MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT, MAY 29, 2018:

A regular meeting of the Board of Directors of the Palmdale Water District was held Tuesday, May 29, 2018, at 2029 East Avenue Q, Palmdale, California, in the Board Room of the District office. President, Vincent Dino, called the meeting to order at 6:00 p.m.

1) Pledge of Allegiance/Moment of Silence.

At the request of President Dino, Director Mac Laren led the pledge of allegiance followed by a moment of silence to honor the passing of retired District employee, Greg Dluzak.

2) Roll Call.

Attendance:	**Others Present:**
Vincent Dino, President	Dennis LaMoreaux, General Manager
Kathy Mac Laren, Vice President	Maya Mouawad, Assistant General Counsel
Marco Henriquez, Treasurer	Mike Williams, Finance Manager
Joe Estes, Secretary	Jim Riley, Engineering/Grant Manager
	Judy Shay, Public Affairs Director
Robert Alvarado, Director--	Jennifer Emery, Human Resources Director
EXCUSED ABSENCE	Dawn Deans, Executive Assistant
	5 members of the public

3) Adoption of Agenda.

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

4) Public Comments for Non-Agenda Items.

There were no public comments.

5) Presentations:

5.1) None at This Time.

There were no presentations.

6) Action Items – Consent Calendar: (The Public Shall Have an Opportunity to Comment on Any Action Item on the Consent Calendar as the Consent Calendar is Considered Collectively by the Board of Directors Prior to Action Being Taken.)

6.1) Approval of Minutes of Regular Meeting Held May 14, 2018.

6.2) Payment of Bills for May 29, 2018.

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

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

7.1) Consideration and Possible Action on Resolution No. 18-5 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 $15,000,000 and Approving Certain Documents in Connection Therewith. (Finance Manager Williams/NHA Advisors/Finance Committee)

Finance Manager Williams and Mr. Mark Northcross, NHA Advisors, provided an overview of the bond process for the 2018 Water Revenue Bonds, including the potential interest rate, projects to be funded, the bond documents approved in Resolution No. 18-5, and the mandate to increase water rates sufficient to meet the required debt service coverage, and after a brief discussion of the District's bond rating, it was moved by Director Mac Laren, seconded by Director Estes, and unanimously carried by all members of the Board of Directors present at the meeting to adopt Resolution No. 18-5 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 $15,000,000 and Approving Certain Documents in Connection Therewith.

A copy of Resolution No. 18-5 is hereby made a portion of the minutes of this meeting.

7.2) Adjourn to Public Financing Authority Board Meeting. (President Dino)

It was moved by Director Mac Laren, seconded by Director Henriquez, and unanimously carried by all members of the Board of Directors present at the meeting to adjourn to the Public Financing Authority Board Meeting.

7.3) Consideration and Possible Action on Budget Adjustment for 100-Year Anniversary Celebration. ($40,000.00 – Non-Budgeted – General Manager LaMoreaux/Ad Hoc 100th Anniversary Committee)

General Manager LaMoreaux reviewed the budget for the 100-year anniversary celebration and items included in this budget, and after a brief discussion of planned activities and the Ad Hoc 100th Anniversary Committee's recommendation to approve the budget adjustment, it was moved by Director Estes, seconded by Director Henriquez, and unanimously carried by all members of the Board of Directors present at the meeting to approve a budget adjustment for 100-year anniversary celebration events in the not-to-exceed amount of $40,000.00.

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

Public Affairs Director Shay provided an update on the success of last week's Red Cross Blood Drive.

a) Update on 100th Year Anniversary Events.

She then stated that branding is a large part of the District's 100th anniversary with the new logo and materials; that the 100-year commemorative book will be delivered prior to the District's anniversary event; that videos are complete and will be viewed this evening; that over 100 members of the public have participated in facility tours with very positive feedback; that plans are progressing for the July 22nd 100-year anniversary event; and then reviewed displays and outreach for this event.

b) Outreach Plans for 2018, and

c) PWD Water Ambassadors Academy, and

d) Upcoming Events.

