PALMDALE RECYCLED WATER AUTHORITY (PRWA)
HELD AT CITY OF PALMDALE CITY HALL COUNCIL CHAMBERS
38300 SIERRA HIGHWAY, SUITE B
PALMDALE, CALIFORNIA
REGULAR MEETING AGENDA NO. 18
JUNE 17, 2015
7:00 P.M.

www.cityofpalmdale.org
www.palmdalewater.org

WELCOME

NOTE*:* Materials related to an item on this Agenda submitted to the Palmdale Recycled Water Authority Board of Directors, or after distribution of the agenda packet, are available for public inspection at the City of Palmdale City Hall, located at 38300 Sierra Highway, Suite A, Palmdale, California, and at the Palmdale Water District, 2029 East Avenue Q, Palmdale, California during normal business hours and will also be available at the meeting. Those items provided by others at the meeting will be available at City Hall during normal business hours.

A **three-minute time limit** will be imposed on all speakers other than staff members.

In accordance with the Americans with Disabilities Act of 1990, if you require a disability-related modification or accommodation to attend or participate in this meeting, including auxiliary aids or services, please call the Palmdale Water District at least 48 hours prior to the meeting.

Your courtesy is requested to help our meeting run smoothly. If you'll be kind enough to follow these simple rules, we can make the best possible use of your time and ours:

- Please refrain from public displays or outbursts such as unsolicited applause, comments, cheering, foul language, or obscenities.
- Any disruptive activities that substantially interfere with the ability of the Board of Directors to carry out its meeting will not be permitted and offenders will be requested to leave the meeting.
- Please turn off cell phones and pagers.

1. CALL TO ORDER.

2. PLEDGE OF ALLEGIANCE.

3. ROLL CALL: DIRECTORS JAMES C. LEDFORD, JR., KATHY MAC LAREN, ROBERT ALVARADO, FRED THOMPSON, AND HELEN VELADOR

4. WAIVER OF FULL READING OF RESOLUTION(S).

Motion: Move to waive full reading of the Resolution(s) to be considered and voted on at this meeting. (**Vote by Roll Cal**l - Requires a majority to waive.)

5. CONSENT CALENDAR – PUBLIC COMMENTS ONLY: If you wish to comment on any item(s) listed on the Consent Calendar on this agenda, please come forward to the podium and state the item number(s) and your comments. **PLEASE NOTE: A three-minute time limit** will be imposed on each speaker other than staff members.

6. CONSENT CALENDAR:

NOTICE: All matters listed under the Consent Calendar will be enacted by one motion unless an item(s) is pulled by the Board, in which case the item(s) will be removed from the Calendar and will be considered separately following this portion of the Agenda.

6.1 Approve the Minutes from the previous meeting held on May 20, 2015 (7pm). (Staff Reference: Authority Secretary Smith)

6.2 Approve Receipt and Filing of the Treasurer's Report for the five months ending May 31, 2015. (Staff Reference: Treasurer/Auditor Johnston).

Staff Recommendation: Move to approve the recommendations and findings on all items listed under this Consent Calendar. (**Vote by Roll Call** - Requires a majority to approve.)

7. SPECIAL REPORT:

7.1 **Item continued from the May 20, 2015 meeting.** Discussion and possible action regarding priority of use of Recycled Water and a status on the Recycled Water Allocation Agreements. (Staff Reference: Authority Counsel Ditzhazy)

There is No Staff Report for this Item. The following documents are attached for this item:

- **Correspondence to Supervisor Antonovich dated June 10, 2015**
- **Joint Exercise of Powers Agreement – 2nd Amendment dated 10/2/2013**
- **Joint Exercise of Powers Agreement – 1st Amendment dated 03/06/2013**

… **Joint Exercise of Powers Agreement – dated 09/26/2012**

Call for Public Comments

8. **NON-AGENDA ITEMS - PUBLIC COMMENTS:** This portion of the Agenda allows an individual the opportunity to address the Board of Directors on any subject regarding Palmdale Recycled Water Authority business. Under state legislation, no action can be taken on items not specifically referenced on the Agenda. **PLEASE NOTE: A three-minute time limit** will be imposed on each speaker other than staff members.

9. **CLOSED SESSION – PUBLIC COMMENTS ONLY:** If you wish to comment on any Closed Session item on this agenda, please come forward to the podium and state the item number(s) and your comments. **PLEASE NOTE: A three-minute time limit** will be imposed on each speaker other than staff members.

10. **CLOSED SESSION – CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION:** A closed session will be held, pursuant to Government Code §54956.9 (d)(4) because the Authority is considering whether to initiate litigation in one case.

10.1 The reason for holding a closed session is for the purpose of conferring with and/or receiving advice from the Authority's legal counsel and to receive direction from the Board of Directors regarding the possible initiation of litigation in one matter.

This closed session is being held pursuant to the authority of California Government Code Section 54956.9(c). Number of cases – One.

Possible litigation by the Authority regarding a possible civil action which the Authority believes is not yet known to potential defendants.

Closed session is recommended because the Board will assess the merits of this matter and consider the Authority's perspective. Based on existing facts and circumstances it is the opinion of the Authority Counsel that it would prejudice the position of the Authority to discuss these matters in public or to disclose further the circumstances in this potential case; such disclosure may harm other efforts to resolve the matter and, it is believed possible defendants are unaware of possible litigation.

