



# PALMDALE WATER DISTRICT

## A CENTURY OF SERVICE

June 9, 2021

### 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

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

**FOR THE PUBLIC: VIA TELECONFERENCE ONLY**

**DIAL-IN NUMBER: 571-748-4021 ATTENDEE PIN: 528-986-665#**

**Submit Public Comments at: <https://www.gomeet.com/528-986-665>**

**MONDAY, JUNE 14, 2021**

**6:00 p.m.**

DENNIS D. LaMOREAUX

General Manager

ALESHIRE & WYNDRER LLP

Attorneys

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

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

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

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

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

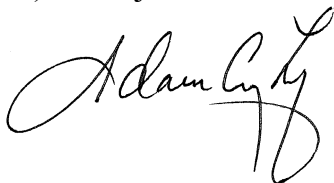
Each item on the agenda shall be deemed to include any appropriate motion, resolution, or ordinance to take action on any item.

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



- 4) Public comments for non-agenda items.
- 5) Presentations:
  - 5.1) None at this time.
- 6) Action Items - Consent Calendar (The public shall have an opportunity to comment on any action item on the Consent Calendar as the Consent Calendar is considered collectively by the Board of Directors prior to action being taken.)
  - 6.1) Approval of minutes of Regular Board Meeting held May 24, 2021.
  - 6.2) Approval of minutes of Special Board Meeting held May 27, 2021.
  - 6.3) Payment of bills for May 24, 2021.
  - 6.4) Approval of updated job descriptions for the Facilities Department. (No Budget Impact – Human Resources Director Emery/Personnel Committee)
  - 6.5) Approval of Amendment No. 5 to General Manager Employment Agreement dated July 30, 2015. (Budgeted – Budget Item No. 1-02-4000-000, Salaries – President Dizmang)
  - 6.6) Approval of Amendment No. 5 to General Counsel Contract Services Agreement. (Budgeted – Budget Item No. 1-02-5070-010, Legal Services – President Dizmang)
  - 6.7) Approval of the Amended and Restated Memorandum of Understanding with the Antelope Valley Regional Water Management Group. (\$27,692.00 – Budgeted – Budget Item No. 1-02-5070-007 – Engineering/Grant Manager Rogers)
- 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) Public Hearing regarding adopting, directing the filing of, and implementing the Palmdale Water District 2020 Urban Water Management Plan Update, the 2015 Urban Water Management Plan Amendment, and the 2020 Water Shortage Contingency Plan. (No Budget Impact – Resource and Analytics Supervisor Bolanos / Kennedy/Jenks Consultants)
  - 7.2) Consideration and possible action on Resolution No. 21-11 being a Resolution of the Board of Directors of the Palmdale Water District Adopting, Directing the Filing of, and Implementing the Palmdale Water District 2020 Urban Water Management Plan Update, the 2015 Urban Water Management Plan Amendment, and the 2020 Water Shortage Contingency Plan,. (No Budget Impact – Resource and Analytics Supervisor Bolanos / Kennedy/Jenks Consultants)
  - 7.3) Public Hearing regarding an increase in Directors' compensation paid from \$150.00 to \$220.00 for each day's attendance at meetings or each day's service rendered as a member of the Board of Directors. (Potential Budget Impact – General Counsel Dunn)

- 7.4) Consideration and possible action on Ordinance No. 21-1 being an Ordinance of the Board of Directors of the Palmdale Water District Authorizing an Increase in Directors' Compensation Paid from \$150.00 to \$220.00 for Each Day's Attendance at Meetings or Each Day's Service Rendered as a Member of the Board of Directors. (Potential Budget Impact – General Counsel Dunn)
- 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)
- 7.6) Adjourn to Public Financing Authority Board meeting. (President Dizmang)
- 7.7) Appointment of Directors to United Water Conservation District Ad Hoc Committee. (President Dizmang)
- 7.8) 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 2021 Budget:
  - a) Association of California Water Agencies (ACWA's) Virtual Region Event Series to be held June 23, July 20, August 19, and September 22, 2021.
- 8) Information Items:
  - 8.1) Reports of Directors:
    - a) Standing Committees; Organization Appointments; Agency Liaisons:
      - 1) Antelope Valley East Kern Water Agency-AVEK. (Director Dino/Director Mac Laren-Gomez, Alternate)
      - 2) Resource and Facilities Committee. (Director Dino, Chair/Director Merino)
      - 3) Antelope Valley State Water Contractors Association. (President Dizmang/Director Mac Laren-Gomez/Director Merino, Alternate)
    - b) General Meetings Reports of Directors.
  - 8.2) Report of General Manager.
  - 8.3) Report of General Counsel.
- 9) Board members' requests for future agenda items.
- 10) Adjournment.



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ADAM C. LY,  
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**  
**FROM:** Jennifer Emery, Human Resources Director  
**VIA:** Mr. Dennis D. LaMoreaux, General Manager  
**RE:** ***AGENDA ITEM NO. 6.4 – APPROVAL OF UPDATED JOB DESCRIPTIONS FOR THE FACILITIES DEPARTMENT. (NO BUDGET IMPACT – HUMAN RESOURCES DIRECTOR EMERY/PERSONNEL COMMITTEE)***

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**Recommendation:**

Staff and the Personnel Committee recommend the Board approve the revised job descriptions for the Facilities Department.

**Impact of Taking No Action:**

Our prior job descriptions would remain active.

**Background:**

Every three years the District updates job descriptions to make sure that they list the current essential job functions and requirements for the position.

**Strategic Plan Initiative/Mission Statement:**

This work is part of Strategic Plan Initiative No. 2 – Organizational Excellence.  
This item directly relates to the District’s Mission Statement.

**Budget:**

There is no effect on budget.

**Supporting Documents:**

Electrician 1-2-3 Job Description  
Facilities Intern Job Description  
Facilities Manager Job Description  
Maintenance Worker 1 – 2 Job Description  
Operations Supervisor – Construction  
Operations Supervisor – Mechanical  
Operations Technician 1-2-3 Job Description  
Service Worker 1-2-3 Job Description



## PALMDALE WATER DISTRICT

### ELECTRICIAN 1 ELECTRICIAN 2 ELECTRICIAN 3

FLSA Status: Non-Exempt

#### DEFINITION

To install, repair and maintain electrical systems and devices, including motors and a variety of motor controls and assist with the hydraulic and mechanical process controls in support of the District's water distribution system and treatment plant operations.

#### DISTINGUISHING CHARACTERISTICS

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

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

Electrician 3 – this is the advanced journey level class in the Electrical/Electronic Technician series and is distinguished from the 2 level by the assignment of task coordination responsibilities in addition to the duties of levels 1 and 2. Employees at this level receive only occasional instruction or assistance as new, unusual or unique situations arise and are responsible for timelines, efficient workflow and the implementation of operating procedures and policies within the work unit. Assess and prioritize all work within this unit.

#### SUPERVISION RECEIVED AND EXERCISED

##### Electrician 1

## Electrician 1/2

- 2 -

Receives immediate task supervision from the Electrical/Electronic Technician 3. Receives general supervision from the Maintenance Supervisor. May receive technical and functional supervision from an Electrician 2.

## Electrician 2

Receives immediate task supervision from the Electrical/Electronic Technician 3. Receives general supervision from the Maintenance Supervisor.

## Electronician 3

Receives immediate supervision from the Maintenance Supervisor.

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

Install, maintain, and repair electrical circuits, transformers, switches, lighting fixtures, motor starters, motors, generators, control panels, electrical components of electronic regulatory systems, and high voltage systems and equipment.

Perform troubleshooting and diagnostic work on problems related to electrical systems and equipment; conduct repairs, recommend replacement of equipment, or referral to outside electrical contractors.

Perform inspections and perform periodic preventive maintenance on electrical systems and equipment; make recommendations for necessary repairs.

Install, test and maintain components and equipment including analyzers, and switchgear.

Install above ground and below ground conduit and pull wire for motors, control panels, lighting fixtures, and outlets.

Read, interpret, and update electrical and electronic system drawings of District facilities; prepare, revise, and maintain as built and shop drawings of electrical installations.

Estimate labor, materials and materials necessary to perform assignments.

Inspect the work of electrical contractors for compliance with contract documents involving electrical and electronic systems.

Transport and install temporary generators as needed due to electrical power outages; shut down wells as necessary according to District procedures.

## Electrician 1/2

- 3 -

Install, maintain and repair HVAC systems.

Assist in the engineering, design and approval of electrical systems for new and existing facilities.

Keep and maintain accurate logs and records of work performed or recommended; prepare required reports.

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

Perform related duties as assigned.

### MINIMUM QUALIFICATIONS

#### Electrician 1

##### Knowledge of:

Electrical theory and practices.

Operational characteristics of electrical equipment and systems.

Tools, equipment, and materials used in the electric trade.

##### Ability to:

Install, repair, and maintain electrical systems and devices, including motors and a variety of motor controls.

On a continuous basis, know and understand operations, and observe safety rules; intermittently analyze problem equipment; identify and locate equipment; interpret work orders; remember equipment location; and explain jobs to others.

Learn to troubleshoot and diagnose problems related to problems with electrical systems and equipment.

Learn pertinent local, State, and Federal laws, rules and regulations related to electrical system installation, repair, and maintenance.

Read and interpret wiring schematics, mechanical drawings and specifications.

Keep and maintain logs and records of work activities; prepare required reports.

Work assigned shift schedules; be available for after-hours or call back emergencies.

Communicate clearly and concisely, both orally and in writing.

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

### Experience and Training

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

#### Experience:

One year of electrical experience with emphasis on electrical installation, maintenance, and repair experience.

#### Training:

GED or high school diploma supplemented by industrial or vocational training in electrical theory or practices.

### License and Certificate

Possession of a valid California Driver's License.

Possession of a Distribution Operator Grade 2 Certificate as issued by the State of California Department of Public Health.

Possession of a Water Treatment Operator Grade 1 Certificate as issued by the State of California Department of Public Health is desired.

Possession of a Certified General Electrician license as issued by the State of California Department of Industrial Relations.

### Electrician 2

In addition to the qualifications for the Electrician 1:

Knowledge of:

Operational characteristics, services, and activities of electrical installation, maintenance and repair.

Methods and techniques of installation, maintenance, and repair of low and high voltage electrical circuit and distribution systems.

Methods and techniques of troubleshooting and diagnosing problems related to electrical systems and equipment.

Pertinent local, State, and Federal Pertinent laws, rules and regulations related to electrical installation and maintenance.

Ability to:

Independently install, repair, and maintain electrical systems and devices, including motors and a variety of motor controls.

Assist in the engineering, design and approval of electrical systems for new and existing facilities.

Experience and Training

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

Experience:

Three years of responsible journey experience performing duties similar to an Electrician 1 with the Palmdale Water District.

Training:

High school diploma or GED supplemented by industrial or vocational course work in electrical installation, repair, and maintenance.

License and Certificate

Possession of, or ability to obtain, a valid California driver's license.

Electrician 1/2

- 6 -

Possession of a Distribution Operator Grade 3 Certificate as issued by the State of California Department of Public Health.

Possession of a Water Treatment Operator Grade 2 Certificate as issued by the State of California Department of Public Health.

Possession of a Certified General Electrician license as issued by the State of California Department of Industrial Relations.

### Electrician 3

In addition to the qualifications for the Electrician 2:

#### Knowledge of:

Principles and practices of technical and functional supervision and training, including safety practices and related record-keeping.

Pertinent water utility industry standards and regulations.

Pertinent consumer information rights related to the California Emergency Planning and Community Right-to-Know Act (EPCRA).

Methods, techniques, tools and equipment, materials, best practices in the maintenance and repair of electrical and electronic systems relating to a water service distribution system.

Computer usage applications such as word processing and spreadsheet programs to complete required reports related to work activities.

#### Ability to:

Provide technical and functional supervision over assigned staff; effectively train staff.

Perform the most complex duties related to the electrical or electronic systems of a water distribution systems.

On a continuous basis, know and understand operations and observe safety rules; intermittently analyze problem situations and/or equipment; identify and interpret technical and numerical information observe and problem solve operational and technical policies and procedures; identify and locate site locations, interpret work orders, remember equipment locations and explain job to others.

Read and understand distribution system maps and related blueprints, drawings and sketches.

Exercise resourcefulness in the field and work without immediate supervision.

### Experience and Training

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

#### Experience:

Five years of responsible journey experience performing duties similar to an Electrician 2 or Electronic Technician 2 with the Palmdale Water District.

#### Training:

Associates Degree in electronics or related field.

### License and Certificate

Possession of, or ability to obtain, a valid California driver's license.

Possession of or ability to obtain within one year, a Distribution Operator Grade 3 Certificate as issued by the State of California Department of Public Health.

Possession of a Water Treatment Operator Grade 2 Certificate as issued by the State of California Department of Public Health is desired.

Possession of a Certified General Electrician license as issued by the State of California Department of Industrial Relations.

## PHYSICAL REQUIREMENTS

Constantly, walk stand, kneel, climb, and bend in the field; sit while studying or preparing reports and driving in vehicle or operating equipment; perform simple and power grasping, pushing, pulling and fine manipulation; intermittently write or use a keyboard to communicate; and lift or carry weight up to 50 pounds. Additionally, the incumbent in this position works outdoors in all weather conditions, including wet, hot and cold with extreme sun exposure. Some of these requirements may be accommodated for otherwise qualified individuals requiring and requesting such accommodations.

Electrician 1/2

- 8 -

Approved:

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

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

\_\_\_\_\_  
Date

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

\_\_\_\_\_  
Date

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



## PALMDALE WATER DISTRICT

### FACILITIES INTERN

FLSA Status: Non-Exempt

#### DEFINITION

To perform semi-skilled work in the construction, installation, building maintenance, and repair of a water service distribution system; and to perform a variety of customer service duties in the field.

#### DISTINGUISHING CHARACTERISTICS

This is the entry level position in the Service Worker series. Positions in this class typically have little or no directly related work experience and work under immediate supervision while learning job tasks. Incumbents work under immediate supervision while learning job tasks, progressing to general supervision as procedures and processes of assigned area of responsibility are learned.

#### SUPERVISION RECEIVED AND EXERCISED

Receives immediate supervision from the Facilities Manager; receives technical and functional supervision from an assigned Service Worker II.

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

Install, maintain, and repair components of a water service distribution system, including valves and a variety of meters, gauges, and flow monitoring devices.

Perform a variety of maintenance and construction tasks.

Inspect water tanks and wells and surrounding areas for vandalism and water supply security problems; report to supervisor, as appropriate.

Operate, maintain, repair and paint air operated vacuum valves and fire hydrants.

Perform building and grounds maintenance, as assigned.

Clean work vehicles; stock vehicles with parts and materials according to service order needs.

Perform maintenance and repair of angle stops.

Respond as needed to customer concerns in the field or refer to other District staff as appropriate.

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

Perform related duties as assigned.

### EDUCATIONAL OPPORTUNITY

The intern position will provide the following educational experiences:

#### Knowledge of:

Basic construction methods, materials, and equipment.

Basic building and grounds maintenance techniques and methods.

#### Ability to:

Construct, install, maintain, and repair components of a water service distribution system.

Know and understand operations, and observe safety rules; intermittently analyze problem equipment; identify and locate equipment; interpret work orders; remember equipment location; and explain jobs to others.

Use various hand and power tools and equipment, including digging bar, push broom and drills.

Read and understand distribution system maps and related drawings.

Complete required reports and daily logs related to work activities.

Perform building and grounds maintenance work.

Perform heavy manual labor and work in traffic situations.

Work outdoors in a variety of weather conditions.

Communicate clearly and concisely, both orally and in writing.

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

Ability to intermittently, sit while studying or preparing reports; bend, squat, climb, kneel and twist when performing installation of equipment; perform simple and power grasping, pushing, pulling, and fine manipulation; and lift or carry weight up to 50 pounds.

REQUIREMENTS:

Must be enrolled in college courses, a return to work program or participant in high school internship program.

License and Certificate

Possession of, or ability to obtain, a valid California Driver's License.

Ability to obtain a Water Treatment Operator Grade 1 Certificate as issued by the State Water Resources Control Board.

Ability to obtain a Distribution Operator Grade 1 Certificate as issued by the State Water Resources Control Board is desired.

PHYSICAL REQUIREMENTS

Constantly, walk stand, kneel, climb, and bend in the field; sit while studying or preparing reports and driving in vehicle or operating equipment; perform simple and power grasping, pushing, pulling and fine manipulation; intermittently write or use a keyboard to communicate; and lift or carry weight up to 50 pounds. Additionally, the incumbent in this position works outdoors in all weather conditions, including wet, hot and cold with extreme sun exposure. Some of these requirements may be accommodated for otherwise qualified individuals requiring and requesting such accommodations.

Approved:

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

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

\_\_\_\_\_  
Date

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

\_\_\_\_\_  
Date

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

Service Worker Intern

- 4 -

PALMDALE WATER DISTRICT

FACILITIES MANAGER

FLSA Status: Exempt

DEFINITION

To plan, organize, direct and review the activities and operations of the Facilities Department including construction operations and maintenance activities; to coordinate assigned activities with other departments and outside agencies; and to provide highly responsible and complex administrative support to the General Manager/CEO and Assistant General Manager/COO.

SUPERVISION RECEIVED AND EXERCISED

Receives administrative direction from the General Manager/CEO and Assistant General Manager/COO.

Exercises direct supervision over assigned staff.

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

Develop, plan and implement department goals and objectives; recommend and administer policies and procedures. Provides vision for the Facilities Department.

Coordinate department activities with those of other departments and outside agencies and organizations; provide staff assistance to the Board of Directors, General Manager/CEO, and Assistant General Manager/COO; prepare and present staff reports and other necessary correspondence.

Direct, oversee and participate in the development of the department's work plan; assign work activities, projects and programs; monitor workflow; review and evaluate work products, methods and procedures.

Supervise and participate in the development and administration of the Facilities Department budget; direct the forecast of additional funds needed for staffing, equipment, materials, supplies, and services; monitor and approve expenditures; implement mid-year adjustments.

Select, train, motivate and evaluate personnel; provide or coordinate staff training; conduct performance evaluations; implement discipline procedures; maintain discipline and high standards necessary for the efficient and professional operation of the department.

## Facilities Manager

- 2 -

Provide oversight to maintenance and construction activities, including pump repair/maintenance; various vehicle and motor equipment repair/maintenance, and installation and maintenance of electrical systems.

Coordinate and oversee work schedules in construction and maintenance activities of the Facilities Department as related to testing, maintenance and repair work.

Participate in review of distribution and well development system design, changes and improvements.

Represent the department to outside groups and organizations; participate in outside community and professional groups and committees; provide technical assistance as necessary.

Research and prepare technical and administrative reports and studies; prepare written correspondence as necessary.

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

Perform related duties as assigned.

### MINIMUM QUALIFICATIONS

#### Knowledge of:

Principles and practices of water utility distribution and operational systems.

Principles and practices of leadership, motivation, team building and conflict resolution.

Pertinent local, State and Federal laws, rules and regulations.

Organizational and management practices as applied to the analysis and evaluation of programs.

Principles and practices of organization, administration and personnel management.

Principles and practices of budget preparation and administration.

Ability to:

Plan, direct and control the administration and operations of the Facilities Department.

On a continuous basis, analyze budget and technical reports; interpret and evaluate staff reports and related documents; know and interpret laws, regulations, codes and procedures; observe performance and evaluate staff; problem solve department related issues; and explain and interpret policy.

On a continuous basis, sit at desk and in meetings for long periods of time; intermittently twist to reach equipment surrounding desk; perform simple grasping and fine manipulation; use telephone; write or use a keyboard to communicate through written means; and lift or carry weight up to 20 pounds.

Prepare and administer department budgets.

Develop and implement department policies and procedures.

Supervise, train and evaluate assigned personnel.

Gain cooperation through discussion and persuasion.

Analyze problems, identify alternative solutions, project consequences of proposed actions and implement recommendations in support of goals.

Interpret and apply District and department policies, procedures, rules and regulations.

Communicate clearly and concisely, both orally and in writing.

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

Experience and Training

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

Experience:

Ten years of increasingly responsible experience in water utility construction and maintenance, pipeline, concrete, construction equipment, motors, pumps and mechanical maintenance, including five years of administrative and management responsibility.

Training:

Equivalent to a Bachelor's degree from an accredited college or university with major course work in civil engineering, environmental studies, resource management or a related field.

License and Certificate

Possession of, or ability to obtain, a valid California Driver's License.

Possession or prior possession of a valid California Class "A" Driver's License.

Possession or prior possession of a Service Truck Crane 10,000 Lb. capacity Certification is required.

Possession of a Distribution Operator Grade 5 Certificate as issued by the State of California Department of Public Health.

Possession of a Water Treatment Operator Grade 2 Certificate as issued by the State of California Department of Public Health.

Possession of a Water Treatment Operator Grade 3 Certificate as issued by the State of California Department of Public Health is desired.

Possess of a Project Management Professional Certification from Project Management Institute.

PHYSICAL REQUIREMENTS

Intermittently, walk stand, kneel, climb, and bend in the field; sit while studying or preparing reports and driving in vehicle or operating equipment; perform simple and power grasping, pushing, pulling and fine manipulation; intermittently write or use a keyboard to communicate; and lift or carry weight up to 35 pounds. Additionally, the incumbent in this position works outdoors in all weather conditions, including wet, hot and cold with extreme sun exposure. Some of these requirements may be accommodated for otherwise qualified individuals requiring and requesting such accommodations.

Approved:

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



Facilities Manager

- 5 -

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

\_\_\_\_\_  
Date

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

\_\_\_\_\_  
Date

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

## PALMDALE WATER DISTRICT

### MAINTENANCE WORKER 1 MAINTENANCE WORKER 2

FLSA Status: Non-Exempt

#### DEFINITION

To perform semi-skilled work in the general repair and maintenance of well sites, shop facility, and other District buildings; and to perform landscape and grounds maintenance work.

#### DISTINGUISHING CHARACTERISTICS

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

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

#### SUPERVISION RECEIVED AND EXERCISED

##### Maintenance Worker 1

Receives immediate task supervision from the Mechanical Lead. Receives general supervision from the Maintenance Supervisor.

##### Maintenance Worker 2

Receives immediate task supervision from the Mechanical Lead. Receives general supervision from the Maintenance Supervisor.

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

## Maintenance Worker 1/2

- 2 -

Perform a variety of general maintenance and repair work involving carpentry, plumbing, painting, roofing, and cement work.

Paint buildings, equipment and piping; change locks; install/replace doors and security screens/fences; remove graffiti.

Install and replace lighting bulbs in buildings, facility yards, and remote sites to ensure safety and security.

Service evaporative coolers; perform plumbing repairs; repair roofs; build forms and mix and pour concrete.

Responsible for the maintenance of vehicles – stocking, washing, etc.

Assist in cleaning up work sites; ensure proper disposal of hazardous materials, and assist in well disinfection, as necessary.

Perform grounds maintenance and general landscaping work.

Transport and pickup of materials and supplies to work sites for use by other District staff.

Keep and maintain records related to work activities.

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

Perform related duties as assigned.

### MINIMUM QUALIFICATIONS

#### Maintenance Worker 1

##### Knowledge of:

Basic techniques and methods of building and grounds maintenance work.

Basic use of computer applications to enter and retrieve data.

##### Ability to:

Perform semi-skilled work in the repair and maintenance of buildings and perform landscape and grounds maintenance work.

On a continuous basis, know and understand operations, and observe safety rules; intermittently analyze problem equipment; identify and locate equipment; interpret work orders; remember equipment location; and explain jobs to others.

Intermittently, sit while studying or preparing reports; bend, squat, climb, kneel and twist when performing repair/maintenance activities; perform simple and power grasping, pushing, pulling, and fine manipulation; and lift or carry weight up to 50 pounds.

Use various hand and power tools and equipment.

Learn to operate a variety of mechanized equipment such as backhoes, forklifts, small cranes, and other related equipment.

Learn to use basic welding techniques.

Learn to use a computer to complete required reports related to work activities.

Perform building and grounds maintenance work.

Work outdoors in a variety of weather conditions.

Work assigned shift schedules; be available for call back.

Communicate clearly and concisely, both orally and in writing.

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

#### Experience and Training

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

##### Experience:

One year of general repair and maintenance construction experience including carpentry and plumbing work is desirable.

Training:

Equivalent to high school diploma/GED.

License and Certificate

Possession of, or ability to obtain, a valid California Driver's License and ability to obtain a class A driver's license within six months.

Possession of, or ability to obtain, a Distribution Operator Grade 1 Certificate as issued by the State Water Resources Control Board.

Maintenance Worker 2

In addition to the qualifications for the Maintenance Worker 1:

Knowledge of:

Practices, procedures, techniques and methods of building and grounds maintenance work.

Operational characteristics of construction equipment and materials.

Safety practices and procedures related to construction repair and maintenance work.

Ability to:

Independently perform semi-skilled work in the repair and maintenance of buildings and perform landscaping and grounds maintenance.

Operate a variety of mechanized equipment such as backhoes, forklifts, small cranes, and other related equipment.

Perform minor repair and maintenance of various pumps and motors.

Use basic welding techniques.

Experience and Training

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

Experience:

Three years of responsible journey experience performing utility construction duties similar to a Maintenance Worker 1 with the Palmdale Water District.

Training:

Equivalent to high school diploma/GED.

License and Certificate

Possession of a valid California Class A Driver's License.

Possession of a Service Truck Crane 10,000 Lb. capacity Certification is required.

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

PHYSICAL REQUIREMENTS

Constantly, walk stand, kneel, climb, and bend in the field; sit while studying or preparing reports and driving in vehicle or operating equipment; perform simple and power grasping, pushing, pulling and fine manipulation; intermittently write or use a keyboard to communicate; and lift or carry weight up to 50 pounds. Additionally, the incumbent in this position works outdoors in all weather conditions, including wet, hot and cold with extreme sun exposure. Some of these requirements may be accommodated for otherwise qualified individuals requiring and requesting such accommodations.

