to act as trustee under the Indenture of Trust.

**Section 11.** Unless otherwise defined herein, all terms used herein and not otherwise defined shall have the meanings given such terms in the Indenture unless the context otherwise clearly requires.

**Section 12.** This Resolution shall take effect from and after its date of adoption.

PASSED AND ADOPTED by the Board of Directors of the Palmdale Water District Public Financing Authority, California, this 14th day of June, 2021, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

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President

ATTEST:

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Secretary

**EXHIBIT A**  
**GOOD FAITH ESTIMATES**

The good faith estimates set forth herein are provided with respect to the 2021A Bonds in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the Authority by the Municipal Advisor.

Principal Amount. The Municipal Advisor has informed the Authority that, based on the Authority's financing plan and current market conditions, its good faith estimate of the aggregate principal amount of the 2021A Bonds to be sold is \$8,685,000 (the "Estimated Principal Amount"). Based on the Estimated Principal Amount, the following good faith estimates are provided:

(a) True Interest Cost of the 2021A Bonds. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 2021A 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 2021A 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 2021A Bonds, is 2.91%.

(b) Finance Charge of the 2021A Bonds. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 2021A 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 2021A Bonds, which means the sum of all fees and charges paid to third parties, is \$306,729, of which \$188,022 is for costs of issuance to be paid from Bond proceeds, \$47,767 is Underwriter's discount, \$70,940 is for bond and reserve surety premiums and an estimated \$55,000 is for fees paid to the Trustee over the life of the 2021A Bonds from funds other than Bond proceeds.

(c) Amount of Proceeds to be Received. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 2021A 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 Authority for sale of the 2021A Bonds, less the finance charges set forth in (b) above, and any reserves or capitalized interest to be paid or funded with proceeds of the 2021A Bonds, together with any premium received, is \$10,000,000.00.

(d) Total Payment Amount. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 2021A 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 Authority will make to pay debt service on the 2021A Bonds, plus the finance charge for the 2021A Bonds as described in (b) above not paid with the proceeds of the 2021A Bonds, calculated to the final maturity of the 2021A Bonds, is \$16,726,505.00 (\$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 2021A 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 2021A Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of 2021A Bonds sold

being different from the Estimated Principal Amount, (c) the actual amortization of the 2021A 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 2021A Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the Authority's financing plan, or a combination of such factors. The actual date of sale of the 2021A Bonds and the actual principal amount of 2021A Bonds sold will be determined by the Authority based on the timing of the need for proceeds of the 2021A Bonds and other factors. The actual interest rates borne by the 2021A Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the 2021A 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 Authority.