11. INFORMATIONAL REPORT OF THE BOARD OF DIRECTORS, EXECUTIVE DIRECTOR, AND ASSISTANT EXECUTIVE DIRECTOR.

12. ADJOURNMENT: to July 15, 2015 at 7:00 p.m. at the Palmdale Water District Board Room located at 2029 East Avenue Q, Palmdale, California

---

Complete packets can be viewed at City Hall, located at 38300 Sierra Highway, Suite A, Palmdale, California; the Palmdale Water District, 2029 East Avenue Q, Palmdale, California, and the Main Library, located at 700 East Palmdale Boulevard, Palmdale, California. You can also view the Agenda for the Palmdale Recycled Water Authority on the City's website at www.cityofpalmdale.org or the Palmdale Water District website at www.palmdalewater.org.

Thank you for attending your Palmdale Recycled Water Authority meeting. If you have any further questions, please contact the Secretary's Office at (661) 267-5151, Monday through Thursday, 7:30 a.m. to 6:00 p.m., closed every Friday.

PALMDALE RECYCLED WATER AUTHORITY

BOARD MEMORANDUM

DATE:	June 17, 2015	**June 17, 2015**
TO:	BOARD OF DIRECTORS	**Board Meeting**
FROM:	Karen Johnston, Treasurer-Auditor, PRWA	
VIA:	Mr. Dennis LaMoreaux, Executive Director, PRWA	

RE: AGENDA ITEM NO 6.2 – TREASURER'S REPORT FOR May 31, 2015

Recommendation:

Palmdale Recycled Water Authority (PRWA) staff recommends the Board of Directors to receive and file the Treasurer's Report for the five months ending May 31, 2015.

Background:

To comply with provisions required by Section 4.13 of the Joint Powers of Authority Agreement and responsibilities of Treasurer, a Financial Report is prepared and submitted to the Board of Directors who certifies the availability of funds for the reports presented. These reports are hereby submitted to the Board of Directors for ratification.

Financial Impact:

As of May 31, 2015 the PRWA has $243,384.06 cash in the bank. PRWA earned $108.65 in interest and paid invoices totaling $11,301.68 in expenditures and has $8,064.79 in unpaid invoices due.

Supporting Documents:

May 31, 2015 Treasurer's Report.

Palmdale Recycled Water Authority
Treasurer's Report
Month Ended May 31, 2015

Cash/Funds Available and held at Bank of America:		
Balance, beginning January 1, 2015		$64,582.49
Add: 2014 Accounts Receivable Received in 2015		$231,625.18
Less: 2014 Accounts Payable Paid in 2015		($41,630.58)
Available Balance, beginning		254,577.09
Deposits:	Interest Earnings	108.65
Expenditures		11,301.68
Balance, ending		$243,384.06

Expenditures:

Wateruse Association, 2015 Membership Dues	2,552.37
Rackspace, Hosting Service (Monitoring & Firewall to Feb 201	2,424.87
Travel and Training	1,824.44
Professional Services-VDT Audit Services	4,500.00
Total Expenditures	11,301.68

Accounts Payable:

Travel and Training	34.99
Professional Services-VDT Audit Services	4,225.00
Water Usage-Jan-Mar 2015	3,187.71
Rackspace May 2015	617.09
Total Accounts Payable	8,064.79

There is No Staff Report For this Item

This item was continued from the May 20, 2015 meeting.

The following documents are attached for this item

- **Correspondence to Supervisor Antonovich dated June 10, 2015**
- **Joint Exercise of Powers Agreement – 2nd Amendment dated 10/2/2013**
- **Joint Exercise of Powers Agreement – 1st Amendment dated 03/06/2013**
- **Joint Exercise of Powers Agreement – dated 09/26/2012**

PALMDALE RECYCLED WATER AUTHORITY

c/o 38300 Sierra Hwy, Palmdale, CA 93550 661-456-1017

Board of Directors
James C. Ledford, Jr., Chair
Kathy Mac Laren, Vice Chair
Fred Thompson, Director
Robert Alvarado, Director
Helen Velador, Director

Executive Director
Dennis D. LaMoreaux

June 10, 2015

Honorable Michael D. Antonovich
Supervisor, Fifth District
County of Los Angeles
c/o 1113 West Avenue M-4, Suite A
Palmdale, CA 93551

RE: REALLOCATION OF TERTIARY TREATED RECYCLED WATER CONTRACTS WITH THE SANITATION DISTRICTS OF LOS ANGELES COUNTY

Dear Supervisor Antonovich:

I was asked by the Board of the Palmdale Recycled Water Authority (PRWA) to write you in advance of a meeting scheduled for June 17th between your Field Representative, Norm Hickling, and representatives from the Palmdale Water District (PWD) and the City of Palmdale (separately and together as their joint power authority interests pertain to the PRWA), the City of Lancaster, L.A. County Waterworks No. 40 (LACWW), and Sanitation Districts of Los Angeles County (Sanitation Districts) Nos. 14 and 20. The intent of the meeting is to complete a five-year long process by resolving the ongoing differences over the allocation of tertiary treated recycled water (recycled water) and ensure it is put to beneficial use as soon as possible.

As background, PRWA is a joint powers authority formed by PWD and the City of Palmdale to work cooperatively for the public distribution of recycled water for use in our community (boundaries include unincorporated County and City of Palmdale areas within the PWD's boundaries). The uses in place or planned for this precious resource are direct use for parks and other public landscaping, water for construction and grading instead of potable water, providing it for agricultural uses in exchange for groundwater use, and recharge projects for indirect use as potable water for our citizens. All these uses are highly beneficial especially in light of the current drought.