Approved:

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

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

\_\_\_\_\_  
Date

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

\_\_\_\_\_  
Date

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

## PALMDALE WATER DISTRICT

### OPERATIONS SUPERVISOR - CONSTRUCTION

FLSA Status: Exempt

#### DEFINITION

To plan, organize, direct and supervise construction, installation, maintenance, and repair of water service distribution system operations within the Facilities Department; and to perform a variety of technical tasks relative to assigned area of responsibility.

#### SUPERVISION RECEIVED AND EXERCISED

Receives general direction from the Facilities Manager.

Exercises direct supervision over assigned construction and staff.

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

Recommend and assist in the implementation of goals and objectives; establish schedules and methods for construction, installation, maintenance, and repair of a water distribution system; implement policies and procedures.

The Construction Supervisor is responsible for ensuring Title 17, 22, and AWWA standards are upheld.

Plan, prioritize, assign, supervise and review the work of staff involved in construction, installation, maintenance, and repair of a water distribution system.

Plan, prioritize, and track the work of staff involved in the meter maintenance program.

Establish and maintain systems related to assigned technical areas of responsibility; monitor area activities and report progress as required.

Evaluate operations and activities of assigned responsibilities; recommend improvements and modifications; prepare various reports on operations and activities.

Develop, coordinate, and implement program activities in technical areas related to department or division activities.

Respond to requests for documentation related to assigned area of responsibility; explain and interpret assignment area policies and procedures to internal or external customers.

## Operations Supervisor - Construction

- 2 -

Ensure availability of materials and equipment, and schedule temporary repairs and full repair work.

Participate in budget preparation and administration; prepare cost estimates for budget recommendations; submit justifications for materials, equipment and supplies; monitor and control expenditure.

Participate in the selection and training of staff; provide or coordinate staff training; work with employees to correct deficiencies; implement discipline procedures.

Coordinate with Engineering Department and inspectors regarding scheduled construction work; coordinate with other utilities and agencies about scheduled work and/or field site problems and issues.

Prepare written estimates for property owners regarding cost of new services, fire hydrants, and service up-grades.

Ensure proper and safe repair of water leaks, new service installation, and maintenance of adequate water pressure throughout the system.

Ensure proper USAs with all agencies. Acquire after hour contacts and coordination.

Respond to routine and emergency line breaks or leaks, including re-assigning field crews and ensuring availability of adequate supplies, materials, and equipment; provide temporary repairs and schedule full repair work.

Answer questions and provide information to the public; investigate complaints and recommend corrective action as necessary to resolve complaints.

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

Perform related duties as assigned.

### MINIMUM QUALIFICATIONS

#### Knowledge of:

Principles and practices of field construction and maintenance work related to a water service distribution system.

Equipment, tools and materials used in construction, installation, repair, and maintenance of a water service distribution system.



Principles and practices of supervision, training and performance evaluations.

Principles and practices of budget monitoring.

Principles and practices of safety management.

Pertinent local, State and Federal laws, ordinances and rules.

Ability to:

Organize, implement and direct construction, installation, maintenance, and repair of water service distribution system operations/activities.

On a continuous basis, know and understand all aspects of the job; intermittently analyze work papers, reports and special projects; identify and interpret technical and numerical information; observe and problem solve operational and technical policy and procedures.

Interpret and explain pertinent water system construction, installation, repair, and maintenance practices and department policies and procedures.

Read blueprints and coordinate water system construction.

Assist in the development and monitoring of an assigned program budget.

Develop and recommend policies and procedures related to assigned operations.

Supervise, train and evaluate assigned staff.

Work outdoors in a variety of weather conditions; be available for call back.

Communicate clearly and concisely, both orally and in writing.

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

Experience and Training

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

Experience:

## Operations Supervisor - Construction

- 4 -

Seven years of increasingly responsible experience in construction, installation, maintenance, and repair of a water system distribution system; including three years providing technical and functional supervision over assigned personnel.

### Training:

Equivalent to Associates Degree in construction, business, or a related field.

### License and Certificate

Possession of a valid California Class A Driver's License.

Possession of a Distribution Operator Grade 4 Certificate as issued by the State of California Department of Public Health.

Possession of a Water Treatment Operator Grade 2 Certificate as issued by the State of California Department of Public Health.

## PHYSICAL REQUIREMENTS

Constantly, walk stand, kneel, climb, and bend in the field; sit while studying or preparing reports and driving in vehicle or operating equipment; perform simple and power grasping, pushing, pulling and fine manipulation; intermittently write or use a keyboard to communicate; and lift or carry weight up to 60 pounds. Additionally, the incumbent in this position works outdoors in all weather conditions, including wet, hot and cold with extreme sun exposure. Some of these requirements may be accommodated for otherwise qualified individuals requiring and requesting such accommodations.

Approved:

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

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

\_\_\_\_\_  
Date

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

\_\_\_\_\_  
Date

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Operations Supervisor - Construction

- 5 -

## PALMDALE WATER DISTRICT

### OPERATIONS SUPERVISOR - MECHANICAL

FLSA Status: Exempt

#### DEFINITION

To plan, organize, direct and supervise water distribution system operations, motor equipment repair and maintenance, and installation and maintenance of electronic and electrical systems within the Facilities Department; and to perform a variety of technical tasks relative to assigned area of responsibility.

#### SUPERVISION RECEIVED AND EXERCISED

Receives general direction from the Facilities Manager.

Exercises direct supervision over Districts Electrical, Mechanical and Fleet Teams.

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

Recommend and assist in the implementation of goals and objectives; establish schedules and methods for maintenance work including motor equipment repair/maintenance, and electronic and electrical systems; implement policies and procedures.

Plan, prioritize, assign, supervise and review the work of staff involved in motor equipment repair/maintenance, and electrical systems.

Evaluate operations and activities of assigned responsibilities; recommend improvements and modifications; prepare various reports on operations and activities.

Participate in budget preparation and administration; prepare cost estimates for budget recommendations; submit justifications for staff, supplies, equipment, and services; monitor and control expenditure.

Participate in the selection of staff; provide or coordinate staff training; work with employees to correct deficiencies; implement discipline procedures.

Oversee daily operation of water pumping and storage operations, including functioning of pumps, motors, and proper field disinfection of the distribution system.

Review daily production reports; make decisions regarding availability of water to meet immediate production demands; shift water sources as needed to meet demand.

## Operations Supervisor - Mechanical

- 2 -

Oversee and/or prepare various assigned preventive maintenance schedules; maintain related records.

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

Perform related duties as assigned.

### MINIMUM QUALIFICATIONS

#### Knowledge of:

Principles and practices of mechanized/automated water treatment and distribution systems.

General knowledge of electrical systems and automated control systems.

Current and emerging water issues and regulations.

Principles of supervision, training and performance evaluations.

Principles of budget monitoring.

Principles and practices of safety management.

Pertinent local, State and Federal laws, ordinances and rules.

#### Ability to:

Organize, implement and direct repair/maintenance of a variety of mechanical, electrical equipment.

On a continuous basis, know and understand all aspects of the job; intermittently analyze work papers, reports and special projects; identify and interpret technical and numerical information; observe and problem solve operational and technical policy and procedures; explain regulations, policies, and procedures.

Interpret and explain pertinent District and department policies and procedures.

Assist in the development and monitoring of an assigned program budget.

Develop and recommend policies and procedures related to assigned operations.

Supervise, train and evaluate assigned staff.

Communicate clearly and concisely, both orally and in writing.

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

#### Experience and Training

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

##### Experience:

Seven years of increasingly responsible experience in in the repair, maintenance and operation of pumps, wells, reservoirs and automatic control systems, including three years providing technical and functional supervision over assigned personnel.

##### Training:

Equivalent to Associates Degree in construction, business, mechanics or a related field.

#### License and Certificate

Possession of, or ability to obtain, a valid Class A California Driver's License.

Possession of a Service Truck Crane 10,000 Lb. Capacity Certification is required.

Possession of a Distribution Operator Grade 4 Certificate as issued by the State of California Department of Public Health.

Possession of a Water Treatment Operator Grade 2 Certificate as issued by the State of California Department of Public Health.

#### PHYSICAL REQUIREMENTS

## Operations Supervisor - Mechanical

- 4 -

Constantly, walk stand, kneel, climb, and bend in the field; sit while studying or preparing reports and driving in vehicle or operating equipment; perform simple and power grasping, pushing, pulling and fine manipulation; intermittently write or use a keyboard to communicate; and lift or carry weight up to 60 pounds. Additionally, the incumbent in this position works outdoors in all weather conditions, including wet, hot and cold with extreme sun exposure. Some of these requirements may be accommodated for otherwise qualified individuals requiring and requesting such accommodations.

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Employee Signature

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Supervisor Signature

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## PALMDALE WATER DISTRICT

### OPERATIONS TECHNICIAN 1 OPERATIONS TECHNICIAN 2 OPERATIONS TECHNICIAN 3

FLSA Status: Non-Exempt

#### DEFINITION

Individuals within the Operations Technician series can expect to perform semi-skilled and skilled duties related to the construction, repair, maintenance and operations of District water facilities, equipment and fleet.

The performance of this team is essential to providing quick and efficient response to ensure reliability in water delivery and therefore must be available for call back. District employees are expected to work overtime, weekends, evenings and holidays as required to accommodate the District needs, in addition to responding as a Disaster Services Emergency Worker.

#### Mechanical Team:

The Mechanical Team has the primary responsibility for the installation, maintenance, and repair of, but not limited to wells, boosters, tanks/reservoirs, generators/engines, welding and fabrication, buildings and grounds, control valves, HVAC, PRV's, and Hypo-generation. The Operations Technician Mechanical team is responsible for the hydraulic and mechanical process controls, in support of the District's water distribution system and treatment plant operations, along with ensuring that Title 17, 22, and AWWA standards are upheld. Other duties assigned, but once again not limited to are the maintenance, repair, operation, construction, and inspection tasks, in connection with operating and maintaining the facilities and equipment, associated with the District's Treatment Plant, Little Rock Dam, and Lake Palmdale. Staff is also responsible for being on call and for the pump run on weekends and holidays.

#### Fleet Team:

The Fleet Team has primary responsibility for the maintenance and repair of, but not limited to the fleet, heavy equipment, small equipment, mobile generators, and welding and fabrication.

Note: Staff from each team can work with the other team when additional help is needed.

#### DISTINGUISHING CHARACTERISTICS



## Operations Technician 1/2/3

- 2 -

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

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

Operations Technician 3 – This is the advanced journey level class in the Operation Technician series and is distinguished from the 2 level by the assignment of task coordination responsibilities in addition to the duties of levels 1 and 2. Employees at this level receive only occasional instruction or assistance as new, unusual or unique situations arise and are responsible for timelines, efficient workflow and the implementation of operating procedures and policies within the work unit. Must assess and prioritize all work within their respective units.

### SUPERVISION RECEIVED AND EXERCISED

#### Operations Technician 1

Receives immediate task supervision from the Operations Technician 3; may receive technical and functional supervision from an Operations Technician 2, as appropriate. Receives general supervision from the Operations Supervisor – Maintenance.

#### Operations Technician 2

Receives immediate task supervision from the Operation Technician 3. Receives general supervision from the Operations Supervisor – Maintenance.

#### Operations Technician 3

Receives immediate supervision from the Operations Supervisor - Maintenance.

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

Mechanical Team - Duties may include, but are not limited to, the following:

Perform preventive maintenance and priority repair on a variety of treatment/distribution mechanical equipment.

Inspect and monitor well sites, reservoirs, and tanks; check pumps/pump structures and motor operations and make adjustments/repairs as needed; check well levels and measure tank and reservoir levels, including collection of water production and related data.

Perform a variety of preventive maintenance on pump engines, gas engines, generators and equipment; perform maintenance and repair related to a variety of water distribution/treatment facilities and systems, and pump buildings.

Transport and install temporary generators as needed due to electrical power outages; shut down wells as necessary according to District procedures.

Keep and maintain computerized and written work-related records.

Inspect, repair, maintain, and test various pumps, motors, and engines used in water treatment processes and distribution systems; remove such equipment as needed from site; re-install and follow procedures for disinfection/safety to the District's water supply. Assists in servicing, maintaining, troubleshooting, and repairing varied and complex plant equipment and structures.

Plan and/or perform rigging and crane operations for moving and/or placing heavy machinery or equipment. Operate a variety of construction equipment, compressors, hand and power tools in a safe and effective manner.

Perform welding and fabrication work.

Maintain accurate and regular records of work performed with detailed task reports, as-builds and documentation.

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

Intermittently, walk, stand, kneel climb, and bend in the field; sit while studying or preparing reports and driving in vehicle or operating equipment; perform simple and power grasping, pushing, pulling and fine manipulation; intermittently write or use a keyboard to communicate; and lift or carry weight up to 50 pounds.

Work outdoors in a variety of weather conditions.

Primary responsibility for the repair and maintenance of vehicles, heavy equipment, small equipment, mobile generators and fabrication.

Fleet Team - Duties may include, but are not limited to, the following:

Perform preventive maintenance and priority repair on a variety of automotive and construction equipment.

Inspect and diagnose problems with automobiles, light and heavy trucks, construction vehicles and other mechanical equipment; determine needed repairs, estimate time, materials, and equipment needed to perform the work.

Repair, clean, adjust, and install fuel, ignition, electrical, electronic, steering, suspension, cooling, braking, hydraulic, air conditioning, signaling and other systems.

Maintain, adjust, and repair transmission; road test vehicles/construction equipment for performance and safety; install, adjust, and balance tires; install, adjust and maintain smog devices, headlamps, and brakes to meet State-mandated inspection requirements.

#### MINIMUM QUALIFICATIONS

#### MINIMUM QUALIFICATIONS

##### Operations Technician 1

##### Knowledge of:

Practices, methods, techniques, and tools/equipment used in the installation, service, maintenance, repair and adjustment of mechanical equipment-, gas- and diesel-powered equipment, including automobiles, light/heavy trucks, mechanical pumps, motors, engines, and construction equipment.

Machine shop procedures and practices.

Electrical best practices.

Basic practices relating to buildings and grounds maintenance techniques and methods.

Basic computer usage to enter and retrieve data and maintain records.

Safe work practices.

Ability to:

Perform semi-skilled work in the installation, maintenance, and repair of pumps, engines, motors, automotive, heavy/light construction vehicles, equipment, and related water facilities.

On a continuous basis, know and understand operations, and observe safety rules; intermittently analyze problem equipment; identify and locate equipment; interpret work orders; remember equipment location; and explain jobs to others.

Intermittently, sit while studying or preparing reports or driving vehicles or equipment; bend, squat, climb, kneel and twist when performing installation, maintenance or repair activities; perform simple and power grasping, pushing, pulling, and fine manipulation; and lift or carry weight up to 50 pounds.

Learn to diagnose and troubleshoot operating problems on pumps, electric motors, engines, valves, automatic controls systems, vehicles, and related equipment.

Learn operational characteristics of hydraulic systems and treatment plant equipment; learn to use various chemicals and disinfecting agents in the field.

Learn and understand the treatment plant process and characteristics to aid in maintenance and repairs.

Learn to use welding equipment to perform repairs and fabricate parts.

Learn to operate a variety of mechanized equipment such as forklifts, backhoes, loaders, cranes, and heavy equipment and trailers.

Disassemble and reassemble pumps, motors, and valves.

Use hand and power tools and equipment.

Read and interpret pump charts, reservoir charts, gauges, shop drawings and plans; prepare rough sketches as needed.

Perform arithmetical calculations to determine chlorine dosages, reservoir volumes, well production, and related data.

Keep and maintain records related to work activities, including well sounding, production, flows and volume, available capacity of storage tanks and reservoirs, and chemical usage.

Learn to use computer applications such as word processing and spreadsheet programs to complete required reports related to work activities.

Work outdoors in a variety of weather conditions.

Perform building and grounds maintenance work.

Work assigned shift schedules; be available for after-hours or call back emergencies.

Communicate clearly and concisely, both orally and in writing.

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

#### Experience and Training

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

##### Experience:

One year of responsible experience repairing and maintaining pumps, motors, and engines.

One year of semi-skilled work in mechanical repair, installation, or maintenance of automotive equipment and various pumps, motors, and engines.

##### Training:

Equivalent to high school diploma/GED.

#### License and Certificate

Possession of, or ability to obtain within one year, a valid California Driver's License Class A.

Possession of, or ability to obtain within one year, a Distribution Operator Grade 2 Certificate as issued by the State Water Resources Control Board.

Possession of, or ability to obtain within one year, a valid California Driver's License Class A.

Possession of, or ability to obtain within one year, a Distribution Operator Grade 2 Certificate as issued by the State Water Resources Control Board.

Possession of a Water Treatment Operator Grade 1 Certificate as issued by the State Water Resources Control Board is desired.

### Operations Technician 2

In addition to the qualifications for the Operations Technician 1:

#### Knowledge of:

Motors, pumps, compressors, electrical panels, automatic controls, valves, and timers used in operating and controlling a water distribution system.

Methods and techniques of troubleshooting and diagnosing mechanical equipment problems.

Operational characteristics of hydraulic systems and treatment plant processes.

#### Ability to:

Independently perform semi-skilled work in the installation, maintenance, and repair of pumps, engines, motors, automotive, heavy/light construction vehicles, equipment, buildings, grounds, landscaping, and related water facilities.

Operate a variety of mechanized equipment including, but not limited to, backhoes, forklifts, cranes, loaders, skid steers, sprayers, and heavy equipment and trailers.

Weld and fit watertight pipelines and assemblies.

Keep records and make reports; use a personal computer to enter and retrieve data; track work status and communicate electronically.

Communicate clearly and concisely, both orally and in writing.

Exercise resourcefulness in the field and work without immediate supervision.

#### Fleet Team additional requirements:

Weld and fabricate various types of water related tools and framework for fleet equipment.

Experience and Training

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

Experience:

Three years of responsible journey experience performing pump and motor repair duties as an Operations Technician 1 with the Palmdale Water District.

Training:

Equivalent to high school diploma/GED.

Adequate training which ensures the ability to weld and fit watertight pipelines and assemblies.

Completed and passed 40 hour beginning/intermediate Arc Welding Course

License and Certificate

Possession of, or ability to obtain, a valid California Driver's License Class A.

Possession of a Distribution Operator Grade 3 Certificate as issued by the State Water Resources Control Board is required.

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

Possession of a Service Truck Crane 10,000 Lb. Capacity Certification is required.

Fleet Team Additional Certification

Possession of certification from the National Institute for Automotive Service Excellence (ASE) is desired.

Operations Technician 3

In addition to the qualifications for the Operations Technician 2:

Knowledge of:

Principles and practices of technical and functional supervision and training, including safety practices and related record-keeping.

Pertinent water utility industry standards and regulations.

Pertinent consumer information rights related to the California Emergency Planning and Community Right-to-Know Act (EPCRA)

Methods, techniques, tools and equipment and materials used in construction, installation, maintenance, and repair of components for a water service distribution system.

Computer usage applications such as word processing and spreadsheet programs to complete required reports related to work activities.

Ability to:

Provide technical and functional supervision over assigned staff; effectively train staff.

Perform the most complex duties related to the construction, installation, maintenance, and repair of a water service distribution system.

On a continuous basis, know and understand operations and observe safety rules; intermittently analyze problem situations and/or equipment; identify and interpret technical and numerical information observe and problem solve operational and technical policies and procedures; identify and locate site locations, interpret work orders, remember equipment locations and explain job to others.

Use pipe fitting and welding equipment, including fabrication of parts as necessary.

Read and understand distribution system maps and related blueprints, drawings, and sketches.

Exercise resourcefulness in the field and work without immediate supervision.

Experience and Training

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



Experience:

Five years of responsible journey experience performing duties similar to an Operations Technician 2 with the Palmdale Water District.

Training:

Equivalent to high school diploma/GED. Additional college level courses on leadership/management.

Adequate training which ensures the ability to weld and fit watertight pipelines and assemblies.

Completed and passed 40 hour beginning/intermediate Arc Welding Course

License and Certificate

Possession a valid California Driver's License Class A.

Possession of or ability to obtain within one year, a Distribution Operator Grade 3 Certificate as issued by the State Water Resources Control Board is required.

Possession of or ability to obtain within one year, a Water Treatment Operator Grade 2 Certificate as issued by the State Water Resources Control Board is required.

Possession of a Service Truck Crane 10,000 Lb. Capacity Certification is required.

Fleet Team Additional Certification

Possession of certification from the National Institute for Automotive Service Excellence (ASE) is desired.

**PHYSICAL REQUIREMENTS**

Constantly, walk stand, kneel, climb, and bend in the field; sit while studying or preparing reports and driving in vehicle or operating equipment; perform simple and power grasping, pushing, pulling and fine manipulation; intermittently write or use a keyboard to communicate; and lift or carry weight up to 50 pounds. Additionally, the incumbent in this position works outdoors in all weather conditions, including wet, hot and cold with extreme sun exposure. Some of these requirements may be accommodated for otherwise qualified individuals requiring and requesting such accommodations.

Approved:

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

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

\_\_\_\_\_  
Date

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

\_\_\_\_\_  
Date

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## PALMDALE WATER DISTRICT

### SERVICE WORKER 1 SERVICE WORKER 2 SERVICE WORKER 3 - FOREMAN - FOREMAN

FLSA Status: Non-Exempt

#### DEFINITION

To perform semi-skilled work in the construction, installation, maintenance, and repair of a water service distribution system; and to perform a variety of customer service duties in the field.

#### DISTINGUISHING CHARACTERISTICS

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

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

Service Worker 3 - Foreman - Foreman - This is the advanced journey level in the Service Worker series and is distinguished from the 2 level by the assignment of task coordination responsibilities in addition to the duties of levels 1 and 2. Employees at this level receive only occasional instruction or assistance as new, unusual or unique situations arise and are responsible for the implementation of operating procedures and policies within the work unit.

#### SUPERVISION RECEIVED AND EXERCISED

##### Service Worker 1

Receives immediate task supervision from the Senior Service Worker 3 - Foreman; receives technical and functional supervision from an assigned Senior Worker 2. Receives general supervision from the Construction Supervisor.

Service Worker 2

Receives task supervision from the Service Worker 3 - Foreman. Receives general supervision from the Construction Supervisor.

Service Worker 3 - Foreman

Receives general supervision from the Construction Supervisor.

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

Locate and repair mainline leaks, flush system, exercise valves, install or replace fire hydrants, meters, air vac's and make all other necessary distribution system repairs and maintenance, to provide safe drinking water and designed water pressures.

Install new or replace exiting water mainline ductile iron, CMLC or PVC pipe.

Set up and work traffic control related to water service assignments.

Perform masonry tasks such as building forms, mixing, pouring and finishing concrete structures; patch asphalt pavement as needed for temporary use.

Inspect water tanks and wells and surrounding areas for vandalism and water supply security problems; repair security breaches as necessary or report to supervisor, as appropriate.

Perform a variety of watertight welding and fabrication tasks as needed.

Install new or repair existing copper pipe water services.

Maintain and repair treatment plant infrastructure.

Service Worker 2/3 - Foreman - disinfect and pressure test lines, flush and clear lines to provide water clarity and sufficient water pressure.

Inspect and maintain all facilities at Littlerock Dam, The Ditch and Lake Palmdale.

Perform building and grounds maintenance, as assigned.

Clean work vehicles; stock vehicles with parts and materials according to service order needs.

Respond as needed to customer concerns in the field or refer to other District staff as appropriate.

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

Perform related duties as assigned.

Work outdoors in a variety of weather conditions.

Service Worker 3 - Foreman specialized job duties:

Plan, prioritize, and review the work of staff assigned to perform a variety of duties in the construction, installation, maintenance, and repair of a water service distribution system.

Develop schedules and methods to accomplish assignments ensuring work is completed in a timely and efficient manner.

Participate in evaluating the activities of staff, recommending improvements and modifications.

Provide and coordinate staff training; work with employees to correct deficiencies.

Ensure Underground Service Alert System areas (USA) are marked on maps prior to allowing work to begin; coordinate with other public service agencies and/or jurisdictions.

Respond to customer concerns in the field to other District staff, as appropriate.

Perform the most difficult work related to construction, installation, maintenance, and repair of a water distribution system, including assessment and determination of safe and effective methods of accomplishing the work.

MINIMUM QUALIFICATIONS

Service Worker 1

Knowledge of:

Basic construction methods, materials, and equipment.

Basic building and grounds maintenance techniques and methods.

Ability to:

Construct, install, maintain, and repair components of a water service distribution system.

On a continuous basis, know and understand operations, and observe safety rules; intermittently analyze problem equipment; identify and locate equipment; interpret work orders; remember equipment location; and explain jobs to others.

Intermittently, sit while studying or preparing reports; bend, squat, climb, kneel and twist when performing installation of equipment; perform simple and power grasping, pushing, pulling, and fine manipulation; and lift or carry weight up to 50 pounds.

Use various hand and power tools and equipment, including digging bar, push broom and drills.

Learn to operate a variety of mechanized equipment such as backhoes, loaders, graders, dump trucks, and water tankers.

Learn to operate a forklift, small crane, and related field construction equipment such as an air compressor and jack hammer.

Learn to use pipe fitting and welding equipment.

Learn to read and understand distribution system maps and related drawings.

Learn to complete required reports related to work activities.

Perform building and grounds maintenance work.

Perform heavy manual labor and work in traffic situations.

Work outdoors in a variety of weather conditions.

Work assigned shift schedules; be available for call back.

Communicate clearly and concisely, both orally and in writing.

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

Experience and Training

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

Experience:

One year of water utility field experience is desirable.

Training:

Equivalent to high school diploma/GED.

License and Certificate

Possession of, or ability to obtain, a Distribution Operator Grade 1 Certificate as issued by the State Water Resources Control Board.

Service Worker 2

In addition to the qualifications for the Service Worker 1:

Knowledge of:

Methods, materials, and equipment used in water distribution construction, installation, maintenance, repair, and operation.