She then provided an overview of the proposed Water Ambassadors Academy designed to educate the public about water and the District and stated that the first Academy is scheduled for September 19 and 26 and October 3 from 5:30 p.m. to 7:30 p.m. with a facilities tour scheduled for October 6 and that the Academy will soon be advertised with registration accepted for twenty participants.

e) Outreach Recommendations From Directors.

There were no outreach recommendations from Directors, and several 100-year anniversary videos were viewed.

7.5) Consideration and Possible Action on Authorization of the Following Conferences, Seminars, and Training Sessions for Board and Staff Attendance Within Budget Amounts Previously Approved in the 2018 Budget:

a) None at this Time.

There were no conferences, seminars, and training sessions to consider.

8) Information Items:

8.1) Reports of Directors:

a) Meetings/General Report.

Director Estes reported that on May 21, he attended the Palmdale Recycled Water Authority meeting; that also on May 21, he attended the Antelope Valley Union High School District meeting; that on May 23, he attended an Ad Hoc 100th Anniversary Committee meeting; that on May 24, he attended a Board briefing with General Manager LaMoreaux regarding tonight's meeting; and that on May 29, he is attending the Palmdale Water District Board meeting.

Director Henriquez reported that on May 24, he attended a Board briefing with General Manager LaMoreaux regarding tonight's meeting and that also on May 24, he attended and chaired the Finance Committee meeting where they discussed the 2018 bonds and the billing procedure for the District's assistance on the Littlerock Creek Irrigation District emergency repair.

Director Mac Laren reported that on April 25, she attended the Antelope Valley Watermaster meeting; that also on April 25, she attended a meeting with Lahontan, the Sanitation Districts, and AVEK; that on May 21, she attended the Palmdale Recycled Water Authority meeting; and that on May 23, she attended the Antelope Valley Watermaster meeting.

President Dino reported that on May 17, he attended an agenda review and approval meeting with General Manager LaMoreaux; that on May 21, he attended the Palmdale Recycled Water Authority meeting; that on May 22, he attended an AVEK Board meeting; that on May 23, he attended an Ad Hoc 100th Anniversary Committee meeting; that on May 24, he attended a Board briefing with General Manager LaMoreaux regarding tonight's meeting; and that on May 29, he is attending the Palmdale Water District Board meeting.

b) Standing Committee/Assignment Reports (Chair):

1) Palmdale Recycled Water Authority.

There were no further reports on Standing Committee/Assignments.

8.2) Report of General Manager.

a) May 2018 Written Report of Activities Through April 2018.

General Manager LaMoreaux provided an overview of the Finance Committee's decision to bill Littlerock Creek Irrigation District on a time and material basis for assistance with an emergency repair similar to the billing agreement for the Antelope Valley State Water Contractor Association and stated that he recommends this agreement be amended or a separate Mutual Aid Agreement be developed for these types of situations.

He then stated that one of the vehicles shown in the history video was that of Greg Dluzak, who started with the District in 1987 and retired as the District's Operations Manager.

He then stated that he submitted a written report included with the agenda packets if there are any questions and then reported that leaks are at 21 through the end of April; that a clean-up day is scheduled for June 2 at Littlerock Dam; that the Forest

Service will open the Littlerock Dam recreation area June 9 and 10 and June 16 and 17; and that the site of the grade control structure will remain closed.

He then stated that staff will meet with potential contractors for the construction of the grade control structure at Littlerock Reservoir on Wednesday and that bid proposals for this work are due June 14.

8.3) Report of General Counsel.

Assistant General Counsel Mouawad stated that the Water Resources and Development Act of 2018 HR8 was approved by the House Transportation and Infrastructure Committee and authorizes $2.5 billion for the U.S. Corps of Engineers to assess dam safety and invest in different water areas; that there is no further update on the water tax trailer bill; and that a rally was held last week in San Diego opposing the water bill on the June ballot.

9) Public Comments on Closed Session Agenda Matters.

There were no public comments on closed session agenda matters.

10) Break Prior to Closed Session.

At 7:08 p.m., President Dino called for a five-minute recess. He reconvened the Regular Board Meeting at 7:13 p.m.