Both cities, LACWW, and the Sanitation Districts began a process intended to allocate recycled water based on its origins about five years ago. After its formation in 2012, PRWA also joined the discussion. During that five year period, Lancaster has put in place a recycled water

use program, as have Palmdale and PWD through PRWA. Recycled water is currently being used to replace potable water for watering parks in both cities. The process continued with general agreement and several drafts of new recycled water contracts until early in 2014. At that point, LACWW reversed their supportive position. The process has been stalled since that time.

I am sure Lancaster plans to proceed quickly with its recycled water program. However, I am more familiar with what the PRWA is doing and its need for the planned allocation of recycled water. Palmdale has installed miles of infrastructure and is currently piping recycled water for use at McAdam Park. Together, through the PRWA, Palmdale and PWD have approved a Recycled Water Facilities Plan (Plan) and CEQA for expansion of the purple pipe infrastructure to other parks and schools. This Plan is being implemented with a design contract for Phase 2 of the Plan which will provide recycled water to Massari Park and other locations along the way. PWD is entering preliminary design and environmental work for the Palmdale Regional Groundwater Recharge and Recovery Project of which recycled water is a primary component as is the Upper Amargosa Project headed by Palmdale. Other major uses are for the cooling towers at Palmdale's pending power plant and potential direct use in West Palmdale. In short, PRWA is ready to put this resource to use.

The Sanitation Districts want their recycled water used – Palmdale, Lancaster, PWD and the PRWA all are using it. Obviously these plans and uses cannot be completed without the reallocation of recycled water as discussed and agreed to over the last five years. To date, the PRWA has been successful in obtaining planning grants and the two entities, Palmdale and PWD, are funding both infrastructure and design, but both entities have limited resources. Solid recycled water allocation agreements need to be in place for actual infrastructure construction funds to be obtained.

The allocation of recycled water based on its origins that all the parties have agreed to, which the Waterworks appears to be balking, is as follows:

Total Potential Recycled Water Allotments (AFY) w/o Adjustments

	Flushing Years	Non-Flushing Years
City of Lancaster	7,860	9,720
City of Palmdale	11,630	11,950
Waterworks	700	810

Adjustments: -0.6 MGD (670 AFY) to Waterworks for Apollo Lake

Total Potential Recycled Water Allotments (AFY) w/ Adjustments

	Flushing Years	Non-Flushing Years
City of Lancaster	7,860	9,720
City of Palmdale	11,630	11,950
Waterworks	1,370	1,480

The PRWA allotment would be delivered out of the Palmdale share shown above. Generally, it will equal the production out of Sanitation District No. 20's Palmdale Water Reclamation Plant less 4,000 AF for the pending power plant. More recent discussions have the Sanitation District including a direct contract to PRWA for clarity.

PRWA, PWD, and Palmdale would like you, through your good offices to do all you can do to help get this recycled water allocation completed. As you've stated in past meetings, the use of this resource should be locally controlled and used by the community that generates it. The recent groundwater litigation, the ongoing drought, both cities, PWD, and the PRWA's demonstrated preparedness to build the infrastructure and actually use the recycled water clearly shows the need to settle this allocation. It will enable these entities to obtain grants, advance financing efforts to build these systems, but most importantly use the recycled water the customers are paying to process for reuse. Using the recycled water in place of and to increase supplies of potable water makes more sense than ever. Please help us deliver it.

Very truly yours,

Dennis D. LaMoreaux

DENNIS D. LaMOREAUX,
Executive Director, PRWA

MD/DDL/dd

cc: Mr. Norm Hickling, Field Deputy, Antelope Valley
PRWA Board of Directors
Palmdale Water District Board of Directors
Palmdale City Council
Lancaster City Council

CITY OF PALMDALE
CITY CLERK ORIGINAL

SECOND AMENDMENT TO THE JOINT EXERCISE OF POWERS AGREEMENT CREATING THE PALMDALE RECYCLED WATER AUTHORITY DATED SEPTEMBER 26, 2012 (CITY AGREEMENT NO. A-4113)

Dated October 2, 2013

This Second Amendment to the "Joint Exercise of Powers Agreement Creating the Palmdale Recycled Water Authority" dated September 26, 2012 (hereinafter "Agreement") is made and entered into this 2nd day of October, 2013, by and between the City of Palmdale, State of California, a California Charter City (hereinafter "City") and the Palmdale Water District, an Irrigation District under Division 11 of the California Water Code (hereinafter "District").

WITNESSETH:

WHEREAS, pursuant to Section 1.1, "Definitions", of the Agreement, the District and the City are the constituent "Members" of the Palmdale Recycled Water Authority (hereinafter "PRWA" or "Authority"); and

WHEREAS, Section 7.1, "Amendments", of the Agreement states, "This Agreement may be amended only upon the affirmative vote of both Members."; and

WHEREAS, pursuant to the Agreement Section 4.19 "Authority Documents", the affairs of the Authority must be implemented through duly adopted resolutions approved by the Authority Board, and

WHEREAS, it is the desire of the City and the District as Members of the Authority to amend the Agreement to simplify the adoption of general and routine items of the Authority by eliminating the need for a formal resolution except in more extraordinary matters..

NOW THEREFORE, the City and the District agree as follows:

SECTION 1. Article 4 "Organization", sub-section 4.19 of the Agreement, is amended to add on the following paragraph as follows:

"All actions of the Authority Board pursuant to Section 4.9 "Special Voting Situations" shall be via written resolution formally adopted at a regular or adjourned regular meeting of the Authority. All other Authority Board matters may be adopted via motion and vote and so noted in the minutes."