Building and grounds maintenance techniques and methods.

Pipe fitting, welding, and fabrication techniques.

Safety practices and procedures related to construction work.

Basic consumer information rights related to the California Emergency Planning and Community Right-to-Know Act (EPCRA).

Ability to:

Independently install, maintain, and repair components of a water service distribution system.

Operate a variety of mechanized equipment such as backhoes, loaders, graders, dump trucks, and water tankers; operate forklift, small crane, and related field construction equipment.

Read and understand distribution system maps and related drawings.

Establish strong working relationships.

Complete a watertight weld.

Display leadership skills and the ability to train staff.

Perform building and grounds maintenance work.

#### Experience and Training

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

##### Experience:

Three years of responsible journey experience performing utility construction duties similar to a Service Worker 1 with the Palmdale Water District.

##### Training:

Equivalent to high school diploma/GED.

#### License and Certificate

Possession of a valid California Class "A" Driver's License.

Possession of a Service Truck Crane 10,000 Lb. capacity Certification is required.

Possession of a Rigging and Signalman Certification.

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

#### Service Worker 3 - Foreman

In addition to the qualifications for the Service Worker 2:

##### Knowledge of:

Principles and practices of technical and functional supervision and training, including safety practices and related record-keeping.

Pertinent water utility industry standards and regulations.



Pertinent consumer information rights related to the California Emergency Planning and Community Right-to-Know Act (EPCRA).

Methods, techniques, tools, equipment and materials used in construction, installation, maintenance, and repair of components of a water service distribution system.

Computer usage applications such as word processing and spreadsheet programs to complete required reports related to work activities.

Ability to:

Provide technical and functional supervision over assigned staff; effectively train staff.

Perform the most complex duties related to the construction, installation, maintenance, and repair of a water service distribution system.

On a continuous basis, know and understand operations and observe safety rules; intermittently analyze problem situations and/or equipment; identify and interpret technical and numerical information; observe and problem solve operational and technical policies and procedures; identify and locate site locations, interpret work orders, remember equipment locations and explain job to others.

Intermittently, walk stand, kneel, climb, and bend in the field; sit while studying or preparing reports and driving in vehicle or operating equipment; perform simple and power grasping, pushing, pulling and fine manipulation; intermittently write or use a keyboard to communicate; and lift or carry weight up to 60 pounds.

Operate a variety of mechanized equipment such as backhoes, loaders, graders, dump trucks, and water tankers; operate forklift, small crane, and related field construction equipment.

Use pipe fitting and welding equipment, including fabrication of parts as necessary.

Read and understand distribution system maps and related blue prints, drawings, and sketches.

Work outdoors in a variety of weather conditions.

Work assigned shift schedules; be available for call back.

Keep records and make reports; use a personal computer to enter and retrieve data; track works status and communicate electronically.

Communicate clearly and concisely, both orally and in writing.

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

Experience and Training

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

Experience:

Five years of responsible journey experience performing utility construction duties similar to a Service Worker 2 with the Palmdale Water District.

Training:

Equivalent to high school diploma/GED. Additional college level training in leadership/management.

License and Certificate

Possession of a valid California Class "A" Driver's License.

Possession of a Service Truck Crane 10,000 Lb. capacity Certification is required.

Possession of a Rigging and Signalman Certification.

Possession of a Distribution Operator Grade 3 Certificate as issued by the State Water Resources Control Board.

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

PHYSICAL REQUIREMENTS

Constantly, walk stand, kneel, climb, and bend in the field; sit while studying or preparing reports and driving in vehicle or operating equipment; perform simple and power grasping, pushing, pulling and fine manipulation; intermittently write or use a keyboard to communicate; and lift or carry weight up to 60 pounds. Additionally, the incumbent in this position works outdoors in all weather conditions, including wet, hot and cold with extreme sun exposure. Some of these requirements may be accommodated for otherwise qualified individuals requiring and requesting such accommodations.

Approved:

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

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

\_\_\_\_\_  
Date

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

\_\_\_\_\_  
Date

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

**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 3, 2021 **June 14, 2021**  
**TO:** BOARD OF DIRECTORS **Board Meeting**  
**FROM:** Mr. Dennis D. LaMoreaux, General Manager  
**RE:** ***AGENDA ITEM NO. 6.5 – APPROVAL OF AMENDMENT NO. 5 TO GENERAL MANAGER EMPLOYMENT AGREEMENT DATED JULY 30, 2015. (BUDGETED – BUDGET ITEM NO. 1-02-4000-000, SALARIES – PRESIDENT DIZMANG)***

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Contract Amendment No. 5 to the General Manager Employment Agreement dated July 30, 2015 is attached. Amendment No. 5 was prepared based on the outcome of the General Manager Evaluation conducted on May 27, 2021 and authorizes a 3.6% cost of living increase and a 3.4% merit-based salary increase. The cost-of-living increase was calculated based on Consumer Price Index (CPI) information from April 2020 to April 2021 as the latest number available for this year.

**Supporting Documents:**

- Fifth Amendment to the General Manager Employment Agreement between Palmdale Water District and Dennis D. LaMoreaux.

**FIFTH AMENDMENT TO THE  
GENERAL MANAGER EMPLOYMENT AGREEMENT  
BETWEEN PALMDALE WATER DISTRICT AND DENNIS D. LAMOREAUX**

This FIFTH AMENDMENT TO THE GENERAL MANAGER EMPLOYMENT AGREEMENT BETWEEN PALMDALE WATER DISTRICT AND DENNIS D. LAMOREAUX (the “Fifth Amendment”) is made and entered into on June 14, 2021, by and between the PALMDALE WATER DISTRICT, an irrigation district organized and existing under Division 11 of the California Water Code, (hereinafter the “District”), and DENNIS D. LAMOREAUX, an individual (hereinafter the “General Manager”).

**RECITALS**

WHEREAS, on May 13, 2015, the District entered into that certain General Manager Employment Agreement Between Palmdale Water District And Dennis D. LaMoreaux to be effective July 30, 2015, as amended on July 26, 2017, May 14, 2018, June 10, 2019 and July 13, 2020 (collectively, the “Agreement”); and

WHEREAS, Section 4.2 of the Agreement provides that if General Manager receives a satisfactory performance evaluation from the District Board of Directors (“Board”), then his annual base salary shall be increased by the percentage increase in the Consumer Price Index for All Urban Consumers (CPI-U) for Los Angeles-Riverside-Orange County for the prior calendar year, plus any additional merit-based increase that may be provided in the Board’s discretion; and

WHEREAS, in January 2018 the Bureau of Labor Statistics introduced a new CPI-U geographic revision with a separate index for the Los Angeles-Long Beach-Anaheim Area; and

WHEREAS, on May 27, 2021, the Board conducted a performance evaluation of the General Manager pursuant to Section 5.2 of the Agreement; and

WHEREAS, the Board remains satisfied with the performance of General Manager, and desires to provide General Manager a 3.6 percent (3.6%) cost of living adjustment to General Manager’s base salary, equivalent to the estimated CPI-U for Los Angeles Area from April 2020 to April 2021; and

WHEREAS, the Board also desires to provide General Manager a merit based increase of 3.4 percent (3.4%) resulting in a total base salary increase of 7 percent (7%).

WHEREAS, Section 8.2 of the Agreement allows for any amendment, alteration, extension or modification to the Agreement in writing, signed by the parties hereto, and approved by the affirmative vote of three (3) members of the Board at a public meeting with the written consent of the General Manager; and

WHEREAS, the General Manager desires to accept these employment terms as such from the District and has provided his written consent to the following terms and conditions in this Fifth Amendment; and

NOW, THEREFORE, in consideration of the mutual covenants contained herein, District and General Manager hereby agree as follows:

### **AGREEMENT**

SECTION 1. The above recitals are incorporated by reference as if set forth in full herein.

SECTION 2. Section 4.1 of the Agreement is hereby amended to read in its entirety as follows:

“4.1 Annual Base Compensation. General Manager’s base salary effective July 14, 2020 was Two Hundred Fifty Four Thousand Seven Hundred Eighty Dollars and Fifty Seven Cents (\$254,780.57). Effective June 15, 2021, General Manager’s base salary shall be increased by 3.6 percent (3.6%) consistent with the CPI-U for the Los Angeles Area from April 2020 to April 2021. General Manager’s base salary shall additionally be increased by a 3.4 percent (3.4%) merit based increase resulting in a total base salary increase of 7 percent (7%). The new base salary shall be Two Hundred Seventy Two Thousand Six Hundred Fifteen Dollars and Twenty One Cents (\$272,615.21). General Manager’s salary may be adjusted from time-to-time in accordance with Section 4.2 hereinafter, or as this Agreement may be amended. Such salary shall be payable in twenty-six (26) equal installments at the same time as other Department Head employees of District are paid. Such salary shall be adjusted for payroll taxes, workers’ compensation, and other payroll-related liability costs.”

SECTION 3. Except as expressly amended by this Fifth Amendment, the underlying terms, conditions, and compensation of General Manager by District as and for his employment as General Manager shall be as set forth in the Agreement (as amended on July 26, 2017, May 14, 2018, June 10, 2019, and July 13, 2020).

IN WITNESS WHEREOF, the PALMDALE WATER DISTRICT has caused this Fifth Amendment to be signed and executed on its behalf by its President, and duly attested by its officers thereunto duly authorized, and GENERAL MANAGER has signed and executed this Fifth Amendment, both in duplicate.

**[SIGNATURES ON FOLLOWING PAGE]**

Palmdale Water District

\_\_\_\_\_  
Gloria Dizmang, President

Dated: \_\_\_\_\_

APPROVED AS TO FORM:

\_\_\_\_\_  
Eric L. Dunn, General Counsel

Dated: \_\_\_\_\_

GENERAL MANAGER

\_\_\_\_\_  
Dennis D. LaMoreaux

Dated: \_\_\_\_\_

**[END OF SIGNATURES]**

**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 4, 2021 **June 14, 2021**  
**TO:** BOARD OF DIRECTORS **Board Meeting**  
**FROM:** Eric L. Dunn, General Counsel  
**RE:** ***AGENDA ITEM NO. 6.6 – APPROVAL OF AMENDMENT NO. 5 TO GENERAL COUNSEL CONTRACT SERVICES AGREEMENT. (BUDGETED – BUDGET ITEM NO. 1-02-5070-010, LEGAL SERVICES – PRESIDENT DIZMANG)***

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Contract Amendment No. 5 to the General Counsel Contract Services Agreement is attached. Amendment No. 5 was prepared based on the outcome of the General Counsel Evaluation conducted on May 27, 2021 and authorizes a 3.0% rate increase. The revised rates are described in Exhibit A of the Amendment and are rounded up or down to the nearest whole dollar for convenience.

**Supporting Documents:**

- Fifth Amendment to the General Counsel Contract Services Agreement between Palmdale Water District and Aleshire & Wynder, LLP.



AMENDMENT NO. 5 TO THAT CERTAIN  
CONTRACT SERVICES AGREEMENT FOR  
GENERAL COUNSEL SERVICES  
PALMDALE WATER DISTRICT

This Amendment No. 5 to that certain Contract Services Agreement For General Counsel Services Palmdale Water District (herein "Amendment No. 5"), is effective as of the 15th day of June, 2021, by and between the Palmdale Water District ("District") and Aleshire & Wynder, LLP, a California limited liability partnership (hereinafter referred to as "A&W").

**RECITALS**

A. District has retained A&W pursuant to the terms and conditions of that certain Contract Services Agreement For General Counsel Services Palmdale Water District dated on or about March 14, 2014, as amended from time to time (collectively, the "Agreement").

B. District and A&W desire now to amend the Agreement as set forth herein.

**COVENANTS:**

In consideration of the foregoing Recitals and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, District and A&W agree as follows:

**Section 1.** Exhibit A of the Agreement is hereby amended and replaced in its entirety with Exhibit A attached to this Amendment No. 5.

**Section 2.** The rates described in Exhibit A supersede all prior amendments, shall take effect on July 1, 2021, and shall remain in effect until at least July 1, 2022, or until amended by action of the Board.

**Section 3.** Except as set forth herein, all other terms, conditions, and provisions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed and entered into this Agreement as of the date stated below for execution by the Board President.

PALMDALE WATER DISTRICT

Dated: June 14, 2021

By: \_\_\_\_\_  
Gloria Dizmang, President

ATTEST:

\_\_\_\_\_  
Kathy Mac Laren-Gomez, Secretary

ALESHIRE & WYNDER, LLP

Dated: June 14, 2021

By: \_\_\_\_\_  
Eric L. Dunn, Partner

[END OF SIGNATURES]

## **EXHIBIT A – FEE AGREEMENT**

### **A. GENERAL**

A&W generally charges fees on an hourly basis only for time actually expended on behalf of a client, discounted further for the first 25 hours per month of basic “general counsel” services.

The Firm typically bills its clients on an hourly rate basis with the rate determined by the type of work. The Firm charges in one-tenth (0.1) of an hour increments. The Firm also utilizes separate billing accounts based upon the District’s departments, litigation matters, development projects, construction projects, and other unique matters. The monthly billing statements for fees and costs shall indicate the basis of the fees, including a detailed and auditable breakdown of the hours worked, the billable rates charged, and description of the work performed including the personnel who performed the work.

Reimbursable expenses generally are as follows:

<b>REIMBURSABLE</b>	
In house photocopies and faxes	\$0.20 per page
Postage, Out-of-Pocket Expenses, Outsourced Reproduction and Preparation of Trial Exhibits	Billed at our cost with no mark up.
Travel time and Mileage	<b>We do not charge for travel time to/from District offices</b> , but we do charge for travel time to other locations and for litigation services. When charged, travel time is billed at the rate for the attorney(s) performing the work. The current IRS mileage rate is billed for all travel other than to District offices.
Subcontractors	Should the District request that the Firm retain subcontractors, such as appraisers or expert witnesses or consultants, such costs will be billed at our cost with no mark up.

**B. HOURLY RATES**

<b>RATES PER HOUR (Effective July 1, 2019)</b>	
<p><b>1. Advisory Services &amp; Transactional Services:</b> Advisory Services are general counsel services such as communications with the District on general water issues, upcoming agendas, and Commission and Board meetings, with occasionally the need for limited legal or factual research. Transactional Services are those that require drafting of correspondence, memos, or contracts, which may require legal or factual research.</p>	<p><b><u>First 25 hours:</u></b> \$242  <b><u>After 25 hours:</u></b>  <b>Partners &amp; Of Counsel:</b> \$273  <b>Associates:</b> \$232</p> <p><b>Paralegal:</b> \$175  <b>Law Clerk:</b> \$113  <b>Document Clerk:</b> \$72  <b>Legal Assistant &amp; Clerical Support:</b> \$0</p>
<p><b>2. Litigation and Special Services:</b> Litigation and Special Services include litigation in any court or tribunal, and administrative proceedings in federal, State, county, or local forums, and special services when approved by General Manager such as labor and employment, real estate transactions, major contract negotiations, toxics wastes, and similar services.</p>	<p><b>Partners &amp; Of Counsel:</b> \$294  <b>Associates:</b> \$242</p> <p><b>Paralegal:</b> \$175  <b>Law Clerk:</b> \$113  <b>Document Clerk:</b> \$72  <b>Legal Assistant &amp; Clerical Support:</b> \$0</p>
<p><b>3. Risk Management Litigation:</b> Litigation of tort claims against the District, when assigned.</p>	<p><b>Blended Attorney Rate:</b> \$232  <b>Paralegal:</b> \$175  <b>Law Clerk:</b> \$113  <b>Document Clerk:</b> \$72  <b>Legal Assistant &amp; Clerical Support:</b> \$0</p>
<p><b>4. Public Finance Rates:</b> For public finance services in connection with the issuance or potential issuance of debt, loans, certificates of participation, including formation of assessment or community facilities districts, etc., the hourly rate shall be \$400 per attorney hour. Paralegal, law clerk or project specialist time shall be billed at \$180 per hour. Fees shall be paid within 30 days following receipt of an invoice. Fees include travel time. Expenses shall be charged at the cost thereof, which expenses shall include the cost of special tax counsel in an amount not to exceed \$7,500, subject to a not to exceed expense fee (excluding special tax counsel) of \$3,000 per bond transaction.</p>	

**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**  
**FROM:** Scott Rogers, Engineering/Grant Manager  
**VIA:** Mr. Adam Ly, Assistant General Manager  
Mr. Dennis D. LaMoreaux, General Manager  
**RE:** ***AGENDA ITEM NO. 6.7 – APPROVAL OF THE AMENDED AND  
RESTATED MEMORANDUM OF UNDERSTANDING WITH THE  
ANTELOPE VALLEY REGIONAL WATER MANAGEMENT GROUP.  
(\$27,692.00 – BUDGETED – BUDGET ITEM NO. 1-02-5070-007 –  
ENGINEERING/GRA NT MANAGER ROGERS)***

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**Recommendation:**

Staff recommends the Board:

1. Approve the Memorandum of Understanding (MOU) with the Antelope Valley Regional Water Management Group for the Integrated Water Management Program Cost Sharing.
2. Authorize the General Manager to sign the MOU with the Antelope Valley Regional Water Management Group.

**Alternative Options:**

The Board can choose not to approve the Memorandum of Understanding and not participate in the IRWM Group and the funding of project approved within the Integrated Regional Water Management Plan.

**Impact of Taking No Action:**

There will be no potential to receive this grant funding.

**Background:**

The *Integrated Regional Water Management Planning Act of 2002* (the “Act”), California Water Code Section 10530 and 10531, et seq., establishes the State of California’s policy to encourage local agencies to work cooperatively to manage their available local and imported water supplies to improve the quality, quantity, and reliability of those supplies.

BOARD OF DIRECTORS  
PALMDALE WATER DISTRICT

VIA: Mr. Adam Ly, Assistant General Manager  
Mr. Dennis D. LaMoreaux, General Manager

June 8, 2021

Since Early 2007, Palmdale Water District entered into a MOU and participated with other regional partners in the preparation of the Integrated Regional Water Management Plan for the Antelope Valley. Following on the development of the plan, the AVIRMG agreed to the implementation of the plan in 2009. The plan was updated in 2016 and 2019, which were adopted by PWD.

The costs include the United States Geological Survey Groundwater Monitoring Program and program administration of the IRWM group and funding.

The region has received funding through the various propositions providing water funding for projects. Most recently, Proposition 1, Round 1 Implementation funding is providing approximately \$1.3 million for the Littlerock Dam Reservoir Sediment Removal Phase 2 project.

**Strategic Plan Initiative/Mission Statement:**

This item is under Strategic Initiative #1 – Water Resource Reliability.  
This item directly relates to the District’s Mission Statement.

**Budget:**

The cost of \$27,692 is included in the Fiscal Year 2021 budget.

**Supporting Documents:**

- Memorandum of Understanding

**AMENDED AND RESTATED  
MEMORANDUM OF UNDERSTANDING  
(Antelope Valley Regional Water Management Group IRWMP Cost Sharing)**

This Amended and Restated Memorandum of Understanding (“**Amended and Restated MOU**”) is entered into as of \_\_\_\_\_, 2021 (the “**Effective Date**”) and is between the following parties:

Antelope Valley-East Kern Water Agency;  
Palmdale Water District;  
Quartz Hill Water District;  
Littlerock Creek Irrigation District;  
Antelope Valley State Water Contractors Association (the “**Association**”);  
City of Palmdale;  
City of Lancaster;  
County Sanitation District No. 14 of Los Angeles County;  
County Sanitation District No. 20 of Los Angeles County;  
Rosamond Community Services District; and  
Los Angeles County Waterworks District No. 40, Antelope Valley (“**Waterworks District 40**”).

Each of these parties is referred to individually as “**Party**” and together as the “**Parties.**”

A. The *Integrated Regional Water Management Planning Act of 2002* (the “**Act**”), California Water Code section 10530 and 10531, et seq., establishes the State of California’s policy to encourage local agencies to work cooperatively to manage their available local and imported water supplies to improve the quality, quantity, and reliability of those supplies.

B. On or about January 9, 2007, the Parties entered into a *Memorandum of Understanding* (“**2007 MOU**”) to provide for the preparation of an Integrated Regional Water Management Plan (“**IRWMP**” or “**Plan**”) pursuant to the Act.

C. On or about April 7, 2009, the Parties entered an *Agreement on the Implementation of the Integrated Regional Water Management Plan* (“**RWMG Agreement**”) and established a new Regional Water Management Group (“**RWMG**”) under the Act for the Antelope Valley Region (“**Region**”), to pursue grant funding and facilitate implementation of the IRWMP for the Region. The RWMG Agreement formally established the relationship between the Parties in order to qualify the Region to apply for state grant funds under the Department of Water Resources (“**DWR**”) California State Integrated Regional Water Management Grant Program (“**Grant Program**”).

D. The 2007 MOU by its own terms may be amended with the approval of all Parties to continue to update the IRWMP through January 8, 2027.

E. The DWR amended the Grant Program Guidelines in 2016 (“**2016 Guidelines**”). In order to be eligible for the first round of 2018/2019 Proposition 1 funding, the RWMG had to update the Plan to comply with the 2016 Guidelines.

F. On or about December 2018 the Parties entered into an Amended and Restated Memorandum of Understanding (“**2018 Amended and Restated MOU**”) to prepare a full update to the

IRWMP (the “**Full Update**”). The Full Update identified Antelope Valley Region water management issues and updated the water supply and demand projections to comply with DWR guidelines for grant eligibility. The Association retained a consultant to prepare the Full Update on behalf of the RWMG.

G. The 2018 Amended and Restated MOU also collected funds from the RWMG to cover 25% of the United States Geological Survey Groundwater Monitoring Program (“**USGS Program**”) for the Antelope Valley Groundwater Basin. The funds collected from the RWMG funded 25% of the Program period from November 2017 through October 2020.

H. On or about March 2019 the Parties adopted by resolution the 2019 Update to the Integrated Regional Water Management Plan

I. This Amended and Restated MOU is intended to set forth the amount of new funding to be provided by each Party for on-going Region stakeholder meetings, IRWMP project updates, and grant support. Each Party’s contribution is based on its share of expenses under the 2007 MOU. Each Party’s contribution is set forth in Exhibit 1, which is attached hereto and incorporated herein as though set forth in its entirety.

J. The Parties also intend by this Amended and Restated MOU to continue funding 25% of the **USGS Program** being administered by the Antelope Valley Watermaster for the period of November 2020 through September 2023.

The Parties therefore agree as follows:

1. **Administration of Services.** The Association shall have primary responsibility for managing the RWMG funds collected under this MOU, including:

1. Administering a consultant contract for the on-going Region stakeholder meetings, IRWMP project updates, and grant support. This will include overseeing the consultant’s services. The Association shall retain the consultant by amendment to the current Professional Services Agreement.

2. Preparing a final accounting (the “**Accounting**”) of all final actual USGS Program and consultant costs upon completion.

3. Refunding excess funds to the Parties within 60 days after completion of the services if the funds deposited with the Association exceed the consultant's costs, based upon the Accounting. The excess funds will be refunded to the Parties in proportion to their contribution towards the consultant costs in Exhibit 1, which is attached hereto and incorporated herein as though set forth in its entirety.

2. **Joint Duties of the Parties.** Each of the Parties shall perform the duties set forth in this Section 3.

A. **Cost Contribution:** Each Party shall pay to the Association the amount set forth in Exhibit 1 for the consultant costs, subject to the provisions of Section 5.A. below.

B. **Payment:** Each Party shall deposit with the Association its contribution in the amount set forth in Exhibit 1 within 30 calendar days after execution of this Amended and Restated MOU.

C. Grant Applications: The Parties will recommend, evaluate, prepare, and review future grant applications.

3. Waterworks District 40's Additional Duties. Waterworks District 40 shall facilitate stakeholder meetings.

4. Additional Costs.

A. Additional Costs: If the consultant costs exceed the funds deposited with the Association, then the Parties will supplement this Amended and Restated MOU to fund the additional portion of the consultant costs in excess of the funds deposited with the Association in proportion to the Parties' original contributions towards the consultant costs.

5. General Provisions

A. Supersession. This Amended and Restated MOU supersedes and replaces the 2007 MOU and 2018 Amended and Restated MOU. This Amended and Restated MOU is intended to be read in conjunction with the RWMG Agreement, but to the extent of any conflict with the RWMG Agreement, this Amended and Restated MOU will govern.

B. MOU Amendments: This Amended and Restated MOU may be amended or modified only by mutual written consent of all Parties.

C. Expiration: This MOU is effective until January 8, 2027, unless otherwise amended or modified as set forth in Section 5. B.

D. Severability: If any provision of this Amended and Restated MOU is held, determined or adjudicated to be illegal, void, or unenforceable by a court of competent jurisdiction, the remainder of this Amended and Restated MOU shall be given effect to the fullest extent possible.

E. Notice:

1. Any correspondence, communication, or contact concerning this Amended and Restated MOU shall be directed to the contacts attached in Exhibit 2, which is attached hereto and incorporated herein as though set forth in its entirety.

2. Any Party may change its contact information by providing notice, in the manner set forth in Section 5.E.3, to all other Parties.

3. Notice will be deemed given upon personal delivery, five days after deposit in U.S. Mail (first class postage prepaid), or on the day of overnight delivery by a nationally-recognized carrier.

F. Authorized Agents: Each person signing this Amended and Restated MOU represents to have the necessary power and authority to bind the entity on behalf of which said person is signing and each of the other Parties can rely on that representation.

G. Execution: This Amended and Restated MOU may be executed in counterparts, each counterpart being an integral part of this Amended and Restated MOU.



The Parties are each signing this Amended and Restated MOU as of the date set forth opposite the signature below.