11) Closed Session Under:

11.1) Conference with Legal Counsel – Existing Litigation: A Closed Session Will be Held, Pursuant to Government Code §54956.9 (d)(1), to Confer With Special Litigation Counsel Regarding Existing Litigation to Which the District is a Party. The Title of Such Litigation is as Follows: *Antelope Valley Ground Water Cases.*

At 7:13 p.m., President Dino called for a closed session pursuant to Government Code §54956.9 (d)(1), to confer with Special Litigation Counsel regarding existing litigation to which the District is a party, the title of such litigation being: *the Antelope Valley Ground Water Cases.* He reconvened the Regular Board Meeting at 7:36 p.m.

12) Public Report of Any Action Taken in Closed Session.

President Dino stated that a closed session was held pursuant to Government Code §54956.9 (d)(1), to confer with Special Litigation Counsel regarding existing litigation to which the District is a party, the title of such litigation being: *the Antelope Valley Ground Water Cases*; that the Board was updated on this matter; but that no reportable action was taken in closed session.

13) Board Members' Requests for Future Agenda Items.

Director Mac Laren requested that "Consideration and possible action on creating a water conservation area at the 2018 Antelope Valley Fair as part of the Fair's 80th anniversary celebration" be included on a future agenda.

There were no further requests for future agenda items.

14) Adjournment.

There being no further business to come before the Board, the meeting was adjourned at 7:40 p.m.

Secretary

RESOLUTION NO. 18-5

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 $15,000,000 AND APPROVING CERTAIN DOCUMENTS IN CONNECTION THEREWITH

WHEREAS, the Palmdale Water District (the "District") is an irrigation district duly organized and existing under and pursuant to the Constitution and laws of the State of California (the "State");

WHEREAS, the District proposes to finance the acquisition and construction of certain improvements, betterments, renovations to and expansions of facilities within its water system including, but not limited to, a grade control structure for the Littlerock Dam and water line replacements and upgrades (the "2018 Project");

WHEREAS, the District desires to have the Palmdale Water District Public Financing Authority (the "Authority") issue Water Revenue Bonds (the "Bonds") for the purpose of financing the 2018 Project and paying costs of issuance in connection therewith;

WHEREAS, the 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 District 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;

WHEREAS, the District is authorized by Division 11 of the Water Code of the State of California, including, but not limited to Sections 22225 through 22231, to acquire property for its water system;

WHEREAS, it will be necessary for the District to raise its rates in order to meet the rate covenant contained in the District's existing installment purchase agreements and the Installment Purchase Agreement by and between the District and the Authority to be entered into with respect to the Bonds and the Board desires to provide certain direction regarding a future increase in rates as described herein;

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

Section 1. Each of the above recitals is true and correct. The Board of Directors hereby further finds and determines that there are significant public benefits of the type described in Section 6586 of the Act to the District and its residents by issuing the Bonds under the Act in that the issuance of the Bonds and related transactions will result in demonstrable savings in bond preparation, bond underwriting and bond issuance costs.

Section 2. The issuance by the Authority of the Bonds in the principal amount not to exceed $15,000,000 to finance the 2018 Project and to pay the cost of issuance of the Bonds is hereby approved; provided, however, that the Bonds shall be issued only in accordance with the parameters set forth in Section 5 below.

Section 3. The Installment Purchase Agreement by and between the District and the Authority, in substantially the form on file with the Secretary of the Board, is hereby approved, 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 President of the Board of Directors, the General Manager of the District (the "General Manager") and the Finance Manager of the District (the "Finance Manager"), or their designees (collectively, the "Authorized Officers"), acting alone, is hereby authorized and directed to execute and deliver such Installment Purchase Agreement with such changes, insertions and omissions as may be approved by the District's legal

counsel and Bond Counsel, with the execution thereof by an Authorized Officer being conclusive evidence of such approval.

Section 4. The Continuing Disclosure Certificate to be executed by the District in connection with the issuance of the Bonds, in substantially the form on file with the Secretary of the Board, is hereby approved, subject to final approval as to form by the District's legal counsel and Bond Counsel. 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 approved by the District's legal counsel and Bond Counsel, with the execution thereof by an Authorized Officer being conclusive evidence of such approval.