SECTION 2. EFFECTIVE DATE. This Second Amendment to the Agreement shall become effective when approved by the City Council of the City of Palmdale and the Palmdale Water District Board of Directors and is duly signed by both of those parties.

IN WITNESS WHEREOF, each of the parties have caused this "2nd Amendment to the Joint Exercise of Powers Agreement Creating the Palmdale Recycled Water Authority" dated September 26, 2012," to be executed by their duly authorized representatives as signed below.

CITY OF PALMDALE

James C. Ledford, Jr.
Mayor

PALMDALE WATER DISTRICT

Kathryn Mac Laren
President

APPROVED AS TO FORM:

Wm. Matthew Ditzhazy
City Attorney

APPROVED AS TO FORM:

James D. Ciampa
District Counsel

ATTEST:

Rebecca J. Smith
City Clerk

CITY OF PALMDALE
CITY CLERK ORIGINAL

FIRST AMENDMENT TO THE JOINT EXERCISE OF POWERS AGREEMENT CREATING THE PALMDALE RECYCLED WATER AUTHORITY DATED SEPTEMBER 26, 2012 (CITY AGREEMENT NO. A-4113)

Dated March 6, 2013

This First Amendment to the "Joint Exercise of Powers Agreement Creating the Palmdale Recycled Water Authority" dated September 26, 2012 (hereinafter "Agreement") is made and entered into this 6 day of March 2012, by and between the City of Palmdale, State of California, a California Charter City (hereinafter "City") and the Palmdale Water District, an Irrigation District under Division 11 of the California Water Code (hereinafter "District").

WITNESSETH:

WHEREAS, pursuant to Section 1.1, "Definitions", of the Agreement, the District and the City are the constituent "Members" of the Palmdale Recycled Water Authority (hereinafter "PRWA" or "Authority"); and

WHEREAS, Section 7.1, "Amendments", of the Agreement states, "This Agreement may be amended only upon the affirmative vote of both Members."; and

WHEREAS, pursuant to the Agreement provides for a five-member Authority Board wherein each of the two Members appoint two members from their respective governing boards to serve on the Authority Board and jointly appoint the "Fifth Director", and

WHEREAS, it is the desire of the City and the District as Members of the Authority to amend the Agreement to clarify the conditions under which the Fifth Director may be removed from the Authority Board.

NOW THEREFORE, the City and the District agree as follows:

SECTION 1. Article 4 "Organization", sub-section 4.4 of the Agreement, is amended to add the following paragraph to read as follows:

"*The fifth Director shall serve for renewable one-year terms at the pleasure of both Members. In the case of removal of the fifth Director before the expiration of his or her term, both Members would be required to adopt resolutions for removing said director. Cause for removal need not be stated in the resolutions as the fifth Director serves at the joint pleasure of both Members.*"

SECTION 2. EFFECTIVE DATE. This First Amendment to the Agreement shall become effective when approved by the City Council of the City of Palmdale and the Palmdale Water District Board of Directors and is duly signed by both of those parties.

IN WITNESS WHEREOF, each of the parties have caused this "Joint Exercise of Powers Agreement Creating the Palmdale Recycled Water Authority" dated September 26, 2012," to be executed by their duly authorized representatives as signed below.

CITY OF PALMDALE

James C. Ledford, Jr.
Mayor

PALMDALE WATER DISTRICT

Kathryn Mac Laren
President

APPROVED AS TO FORM:

Wm. Matthew Ditzhazy
City Attorney

APPROVED AS TO FORM:

Thomas S. Bunn, III
District Counsel

ATTEST:

Rebecca J. Smith
City Clerk

CITY OF PALMDALE
CITY CLERK ORIGINAL

A-4113

JOINT EXERCISE OF POWERS AGREEMENT CREATING THE PALMDALE RECYCLED WATER AUTHORITY

This Agreement is made this 26th day of Sept., 2012, by and between the City of Palmdale, a California Charter City ("City") and Palmdale Water District, an Irrigation District under Division 11 of the California Water Code ("PWD").

RECITALS

WHEREAS, the Joint Exercise of Powers Act, codified at California Government Code sections 6500 *et seq.*, authorizes public agencies by agreement to exercise jointly any power common to the contracting parties;

WHEREAS, the City and PWD are each "public agencies" as that term is defined in California Government Code section 6500;

WHEREAS, the City and PWD have each determined that it is in the public interest to create the Palmdale Recycled Water Authority, an entity separate from the City and PWD to, among other things, jointly study, promote, develop, distribute, construct, install, finance, use and manage recycled water resources created by the Los Angeles County Sanitation District Nos. 14 and 20 for any and all reasonable and beneficial uses, including irrigation and recharge, and to finance the acquisition and construction or installation of recycled water facilities, recharge facilities and irrigation systems;

WHEREAS, the City and PWD have entered into a Settlement Agreement dated September 6, 2012, that calls for the creation of the Authority. Under the Settlement Agreement, the City and PWD agreed to use their best efforts to accomplish a reallocation of the recycled water supply produced by County Sanitation Districts Nos. 14 and 20 such that the effluent generated within the City of Palmdale that is tributary to the Palmdale Treatment Plant (Sanitation District No. 20) and to the Lancaster Treatment Plant (Sanitation District No. 14), less that previously allocated for environmental projects by both Sanitation Districts Nos. 14 and 20 and 4,000 acre-feet for the Palmdale Power Plant, is available to the Authority for purchase.