DATE: \_\_\_\_\_

PALMDALE WATER DISTRICT

By: \_\_\_\_\_  
Dennis LaMoreaux  
General Manager

ATTEST:

\_\_\_\_\_  
Clerk/Secretary

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Agency Counsel

**EXHIBIT 1**

**Integrated Regional Water Management Group Cost Allocation**

<b>Party</b>	<b>Percent Share by Party from the 2007 MOU</b>	<b>Contribution for IRWMP Updates</b>
		<b>Total</b>
Antelope Valley-East Kern Water Agency	15.3846%	\$23,077
Palmdale Water District	18.4615%	\$27,692
Quartz Hill Water District	1.5385%	\$2,308
Littlerock Creek Irrigation District	1.5385%	\$2,308
Antelope Valley State Water Contractors Association*		\$0
City of Palmdale	15.3846%	\$23,077
City of Lancaster	13.8461%	\$20,768
County Sanitation District No. 14 of LA County	6.9231%	\$10,385
County Sanitation District No. 20 of LA County	6.9231%	\$10,385
Rosamond Community Services District	1.5385%	\$2,308
LA County Waterworks District No. 40	18.4615%	\$27,692
<b>TOTAL</b>	<b>100%</b>	<b>\$150,000</b>

\* The Antelope Valley State Water Contractor's Association is a joint powers authority comprised of Antelope Valley-East Kern Water Agency, Littlerock Creek Irrigation District, and Palmdale Water District. Because the Association's members are also members of the RWMG, the Association will contribute \$0, and will have no share of any overage costs.

**EXHIBIT 2**  
**Integrated Regional Water Management Group Contacts**

1) ANTELOPE VALLEY-EAST KERN WATER AGENCY:

Mr. Dwayne Chisam  
General Manager  
6500 West Avenue N  
Palmdale, CA 93551

2) PALMDALE WATER DISTRICT:

Mr. Dennis LaMoreaux  
General Manager  
2029 East Avenue Q  
Palmdale, CA 93550

3) QUARTZ HILL WATER DISTRICT:

Mr. Chad Reed  
General Manager  
42141 50th Street West  
Quartz Hill, CA 93536

4) LITTLEROCK CREEK IRRIGATION DISTRICT:

Mr. James Chaisson  
General Manager  
35141 North 87th Street East  
Littlerock, CA 93543

5) ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION:

Mr. Robert Parris  
Chairperson  
c/o Palmdale Water District  
2029 East Avenue Q  
Palmdale, CA 93550

6) CITY OF PALMDALE:

Mr. Chuck Heffernan  
Public Works Director  
38250 Sierra Highway  
Palmdale, CA 93550

7) CITY OF LANCASTER:

Mr. Jeff Hogan  
Director of Development Services  
City of Lancaster  
44933 Fern Avenue  
Lancaster, CA 93534

8) COUNTY SANITATION DISTRICT NO. 14 OF LOS ANGELES COUNTY:

Mr. Robert C. Ferrante  
Chief Engineer and General Manager  
County Sanitation Districts of Los Angeles County  
1955 Workman Mill Road  
Whittier, CA 90601

9) COUNTY SANITATION DISTRICT NO. 20 OF LOS ANGELES COUNTY:

Mr. Robert C. Ferrante  
Chief Engineer and General Manager  
County Sanitation Districts of Los Angeles County  
1955 Workman Mill Road  
Whittier, CA 90601

10) ROSAMOND COMMUNITY SERVICES DISTRICT:

Mr. Steve Perez  
General Manager  
3179 35th Street  
Rosamond, CA 93560

11) WATERWORKS DISTRICT 40:

Mr. Russ Bryden  
Assistant Deputy Director  
County of Los Angeles - Department of Public Works  
Waterworks Division  
P.O. Box 1460  
Alhambra, CA 91802-1460

**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**  
**FROM:** Mrs. Claudia Bolanos, Resource and Analytics Supervisor  
**VIA:** Mr. Peter Thompson Jr., Resource and Analytics Director  
Mr. Dennis D. LaMoreaux, General Manager  
**RE:** ***AGENDA ITEM NO.'S 7.1 AND 7.2 – PUBLIC HEARING AND CONSIDERATION AND POSSIBLE ACTION ON RESOLUTION NO. 21-11 BEING A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT ADOPTING, DIRECTING THE FILING OF, AND IMPLEMENTING THE PALMDALE WATER DISTRICT 2020 URBAN WATER MANAGEMENT PLAN, THE 2015 URBAN WATER MANAGEMENT PLAN AMENDMENT, AND THE 2020 WATER SHORTAGE CONTINGENCY PLAN. (NO BUDGET IMPACT – RESOURCE AND ANALYTICS SUPERVISOR BOLANOS / KENNEDY/JENKS CONSULTANTS)***

---

**Recommendation:**

Staff recommends that the Board approve Resolution No. 21-11 adopting, directing the filing of, and implementing the Palmdale Water District 2020 Urban Water Management Plan (UWMP), the 2015 Urban Water Management Plan Amendment, and the 2020 Water Shortage Contingency Plan (WSCP).

**Alternative Options:**

The Board can choose to not adopt the 2020 Urban Water Management Plan, the 2015 Urban Water Management Plan Amendment, and the 2020 Water Shortage Contingency Plan.

**Impact of Taking No Action:**

The District will not be following pertinent guidelines set by the California Legislature and the California Water Code.

**Background:**

The California Legislature enacted Assembly Bill 797 during the 1983-1984 Regular Session of the California Legislature (Water Code Section 10610 et. seq.) known as the Urban Water Management Plan Act that mandates every urban water supplier providing water for municipal purposes to more than 3,000 customers or supplying more than 3,000 acre-feet of water annually prepare, and every five (5) years thereafter update, its UWMP, the primary objective of which is to plan for the conservation and efficient use of water.

BOARD OF DIRECTORS  
PALMDALE WATER DISTRICT

VIA: Mr. Peter Thompson Jr., Resource and Analytics Director  
Mr. Dennis D. LaMoreaux, General Manager

June 8, 2021

Also, the California Water Code Section 10632 requires that every urban water supplier shall prepare and adopt a Water Shortage Contingency Plan (WSCP) as part of its Urban Water Management Plan.

**Strategic Plan Initiative/Mission Statement:**

This item is under Strategic Initiative No. 1 – Water Resource Reliability.  
This item directly relates to the District’s Mission Statement.

**Budget:**

No budget impact.

**Supporting Documents:**

- 2020 UWMP, 2020 WSCP, and 2015 Amendment presentation prepared by Kennedy/Jenks Consultants
- Resolution No. 21-11 being a Resolution of the Board of Directors of the Palmdale Water District Adopting, Directing Filing of, and Implementing the Palmdale Water District 2020 Urban Water Management Plan, the 2015 Urban Water Management Plan Amendment, and the 2020 Water Shortage Contingency Plan
- PWD 2020 UWMP Public Review Draft – Executive Summary (full report available on the District’s website)
- Addendum to 2015 UWMP
- PWD 2020 WSCP Public Review Draft – Sections 1 – 7 (full report available on the District’s website)



# **2020 Urban Water Management Plan, 2020 Water Shortage Contingency Plan, & 2015 Addendum**

Palmdale Water District

June 14, 2021



**PALMDALE WATER DISTRICT**  
A CENTURY OF SERVICE

# Urban Water Management Plan Public Hearing Agenda

- UWMP Act Overview
- Population and Demand Assessment
- SBX7-7 GPCD Targets
- Water Supplies and Demands
- Water Shortage Contingency Planning
- 2015 UWMP Addendum
- Next Steps
- Public Comment Period and Q&A



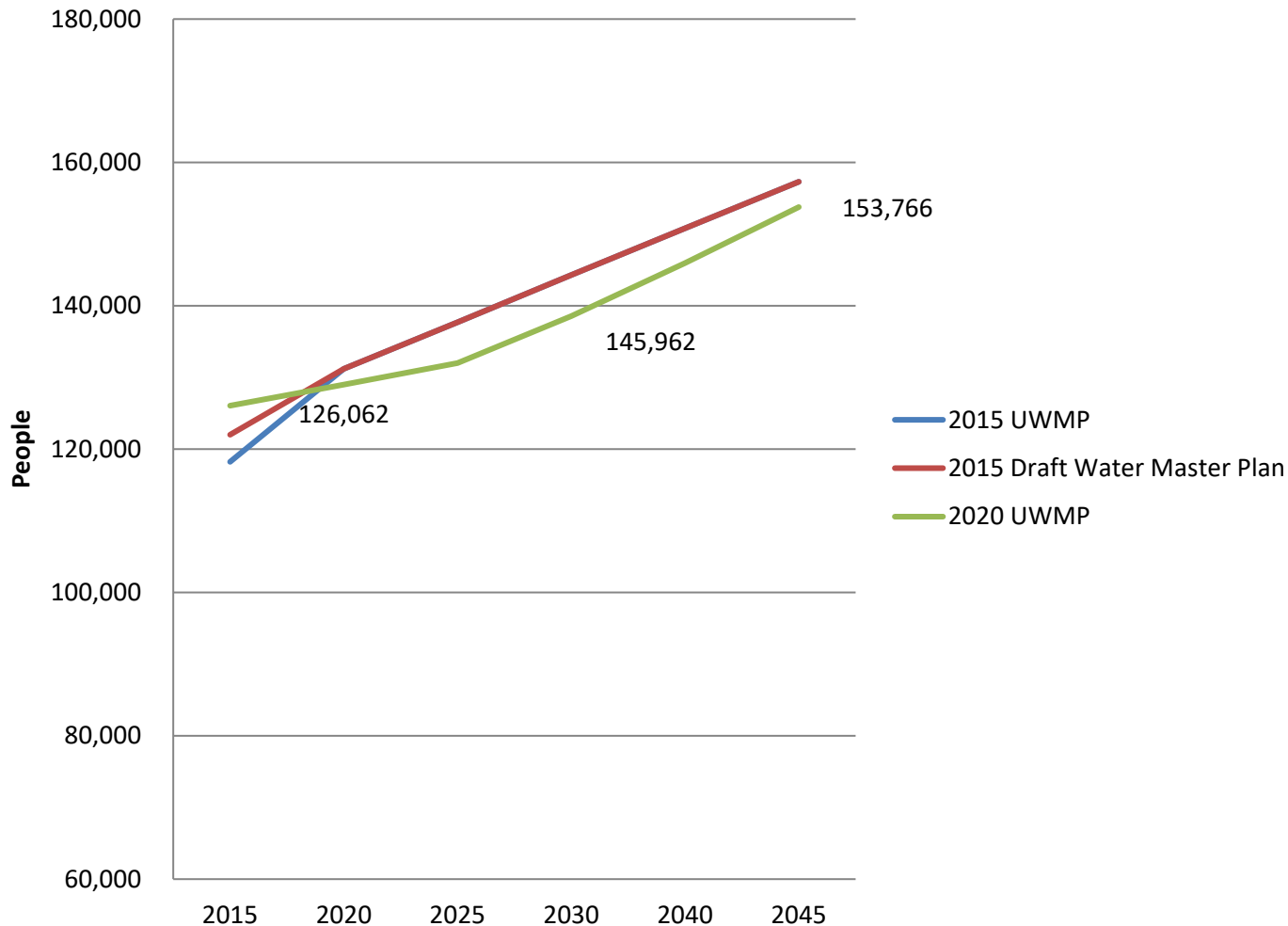
# What is an Urban Water Management Plan?

- Plan that provides a general framework for long-term water resource planning (20 to 25 years)
- Required by all urban water suppliers with  $\geq 3,000$  service connections or supplying  $\geq 3,000$  acre-feet per year (AFY)
- Completion required for State grant and loan eligibility
- Update required every five years
- UWMP Submittal Deadline: July 1, 2021

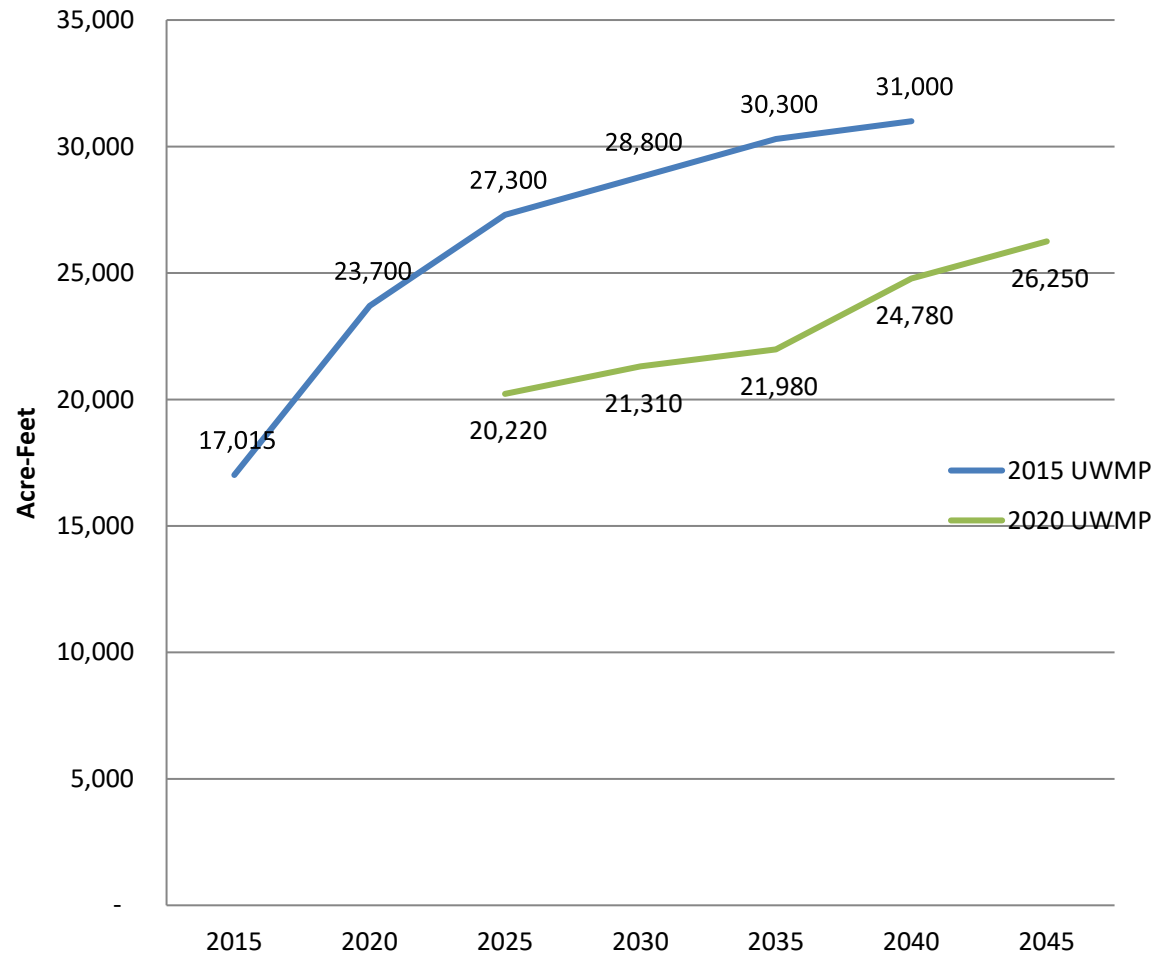
# Why are UWMPs Developed?

- 1983 Urban Water Management Planning Act
- To identify relationships between supply and demand
- To provide detailed description of all supply sources
- To identify conservation programs and plans for shortages
- To address water quality issues
- To describe how demand will be met through time, in all hydrologic year types

# Current and Projected Population



# Current and Projected Demand



# SBX7-7 Compliance and Targets

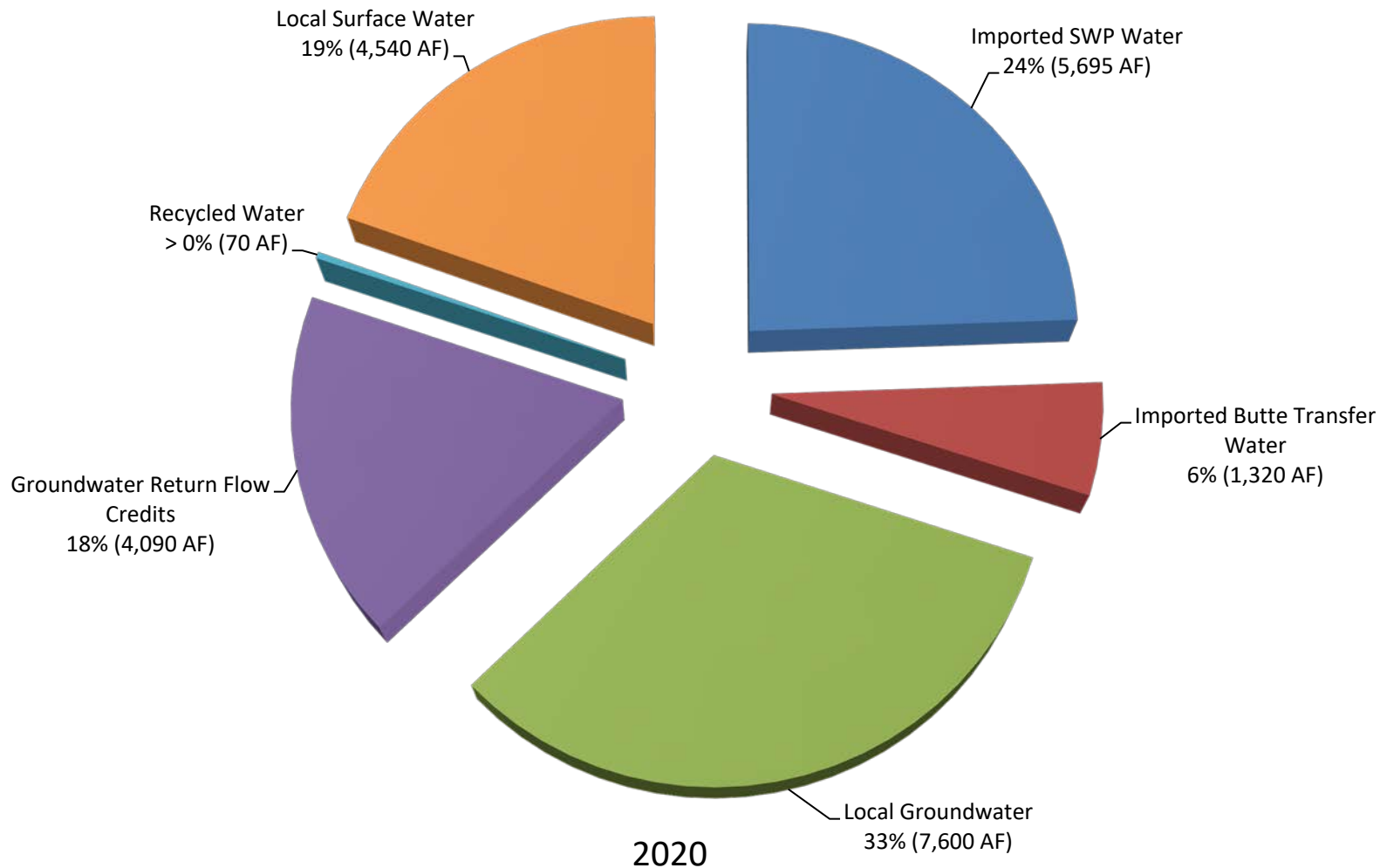
- Water Conservation Act of 2009
  - Requires reduction in per-capita water use of 20% by 2020 from baseline (20x2020)
  - Targets (2015 and 2020) first reported in 2010 UWMP
- 2020 UWMP requires:
  - Compliance with 2020 Target

# SBX7-7 Calculations

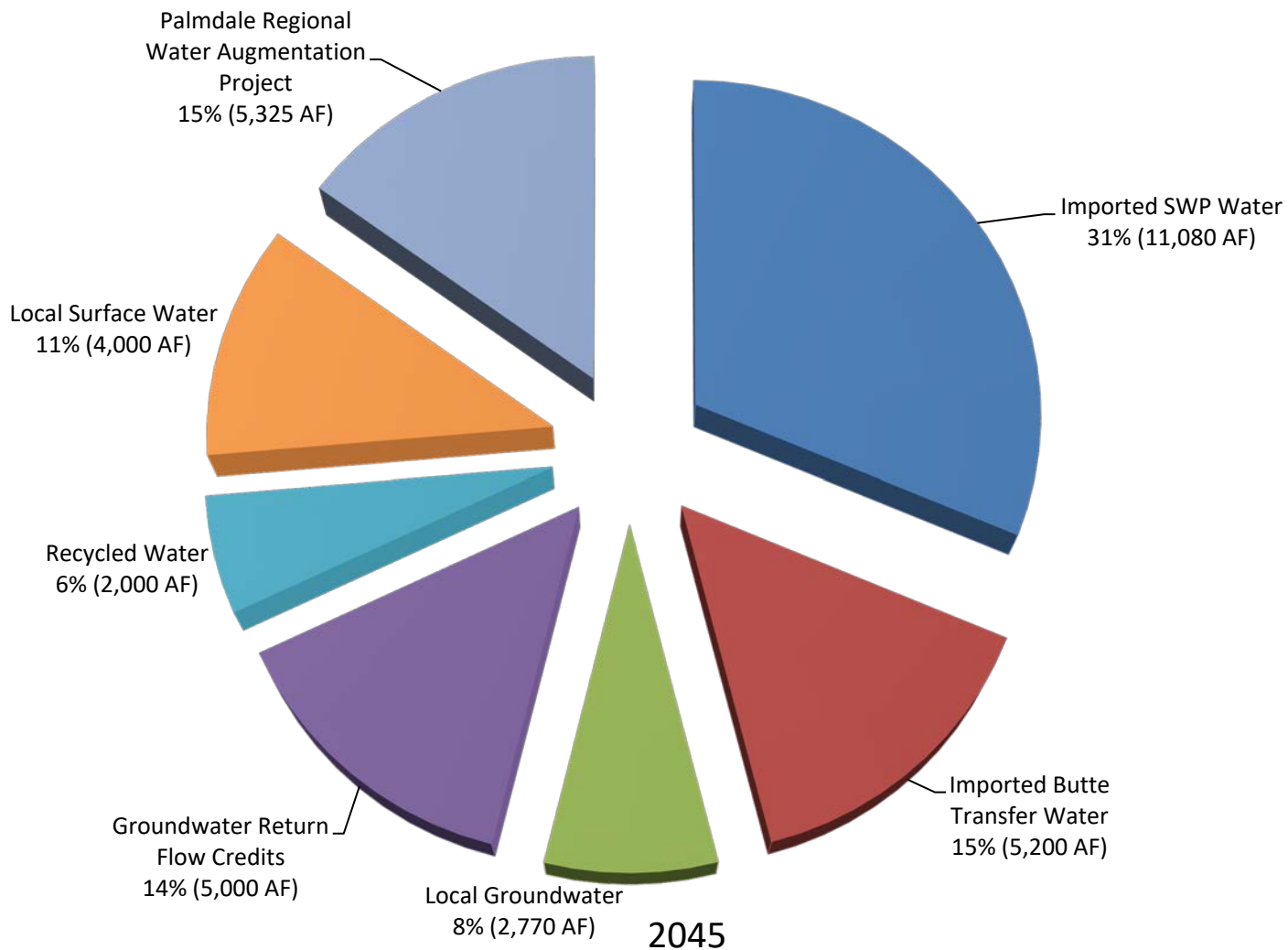
<b>SBX7-7 Category</b>	<b>Water Use (GPCD)</b>
Baseline Water Use	231
2020 Target	185
2020 Actual Water Use	165

The District has met its 2020 Target.