Section 5. The Purchase Contract by and among the District, the Authority and Piper Jaffray & Co. (the "Underwriter"), in substantially the form on file with the Secretary of the Board, 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 District's legal counsel and Bond Counsel, with the execution thereof by an Authorized Officer being conclusive evidence of such approval; provided, however, that in no event shall the principal amount of the Bonds exceed $15,000,000, nor shall the underwriter's discount exceed 0.8% of the principal amount of the Bonds.

Section 6. The form of the Preliminary Official Statement, presented to this meeting and on file with the Secretary of the Board, is hereby approved. The General Manager, the Finance Manager and their designees are hereby authorized to make such changes to the Preliminary Official Statement as are necessary to make it final as of its date and are authorized and directed to execute and deliver a certificate deeming the Preliminary Official Statement final as of its date in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934. 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 the Authorized Officer executing said document may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof by an Authorized Officer.

Section 7. The Secretary of the Board, or persons as may have been designated by the General Manager, are hereby authorized and directed to attest the signature of any of the Authorized Officers designated herein to execute any documents, as may be required or appropriate in connection with the execution and delivery of the Purchase Contract, the Installment Purchase Agreement, the Continuing Disclosure Certificate and the Official Statement.

Section 8. Each of the Authorized Officers, acting alone, is authorized to execute a contract for services with Stradling Yocca Carlson & Rauth, a Professional Corporation, to act as Bond Counsel and Disclosure Counsel to the District, and with NHA Advisors to act as Municipal Advisor to the District (the "Municipal Advisor"), which contracts shall be in substantially the forms on file with the Secretary of the Board, together with such changes as may be approved by the General Manager or the Finance Manager, the District's legal counsel, or their designee, which changes shall be conclusively evidenced by the execution and delivery of such contracts by any one of such officers. The Bank of New York Mellon Trust Company, N.A. is hereby appointed as trustee for the Bonds and the General Manager is hereby authorized to appoint any replacement trustee while the Bonds are outstanding.

Section 9. Each of the General Manager, the Finance Manager and their 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 that the policy or policies will result in interest rate savings on the Bonds, to pay the insurance premium of such policy or policies from the proceeds of the issuance and sale of the Bonds. Bond Counsel is hereby directed to make all changes to the Preliminary Official Statement, the Continuing Disclosure Certificate, the Installment Purchase 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 10. The Authorized Officers are each hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which each may deem necessary or advisable in order to consummate the issuance of the Bonds and the financing of the 2018 Project, and to otherwise carry out, give effect to and comply with the terms and intent of this Resolution, the Bonds, the Installment Purchase Agreement, the Continuing Disclosure Certificate, the Purchase Contract, the Preliminary Official Statement and the Official Statement. Such actions heretofore taken by such officers or designees are hereby ratified, confirmed and approved.

Section 11. The General Manager, the Finance Manager and other officers of the District are hereby directed to complete a new rate study in 2019 and to return to the Board of Directors with proposed rate increases to submit to District ratepayers in accordance with the notice, public hearing and protest provisions of Proposition 218, which would take effect in 2020 and enable the District to comply with the rate covenant in the Installment Purchase Agreement in calendar years 2020 through 2024.

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

Section 13. This Resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED by the Board of Directors of the Palmdale Water District, California, this 29th day of May 2018, by the following vote:

AYES: President Dino, Directors Mac Laren, Henriquez, Estes

NAYS: None

ABSENT: Director Alvarado

ABSTAIN:

President

ATTEST:

Secretary

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 $12,190,000 (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 3.999%.

(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 $449,465, of which $215,000 is for costs of issuance to be paid from Bond proceeds, $91,791 is Underwriter's discount, $62,674 is for bond and reserve surety premiums and an estimated $80,000 is for fees paid to the Trustee over the life of the Bonds from funds other than Bond proceeds.

(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 Authority for sale of the Bonds, less the finance charge of the Bonds paid from Bond proceeds, which amount is estimated to be $369,465, and any reserves or capitalized interest to be paid or funded with proceeds of the Bonds, which is estimated to be $0.00, is $13,547,869.

(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 Authority 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 $24,410,067 ($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.