NOW, therefore, in consideration of the mutual promises, covenants and conditions hereinafter contained, the members and each of them do hereby agree as follows:

Article 1 Definitions

1.1 Definitions. As used herein, the following terms have the meaning ascribed thereto, unless the context requires otherwise.

"Act" means the Joint Exercise of Powers Act, codified at California Government Code sections 6500 *et seq.*

"Agreement" means this Joint Powers Agreement.

"Authority" means the Palmdale Recycled Water Authority.

"Authority Document(s)" means document(s) duly adopted by the Board by resolution or motion implementing the powers, functions and activities of the Authority, including but not limited to the Operating Rules and Regulations, the annual budget, and plans and policies.

"Board" means the Board of Directors, which is the governing body of the Authority.

"Bonds" means bonds, notes, commercial paper, floating rate, and variable maturity securities, and any other evidences of indebtedness and also includes certificates of participation, lease-purchase agreements or loan agreements.

"Sanitation Districts" means the Los Angeles County Sanitation Districts Nos. 14 and 20.

"Director" means a member of the Board of Directors.

"Effective Date" means the date on which this Agreement shall become effective and the Authority shall exist as a separate public agency.

"Members" means the City and PWD.

"Operating Rules and Regulations" means the rules, regulations, policies, bylaws and procedures governing the operation of the Authority.

"Public Agency" means those public entities set forth in Section 6500 of the Act.

"Public Capital Improvements" mean one or more projects specified in Section 6546 of the Act.

"Waterworks" means the Los Angeles County Waterworks District No. 40.

"Working Capital" means money to be used by, or on behalf of, a Member for any purpose for which a Member may borrow money pursuant to California Government Code Section 53852.

Article 2 Formation and Purpose

2.1 Effective Date and Term. This Agreement shall become effective and the Authority will come into existence as a separate public agency on the date this Agreement is executed by the City and PWD. The Authority will continue to exist and this Agreement will remain in effect, until this Agreement is terminated pursuant to Article 8.

2.2 Formation. There is formed as of the Effective Date a public agency named the "Palmdale Recycled Water Authority." Pursuant to Sections 6506 and 6507 of the Act, the Authority is an independent public agency separate from the Members. Unless otherwise agreed by the Members, the debts, liabilities, and obligations of the Authority are not debts, liabilities or obligations of the Members.

2.3 Purpose. The purpose of the Agreement is to establish an independent public agency in order to study, promote, develop, distribute, construct, install, finance, use and manage recycled water resources created by the Sanitation Districts for any and all reasonable and beneficial uses, including irrigation and recharge, and to finance the acquisition and construction or installation of recycled water facilities, recharge facilities and irrigation systems.

2.4 Boundary. The boundary of the Authority shall be the jurisdictional boundary of PWD, and shall encompass that portion of the City within the jurisdictional boundary of PWD.

Article 3 Powers

3.1 General Powers. The Authority shall have the powers common to the Members and such additional powers set forth in the Act and other statutes applicable to the Authority, and is hereby authorized to exercise all powers and do all acts necessary and proper to carry out the provisions of this Agreement and fulfill its purposes, including, but not limited to each of the following:

a. Distributing recycled water for reasonable and beneficial uses, including irrigation and recharge;

b. Charging fees for recycled water;

c. Making and entering into contracts;

d. Employing employees, agents, consultants, legal counsel and other experts;

e. Conducting studies, including but not limited to environmental studies;

f. Promoting or advertising the services provided by the Authority;

g. Promoting legislation helpful to the goals of the Authority;

h. Applying for, receiving and complying with requirements for state or federal grants;

i. Acquiring, owning, holding title to, constructing, managing, maintaining, operating, disposing of or donating real or personal property or other assets;

j. Incurring debts, liabilities or obligations and issuing Bonds;

k. Adopting, levying, collecting and/or administering assessments to the extent allowed by law, or assisting the Members to do so;

l. Suing and being sued in its own name, including initiating or otherwise participating in proceedings to validate its actions;

m. Applying for and executing appropriate grants or contracts of financial assistance.

n. Applying for, negotiating and obtaining commercial loans as allowed by law;

o. Administering the funds of the Members for the purposes set out here subject to rules adopted by the Authority for such administration;

p. Coordinating programs provided by the Members to carry out the goals of the Authority;

q. Adopting budgets;

r. Adopting rules, regulations, policies, bylaws and procedures governing the operation of the Authority;

s. Accepting donations;

t. Carrying out and enforcing all provisions of this Agreement and any related agreements.

u. Imposing impact or development fees, including, but not limited to, fees under the Mitigation Fee Act (Government Code sections 66000 *et seq.*)

Article 4 Organization

4.1 Board of Directors. The governing body of the Authority shall be the Board, which shall consist of five Directors. The governing body of each Member shall appoint and designate in writing two Directors who shall be authorized to act for and on behalf of the Member on matters within the powers of the Authority. The person appointed and designated as Director shall be a member of the Member's governing body. The fifth Director shall be appointed jointly by both Members.

4.2 Powers of the Board. The Board shall conduct or authorize to be conducted all business and activities of the Authority consistent with this Agreement, the Authority Documents, the Operating Rules and Regulations, and applicable law.

4.3 Operating Rules and Regulations. The Board may adopt from time to time such Operating Rules and Regulations, including but not limited to policies, procedures, bylaws, rules or regulations, for the conduct of its affairs as deemed necessary by the Board.