# 2020 Water Supply Portfolio

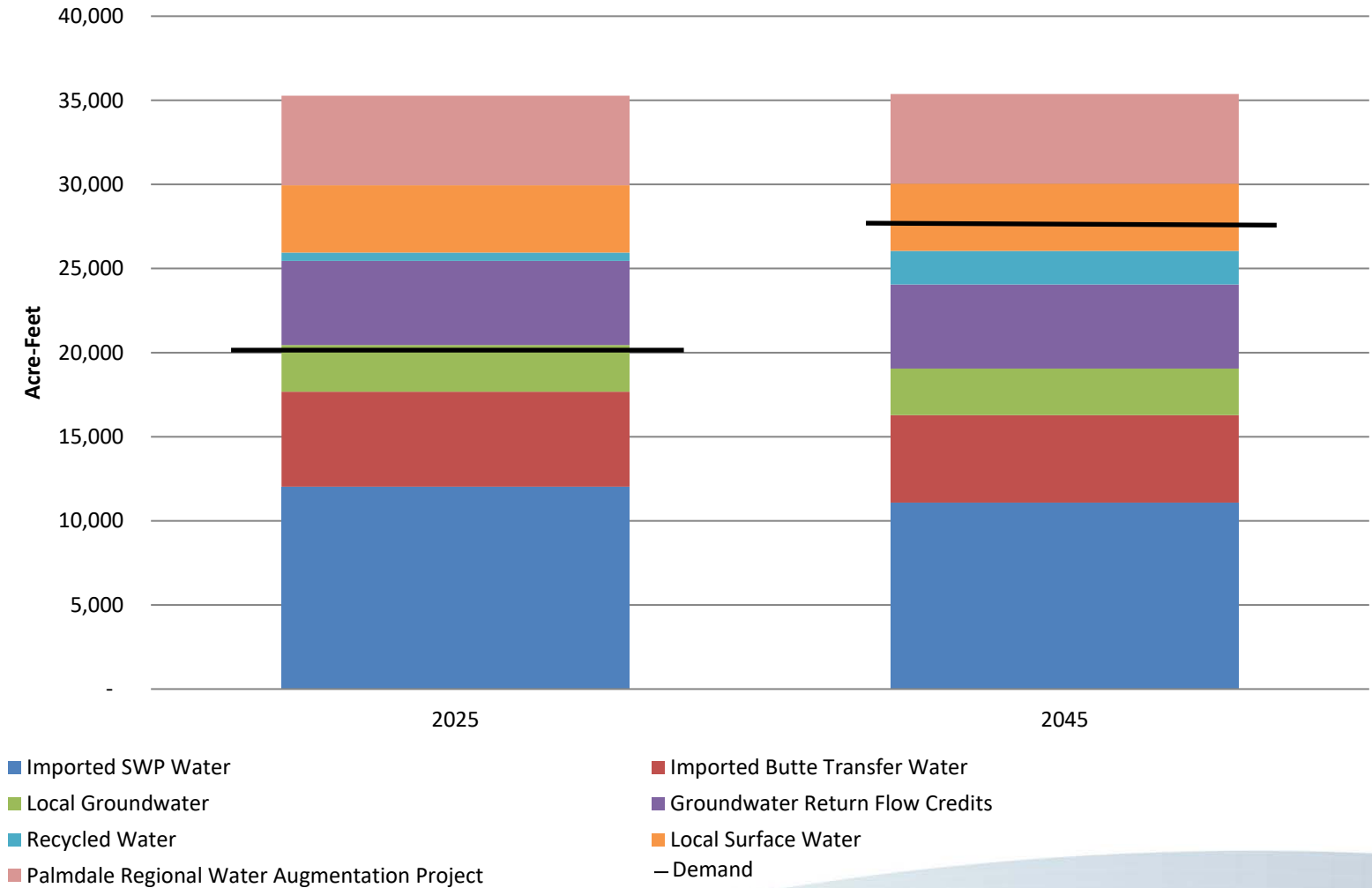


# 2045 Water Supply Portfolio

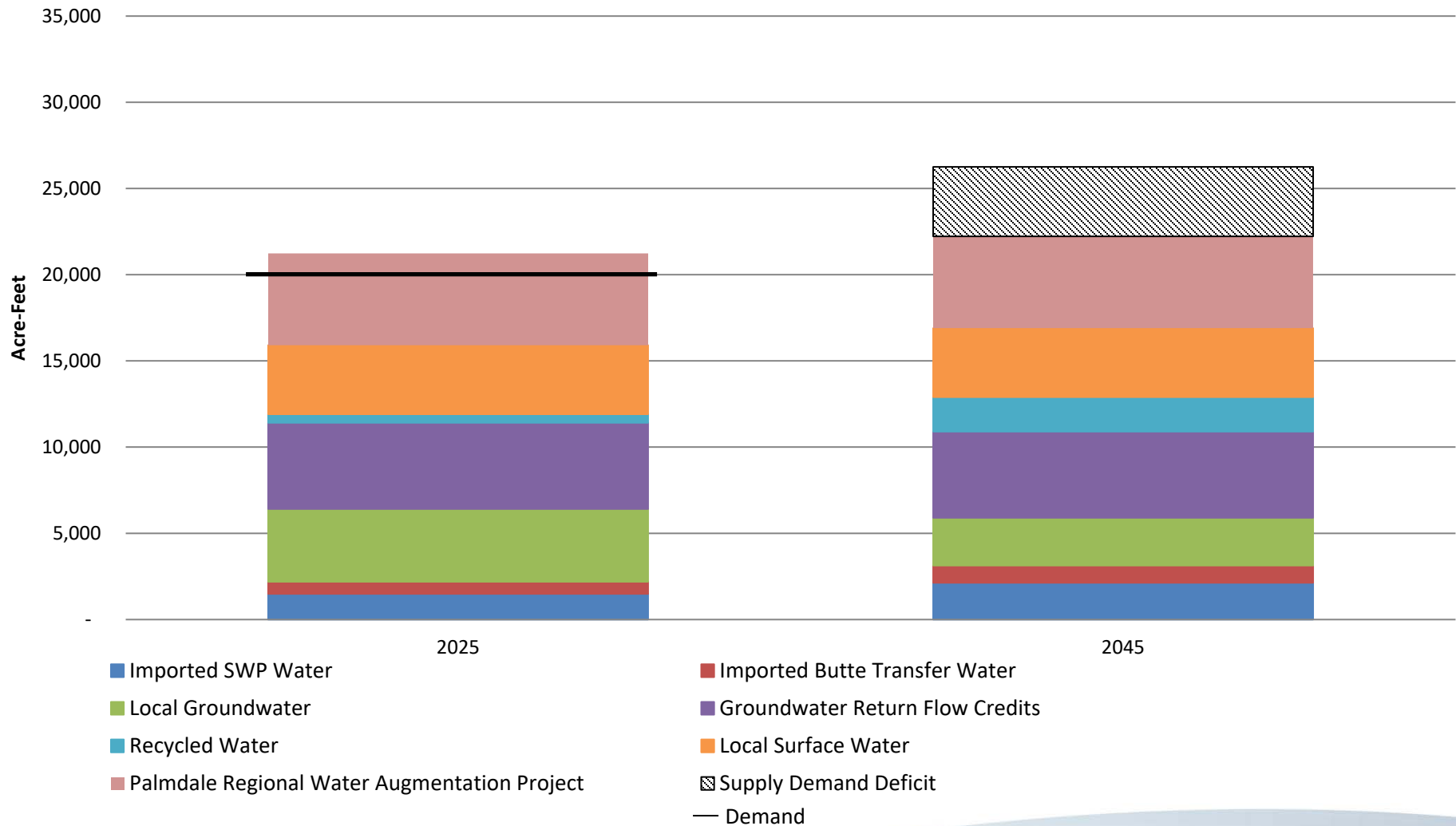




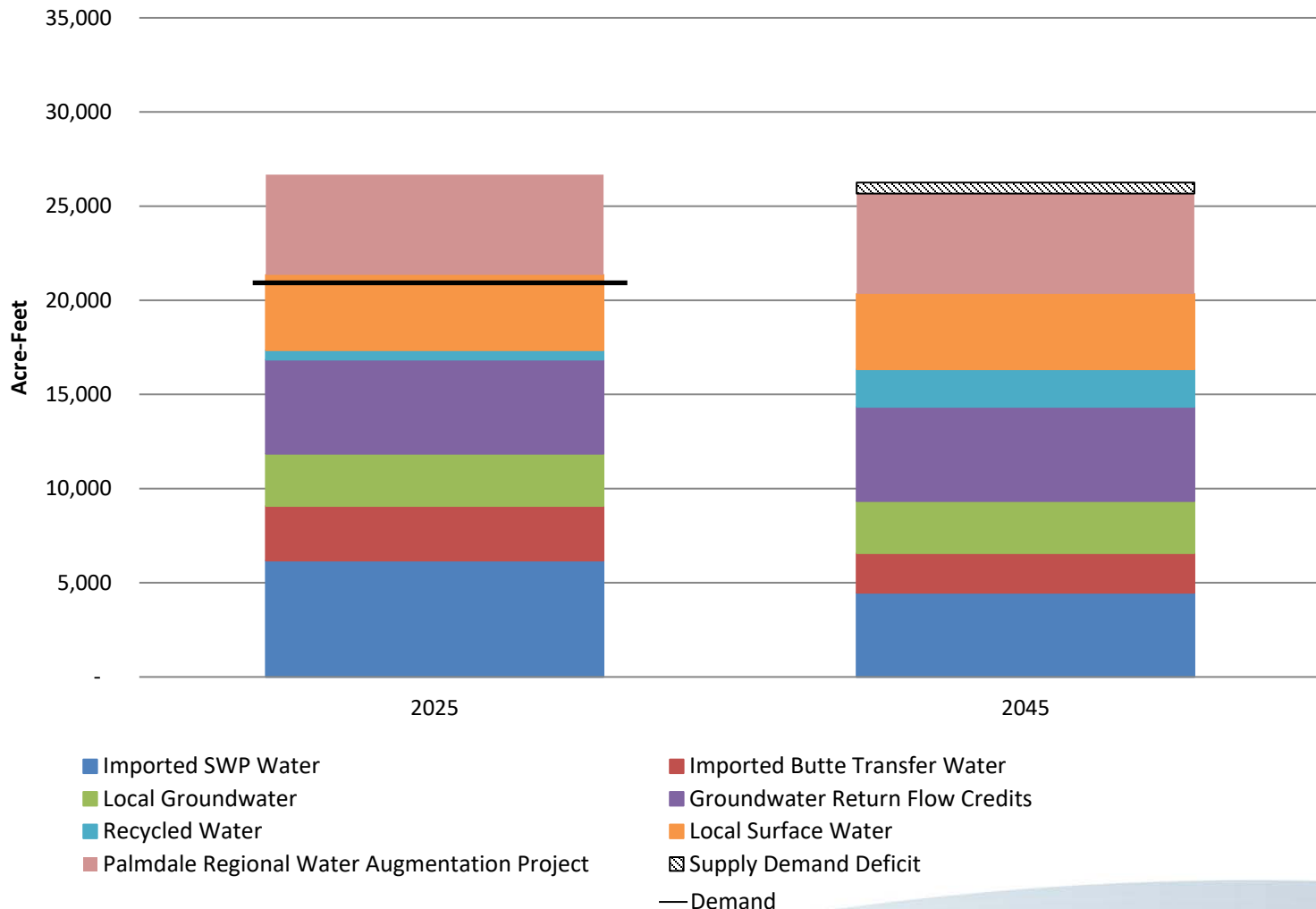
# Normal Year Supply and Demand



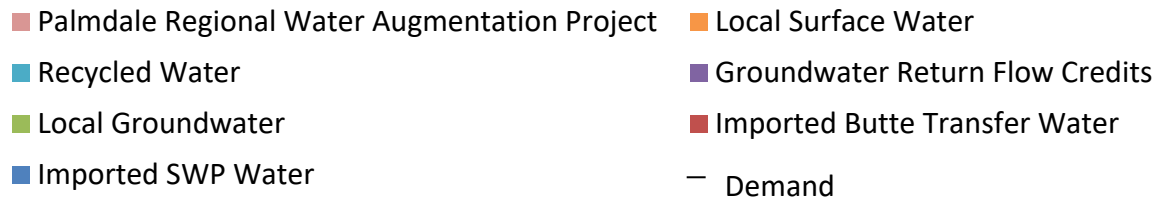
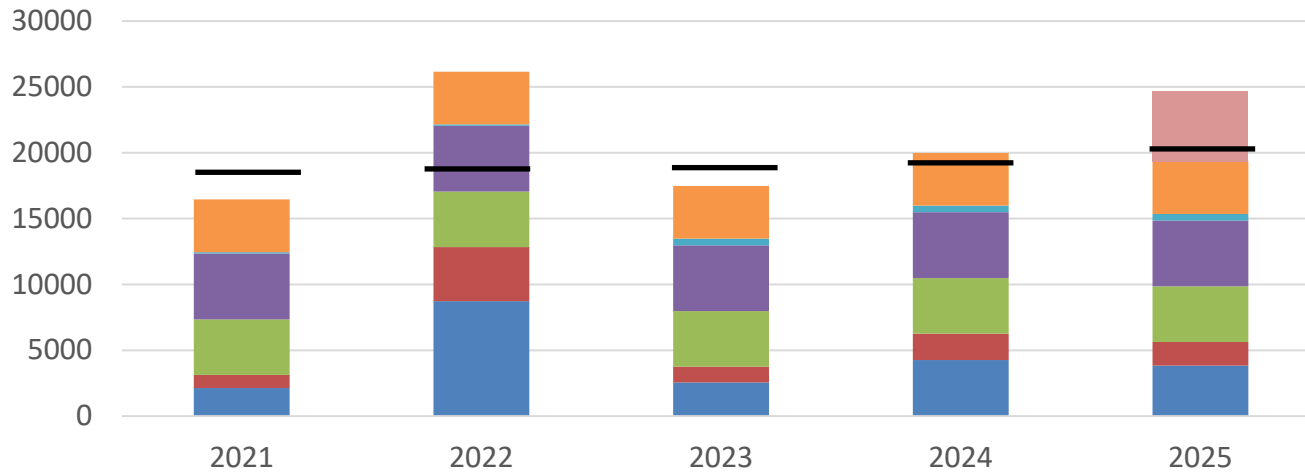
# Single-Dry Year Supply and Demand



# Multiple-Dry Year Supply and Demand



# Drought Risk Assessment



# Demand Management Measure Requirements

- Must describe the Foundational DMMs:
  - Water Waste Prevention Ordinances
  - Metering
  - Conservation Pricing
  - Public Education and Outreach
  - Programs to Assess and Manage Distribution System Real Loss
    - ✓ AWWA Water Loss Audit
  - Water Conservation Program Coordination and Staffing Support
  - Other DMMs that have a significant effect on water use

# Water Shortage Contingency Planning

- Have stages of action that address a reduction of 50% in water supply
- Ordinance/Resolution adopting the WSCP (revision has been prepared)
- SWP Emergency Outage Scenarios
- Assess Worst-Case Scenario
- In-depth Seismic Evaluation of Facilities
- Regional Emergency and Power Outage Scenarios

# 2015 UWMP Addendum

- Sacramento-San Joaquin Delta Reform Act of 2009 requires PWD to reduce reliance on water from the Delta
- Requires state and local public agencies proposing a 'covered action' in the Delta prepare written certification of consistency with the legislation
- Covered actions include importing water from the Delta, transfers, exchanges, including State Water Project supply
- Required for the 2020 UWMP update
- DWR recommends amending the 2015 UWMP or including an addendum in the 2015 UWMP Delta Reliance info from the 2020 UWMP

# Next Steps

- Public Comment Period
- Consider Adoption/Amendment
- Submittal to:
  - ✓ Department of Water Resources
  - ✓ State Library
  - ✓ Cities of Lancaster and Palmdale
  - ✓ Los Angeles County Department of Regional Planning
- Q&A



# Public Comment Period and Q&A

**PALMDALE WATER DISTRICT  
RESOLUTION NO. 21-11**

**A RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE PALMDALE WATER DISTRICT ADOPTING, DIRECTING FILING OF,  
AND IMPLEMENTING THE PALMDALE WATER DISTRICT 2020 URBAN WATER  
MANAGEMENT PLAN, THE 2015 URBAN WATER MANAGEMENT PLAN  
AMENDMENT, AND THE 2020 WATER SHORTAGE CONTINGENCY PLAN**

**WHEREAS**, the California Legislature enacted Assembly Bill 797 during the 1983-1984 Regular Session of the California Legislature (Water Code Section 10610 et.seq.) known as the Urban Water Management Plan Act (the Act).

**WHEREAS**, the California Water Code Section 10632 requires that every urban water supplier shall prepare and adopt a Water Shortage Contingency Plan (WSCP) as part of its Urban Water Management Plan (UWMP); and

**WHEREAS**, the WSCP is consistent with the California Water Code Sections 350 through 359 and Section 10632 and guidance provided by the California Department of Water Resources Urban Drought Guidebook; and

**WHEREAS**, the Act mandates that every urban water supplier providing water for municipal purposes to more than 3,000 customers or supplying more than 3,000 acre-feet of water annually prepare, and every five (5) years thereafter update, its UWMP, the primary objective of which is to plan for the conservation and efficient use of water.

**WHEREAS**, the 2020 UWMP, 2015 UWMP amendment, and the 2020 WSCP (together known as the Plans) must be adopted by July 1, 2021 and filed with the California Department of Water Resources, the California State Library, and the City of Palmdale within thirty days of adoption; and

**WHEREAS**, the Palmdale Water District prepared and filed a UWMP with the California Department of Water Resources in December 1985, December 1990, December 1995, December 2000, December 2005, December 2010, and December 2015; and

**WHEREAS**, the Act further requires that the adopted UWMP's and WSCP be available for public review during normal business hours for thirty (30) days following its submission to the Department of Water Resources; and

**WHEREAS**, as an urban water supplier providing water service to over 117,000 customers, Palmdale Water District is subject to the Act and has, therefore, prepared and circulated for public view a draft 2020 UWMP, a draft 2015 UWMP Addendum, and a draft 2020 WSCP in compliance with the requirements of the Act, and a properly noticed public hearing regarding the proposed Plan was duly held by the Palmdale Water District on June 14, 2021.

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

1. The 2020 Urban Water Management Plan, the 2015 Urban Water Management Plan Amendment, and the 2020 Water Shortage Contingency Plan are hereby approved and adopted.
2. The General Manager is hereby authorized and directed to file the Plans with the California Department of Water Resources, the California State Library, and the City of Palmdale within thirty days of adoption in accordance with the Act.
3. When required by conditions contained in the Plans, the General Manager is authorized to declare a Water Shortage Emergency and to implement water conservation programs as detailed in the Plans, including recommendations to the Board of Directors regarding necessary procedures, rules, and regulations to carry out effective and equitable water conservation programs.
4. The General Manager and staff are hereby further authorized and directed to take such other and further actions as may be reasonably necessary to carry out the purposes and intent of the Plan.

**PASSED AND ADOPTED** at the Regular Meeting of the Palmdale Water District Board of Directors held on June 14, 2021.

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GLORIA DIZMANG, President,  
Palmdale Water District Board of Directors

ATTEST:

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KATHY MAC LAREN-GOMEZ, Secretary,  
Palmdale Water District Board of Directors

APPROVED AS TO FORM:

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Aleshire & Wynder, LLP, General Counsel

May 14, 2021

Job #: 2044225\*00

**DRAFT**

# **2020 Urban Water Management Plan**

Palmdale Water District



**PALMDALE WATER DISTRICT**  
A CENTURY OF SERVICE

## Executive Summary

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This document presents the 2020 Urban Water Management Plan (UWMP, Plan) for the Palmdale Water District (PWD) service area. This section describes the general purpose of the Plan, discusses Plan implementation and provides general information about the PWD and its service area characteristics.

The State of California mandates that all urban water suppliers within the state prepare an UWMP. Detailed information on what must be included in these plans as well as who must complete them can be found in California Water Code Sections 10610 through 10657.

An UWMP is a planning tool that generally guides the actions of urban water suppliers. It provides managers and the public with a broad perspective on a number of water supply issues. It is not a substitute for project-specific planning documents, nor was it intended to be when mandated by the State Legislature. For example, the Legislature mandated that a plan include a section which "...describes the opportunities for exchanges or water transfers on a short-term or long-term basis." (Wat. Code, § 10631, subd. [d]). The identification of such opportunities and the inclusion of those opportunities in a plan's general water service reliability analysis neither commits an urban water supplier to pursue a particular water exchange/transfer opportunity, nor precludes it from exploring exchange/transfer opportunities never identified in its plan. Before an urban water supplier is able to implement any potential future sources of water supply identified in a plan, detailed project plans are prepared and approved, financial and operational plans are developed and all required environmental analysis is completed.

"A plan is intended to function as a planning tool to guide broad-perspective decision making by the management of water suppliers." (*Sonoma County Water Coalition v. Sonoma County Water Agency* (2010) 189 Cal. App. 4<sup>th</sup> 33, 39.) It should not be viewed as an exact blueprint for supply and demand management. Water management in California must address uncertainty. Planning projections may change in response to a number of factors that are associated with uncertainty such as climate change, population growth and water demand.

The California Supreme Court has recognized the uncertainties inherent in long-term land use and water planning and observed that the generalized information required in the early stages of the planning process are replaced by firm assurances of water supplies at later stages." (*Id.* at 41.) From this perspective, it is appropriate to look at the UWMP as a general planning framework, not a specific action plan. It is an effort to generally answer a series of planning questions such as:

- What are the potential sources of supply and what amounts are estimated to be available from them?
- What is the projected demand, given a reasonable set of assumptions about growth and implementation of good water management practices?
- How do the projected supply and demand figures compare and relate to each other?

Using these “framework” questions and resulting answers, the implementing agency or agencies will pursue feasible and cost-effective options and opportunities to develop supplies and meet demands.

As further detailed in this Plan, PWD will continue to explore enhancing and managing supplies from existing sources such as imported water as well as other options. These may include groundwater extraction, water exchanges and transfers, water conservation, water recycling, brackish water desalination, and water banking/conjunctive use. Additional specific planning efforts may be undertaken in regard to each option, involving detailed evaluations of how each option would fit into the overall supply/demand framework, potential environmental impacts, and how each option would affect customers.

The UWMP Act requires preparation of a plan that, among other things:

- Accomplishes water supply planning over a 20-year period in five year increments (PWD is going beyond the requirements of the Act by developing a plan which spans twenty-five years to 2045).
- Identifies and quantifies existing and projected water supplies and water supply opportunities, including recycled water, for existing and future demands, in normal, single-dry and multiple-dry years.
- Implements conservation and efficient use of urban water supplies.

State legislation, Senate Bill 7 of Special Extended Session 7 (SBX7-7) was signed into law in November 2009, which calls for progress towards a 20 percent reduction in per capita water use statewide by 2020. The legislation requires that retailers develop and report the 2020 water use target, their baseline daily per capita use and 2020 compliance daily per capita use, along with the basis for determining those estimates. This UWMP reports on PWD’s progress in meeting the SBX7-7 targets.

## **Water Use**

This UWMP describes historic and current water usage and the methodology used to project future demands within the PWD service area. Water usage is divided into sectors including residential, commercial, industrial, irrigation, and institutional. To undertake this evaluation, existing land use data and new housing construction information were compiled PWD. Based on average water consumption, ultimate potable water demands were projected to be approximately 24,250 AFY. Projected demands are provided in Table ES- 1.



**Table ES- 1 Projected Potable Water Demands 2020 to 2045 AFY**

<b>Water Use</b>	<b>2025</b>	<b>2030</b>	<b>2035</b>	<b>2040</b>	<b>2045</b>
Total Water Deliveries (see Section 2)	16,520	17,010	18,080	19,280	20,550
Sales to Other Water Agencies (see Section 2)	1,300	1,300	1,300	1,300	1,300
Distribution System Water Losses (see Section 2)	1,900	2,000	2,100	2,200	2,400
<b>Total</b>	<b>19,720</b>	<b>20,310</b>	<b>21,480</b>	<b>22,780</b>	<b>24,250</b>

Notes: Demands to not include non-potable water supplies.

## **Actions to Manage Demand**

PWD has a uniquely low water use for a high desert area. However, PWD recognizes that conserving water is an integral component of a responsible water management strategy. PWD has a variety of programs to manage water demand including water waste prohibitions, public education, and outreach, metering, monitoring and repairing system leaks, and rebate programs. These programs are part of PWD's water conservation program. PWD plans to expand this program over the next five years and is dedicated to water conservation as a vital part of the water supply portfolio.

## **Compliance with Water Use Targets**

From 1996 to 2004 average potable water use was approximately 231 gallons per capita per day (GPCD). The SBX7-7 reduction interim target for year 2015 was 208 GPCD and the Compliance Target for year 2020 was 185 GPCD. PWD had a GPCD of 165 in 2020, which means PWD has exceeded the reductions required by the 2015 Interim Target and 2020 Compliance Target. PWD plans to maintain an efficient GPCD by continuing implementation of demand management measures and water shortage contingency planning.

## **Water Service Reliability**

### **Water Supply**

PWD's water supplies include imported water, local and regional supplies, groundwater, and recycled water. As a State Water Contractor of the State Water Project (SWP), PWD purchases imported water from the Department of Water Resources (DWR). Each year, PWD receives an annual allotment, which is based on available SWP supplies, with a total maximum contract amount of 21,300 AFY. Since 2010, PWD has received between 13 and 78 percent of their annual allotment. PWD also has a long-term lease agreement with Butte County for up to 10,000 AFY of their SWP Table A Amount (2019 DCR). The amount available varies on the final annual allotment from DWR to its State Water Contractors.

PWD's local water sources include groundwater, surface water, and recycled water. Groundwater is pumped from the Antelope Valley Groundwater Basin and has accounted for 35 percent of PWD's supplies since 2016. In late 2015, PWD and other parties agreed to a stipulated judgment

for the adjudication of the Antelope Valley Groundwater Basin. Per the judgment, PWD will begin receiving a groundwater production right of 2,770 AFY starting in 2023. PWD is also temporarily entitled to a share of a federal groundwater right, of up to 1,450 AFY until 2025.

PWD jointly owns and operates the Littlerock Dam Reservoir, which constitutes PWD's local surface water supply source and is located in the hills southwest of the PWD service area. PWD projects being able to take approximately 4,000 AFY from Littlerock Dam Reservoir in normal, single-dry, and multiple-dry years.

PWD is actively working with the Sanitation Districts of Los Angeles County (LACSD) to develop recycled water supplies for its service area customers and future groundwater recharge projects. Recycled water will help PWD meet its future water demands. A summary of current and future supplies is provided in Table ES- 2, Table ES- 3, and Table ES- 4 below; these supplies are anticipated to be available in a normal year, a single-dry year, and during multiple-dry years.

**Table ES- 2 Normal Year Water Supplies 2025 to 2045 (AFY)**

	2025	2030	2035	2040	2045
<b>Water Supply Source</b>					
Groundwater	4,220	2,770	2,770	2,770	2,770
Groundwater Return Flow Credits	5,000	5,000	5,000	5,000	5,000
Groundwater or Surface Water Augmentation	5,325	5,325	5,325	5,325	5,325
Local Surface Water	4,000	4,000	4,000	4,000	4,000
Imported SWP Water	12,030	11,720	11,400	11,080	11,080
Butte Transfer Agreement <sup>(a)</sup>	5,650	5,500	5,350	5,200	5,200
Recycled Water	500	1,000	1,500	2,000	2,000
<b>Total Supplies</b>	<b>36,725</b>	<b>35,315</b>	<b>35,345</b>	<b>35,375</b>	<b>35,375</b>

Notes: Values are rounded.

(a) For details see Section 4.3.1.

**Table ES- 3 Single-Dry Year Water Supplies 2025 to 2045 (AFY)**

	2025	2030	2035	2040	2045
<b>Water Supply Source</b>					
Groundwater	4,220	2,770	2,770	2,770	2,770
Groundwater Return Flow Credits	5,000	5,000	5,000	5,000	5,000
Groundwater or Surface Water Augmentation	5,325	5,325	5,325	5,325	5,325
Local Surface Water	4,000	4,000	4,000	4,000	4,000
Imported SWP Water	1,490	1,705	1,915	2,130	2,130
Butte Transfer Agreement <sup>(a)</sup>	700	800	900	1,000	1,000
Recycled Water	500	1,000	1,500	2,000	2,000
<b>Total Supplies</b>	<b>21,235</b>	<b>20,600</b>	<b>21,410</b>	<b>22,225</b>	<b>22,225</b>

Note: Values are rounded.

(a) For details see Section 4.3.1.



**Table ES- 4 Multiple-Dry Year Water Supplies 2025 to 2045 (AFY)**

	2025	2030	2035	2040	2045
<b>Water Supply Source</b>					
Groundwater (from Table 4-3)	4,220	2,770	2,770	2,770	2,770
Groundwater Return Flow Credits (from Table 4-4)	5,000	5,000	5,000	5,000	5,000
Groundwater Augmentation	5,325	5,325	5,325	5,325	5,325
Local Surface Water (from Table 4-6)	4,000	4,000	4,000	4,000	4,000
Imported SWP Water (from Table 4-9)	6,180	5,645	5,110	4,470	4,470
Butte Transfer Agreement <sup>(a)</sup>	2,900	2,650	2,400	2,100	2,100
Recycled Water (from Table 5-4)	500	1,000	1,500	2,000	2,000
<b>Total Supplies</b>	<b>28,125</b>	<b>26,390</b>	<b>26,105</b>	<b>25,665</b>	<b>25,665</b>

Note: Values are rounded.

(a) For details see Section 4.3.1.

## Water Quality

Based on current conditions and knowledge, water quality is not anticipated to affect water supply reliability. However, water quality issues are constantly evolving. It is understood that water quality treatment can have significant costs. PWD is committed to and will continue to work proactively to address water quality concerns in a timely manner to ensure safe drinking water is available to their customers.

## Fundamental Findings of the UWMP

It is the stated goal of PWD to deliver a reliable and high-quality water supply to its customers, even during dry periods. Based on water supply and demand assumptions over the next twenty-five years, the UWMP successfully achieves this goal. PWD anticipates having adequate supplies to meet demands during normal years. However, PWD anticipates that during single-dry year conditions, demands will exceed supplies starting in 2030 and during multiple-dry year conditions, demands will exceed supplies starting in 2045. Additionally, in a consecutive five-year drought, PWD anticipates demand exceeding supplies in 2021 and 2023. Therefore, additional supplies are assumed to be needed to meet demand under those conditions. PWD has identified numerous short-and long-term transfer and exchange opportunities that would provide additional supplies to help overcome supply shortages. The Water Shortage Contingency Plan identifies numerous opportunities to reduce customer demand during water shortages. Therefore, it is anticipated that existing supplies in combination with identified future and potential water supply opportunities will enable PWD to meet all future water demands under all hydrologic conditions through the end of the planning period.

**Addendum to Palmdale Water District's  
2015 Urban Water Management Plan**

**Quantifying Regional Self-Reliance and Reduced Reliance on Water Supplies from  
the Delta Watershed  
(Draft May 2021)**

**REDUCED DELTA RELIANCE REPORTING**

The Sacramento-San Joaquin Delta Reform Act of 2009 established a certification process that requires state and local public agencies proposing a covered action in the Delta (such as importing water from the Delta, exchanges, or transfers), prepare a written certification of consistency with detailed findings as to whether the covered action is consistent with applicable Delta Plan policies (Wat. Code, § 85225) and submit that certification to the Delta Stewardship Council.

Palmdale Water District (PWD) has identified, evaluated and implemented projects that are locally cost effective and technically feasible which improve local reliability and reduce reliance on the Delta. Accordingly, PWD, is providing information in its 2015 and 2020 Urban Water Management Plans (UWMPs) that can then be used in the covered action process to demonstrate consistency with Delta Plan Policy WR P1, Reduce Reliance on the Delta Through Improved Regional Water Self-Reliance (WR P1).

As stated in WR P1(c)(1)(C), the policy requires that, commencing in 2015, UWMPs include expected outcomes for measurable reduction in Delta reliance and improved regional self-reliance. WR P1 further states that those outcomes shall be reported in the UWMP as the reduction in the amount of water used, or in the percentage of water used, from the Delta.

The expected outcomes for PWD's Delta reliance and regional self-reliance were developed using the approach and guidance described in Appendix C of DWR's Urban Water Management Plan Guidebook 2020 (Guidebook Appendix C) issued in March 2021.

This analysis is provided with the 2020 UWMP in Appendix H and is attached hereto with this Addendum to the 2015 UWMP. As this analysis also applies to the 2015 UWMP, and as an amendment, it will be released for public review and adopted by the District. This action does not re-open the 2015 UWMP for additional review. It is an addendum to the 2015 UWMP made pursuant to DWR's recommendation.

May 14, 2021

Job #: 2044225\*00

**DRAFT**

# **2020 Water Shortage Contingency Plan**

## Palmdale Water District



**PALMDALE WATER DISTRICT**  
A CENTURY OF SERVICE



Kennedy Jenks

## **Section 1: Introduction**

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### **1.1 Overview**

Water supplies may be interrupted or reduced significantly in a number of ways, such as a drought that limits supplies, an earthquake that damages water delivery or storage facilities, a regional power outage or a toxic spill that affects water quality. This Plan addresses the requirements in the California Water Code Section 10632, which requires that every urban water supplier shall prepare and adopt a Water Shortage Contingency Plan (WSCP) as part of its Urban Water Management Plan (UWMP). This WSCP serves as a guide for the intended actions by Palmdale Water District (PWD, the District) during water shortage conditions to improve preparedness for droughts and other impacts on water supplies by describing the process used to address varying degrees of water shortages.

Since the 1991 drought, PWD has approved and adopted numerous conservation resolutions from establishing a voluntary water conservation program, to implementing a water waste policy, declaring water shortage emergency conditions, identifying stages of action and response requirements, and establishing emergency water conservation regulations. Moreover, due to recent drought conditions and the Governor's emergency declarations that required a reduction in overall potable urban water use statewide, PWD developed ordinances and other planning documents to incentivize individual customer conservation and reduce overall water demands. Budget-based tiered water rates were introduced in May 2009 and updated in October 2019.

This WSCP describes the actions PWD will take to identify and respond to water shortage.

### **1.2 Plan Preparation, Adoption, Submittal and Availability**

PWD began preparation of this WSCP in January 2021. The public hearing for the WSCP Plan was noticed in local newspapers (*TBD*), as prescribed in Government Code 6066, which included the time and place of the hearing (*Date and Place TBD*), as well as the location where the plan was available for public inspection. Interested parties, including other local agencies, were notified of the public hearing.

The final draft of the Plan was adopted by the PWD Board of Directors by Resolution No. 21-0XX (provided in Appendix C) and was submitted to the Department of Water Resources (DWR) within 30 days of approval. Additionally, the plan was made available for public review per the requirements of the Water Code.

### **1.3 Water Shortage Contingency Plan Refinement Procedures**

PWD will convene the following departmental staff as needed to re-evaluate and improve procedures for systematically monitoring and evaluating the functionality of the WSCP to ensure shortage risk tolerance is adequate and appropriate water shortage mitigation strategies are implemented as needed:

- Water Use Efficiency Staff
- Administrative Staff
- Operational Staff

The WSCP will be reviewed, revised, and refined as appropriate and needed following significant changes to PWD supply portfolio, but no less than every 5 years.

### **1.4 Relationship to the Urban Water Management Plan**

Water Code Section 10632(a) requires that every urban water supplier prepare and adopt a water shortage contingency plan as part of its urban water management plan. While the water shortage contingency plan is a stand-alone document it is updated and adopted in concert with the UWMP. Content of the water shortage are informed by the analysis of water supply reliability conducted pursuant to Water Code Section 10635 (contained in the UWMP). The reliability analysis of the UWMP considers “normal”, “single-dry”, and “5-year drought”.

The reliability of PWD supply is highly dependent on the local groundwater sources, imported water availability, and local surface water availability. As shown in Table 1-1 (from Draft UWMP, subject to revision), in the near term (2021 to 2025) the total supplies are greater than demand in years 2022, 2024, and 2025. However, anticipated supplies are less than anticipated water demands in years 2021 and 2023. The WSCP identifies shortage reduction actions to reduce the shortage gap and actions to augment supplies.

**Table 1-1 Near Term Water Supply Reliability Assuming 5-Year Drought**

<b>Parameter</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Gross Water Use	19,410	19,505	19,620	19,715	20,220
Total Supplies	<u>16,450</u>	<u>26,155</u>	<u>17,475</u>	<u>19,980</u>	<u>24,680</u>
Surplus/Shortfall w/o WSCP Action	<b>-2,960</b>	<b>6,650</b>	<b>-2,145</b>	<b>265</b>	<b>4,460</b>
WSCP - supply augmentation benefit	N/A	N/A	N/A	N/A	N/A
WSCP - use reduction savings benefit	<u>4,270</u>	<u>N/A</u>	<u>4,316</u>	<u>N/A</u>	<u>N/A</u>
Revised Surplus/(shortfall)	1,310	N/A	2,171	N/A	N/A
Resulting % Use Reduction from WSCP action	22%	N/A	22%	N/A	N/A

Note: Reformatted from UWMP Guidebook, Table 7-5 Five-Year Drought Risk Assessment Tables to address Water Code Section 10635(b)

## **Section 2: Procedures for the Annual Water Supply and Demand Assessment**

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The California Water Code Division 1, Section 350, states:

“The governing body of a distributor of a public water supply, whether publicly or privately owned and including a mutual water company, shall declare a water shortage emergency condition to prevail within the area served by such distributor whenever it finds and determines that the ordinary demands and requirements of water consumers cannot be satisfied without depleting the water supply of the distributor to the extent that there would be insufficient water for human consumption, sanitation, and fire protection.”

New provisions in Water Code Section 10632.1. require that an urban water supplier such as PWD conduct an annual water supply and demand assessment (“Annual Assessment”), on or before July 1 of each year, to be submitted to DWR. An urban water supplier that relies on imported water from the State Water Project or the Bureau of Reclamation shall submit its Annual Assessment within 14 days of receiving its final allocations, or by July 1 of each year, whichever is later. The requirement to perform the Annual Assessment begins in July 2022. The procedures for performing the Annual Assessment are to be detailed in an urban suppliers’ Water Shortage Contingency Plan.

This section of the WSCP provides the written procedure for PWD’s Annual Assessment.

### **2.1.1 Timeline for Conducting the Annual Assessment**

Table 2-1 provides targets for performing the Annual Assessment and outlines actions for a normal year and one year of drought. By starting to plan in July, PWD will get a snapshot of conditions and can begin to prepare to mitigate supply and start outreach to customers to manage demand. Major actions are proposed in January 2022, when an initial estimate of supply is made and compared to demand. A final annual assessment is proposed in April 2022.

**Table 2-1. Timeline for Decision Making Process to Perform Annual Assessment**

Target Date	Action
Jul-Dec	<ul style="list-style-type: none"> <li>• Monitor supply sources</li> <li>• Monitor demand trends</li> </ul>
Jan	<ul style="list-style-type: none"> <li>• Confirm anticipated weather (e.g., National Weather Service Climate Prediction Center, La Niña, US Drought Seasonal Outlook)</li> <li>• Confirm State Water Project (SWP initial allocation)</li> <li>• Confirm available groundwater</li> <li>• Confirm groundwater production capacity</li> <li>• Evaluate storage in Littlerock Dam Reservoir available to PWD</li> <li>• Prepare initial assessment of Supplies (<i>Supply Table 1</i>)</li> </ul>
Feb	<ul style="list-style-type: none"> <li>• Prepare informational item to the Board of Directors</li> </ul>
Mar	<ul style="list-style-type: none"> <li>• Make initial assessment of unconstrained demand (<i>Demand Tables 1, 2, 3</i>)</li> <li>• Make initial estimate of shortage</li> <li>• If shortage anticipated, form Water Shortage Task Force</li> <li>• Confirm current SWP allocation</li> <li>• Confirm groundwater production capacity</li> <li>• Estimate supply/storage in Littlerock Dam Reservoir available to PWD</li> </ul>
April	<ul style="list-style-type: none"> <li>• Start public outreach</li> <li>• Complete Draft Annual Assessment and present to Board of Directors</li> <li>• If necessary, prepare notices of public hearing on water shortage</li> </ul>
May-July	<ul style="list-style-type: none"> <li>• Continue public outreach</li> <li>• Update Annual Water Assessment, present to Board of Directors</li> <li>• Finalize Annual Water Assessment and submit to DWR</li> <li>• If necessary, declare water shortage and implement supply mitigations and demand reduction actions</li> <li>• Monitor customer response to water shortage messaging and other actions</li> </ul>



## **2.2 Factors Affecting Demand and Supply**

### **2.2.1 Weather Outlook**

Weather affects PWD supplies in many ways. For many of the supplies, the effects of weather are seen over the long-term and are reflected in reservoir levels and groundwater levels. There are some resources and phenomena that can be considered when looking at the sources of supply:

- Potential for La Niña. ENSO (El Niño Southern Oscillation) is the warming and cooling of the ocean water along the Equator in the Eastern Pacific Ocean near South America. The warm phase is called El Niño and the cold phase is called La Niña. When the Eastern Pacific Ocean is 0.5 degrees Celsius above normal for 5 consecutive 3-month average periods, an El Niño is declared. When the Eastern Pacific Ocean is 0.5 degrees Celsius below normal for 5 consecutive 3-month average periods, a La Niña is declared. The El Niño and La Niña are declared as Weak, Moderate, or Strong depending on how far from normal the water temperature gets. When the temperature is above 1.5 degrees Celsius, it is declared as strong. When the temperature is above 1.0 degrees Celsius, it is declared as Moderate. When the temperature is above 0.5 degrees Celsius, it is declared as Weak. With El Niños, the High Desert tends experience increased precipitation, and decreased precipitation with La Niñas. The National Weather Service Climate Prediction Center provides information on potential for La Niña conditions.
- US Drought Information Seasonal Outlook. The National Weather Service Climate Prediction Center provides information geographically on drought conditions and categorizes geographies as “Drought Persists”, “Drought Remains but Improves”, “Drought Removal Likely”, and “Drought Development Likely”.

## **2.3 Current Year Unconstrained Demand**

DWR guidance for the Annual Assessment is to consider the expected water use in the upcoming year, based on recent water use, and before any projected response actions a Supplier may trigger under its Water Shortage Contingency Plan.

### **2.3.1 Land Use**

To evaluate water demand, PWD is required examine current and projected land uses. PWD incorporates City of Palmdale’s information on land use in its Master Plan Updates and is part of the City’s Development Advisory Board (DAB). The DAB participation will assist with relatively short-term forecasting of upcoming land use development. Using the known built and pending connections, a summarized total of the existing land use within the service area and potential future land use can be used to assess total land use development.

### **2.3.2 Current Demand**

PWD will create a table that will summarize the total water consumption (potable, recycled, and untreated) for each consumption category within the water service area for the most recent 5-year average, by month (*Demand Table 1*). Based on anticipated weather, *Demand Table 1*

may be adjusted to assume an increase in current demands. *Demand Table 1* will estimate existing demand in the current calendar year and demand in the subsequent calendar year. For the purposes of the analysis the subsequent year will be assumed to be a drought year.

### **2.3.3 Potential Demand**

PWD will create a table showing anticipated demands from “Under Construction and Approved Projects” (*Demand Table 2*) derived from the Water Service Availability Letters issuance and conditions. In *Demand Table 2* anticipated water use will be forecasted by month. The calculations in *Demand Table 2* will develop or use any recently developed demand factors inclusive of water loss and including a contingency to account for annual demand variations that are likely to occur.

*Demand Table 2* will reflect anticipated demands in the current calendar year and demand in the subsequent calendar year. For the purposes of the analysis the subsequent year will be assumed to be a drought year.

### **2.3.4 Total Near-Term Demands**

Near-term water demands (*Demand Table 3*) will be the sum of the demands reflected in *Demand Table 1* plus *Demand Table 2*.

## **2.4 Assessing Supply in Current Year and One Dry Year**

PWD will evaluate the total water sources available, including imported water, local groundwater, local surface water, recycled water, and other sources as they are put into service. Table 2-2 summarizes the factors to be considered.

Using Table 2-2 as a guide, PWD will develop a summary of each water source available in the upcoming year assuming the current and subsequent year will be dry years. *Supply Table 1* will also be developed, in which a quantified summary of each anticipated supply source is provided for the upcoming year assuming the current and subsequent year are dry years. Anticipated water supply will be forecasted by month using past supply patterns.

## **2.5 Assessing Water Supply Reliability**

PWD will compare *Supply Table 1* and *Demand Table 3* and determine if a supply shortage is anticipated, the level of shortage, and prepare if necessary, to implement its water shortage contingency plan.

## **2.6 Steps Following the Annual Assessment**

The District has the power and authority to implement and enforce its shortage response actions including mandatory water conservation measures within its boundaries per Division 11 of the California Water Code as previously exercised by Resolution No. 09-04, which was adopted in March 2009. Shortage response actions are described in Section 3. PWD will declare the appropriate stage of a water shortage emergency in accordance with Chapter 3, commencing with Section 350, of Division 1 of the California Water Code. Should a water shortage be declared, PWD may coordinate with the City of Palmdale and the County of Los Angeles for the possible proclamation of a local emergency, as defined in Section 8558 of the Government Code.

**Table 2-2. Annual Assessment of Supply  
Factors to be Evaluated  
in Current Year      Establishing Supply in Assumed  
Subsequent Dry Year**

Local Groundwater	Regulatory limitations	Regulatory limitations
	Groundwater level	Groundwater level
	Any constraints on supply due to infrastructure or water quality	Any constraints on supply due to infrastructure or water quality
	Consider if supply would be managed differently if it is known subsequent year will be dry year	
Local Surface Water	Regulatory limitations	Regulatory limitations
	Any constraints on supply due to infrastructure or water quality	Any constraints on supply due to infrastructure or water quality
Imported Water (SWP)	Water supply available under contract with DWR and any existing transfers and exchanges	Water supply available under contract with DWR and any existing transfers and exchanges
	Any constraints on supply due to infrastructure or water quality	Any constraints on supply due to infrastructure or water quality
	Consider if supply would be managed differently if it is known subsequent year will be dry year	
Recycled Water	What is current annual recycled water production capability	What is current annual recycled water production capability
	What is current annual demand + new (12 months) demand	What is current annual demand + new (24 months) demand

## Section 3: Six Standard Water Shortage Levels

### 3.1 Stages of Action to Respond to Water Shortages

As required by California Water Code Section 10632(a)(3)(A), this WSCP is framed around six standard water shortage stages, which correspond to progressive ranges of percent supply reductions from zero to more than fifty percent. Table 3-1 presents a description of the six water supply shortage stages, defined as stages I to VI.

Each stage may be triggered by a declaration from federal or state authorities, or PWD to address events that result in a water shortage. The stages and applicable water supply conditions are summarized in Table 3-1 and Table 3-2.

**Table 3-1: Rationing and Reduction Goals**

Deficiency or State Mandated Reduction	Stage	Demand Reduction Goal	Type of Program	Water Shortage Condition
1-10%	1	10% reduction	Voluntary	Minor Shortage
11-20%	2	20% reduction	Mandatory	Moderate Shortage
21-30%	3	30% reduction	Mandatory	Severe Shortage
31-40%	4	40% reduction	Mandatory	Critical Shortage
41-50%	5	50% reduction	Mandatory	Emergency Shortage
>50%	6	>50% reduction	Mandatory	Catastrophic Failure

DWR Table 8-1

**Table 3-2. Stages of PWD Water Shortage Contingency Plan**

Stage	Percent Supply Reduction	Triggers
I	Up to 10%	<ul style="list-style-type: none"> <li>Results of the Annual Assessment</li> <li>Federal, state or local disaster declaration that may impact water supplies</li> <li>State declaration due to drought or system maintenance</li> <li>Unplanned PWD water system maintenance</li> </ul>
II	Up to 20%	<ul style="list-style-type: none"> <li>Results of the Annual Assessment</li> <li>Federal, state or local disaster declaration that may impact water supplies</li> <li>State declaration due to drought or system maintenance</li> <li>Unplanned PWD water system maintenance requiring more time to repair</li> </ul>

Stage	Percent Supply Reduction	Triggers
III	Up to 30%	<ul style="list-style-type: none"> <li>• Results of the Annual Assessment</li> <li>• Federal, state or local disaster declaration that may impact water supplies</li> <li>• State determination due to drought or significant system failure; and/or</li> <li>• Unplanned PWD water system failure or emergency</li> </ul>
IV	Up to 40%	<ul style="list-style-type: none"> <li>• Federal, state or local disaster declaration that may impact water supplies</li> <li>• State determination due to drought or significant system failure; and/or</li> <li>• Unplanned PWD water system failure or emergency</li> </ul>
V	Up to 50%	<ul style="list-style-type: none"> <li>• Results of the Annual Assessment</li> <li>• Federal, state or local disaster declaration that may impact water supplies</li> <li>• State determination due to drought or significant system failure; and/or</li> <li>• Advanced PWD water system failure or emergency</li> </ul>
Stage VI	50% or higher	<ul style="list-style-type: none"> <li>• Results of the Annual Assessment</li> <li>• Federal, state or local disaster declaration that may impact water supplies</li> <li>• State determination due to drought or significant system failure</li> <li>• Natural or human-caused catastrophe disrupting delivery of water to, or within the service area</li> <li>• Severe PWD water system failure</li> </ul>

### 3.1.1 Procedures for Water Shortage Level Determination

The results of the Annual Assessment will be used to determine the water shortage level. In case of emergencies, a special meeting may be called by a majority of the Board on less than twenty-four-hour notice and without an agenda to deal with the disruption of service. If an emergency arises which would ordinarily be brought to the attention of the Board, but insufficient time exists, the General Manager has administrative authority to take action as deemed appropriate and reasonable.

## 3.2 Water Shortage Response Actions

Once a shortage stage is declared, PWD may implement shortage response actions required by the customer and through operational changes, as listed in Table 3-3. These actions will be supported by communication protocols (discussed in Section 4.1.1), enforcement actions (discussed in Section 3.3.2) and monitoring and reporting efforts (discussed in Section 5.2) activities appropriate at each shortage stage level.

**Table 3-3: Customer and PWD Water Shortage Actions**

<b>Stage</b>	<b>District Actions</b>	<b>Customer Actions</b>
Stage I	<ul style="list-style-type: none"> <li>• Initiate public information campaign</li> <li>• Increase awareness of conservation measures and water use efficiency programs</li> <li>• Conduct focused outreach to large water users</li> <li>• Consider coordination of public outreach with the cities and County</li> <li>• Publish Water Shortage Event Contingency Plan stages and actions per stage</li> <li>• Consider implementation of drought factor for customer bill calculation</li> <li>• Consider enforcement of conservation measures</li> </ul>	<ul style="list-style-type: none"> <li>• Comply with PWD Water Waste Policy (see Table 3-3 and Appendix B)</li> <li>• Voluntary water conservation</li> <li>• Adhere to conservation measures</li> <li>• Consider conversion to more efficient irrigation methods</li> <li>• Consider turf removal and conversion to Water Wise Landscape</li> <li>• Patronize local carwashes that recycle their water</li> <li>• Consider PWD Water Use Efficiency Rebate Programs</li> </ul>
Stage II	<ul style="list-style-type: none"> <li>• Continue previous action</li> <li>• Expand public information campaign</li> <li>• Commence enforcement of conservation measures</li> <li>• Implement of drought factor for customer bill</li> <li>• Suspend issuance of potable construction meters.</li> </ul>	<ul style="list-style-type: none"> <li>• Comply with PWD Water Waste Policy (see Table 3-3and Appendix B)</li> <li>• Comply with mandatory conservation regulations</li> <li>• Continue previous actions</li> </ul>
Stage III	<ul style="list-style-type: none"> <li>• Continue previous actions</li> <li>• Intensify public information campaign</li> <li>• Expand enforcement of conservation measures</li> <li>• Provide regular media public briefings</li> <li>• Activate emergency connections with mutual aid agencies</li> <li>• Evaluate size of monetary fines for water waste</li> <li>• Begin water waste patrols</li> </ul>	<ul style="list-style-type: none"> <li>• Comply with PWD Water Waste Policy (see Table 3-3and Appendix B)</li> <li>• Continue previous actions</li> <li>• Limit washing of sidewalks, driveways, walkways, parking lots, or any other hard-surfaced area by hose or flooding unless otherwise necessary</li> <li>• Comply with prohibited outdoor irrigation of ornamental landscape or turf with potable water through an irrigation system between 9:00 am and 6:00 pm and limit system use to two days a week</li> </ul>
Stage IV	<ul style="list-style-type: none"> <li>• Continue previous actions</li> </ul>	<ul style="list-style-type: none"> <li>• Comply with PWD Water Waste Policy (see Table 3-3and Appendix B)</li> <li>• Continue previous actions</li> <li>• Obligation to fix leaks, breaks, or malfunctions within 48 hours</li> </ul>
Stage V	<ul style="list-style-type: none"> <li>• Continue previous actions</li> <li>• Enforce mandatory water consumption goals and allocations for all customers and users</li> </ul>	<ul style="list-style-type: none"> <li>• Comply with PWD Water Waste Policy (see Table 3-3and Appendix B)</li> <li>• Continue previous actions</li> </ul>
Stage VI	<ul style="list-style-type: none"> <li>• Continue previous actions</li> <li>• Implement crisis communication plan</li> <li>• Activate Emergency Operations Center</li> </ul>	<ul style="list-style-type: none"> <li>• Continue previous actions</li> <li>• Terminate outdoor water use for irrigation, pools and</li> </ul>

Stage	District Actions	Customer Actions
	<ul style="list-style-type: none"> <li>• Coordinate actions with regulatory agencies</li> <li>• Coordinate actions with public safety agencies to address enforcement and fire protection issues</li> <li>• Recall all temporary meters and activate water fill stations</li> <li>• Suspend issuance of new development approvals and new water connections other than those required to be processed by state law</li> </ul>	fountains <ul style="list-style-type: none"> <li>• Water may only be used outdoors for public health and safety purposes</li> <li>• Be on alert for Boil Water Orders if they become necessary</li> </ul>

### 3.2.1 Supply Augmentation

Any water shortage event should trigger a review of potential sources for supplemental water supply. Potential sources for supplemental water include increasing allocation of State Water Project water (infrastructure not currently available) or utilizing water from the Palmdale GRRP. Any supplemental water supply project or improvements to existing facilities to allow for entitled flows should be a priority for consideration in immediate capital projects if shortage (e.g., demands exceeding supplies) greater than ten percent is anticipated or when a Stage 3 Water Shortage Event continues for more than 18 months. Additional supply sources for consideration include replacement or rehabilitated wells increased use of reclaimed water, and other alternatives based on the actual circumstances at that time. Supply augmentation in near term is presented in Table 3-4 below.