4.4 Term of Office. Each Director who is a member of the Member's governing body shall serve on the Board for renewable one year terms and shall cease to serve on the Board if such Director ceases to be an elected official of the Member. Vacancies on the Board shall be filled in the same manner as the original appointment. Notwithstanding anything in this Section to the contrary, each Director shall serve at the pleasure of the

Member that the Director is representing and such Member may remove and replace the Director at any time.

4.5 Meetings of the Authority. Meetings of the Authority shall be governed by the Ralph M. Brown Act (Govt. Code Section 54950 *et seq*, the "Brown Act"). At its organizational meeting, the Authority shall adopt provide for its regular meetings at dates, times and places set out by resolution. That Resolution shall be provided to all Members. The Board shall hold at least one regular meeting during each fiscal year. Pursuant to the Brown Act, the Secretary of the Authority shall cause minutes to be prepared for all regular and special meetings (but not any closed sessions) and copies of such minutes shall be provided to the Directors as soon as possible.

4.6 Conflict of Interest Code. The Authority shall adopt a conflict of interest code.

4.7 Quorum. A majority of the Directors shall constitute a quorum.

4.8 Voting. Except as otherwise provided by law or in section 4.9 below, any action taken by the Authority shall require the affirmative vote of a majority of the quorum present and voting on the item. A Director who has announced a conflict of interest is not considered a part of the quorum. An abstention for other than conflict reasons shall be considered a no vote. Notwithstanding anything in this paragraph to the contrary, less than a quorum may adjourn from time to time in accordance with law.

4.9 Special Voting Situations. The following Board actions require the affirmative vote of at least one Director from the City and one from the PWD:

a. Agreements to provide recycled water to any person or entity other than the City or PWD.

b. Capital expenditures exceeding $100,000.

c. Adoption or modification of any combined recycled water master plan.

d. Settlement of lawsuits over $10,000.

e. Adoption of its initial and all annual operating budgets.

f. Setting recycled water rates.

g. Disposition of assets and funds upon termination, pursuant to section 5.8(d).

4.10 Chair and Vice Chair. The Board shall elect from among themselves a Chair and Vice Chair. The Chair shall be the presiding officer of all Board meetings and shall represent the Authority and execute any contracts and other documents when required by the Operating Rules and Regulations. The Vice Chair shall serve in the absence of the Chair. The term of office of the Chair and Vice Chair shall continue for one year, but there shall be no limit on the number of terms held by either the Chair or Vice Chair.

The office of either the Chair or Vice Chair shall be declared vacant and a new election shall be made if the person serving dies, resigns, or the Member that the person represents removes the person as its representative on the Board.

4.11 Director Compensation. Compensation for work performed by Directors on behalf of the Authority shall be borne by the Member that appointed the Director. The Board, however, may adopt by resolution a policy relating to the reimbursement of expenses incurred by Directors. Members may provide for compensation and/or reimbursement of expenses to the fifth director, as allowed by law.

4.12 Secretary. The Board shall appoint a Secretary, who need not be a member of the Board, who shall be responsible for keeping the minutes and other records of the Authority and shall perform such other duties as specified by the Board.

4.13 Treasurer and Auditor. The Authority shall appoint a qualified person to act as the Treasurer and a qualified person to act as the Auditor, neither of whom needs to be a member of the Board. If the Board so designates, and in accordance with the provisions of applicable law, a qualified person may hold both the office of Treasurer and Auditor.

A qualified person shall be (i) the treasurer or chief financial officer of one of the Members; (ii) a certified public accountant; or (iii) such other consultant, officer or employee of the Authority or an administrative services provider as the Authority deems qualified to act as Treasurer or Auditor, respectively. The Treasurer shall act as the depositary of the Authority and have custody of all the money of the Authority, from whatever source, and as such, shall have all of the duties and responsibilities specified in Section 6505.5 of the Act.

The Treasurer shall report directly to the Board and shall comply with the requirements of treasurers of incorporated municipalities. The Board may transfer the responsibilities of Treasurer to any person or entity as the law may provide at the time.

4.14 Staff. The Authority may appoint, by contract or otherwise, an Executive Director and other staff as necessary. The Executive Director shall have all powers delegated to the Executive Director by the Authority. In addition the Executive Director shall have the power to appoint and remove all employees of the Authority, except for the Auditor, Treasurer and those providing expert services, such as legal counsel, financing consultants, accountants, engineers, architects and other advisors, who shall be appointed by the Board.

4.15 Bonding Persons Having Access to Property. The Members hereby designate the Executive Director and Treasurer, and designee or designees of each of them, as the persons who shall have charge of, handle, or have access to any property of the Authority. Such persons shall file an official bond in an amount to be fixed by the Board.

4.16 Provision of Administrative Services Provider. The Board may approve the use of staff of the Members for purposes of planning, implementing, operating and administering any of the programs approved by the Board.

4.17 Committees. The Authority may appoint *ad hoc* and standing committees to carry out the business of the Board, as deemed necessary and in the manner determined by the Board.

4.18 Technical Advisory Committee. The Board may elect to form a Technical Advisory Committee that will provide assistance and advice to the Board and exercise any powers delegated to it by the Board. The Technical Advisory Committee shall be comprised of three representatives appointed by each Member. The Member's governing body may appoint its representatives to the Technical Advisory Committee, and one alternate representative, in the manner determined to be appropriate by the Member. Such representative or alternate may be any person resident within the jurisdictional boundaries of the Member, or a person possessing knowledge and interests in California water policy.

The Technical Advisory Committee will be subject to the Operating Rules and Regulations established by the Board.