**Table 3-4. Supply Augmentation Actions**

Shortage Level	Supply Augmentation Methods and Other Actions by Water Supplier (based on DWR's WUE database categories)	How much is this going to reduce the shortage gap?	Additional Explanation or Reference
3	Groundwater	2,000 AF	Pump Additional Groundwater
4	Groundwater	1,000 AF	Pump Additional Groundwater
5	Groundwater	1,000 AF	Pump Additional Groundwater
6	Groundwater	500 AF	Pump Additional Groundwater

Note: (DWR Table 8-3)

### 3.2.2 Operational Changes

PWD shall comply with the restrictions similar to those implemented for the public to the extent possible. Hydrant flushing shall be limited except as deemed necessary by the General Manager to enhance water quality or to conduct fire flow and large meter tests. Other actions include efficient water use practices identified in Table 3-5, such as minimizing waste of water in construction, following a modified outdoor landscape watering schedule for PWD facilities depending on shortage stage, and fixing any identified leaks in the distribution system or other related water infrastructure components.



### 3.2.3 Demand Reduction Actions

PWD permanently implements general water conservation measures and irrigation practices aimed at increasing everyday water use efficiency. Those measures, plus those to be enacted in the various stages, are presented in Table 3-5 and are also indicated in the District's Water Waste Policy.

**Table 3-5. Prohibitions During Different Shortage Stages**

Stage	Prohibition/Requirement
In Effect at All Times	<p>Water waste is prohibited at all times. Water waste includes but is not limited to:</p> <ul style="list-style-type: none"> <li>• Application of potable water to outdoor landscapes in a manner that causes runoff.</li> <li>• Water leaks shall be repaired in a timely manner and sprinklers shall be adjusted to eliminate over-spray.</li> <li>• Hosing of hardscape surfaces, except where health and safety needs dictate, is prohibited.</li> <li>• No watering of outdoor landscapes within 48 hours of measurable rainfall.</li> <li>• Car washing and outside cleaning activities prohibited except when performed with buckets and automatic hose shutoff devices.</li> <li>• The serving of drinking water other than upon request in eating or drinking establishments is prohibited.</li> <li>• Operators of hotels and motels shall provide guests with the option of choosing not to have towels and linens laundered daily. The hotel or motel shall prominently display notice of this option in each guestroom.</li> </ul> <p>Other</p> <ul style="list-style-type: none"> <li>• Water for construction purposes, including but not limited to de-brushing of vacant land, compaction of fills and pads, trench backfill, and other construction uses shall be in an efficient manner.</li> </ul>
	<ul style="list-style-type: none"> <li>• Same as In Effect At All Times</li> </ul>
Stage II	<ul style="list-style-type: none"> <li>• All restrictions/prohibitions/initiatives from Stage I are in effect</li> <li>• Landscape watering between the hours of 1000 and 1800 hours is prohibited</li> <li>• Outdoor watering is limited to 3 days per week.</li> <li>• Irrigation with potable water outside of newly constructed homes and buildings not delivered by drip or microspray is prohibited.</li> <li>• Suspend issuance of potable water construction meters.</li> </ul>



Stage	Prohibition/Requirement
Stage III	<ul style="list-style-type: none"> <li>• All restrictions/prohibitions/initiatives from Stage I and Stage II are in effect and are mandatory.</li> <li>• Irrigation with potable water of ornamental turf on public street medians is prohibited.</li> <li>• Outdoor watering is limited to 2 days per week.</li> <li>• Potable water cannot be used to maintain fountains, reflection ponds and decorative water bodies for aesthetic or scenic purposes, except where necessary to support aquatic life.</li> </ul>
Stage IV	<ul style="list-style-type: none"> <li>• All restrictions/prohibitions/initiatives from Stage I, Stage II, and Stage III are in effect and are mandatory.</li> <li>• Outdoor watering is limited to 1 day per week.</li> <li>• Filling of new swimming pools, spas, hot tubs, or the draining and refilling of existing pools, etc is prohibited. Topping off is allowed to the extent that the designated water allocation is not exceeded.</li> <li>• Meters will only be installed for new accounts where the building permit was issued prior to the declaration of the water shortage.</li> </ul>
Stage V	<ul style="list-style-type: none"> <li>• Filling of new swimming pools, spas, hot tubs, or the draining and refilling of existing pools, etc is prohibited. Topping off is allowed to the extent that the designated water allocation is not exceeded.</li> <li>• Meters will only be installed for new accounts where the building permit was issued prior to the declaration of the water shortage</li> </ul>
Stage VI	<ul style="list-style-type: none"> <li>• All restrictions/prohibitions/initiatives from previous Shortage Stages are in effect and are mandatory.</li> <li>• No meters will be installed for new accounts.</li> <li>• Outdoor irrigation is prohibited, with the exception of drip or hand watering to preserve established trees.</li> </ul>

As described in the table above, prohibitions and restrictions on water features that are artificially supplied with water, such as ornamental lakes, ponds and decorative fountains are treated differently from swimming pools and spas, as defined in Section 115921 of the California Health and Safety Code.

### 3.2.3.1 Emergency Response Plan

In order to prepare for catastrophic events, the PWD has prepared an Emergency Response Plan (ERP) in accordance with other state and federal regulations. The purpose of the ERP is to design actions necessary to minimize the impacts of supply interruptions due to catastrophic events.

The ERP includes PWD's standardized response and recovery procedures to prevent, minimize, and mitigate injury and damage resulting from emergencies or disasters. The ERP includes, or is planned to include incident response procedures for the following incidents:

- Evacuation
- Earthquake
- Fire
- Wildfire
- Flood
- Power Outage
- Drought
- HazMat Release
- Security Incidents
- Bomb Threat
- Single-Employee Security Incident
- Personnel Injury
- Contamination
- Transmission/Main Break
- Distribution Line Break
- Pandemic

The plan considers the various aspects of the potential for malevolent threats or actual terrorism. The information contained in the ERP is intended to guide staff and inform other emergency responding agencies and includes plans, procedures, lists, and identification of equipment, emergency contacts, etc.

### **3.2.3.2 Seismic Risk Assessment and Mitigation Plan**

PWD owns and operates water storage and distribution, treatment, and groundwater pumping facilities. The water distribution system is comprised of two separate systems – one for potable water and the other for recycled water. In 2021 PWD performed the following to understand, plan, for and mitigate seismic risk:

- Evaluated seismic risk zone for the PWD service area
- Identified critical water facilities and seismic and building deficiencies
- Identified mitigation measures to reduce seismic risk at facilities.

This section summarizes the 2020 seismic risk assessment and provides an update of the seismic vulnerability of the drinking water supply, treatment, storage, and distribution facilities and mitigation plan for the water system (Kennedy Jenks 2021). The Seismic Evaluation is included in Appendix C.

#### **3.2.3.2.1 Seismic Evaluation and Mitigation for Steel Tanks**

Geotechnical work was conducted for PWD's above-ground potable water reservoirs located on 19 sites in the Palmdale area, to classify sites for repair and retrofit needs. Design level earthquake values were identified for each tank evaluation, corresponding to the appropriate American Society of Civil Engineers design level earthquake.

A seismic evaluation was performed to identify seismic deficiencies and recommend strengthening measures for each of the welded carbon steel tanks. Work included a written description for each tank summarizing the results of the interior and exterior inspections and condition assessments; and the findings of the desktop evaluation.

Several tanks were found to have deficiencies, due to one or more of the following:

- age of the tank
- code which was applicable at the time the tank was designed,
- dimensions of the tank diameter to height ratio,
- lack of anchorage to foundations

The tank structural and seismic evaluation investigated several mitigation concepts in order to bring the tanks within code compliance. These mitigation concepts included arranging for a civil or structural engineer to inspect PWD facilities, consulting with a geotechnical engineering firm to perform site investigations and provide a more detailed analysis, increasing freeboard height to accommodate wave action, and combinations of these.

PWD will prioritize tanks for repairs and replacement based on the likelihood and consequences of various types of damage associated with code compliance issues identified.

#### **3.2.3.2.2 *Seismic Evaluation and Mitigation for Pump Stations, Pressure Reducing Valves, Wells or Well Pump Stations***

Seismic assessments were performed for the booster pump stations, wells, and booster pump buildings. Work included documentation of facility descriptions, seismic deficiencies, and seismic mitigation measures. Many of these facilities had identified deficiencies associated with anchorage to foundations and walls, inadequate load path to transfer later loads, and thin slabs. Similar to the tank evaluation, additional analysis is recommended.

### **3.3 Benefit of Shortage Response Actions**

As discussed above, supply actions and actions within PWD operations will help reduce water shortage. Closing the “gap” between supplies and demands through customer actions, will include:

- Public Information
- Enforcement
- Restrictions on Non-Essential Water Uses
- Pricing

The water shortage response actions and their anticipated effect are summarized in Table 3-7.

#### **3.3.1 Public Information**

Without exception, experience has shown that a well-informed public is generally more willing to heed requests to voluntarily conserve or alter water use patterns and will be more likely to comply if mandatory water use restrictions become necessary. DWR (2008) estimates that public information campaigns have alone reduced demand in the range of **5 to 20** percent, depending on the time, money, and effort spent. Public information supports voluntary and mandatory measures by educating and convincing the public that a critical water shortage exists and provides information on how water is used and how they can help. The DWR Drought Guidebook highlights that when the public perceives a drought to be severe, they change behaviors (such as flushing the toilet less often).

The information provided to the public should include a description of the conditions that will trigger implementation of shortage stages as well as a description of what the plan entails (restrictions, enforcement provisions, etc.). It is also advisable to provide practical “consumer” information that will help water users comply with the plan. For example, information about restrictions on lawn watering might be accompanied with information about proper lawn watering practices.

Based on past experience, with minimal public outreach, a water savings of 5 percent is assumed, with extensive public outreach a water savings of 7 percent is assumed, public information combined with enforcement (see section 3.3.2) is assumed to achieve a savings of up to 22 percent.

### 3.3.2 Enforcement

A study examining the effectiveness of drought management programs in reducing residential water-use (Virginia Polytechnic Institute 2006) showed considerable variation in the effectiveness of drought management programs and highlighted the importance of public information and enforcement. Results, shown in Table 3-6, indicate that overall reductions in residential water-use ranged from 0-7 percent for voluntary restrictions and from 0-22 percent for mandatory restrictions. The observed differences were statistically attributed to information efforts for voluntary restrictions and both information and enforcement efforts for mandatory restrictions.

**Table 3-6. Drought Program Management Variables Effect on Residential Water-Use**

<b>Classification</b>	<b>Estimated Change in Water-Use</b>	<b>Statistically Different than No Effect?</b>
<b>Voluntary Restrictions</b>		
Little or no information disseminated	-2%	No
Moderate level of information	-2%	No
Aggressive information dissemination	-7%	Yes
<b>Mandatory Restrictions</b>		
Low information and low enforcement	-5%	No
Moderate information and low enforcement	-6%	Yes
Aggressive information and low enforcement	-12%	Yes
Low information and moderate enforcement	-4%	No
Moderate information and enforcement	-9%	Yes
Aggressive information and moderate enforcement	-15%	Yes
Moderate information and aggressive enforcement	-20%	Yes
Aggressive information and enforcement	-22%	Yes

Source: Virginia Polytechnic Institute 2006

The analysis highlights the key role that public outreach and information plays in the success of drought response actions. Voluntary restriction programs with little to moderate levels of information dissemination had no appreciable effect on water-use. Voluntary restriction programs with active promotional efforts, however, reduced water-use by an estimated 7 percent from what would have otherwise occurred without any restriction program. Thus, for voluntary restrictions, only the most intense programs had even a moderate level of success in reducing water-use.

The analysis highlights the key role that public outreach and information plays in the success of drought response actions. Voluntary restriction programs with little to moderate levels of information dissemination had no appreciable effect on water-use. Voluntary restriction programs with active promotional efforts, however, reduced water-use by an estimated 7 percent from what would have otherwise occurred without any restriction program. Thus for voluntary restrictions, only the most intense programs had even a moderate level of success in reducing water-use.

Mandatory restriction programs without a significant enforcement component broadly mirrored the outcomes achieved by the voluntary programs. Programs with mandatory restrictions that invested minimal effort in information dissemination did not appreciably reduce residential water-use. Programs with no active enforcement efforts but with moderate to high levels of informational dissemination achieved 6 and 12 percent reductions in water-use, respectively. These estimated reductions are similar to those achieved by voluntary programs with aggressive informational campaigns.

The experience the City of Santa Cruz had implementing its Drought Contingency Plan and successfully reaching its reduction goals supports the importance of a strong public information program. Analysis of the implementation program identified the key ingredient to its success was "the public's understanding, awareness, and belief that the City was confronted with a true water shortage problem. Media coverage of water problems across California reinforced the situation. Without that sense of a real and imminent problem, it's likely the level of cooperation and willingness demonstrated by the community in making changes they did might have been considerably reduced." (Santa Cruz 2010)

Delivering accurate and timely information to water users, news media and local governments with updates on conditions, restrictions, and helpful contact information is key.

With aggressive information dissemination and enforcement its assumed PWD could achieve a 22 percent water savings.

### **3.3.3 Restrictions on Non-Essential Water Uses**

PWD's water waste policy focuses on curtailing water waste and non-essential water use. Outdoor water use, including washing sidewalks and watering ornamental landscapes is targeted. These uses are typically considered to be discretionary or nonessential, are highly visible, and therefore relatively easy to monitor, and often are a substantial component of water demand, particularly during the summer months when drought conditions are likely most severe.

Given the significance and visibility of lawn watering as the predominant component of seasonal use, best management practices in drought contingency plans typically prescribe time-of-use and other restrictions on lawn watering. This often involves placing water users on a schedule which allows for staggered lawn watering days, as well as restrictions on the times during the day when lawns can be watered. Additionally, this may include the suspension of potable water construction meters.

The American Waterworks Association estimates that voluntary outdoor water use limits can result in a water savings of **up to 10 percent** and mandatory outdoor water limits can achieve **up to a 56 percent** reduction in outdoor water use (AWWA 2008, AWWA 2011). Specifically, case studies found that:

- Restricting water use to every third day reduced water use by 22 percent

- Restricting water use to twice a week reduced water use by 33 percent
- Restricting water use to once a week saved 56 percent

PWD performed a detailed review of water use as part of its 2019 Financial Planning Study (PWD 2019). This analysis estimated that for residential customers, approximately 52% of water use was outdoors. Residential water demand makes up approximately 77% of PWD's overall demands Therefore:

- Voluntary outdoor water limits that saved 10% of outdoor residential demands would reduce overall water demand by 4% ( $0.1 \times 0.52 \times 0.77$ ).
- Restricting water use to twice a week could reduce outdoor water use by 33%, reducing overall water demand by 13% ( $0.33 \times 0.52 \times 0.77$ ).
- Restricting water use to once a week could reduce outdoor water use by 56%, reducing overall water demand by 22% ( $0.56 \times 0.52 \times 0.77$ ).

### 3.3.3.1 Additional Mandatory Restrictions

The State, through the State Water Board, adopted drought emergency conservation regulations in July 2014. The Board expanded, updated, extended, and readopted the emergency regulations several times and in the prohibitions on wasteful water use practices were in place until November 25th, 2017.

As directed by Executive Order B-40-17, the State Water Board is conducting a rulemaking to put in place permanent prohibitions on wasteful water use practices. This rulemaking is part of the broader legislation, *Making Water Conservation a California Way of Life*.

The specific outcome of the permanent prohibitions cannot be known at this time. The emergency conservation regulations in effect through November 2017 included the following prohibitions:

- Application of potable water to outdoor landscapes in a manner that causes runoff such that water flows onto adjacent property, non-irrigated areas, private and public walkways, roadways, parking lots, or structures;
- The use of a hose that dispenses potable water to wash a motor vehicle, except where the hose is fitted with a shut-off nozzle or device attached to it that causes it to cease dispensing water immediately when not in use
- The application of potable water to driveways and sidewalks
- The use of potable water in a fountain or other decorative water feature except where the water is part of a recirculating system
- The application of potable water to outdoor landscapes during and within 48 hours after measurable rainfall
- The serving of drinking water other than upon request in eating or drinking establishments
- Irrigation with potable water of ornamental turf on public street medians.

The emergency conservation regulations further required that:

- The irrigation with potable water of landscapes outside of newly constructed homes and buildings in a manner inconsistent with regulations or other requirements established by the California Building Standards Commission and the Department of Housing and Community Development
- Commercial, industrial, and institutional properties shall limit outdoor irrigation of ornamental landscapes or turf with potable water to no more than two days per week

PWD's water use restrictions are consistent with the State's prohibitions to prevent water waste. However, dependent on the declared drought stage, PWD may have restrictions and requirements in addition to those of the State such as:

- Limiting outdoor irrigation of ornamental landscape or turf with potable water to certain hours and to certain days of the week (all customer types, not just Commercial, Industrial, or Institutional properties)
- Prohibiting all outdoor irrigation with potable water
- Prohibiting filling of swimming pools, spas, and wading pools

### **3.3.4 Drought Surcharge Rates**

PWD has a drought rate structure to recover costs related to increased effort during drought. While not a specifically meant to reduce water demand, drought surcharge rates are expected to decrease water demands.

Past studies reveal that water use decreases when utilities install water meters and impose commodity charges. AWWA estimates that water use decreases between 15 to 40 percent when customers are charged a commodity rate rather than a flat rate (AWWA 2008). This indicates that customers are price sensitive and will adjust habits to reduce their cost of water. The actual extent that increasing rates during a drought can result in decreased water use is uncertain.

AWWA studies indicate that the effectiveness of pricing to reduce water use is very dependent on the affluence of the water utility customer base. As a rule of thumb, AWWA estimates that marginal price increases in water (up to 10 percent) reduce water use by 1.5 to 7 percent; price increases greater than 10 percent are necessary to achieve water use reductions greater than 10 percent (AWWA 2008).

Based on AWWA data its assumed that water use reductions of 10 to 15 percent will be achieved with drought rates.



**Table 3-7. Effectiveness Demand Reduction and Other Actions**

<b>Shortage Level</b>	<b>Demand Reduction Actions</b>	<b>Reduction in Shortage Gap</b>	<b>Explanation</b>	<b>Penalty, Charge, or Other Enforcement?</b>
1	Expand Public Information Campaign	7%	Based on AWWA 2008 assumes savings of 7%	No
2	Expand Public Information Campaign	22%	Based on AWWA 2008 assumes savings of 22% with enforcement	Yes
2	Implement or Modify Drought Rate Structure or Surcharge	10%	Based on AWWA 2011 assumes savings of 10%	Yes
3	Expand Public Information Campaign	22%	Based on AWWA 2008 assumes savings of 22% with enforcement	Yes
3	Implement or Modify Drought Rate Structure or Surcharge	10%	Based on AWWA 2011 assumes savings of 10%	Yes
3	Landscape - Other landscape restriction or prohibition	4%	Outdoor water limited to 3 days a week. Based on AWWA 2011.	Yes
4	Expand Public Information Campaign	22%	Based on AWWA 2008 assumes savings of 22% with enforcement	Yes
4	Implement or Modify Drought Rate Structure or Surcharge	15%	Based on AWWA 2011 assumes savings of 15%	Yes
4	Landscape - Other landscape restriction or prohibition	13%	Outdoor water limited to 2 days a week. Based on AWWA 2011.	Yes
5	Expand Public Information Campaign	22%	Based on AWWA 2008 assumes savings of 22% with enforcement	Yes
5	Implement or Modify Drought Rate Structure or Surcharge	15%	Based on AWWA 2011 assumes savings of 15%	Yes
5	Landscape - Other landscape restriction or prohibition	22%	Outdoor water limited to 1 day a week. Based on AWWA 2011.	Yes



**Table 3-7. cont.**

<b>Shortage Level</b>	<b>Demand Reduction Actions</b>	<b>Reduction in Shortage Gap</b>	<b>Explanation</b>	<b>Penalty, Charge, or Other Enforcement?</b>
6	Expand Public Information Campaign	22%	Based on AWWA 2008 assumes savings of 22% with enforcement	Yes
6	Implement or Modify Drought Rate Structure or Surcharge	15%	Based on AWWA 2011 assumes savings of 15%	Yes
6	Landscape - Other landscape restriction or prohibition	52%	Outdoor water use prohibited	Yes

DWR Table 8-2

## **Section 4: Communications Protocols**

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### **4.1.1 Communications Protocols and Customer Outreach**

Customer participation is a key element in responding to a supply shortage, while general media coverage of a drought is likely to increase awareness. Multiple communication channels will continue to be used by PWD staff to communicate water shortage conditions and necessary actions to the PWD Board of Directors, customers, residential homeowners associations, business chambers, inter-governmental bodies, essential facilities (schools, hospitals, fire and police department), and other stakeholders. Communication methods include the following:

- Public water conservation forums hosted at PWD headquarters, off- site locations, or through virtual platforms.
- Attendance and agenda presentation at local city council meetings.
- Attendance and agenda presentations at home-owners association and business chamber meetings.
- Direct mailings and bill inserts to customers and account holders.
- Press releases.
- PWD publications, e.g., “The Pipeline”.
- Updated posting of issues and information on PWD website.
- Advertisements in local publications and cable channels.
- Cards, table tents, door hangers and other leave-behind reminders.
- Social media updates and postings

**Table 4-1** describes communication protocols and procedures to be used by PWD for outreach to customers to reduce demand during each defined shortage stage. The shortage stages are further defined in Section 3.1.

**Table 4-1. Communication Protocols and Procedures to Support Shortage Response Actions**

<b>Shortage Stage</b>	<b>Percent Supply Reduction</b>	<b>Communication Protocols and Procedures (Outreach to customers when each Stage is declared)</b>
I	Up to 10%	<ul style="list-style-type: none"> <li>- Declaration and notification of water supply shortage I by resolution, and adoption at a public meeting in accordance with state law.</li> <li>- Notification of supply shortage in Public Newspaper</li> </ul>
II	Up to 20%	<ul style="list-style-type: none"> <li>- Declaration and notification of water supply shortage II by resolution, and adoption at a public meeting in accordance with state law.</li> <li>- Notification of supply shortage in Public Newspaper</li> <li>- Advertisement in Local Public Newspaper</li> <li>- Commence social media updates</li> <li>- Notify top 5 water users in each customer class, e.g. residential, and CII</li> </ul>
III	Up to 30%	<ul style="list-style-type: none"> <li>- Declaration and notification of water supply shortage III by resolution, and adoption at a public meeting in accordance with state law.</li> <li>- Notification of supply shortage in Public Newspaper</li> <li>- Advertisement in Local Public Newspaper and local cable channel</li> <li>- Schedule regular media, city council and County briefings</li> <li>- Continue social media updates</li> <li>- Targeted Messaging to customers</li> <li>- Notify top 10 water users in each customer class, e.g. residential, and CII</li> </ul>
IV	Up to 40%	<ul style="list-style-type: none"> <li>- Declaration and notification of water supply shortage IV by resolution, and adoption at a public meeting in accordance with state law.</li> <li>- Notification of supply shortage in Public Newspaper</li> <li>- Advertisement in Local Public Newspaper and local cable channel</li> <li>- Continue regular media, city council and County briefings</li> <li>- Continue social media updates</li> <li>- Targeted Messaging to customers</li> <li>- Notify top 15 water users in each customer class, e.g. residential, and CII</li> </ul>
V	Up to 50%	<ul style="list-style-type: none"> <li>- Declaration and notification of water supply shortage V by resolution, and adoption at a public meeting in accordance with state law.</li> <li>- Notification of supply shortage in Public Newspaper</li> <li>- Advertisement in Local Public Newspaper and local cable channel</li> <li>- Continue regular media, city council and County briefings</li> <li>- Continue social media updates</li> <li>- Targeted Messaging to customers</li> <li>- Notify top 20 water users in each customer class, e.g. residential, and CII</li> </ul>
VI	50% of More	<ul style="list-style-type: none"> <li>- Declaration and notification of water supply shortage VI by resolution, and adoption at a public meeting in accordance with state law.</li> <li>- Notification of supply shortage in Public Newspaper</li> <li>- Advertisement in Local Public Newspaper and local cable channel</li> <li>- Continue regular media, city council and County briefings</li> <li>- Continue social media updates</li> <li>- Targeted Messaging to customers</li> <li>- Notify top 25 water users in each customer class, e.g. residential, and CII</li> </ul>

## **Section 5: Monitoring and Reporting**

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Monitoring is essential to ensure that the response actions are achieving their intended water use reduction purposes, or if improvements or new actions need to be considered.

### **5.1 Mechanism to Determine Reductions in Water Use and to Meet State Reporting Requirements**

The PWD has meters on all residential, commercial and landscape service connections in the service area and requires meters on all new connections. These meters record the amount of water consumption at each location. These meters in combination with billing information will be used to monitor actual reductions in water use.

### **5.2 Monitoring and Reporting**

Certain aspects of water conservation can be readily monitored and evaluated, such as metered water use and production quantities. Other aspects such as public education are more difficult to measure in terms of effectiveness. Additionally, weather patterns make it more difficult to compare one year's water demand and conservation results with another year's usage.