4.19 Authority Documents. The Members acknowledge and agree that the affairs of the Authority will be implemented through various documents duly adopted by the Board through Board resolution, including but not necessarily limited to the Operating Rules and Regulations, the annual budget, and specified plans and policies defined as the Authority Documents by this Agreement. The Members agree to abide by and comply with the terms and conditions of all such Authority Documents that may be adopted by the Board.

4.20 Authority Legal Counsel. The Board may retain and appoint legal counsel for the Authority.

Article 5 Financial Provisions

5.1 Fiscal Year. The Authority's fiscal year shall begin January 1 and shall include the period from then through December 31st. The first year of operation of the Authority shall be a partial year of operation.

5.2 Member Contributions. Except as otherwise prohibited, any Member may make contributions of money or assets to the Authority; make or advance payments of public funds to defray the cost of Authority operation; and contribute personnel, equipment or property instead of or in addition to other contributions or advances. Such contributions shall be paid to and disbursed by the Authority as set out in separate agreements between the Authority and the Member and approved by the Board and the governing body of the Member.

It is hereby acknowledged that the City, at the time of Authority's formation, has contributed the recycled water infrastructure installed to date known as Phase I which provides recycled water to McAdam Park, Palmdale, CA.

5.3 Member Loans. By official action of a Member's governing body, any Member may loan or advance funds to the Authority to meet the Authority's necessary budgeted expenses. Such loans shall bear interest until repaid at a rate agreed upon by the Member and the Authority. All such loans shall be repaid with interest from legally available funds of the Authority. It is anticipated that such funding may continue for an extended period of time. Nothing in this Agreement shall be deemed to obligate or require any of the Members to loan money, advance funds or provide property, assets, staffing or in lieu services to the Authority.

5.4 Depository.

a. All funds of the Authority shall be held in separate accounts in the name of the Authority and not commingled with funds of any Member or any other person or entity.

b. All funds of the Authority shall be strictly and separately accounted for, and regular reports shall be rendered of all receipts and disbursements, at least quarterly during the Fiscal Year. The books and records of the Authority shall be open to inspection by the Members at all reasonable times. The Board shall contract with a certified public accountant or public accountant to make an annual audit of the accounts and records of the Authority, which shall be conducted in accordance with the requirements of Section 6505 of the Act.

c. All expenditures shall be made in accordance with the approved budget and upon the approval of any officer so authorized by the Board in accordance with its Operating Rules and Regulations. The Treasurer shall draw checks or warrants or make payments by other means for claims or disbursements not within an applicable budget only upon the prior approval of the Board.

5.5 Budget. The Board shall adopt an annual budget for the Authority's activities within ninety (90) days of the effective date of this Agreement and by January 1 of each succeeding year. The Board may revise the budget from time to time as may be necessary to address changed circumstances, contingencies and unexpected expenses.

Public funds may not be disbursed by the Authority without adoption of the approved budget and all receipts and disbursements shall be in strict accordance with the approved budget. The budget shall identify the programs of the Authority and allocate funds by the program. The budget and accounting system shall account for direct and overhead costs by program. The Board shall allocate these costs for each program with the adoption of the annual budget.

5.6 Debts and Liabilities. As permitted under Section 6508.1 of the Act, no debt, liability, or obligation of the Authority shall constitute a debt, liability, or obligation of any Member and each Member's obligation hereunder is expressly limited only to the appropriation

and contribution of such funds as may be levied pursuant to this Agreement or as the Members hereto may agree.

5.7 Credit. Notwithstanding the preceding section, the Members agree to pledge their credit as necessary or appropriate to obtain financing for the Authority.

5.8 Disposition of Authority Property, Funds and Other Assets Upon Termination.

a. In the event of termination of the Authority where there is a successor public entity which will carry on the activities of the Authority and assume its obligations, Authority property, funds, and other assets, including any interest earned in deposits, remaining upon termination of the Authority and after payment of all obligations, shall be transferred to the successor public entity.

b. If there is no successor public entity which would carry on any of the activities of the Authority or assume any of its obligations, Authority property, funds, and other assets,, including any interest earned on deposits, remaining upon termination of the Authority and after payment of all obligations, shall first be used to return any unreimbursed contribution of each Member, and the remainder shall be divided equally between the Members.

c. If there is a successor public agency which would undertake some of the functions of the Authority and assume some of its obligations, Authority property, funds, and other assets, including any interest earned on deposits, remaining upon termination of the Authority and after payment of all obligations, shall be allocated by the Board between the successor public entity and Members.

d. In the event the Authority is terminated and remaining funds must be allocated under the circumstances falling with (b) or (c) above, all decisions of the Board with regard to determination of amounts to be transferred to Members or any successor shall be final.

Article 6 Operations

6.1 Recycled Water Contract. Within 65 days after the execution of this Agreement, the City shall assign to the Authority its existing contract with Los Angeles County Sanitation Districts Nos. 14 and 20 to purchase up to 2,000 acre-feet of recycled water, dated July 1, 2009. This shall not be considered to be a Member contribution under section 5.2.

6.2 Master Plan. The Authority shall adopt a master plan for recycled water combining the City's and PWD's existing master plans, following environmental review.

6.3 Price of Recycled Water. The price of recycled water sold to the City or PWD shall be set to cover the purchase price of the recycled water, operation and maintenance costs of the Authority, and financing costs.

6.4 Impact Fee. The Authority shall adopt an impact fee in order to pay capital costs, including reimbursement to the City of the cost of the recycled water infrastructure installed to date known as Phase I, which provides recycled water to McAdam Park.

Article 7 Amendments

7.1 Amendments. This Agreement may be amended only upon the affirmative vote of both Members.

Article 8 Termination

8.1 Termination. This Agreement may be terminated by the mutual agreement of both Members at any time, or by one Member after the tenth anniversary of the execution of this Agreement; provided, however, that prior to any termination by one Member, the Members agree to engage in the dispute resolution procedure under section 9.10, and such termination shall not be effective until six months after the completion of that procedure. Upon termination, payment of the obligations and division of the property of the Authority shall be conducted pursuant to this Agreement.

Article 9 Miscellaneous Provisions

9.1 Liability of Directors, Officers, and Employees. The Directors, officers, and employees of the Authority shall use ordinary care and reasonable diligence in the exercise of their powers and in the performance of their duties pursuant to this Agreement. No current or former Director, officer, or employee will be responsible for any act or omission by another Director, officer, or employee. The Authority shall defend, indemnify and hold harmless the individual current and former Directors, officers, and employees for any acts or omissions in the scope of their employment or duties in the manner provided by Government Code Section 995 *et seq*. Nothing in this section shall be construed to limit the defenses available under the law, to the Members, the Authority, or its Directors, officers, or employees.

9.2 Indemnification of Members. The Authority shall acquire such insurance coverage as is necessary to protect the interests of the Authority, the Members and the public. The Authority shall defend, indemnify and hold harmless the Members and each of their respective Board or Council members, officers, agents and employees, from any and all claims, losses, damages, costs, injuries and liabilities of every kind arising directly or indirectly from the conduct, activities, operations, acts, and omissions of the Authority under this Agreement.

9.3 Severability. If one or more clauses, sentences, paragraphs, or provisions of this Agreement or its application to any person or circumstances shall be held invalid, unlawful or unenforceable, the remainder of this Agreement and the application of the provision to other persons or circumstances shall not be affected thereby. Such clauses, sentences, paragraphs or provisions shall be deemed reformed so as to be lawful, valid and enforced to the maximum extent possible.

9.4 Assignment. Except as otherwise expressly provided in this Agreement, the rights and duties of the Members may not be assigned or delegated without the advance written consent of all of the other Members, and any attempt to assign or delegate such rights or duties in contravention of this Section is null and void. This Agreement inures to the benefit of, and be binding upon, the successors and assigns of the Members.

9.5 No Rights In Third Parties. All of the terms, conditions, rights and duties provided for in this Agreement are, and will always be, solely for the benefit of the Members. It is the intent of the Members that no third party shall ever be the intended beneficiary of any performance, duty or right created or required pursuant to the terms and conditions of this Agreement.

9.6 Agreement Complete. The foregoing constitutes the full and complete Agreement of the Members. There are no oral understandings or agreements not set forth in writing herein.

9.7 Further Assurances. Each Member agrees to execute and deliver all further instruments and documents, and take any further action that may be reasonably necessary, to effectuate the purposes and intent of this Agreement.

9.8 Execution by Counterparts. This Agreement may be executed in any number of counterparts, and upon execution by all Members, each executed counterpart shall have the same force and effect as an original instrument and as if all Members had signed the same instrument. Any signature page of this Agreement may be detached from any counterpart of this Agreement without impairing the legal effect of any signatures thereon, and may be attached to another counterpart of this Agreement identical in form hereto but having attached to it one or more signature pages.

9.9 Members to be Served Notice. Any notice authorized or required to be given pursuant to this Agreement shall be validly given if served in writing either personally, by deposit in the United States mail, first class postage prepaid with return receipt requested, or by a recognized courier service. Notices given (a) personally or by courier service shall be conclusively deemed received at the time of delivery and receipt and (b) by mail shall be conclusively deemed given 48 hours after the deposit thereof (excluding Saturdays, Sundays and holidays) if the sender receives the return receipt. All notices shall be addressed to the office of the clerk or secretary of the Authority or Member, as the case may be, or such other person designated in writing by the Authority or Member. Notices given to one Member shall be copied to all other Members. Notices given to the Authority shall be copied to all Members.

9.10 Dispute Resolution. Representatives of the Members shall meet and use their best efforts to settle any dispute, claim, question or disagreement ("a Dispute") arising from or relating to this Agreement or to the interpretation of this Agreement. To that end, representatives of the Parties shall consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to both Parties. If the Parties do not reach such a solution within a period of thirty (30) days after the first meeting regarding a Dispute, then the Parties shall convene a meeting of the Board within sixty (60) days after the first meeting of the Party

representatives regarding a Dispute and attempt to settle the Dispute before the Board meeting. If the Parties do not settle the Dispute within five (5) calendar days after the Board meeting, the Parties shall submit to mediation of the Dispute to be held within thirty (30) days of the request for mediation. If mediation is not successful, any Party may pursue any and all legal and equitable remedies that may be available. Any Party with a Dispute over the amount of money to be paid to the Authority or a Party shall first pay the disputed amount to the Authority or other Party under protest before commencing dispute resolution under this section.

9.11 Governing Law. This Agreement is to be governed by and construed according to the laws of California.

IN WITNESS WHEREOF, the Members hereto have caused this Agreement to be executed by their proper officers thereunder duly authorized and effective as of the date of execution of all Members hereto.

CITY OF PALMDALE

James C. Ledford, Jr.
Mayor

PALMDALE WATER DISTRICT

Gordon Dexter
President

APPROVED AS TO FORM:

Wm. Matthew Ditzhazy
City Attorney

APPROVED AS TO FORM:

ATTEST:

Rebecca Smith
City Clerk