When severe shortages occur and some degree of mandatory reduction is required, a program's effectiveness can be judged directly by water billings. In these cases, targeted results must be met, and even reluctant customers will, on the whole, meet the goals. Specific methods to evaluate effectiveness of water conservation programs to be employed by PWD are:

1. Monitoring of Metered Water Usage – This will determine how much has been used. Compiling statistics to track usage of customer groups to determine trends is currently being done through the water billing computer system. Meter readings/billings can be compared and analyzed to determine the effectiveness of conservation for all customer classes.
2. Monitoring Production Quantities – In normal water supply conditions, production figures are recorded daily by the District's automated system. The Water Production Supervisor and the Production Lead monitor the accuracy of the monthly production totals. The totals are incorporated into the monthly water supply report to the State by the Water Treatment Supervisor.

To verify that conservation reduction goals are being met, production and metered usage reports will be provided to General Manager during each stage of the conservation period. Water production figures will be compared to previous year production figures for the same time period to ascertain if conservation goals are being reached. Results will be posted on the Palmdale Water website, as appropriate.

Additional actions available to PWD include:

1. Transition of remaining customer water meters to "smart meters" and investment in automated system to improve customer interface to allow more timely monitoring by customer of water use patterns.
2. Provide incentives to property owners to install individual meters or sub-meters in multi-family structures to for resident/property owners to track water usage.

Table 5-1 lists specific monitoring and reporting methods for each shortage stage that can be used to measure the effectiveness of reducing the shortage gap. As the stages progress into a greater percent supply reduction needed, the monitoring and reporting will increase in frequency, intensity, and resources.

**Table 5-1: Monitoring and Reporting to Support Shortage Response Actions**

<b>Shortage Stage (% supply reduction)</b>	<b>Monitoring and Reporting Methods (How to measure effectiveness of reducing the shortage gap)</b>
I (Up to 10%)	- Water-Use Monitoring Mechanisms - Prepare and review monthly water use reports
II (Up to 20%)	All Previous Monitoring and Reporting Methods AND: - Run and review monthly water use reports
III (Up to 30%)	All Previous Monitoring and Reporting Methods AND: - Run and review monthly water use reports
IV (Up to 40%)	All Previous Monitoring and Reporting Methods AND: - Run and review monthly water use reports
V (Up to 50%)	All Previous Monitoring and Reporting Methods AND: - Run and review monthly water use reports
VI (Up 50% of More)	All Previous Monitoring and Reporting Methods - Run and review monthly water use reports

## Section 6: Enforcement

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The District has the power and authority to implement and enforce its shortage response actions including mandatory water conservation measures within its boundaries per Resolution No. 09-04, which was adopted in March 2009.

Enforcement actions for violations of water conservation measures are summarized in Table 6-1. PWD customers are encouraged to report water conservation violations through use of the PWD hotline.

**Table 6-1. Penalties for Customer Violations**

<b>Violation Level</b>	<b>Penalties or Charges</b>
1 <sup>st</sup> Violation	The customer shall be notified in writing. The notice shall include a warning that further violations could result in stricter penalties.
2 <sup>nd</sup> Violation	A 2 <sup>nd</sup> violation is punishable by a fine of up to \$50.
3 <sup>rd</sup> Violation	A 3 <sup>rd</sup> violation is punishable by a fine of up to \$250.
4 <sup>th</sup> Violation	A 4 <sup>th</sup> violation is punishable by a fine of up to \$500.
5 <sup>th</sup> Violation	A 5 <sup>th</sup> violation may result in termination of service and a \$1,000 reconnection fee
Violation Assessment Period	Any violations occurring within twelve months of each other will be considered consecutive and result in escalating penalties. The period for assessing consecutive penalties may be extended beyond 12 months by resolution of the Board.

In accordance with the PWD Water Waste policy, a receipt of notice regarding a claim of water waste or misuse, the Customer shall have five days to file a request for reconsideration with the General Manager, and fifteen days after the General Manager's decision to file a written appeal with the Board. A hearing on the appeal will be conducted in the next Board meeting following the appeal, with the Board's decision from the hearing designated as final and conclusive.

## **Section 7: Financial Consequences of Actions during Shortages**

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Water providers face significant financial challenges during droughts. During periods of reduced consumption, revenue from water sales decline while expenses remain relatively constant. A reduction in construction activities can also reduce water service connection fees collected. At the same time, as consumption decreases, some expenditures are expected to increase, including staff costs for community education, enforcement of ordinances, monitoring and evaluation of water use, and drought planning. Operations and maintenance costs may also increase because of the need to identify and quickly repair all water losses.

PWD recognizes the financial impacts of reduced customer deliveries and connections during droughts. The following sections describe potential revenue reductions, expense increases, mitigation actions and the cost of compliance with reducing residential water use during drought.

### **7.1.1 Revenue Impacts of Reduced Sales and Increased Costs**

Currently, about 55 percent of PWD'S O&M costs are covered by fixed revenues. As a result, water conservation efforts can significantly impact revenues and the ability to cover fixed, non-variable costs.

Reductions in potable water use could result in an operating shortfall for the Potable Water Enterprise. While operating expenses are reduced with lower sales, fixed costs cannot be fully recovered when there are significant reductions in sales, thereby resulting in a net operating loss. PWD has planned for this shortfall by creating a reserve fund.

In the case of future water use reductions resulting from the implementation of the PWD WSCP, PWD would likely experience impacts to operating revenue and would draw as necessary and as possible from reserves. In addition, one of the objectives of the budget-based tiered rate structure implemented on January 1, 2020 is to improve revenue stability. Therefore, while revenue would inevitably fluctuate with water use reductions, PWD has established appropriate means to manage these impacts with use of drought surcharge, as indicated in the 2019 Financial Planning report. Future or continued reductions in consumption would ultimately cause a rate structure adjustment that would generate enough revenue to fund operations without drawing from reserves. Table 7-1 presents an amended summary of findings from the 2019 Financial Planning Report with respect to revenue impacts from demand reduction, based on data from 2020.



**Table 7-1. Revenue Impacts of Reduced Water Demand**

<b>Demand Reduction</b>	<b>Annual Revenue Reduction (\$ million)</b>	<b>State Water Purchase Offset (\$ million)</b>	<b>Ancillary Costs (\$ million)<sup>1</sup></b>	<b>Net Cost of Compliance (\$ million)<sup>4</sup></b>
10%	-\$0.71	+\$0.38	\$0.23	-\$0.10
20%	-\$1.42	+\$0.76	\$0.25	-\$0.41
30%	-\$2.14	+\$1.13	\$0.28	-\$0.73
40%	-\$2.85	+\$1.51	\$0.27	-\$1.07
50%	-\$3.56	+\$1.88	\$0.26	-\$1.42

1. Estimated as a percent of Operations and Maintenance expenses to reflect increased costs for expanded public outreach campaigns, increased meter reading, operational and administrative support during each drought stage to implement demand reduction actions.

2. Calculated sum of annual revenue reduction plus reduced imported water purchased plus ancillary costs.

### **7.1.2 Mitigation Actions to Address Revenue Reductions**

A reduction in water revenue could be mitigated by use of the established reserve fund, deferral, or avoidance of capital fund expenditures, use of less costly water supplies (if possible), and implementation of drought surcharge rates. This would meet short-term cash flow needs, although it should only be considered on a short-term basis.

A summary of measures to overcome revenue and expenditure impacts is provided in Table 7-2.

**Table 7-2. Measures to Overcome Revenue Impacts During Shortage**

<b>Measure</b>	<b>Summary of Effects</b>
Use of Reserve Funds	Use of reserves may provide short-term rate stabilization but would require delays in capital expenditures and rebuilding of reserves after the water shortage.
Re-evaluate Capital Expenditure Plans	Delay major construction projects for facilities as well as upgrades and replacements.
Shift Water Sources to Less Costly Supplies if Possible	Reduce costs associated with purchase, treatment, and distribution of water.
Drought Surcharge Rates	Increase revenue.

Drought surcharges are recommended based on the Board Resolution No 09-04 and are summarized in the table below.

**Table 7-3. Proposed Drought Surcharges**

<b>Drought Mandate</b>	<b>CY 2020</b>	<b>CY 2021</b>	<b>CY 2022</b>	<b>CY 2023</b>	<b>CY 2024</b>
20% Surcharge	\$ 0.35	\$ 0.38	\$ 0.40	\$ 0.42	\$ 0.45
30% Surcharge	\$ 0.54	\$ 0.58	\$ 0.61	\$ 0.65	\$ 0.69
40% Surcharge	\$ 0.79	\$ 0.84	\$ 0.89	\$ 0.94	\$ 1.00

Source: PWD Financial Planning, Revenue Requirements, Cost of Service, and Rate Setting Analysis, 2019

### **7.1.3 Financial Consequences of Limiting Excessive Water Use**

Per the California Water Code Section 365 et al., retail water suppliers are required to prohibit or discourage excessive water use. Reporting this is not a required part of the UWMP; however, Water Code Section 10632(a)(8)(C) requires the financial consequences of these actions be reported as part of the UWMP.

Water Code Section 367 states that there are three types of drought emergencies:

- Declared statewide drought emergency
- When a supplier implements its mandatory reductions per their WSCP
- A declared local drought emergency

Water Code Section 366 states that a retail water supplier must prohibit excessive use through one of two strategies:

- Rate structure. Specifically, a rate structure that includes block tiers, water budgets, or rate surcharges over and above base rates for excessive water use by a residential water customer.
- An excessive water use ordinance, Specifically an ordinance that includes a procedure to identify and address excessive water use by metered single-family residential customers and customers in multiunit housing complexes in which each unit is individually metered or submetered and may include a process to issue written warnings to a customer and perform a site audit of customer water usage prior to deeming the customer in violation.

PWD already has in place budget-based rates that discourage excessive water use. Should a drought emergency occur, PWD would already have the necessary processes in place to discourage excessive use. As discouraging excessive use is already a part of PWD's normal operations, the financial consequences of prohibiting excessive use would be minimal.

**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**  
**FROM:** Mr. Adam Ly, Assistant General Manager  
**VIA:** Mr. Dennis D. LaMoreaux, General Manager  
**RE:** ***AGENDA ITEM NO.'S 7.3 AND 7.4 – PUBLIC HEARING AND CONSIDERATION AND POSSIBLE ACTION ON ORDINANCE NO. 21-1 BEING AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT AUTHORIZING AN INCREASE IN DIRECTORS' COMPENSATION PAID FROM \$150.00 TO \$220.00 FOR EACH DAY'S ATTENDANCE AT MEETINGS OR EACH DAY'S SERVICE RENDERED AS A MEMBER OF THE BOARD OF DIRECTORS. (POTENTIAL BUDGET IMPACT – GENERAL COUNSEL DUNN)***

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**Recommendation:**

Staff recommends the Board approve Ordinance No. 21-1 being an Ordinance of the Board of Directors of the Palmdale Water District Authorizing an Increase in Directors' Compensation Paid from \$150.00 to \$220.00 for Each Day's Attendance at Meetings or Each Day's Service Rendered as a Member of the Board of Directors in accordance with Board action taken at the May 10, 2021 Regular Board Meeting.

**Alternative Options:**

The Board can choose to not approve Ordinance No. 21-1.

**Impact of Taking No Action:**

There will be no change to Director compensation.

**Background:**

Human Resources Director Emery conducted a 2021 Board Compensation and Benefit Survey to help determine a competitive reimbursement/compensation package for the District's Directors. Based on that survey, the Board took action at their May 10, 2021 Regular Board Meeting to increase the Directors' compensation from a \$150 stipend per meeting to a \$220 stipend per meeting. As required, a Notice of Public Hearing regarding this increase was published in the Antelope Valley Press on May 30, 2021 and on June 6, 2021. If approved, Ordinance No. 21-1 will become effective sixty days from the date of approval.

BOARD OF DIRECTORS  
PALMDALE WATER DISTRICT  
VIA: Mr. Dennis D. LaMoreaux, General Manager

June 8, 2021

**Strategic Plan Initiative/Mission Statement:**

This item is under Strategic Initiative No. 2 – Organizational Excellence.  
This item directly relates to the District's Mission Statement.

**Budget:**

The increased fee will be included as part of the budget process.

**Supporting Documents:**

- Ordinance No. 21-1 being an Ordinance of the Board of Directors of the Palmdale Water District Authorizing an Increase in Directors' Compensation Paid from \$150.00 to \$220.00 for Each Day's Attendance at Meetings or Each Day's Service Rendered as a Member of the Board of Directors

## **ORDINANCE NO. 21-1**

### **AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT AUTHORIZING AN INCREASE IN DIRECTORS' COMPENSATION PAID FROM \$150.00 TO \$220.00 FOR EACH DAY'S ATTENDANCE AT MEETINGS OR EACH DAY'S SERVICE RENDERED AS A MEMBER OF THE BOARD OF DIRECTORS**

WHEREAS, on February 9, 1998, the Board adopted Ordinance No. 98-1 pursuant to Water Code Sections 20201 and 20202 setting the compensation of Board members; and

WHEREAS, on December 11, 2009, the Board voted to reduce compensation of Board members pursuant to Water Code Sections 20201 and 20202; and

WHEREAS, the compensation for Directors for each day's attendance at meetings of the Board is \$150.00 under Board action taken December 11, 2009; and

WHEREAS, the Board desires to adjust Board Member compensation as permitted under State law; and

WHEREAS, this item was properly noticed for a public hearing by the Board of Directors on May 30, 2021 and June 6, 2021 pursuant to Water Code Section 20203.

BE IT ORDAINED by the Board of Directors of the Palmdale Water District, as follows:

Section 1: The recitals above are true and correct and incorporated herein by reference.

Section 2: Compensation to members of the Board of Directors of the Palmdale Water District is hereby increased to \$220.00 per day for each day's attendance at meetings of the Board, or for each day's service rendered as a member of the Board by request of the Board.

Section 3: Any future increases in compensation for Directors must be approved by an ordinance of the Board and the increase may not exceed the amount permitted by State law since the last increase.

Section 4: This Ordinance shall be effective sixty (60) days after its passage.

Section 5: Upon the effective date of this ordinance, Ordinance No. 98-1 shall no longer be in effect.

Section 6: The Clerk of the Board of Directors shall certify to the passage of this Ordinance and cause the same to be posted and published in accordance with law.

PASSED AND ADOPTED by the Board of Directors of the Palmdale Water District on June 14, 2021 by the following roll call vote:

Aye:

No:

Abstain:

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Gloria Dizmang, President  
Board of Directors  
Palmdale Water District

ATTEST:

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Kathy Mac Laren-Gomez, Secretary  
Board of Directors  
Palmdale Water District

APPROVED AS TO FORM:

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Eric Dunn, General Counsel  
Aleshire & Wynder, LLP

**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.

BOARD OF DIRECTORS  
PALMDALE WATER DISTRICT

VIA: Mr. Dennis D. LaMoreaux, General Manager

June 8, 2021

**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").



BOARD OF DIRECTORS  
PALMDALE WATER DISTRICT

VIA: Mr. Dennis D. LaMoreaux, General Manager

June 8, 2021

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.

BOARD OF DIRECTORS  
PALMDALE WATER DISTRICT  
VIA: Mr. Dennis D. LaMoreaux, General Manager

June 8, 2021

**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. 21-12**

### **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**

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, pipeline, well, booster and water treatment plant projects (the “2021 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 2021 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;

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 \$10,500,000 to finance the 2021 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, and 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 Stradling Yocca Carlson & Rauth, a Professional Corporation (“Bond Counsel”), with the execution thereof by an Authorized Officer being conclusive evidence of approval of any such changes, insertions or omissions.

**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, and 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 approval of any such changes, insertions or omissions..

**Section 5.** The Purchase Contract by and among the District, the Authority and Hilltop Securities, Inc. (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 approval of any such changes, insertions or omissions.; provided, however, that in no event shall the principal amount of the Bonds exceed \$10,500,000, nor shall the underwriter’s discount exceed 0.60% 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”), in connection with the issuance of the Bonds. 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 by the General Manager, the Finance Director or their designee 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 2021 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.** 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 12.** This Resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED by the Board of Directors of the Palmdale Water District,  
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 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 \$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 Bonds. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is 2.91%.

(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 \$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 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 charges set forth in (b) above, and any reserves or capitalized interest to be paid or funded with proceeds of the Bonds, together with any premium received, is \$10,000,000.00.

(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 \$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 Bonds issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of the sale of the Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of Bonds sold being different from the Estimated Principal Amount, (c) the actual amortization of the Bonds being different than the

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

## **RESOLUTION NO. 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.

**INSTALLMENT PURCHASE AGREEMENT**

**by and between**

**PALMDALE WATER DISTRICT**

**and**

**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY**

**Dated as of \_\_\_\_\_ 1, 2021**

**Relating to**

**\$ \_\_\_\_\_**

**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY  
WATER REVENUE BONDS, SERIES 2021A**

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## **INSTALLMENT PURCHASE AGREEMENT**

This INSTALLMENT PURCHASE AGREEMENT, made and entered into and dated as of \_\_\_\_\_ 1, 2021, by and between PALMDALE WATER DISTRICT, an irrigation district duly organized and existing under and by virtue of the laws of the State of California (the “District”), and PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California (the “Authority”).

### **WITNESSETH:**

WHEREAS, the District proposes to finance the acquisition and construction of certain improvements, betterments, renovations and expansions of facilities within its Water System described in Exhibit A hereto (the “Project”);

WHEREAS, the Authority has agreed to assist the District in financing the Project for the District on the terms and conditions set forth in this Installment Purchase Agreement;

WHEREAS, the District is authorized by Division 11 of the Water Code of the State of California, including, but not limited to Sections 22228 through 22231, to acquire property for its Water System;

WHEREAS, the District and the Authority have duly authorized the execution of this Installment Purchase Agreement;

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Installment Purchase Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Installment Purchase Agreement.

NOW, THEREFORE, IN CONSIDERATION OF THESE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

### **ARTICLE I**

#### **DEFINITIONS**

**Section 1.1 Definitions.** Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein. All capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Indenture of Trust.

## Act

The term “Act” means the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the California Government Code and all laws amendatory thereof or supplemental thereto.

## Assumed Interest Rate

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

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

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

(C) Interest on Obligations with respect to which a Payment Agreement is in Force. Interest deemed to be payable on any Contracts or Bonds with respect to which a Payment Agreement is in force shall be based on the net economic effect on the District expected to be produced by the terms of such Contracts or Bonds and such Payment Agreement, including but not limited to the effects that (i) such Contracts or Bonds would, but for such Payment Agreement, be treated as an obligation bearing interest at a Variable Interest Rate instead shall be treated as an obligation bearing interest at a fixed interest rate, and (ii) such Contracts or Bonds would, but for



such Payment Agreement, be treated as an obligation bearing interest at a fixed interest rate instead shall be treated as an obligation bearing interest at a Variable Interest Rate; and accordingly, the amount of interest deemed to be payable on any Contracts or Bonds with respect to which a Payment Agreement is in force shall be an amount equal to the amount of interest that would be payable at the rate or rates stated in such Contracts or Bonds plus the Payment Agreement Payments minus the Payment Agreement Receipts, and for the purpose of calculating as nearly as practicable the Payment Agreement Receipts and the Payment Agreement Payments under such Contracts or Bonds, the following assumptions shall be made:

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

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

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

rate equal to 110% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Balloon Contract, or, if there are no such United States Treasury Bonds having equivalent maturities, 110% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets;

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

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

#### Authority

The term “Authority” means Palmdale Water District Public Financing Authority, a joint exercise of powers agency duly organized and existing under and by virtue of the laws of the State of California.

#### Balloon Contract

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

#### Balloon Installment Payments

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

#### Bonds

The term “Bonds” means all revenue bonds or notes of the District authorized, executed, issued and delivered by the District, the payments of which are on a parity with the Series 2021A Installment Payments and which are secured by a pledge of and lien on the Water Revenues, including the District’s 2020 Water Revenue Refunding Bonds (Federally Taxable). The term Bonds does not include bonds heretofore or hereafter issued required by law to be paid by the District from taxes or assessments which are not Water Revenues.

#### Construction Fund

The term “Construction Fund” means the fund by that name created pursuant to the Indenture of Trust.

### Continuing Disclosure Certificate

The term “Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate dated \_\_\_\_\_, 2021 and executed by the District in connection with the 2021A Bonds.

### Contracts

The term “Contracts” means this Installment Purchase Agreement, and any amendments and supplements hereto, and all contracts of the District authorized and executed by the District, the Installment Payments or payments under which are on a parity with the Series 2021A Installment Payments and which are secured by a pledge and lien on the Water Revenues, including the 2012 Installment Purchase Agreement, the 2013 Installment Purchase Agreement, the 2017 Installment Purchase Agreement, the 2018 Installment Purchase Agreement and the 2020 Installment Purchase Agreement. The term “Contracts” does not include the contracts with the State of California for the State Water Project, including the State Water Supply Contract.

### Date of Operation

The term “Date of Operation” means, with respect to any uncompleted Project, the estimated date by which such Project will have been completed and, in the opinion of an engineer, will be ready for commercial operation by or on behalf of the District.

### Debt Service

The term “Debt Service” means, for any Fiscal Year, the sum of: (1) the interest paid during such Fiscal Year on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are prepaid or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), (2) that portion of the principal amount of all outstanding serial Bonds paid during such Fiscal Year, (3) that portion of the principal amount of all outstanding term Bonds required to be paid during such Fiscal Year, and (4) that portion of any payments, including the Installment Payments, required to be made at the times provided in the Contracts during such Fiscal Year.

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

### District

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

### Engineer’s Report

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

### Event of Default

The term “Event of Default” means an event described in Section 8.1.

### Fiscal Year

The term “Fiscal Year” means the period beginning on January 1 of each year and ending on the last day of December of the next succeeding year, or any other twelve-month period selected and designated as the official Fiscal Year of the District.

### Indenture of Trust

The term “Indenture of Trust” means the Indenture of Trust, dated as of \_\_\_\_\_ 1, 2021, by and between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

### Independent Engineer.

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

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

### Installment Payment Date; Series 2021A Installment Payment Date

The term “Installment Payment Date” means any date on which Installment Payments are scheduled to be paid by the District under and pursuant to any Contract. The term “Series 2021A Installment Payment Date” means the tenth day preceding each Interest Payment Date pursuant to the Indenture of Trust.

### Installment Payments; Series 2021A Installment Payments

The term “Installment Payments” means the payments scheduled to be paid by the District under and pursuant to the Contracts, including the Series 2021A Installment Payments. The term “Series 2021A Installment Payments” means the Installment Payments scheduled to be paid by the District under and pursuant hereto.

### Installment Purchase Agreement

The term “Installment Purchase Agreement” means this Installment Purchase Agreement, dated as of \_\_\_\_\_ 1, 2021, by and between the District and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

### Insurance Policy

The term “Insurance Policy” means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the 2021A Bonds when due.

### Insurer

The term “Insurer” means \_\_\_\_\_ or any successor thereto.

### Law

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

### Maximum Annual Debt Service

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

### Net Proceeds

The term “Net Proceeds” means, when used with respect to any insurance or condemnation award, the gross proceeds from such insurance or condemnation award, paid with respect to the Water System, remaining after payment therefrom of all expenses incurred in the collection of such gross proceeds.

### Net Water Revenues

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

### Operation and Maintenance Costs

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

### Parity Payment Agreement

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

### Parity Payments

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

### Parity Payments Date

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

### Payment Agreement

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

### Payment Agreement Payments

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

### Payment Agreement Receipts

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

### Policy Costs

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

### Project

The term “Project” means the additions, betterments, extensions and improvements to the Water System, including real property and buildings, if any, described in Exhibit A hereto.

### Purchase Price

The term “Purchase Price” means the principal amount plus interest thereon owed by the District to the Authority under the terms hereof as provided in Section 4.1.

### Qualified Counterparty

The term “Qualified Counterparty” means a party (other than the District or a party related to the District) who is the other party to a Payment Agreement and (1) (a) who is rated at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Parity Payments (without regard to any gradations within a rating category), but in no event less than a rating of “A” from Fitch, “A2” from Moody’s and “A” from S&P, (b) whose senior debt obligations are rated at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Parity Payments (without regard to any gradations within a rating category), or guaranteed by an entity so rated, (c) whose obligations under the Payment Agreement are guaranteed for the entire term of the Payment Agreement by a bond insurer or other institution which has been assigned a credit rating at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Parity Payments (without regard to any gradations within a rating category), but in no event less than a rating of “A” from Fitch, “A2” from Moody’s and “A” from S&P, or (d) whose obligations under the Payment Agreement are collateralized in such a manner as to obtain a rating at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Parity Payments, and (2) who is otherwise qualified to act as the other party to a Payment Agreement under all applicable laws of the State.

### Rate Stabilization Fund

The term “Rate Stabilization Fund” means the fund by that name described in Section 5.5 herein.

### Reserve Fund

The term “Reserve Fund” means the fund by that name established under, and held by the Trustee pursuant to Section 5.04 of the Indenture of Trust.

### Reserve Surety Policy

The term “Reserve Surety Policy” means that certain municipal bond debt service reserve fund policy issued by the Insurer to satisfy the Reserve Requirement under the Indenture.

### Short-Term Obligations

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

### State Water Supply Contract

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

### Subordinate Obligations

The term “Subordinate Obligations” means all Contracts or Bonds of the District which are secured by a pledge of and lien on the Water Revenues subordinate to the pledge of and lien on Water Revenues securing the Contracts or Bonds.

### Termination Payments

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

### Trustee

The term “Trustee” means The Bank of New York Mellon Trust Company, N.A., acting in its capacity as Trustee under and pursuant to the Indenture, and its successors and assigns.

### 2012 Installment Purchase Agreement

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

### 2013 Installment Purchase Agreement

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

### 2017 Installment Purchase Agreement

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

### 2018 Installment Purchase Agreement

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

### 2020 Installment Purchase Agreement

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

### 2021A Bonds

The term “2021A Bonds” means the Palmdale Water District Public Financing Authority Water Revenue Bonds, Series 2021A in the aggregate principal amount of \$\_\_\_\_\_.



### Variable Interest Rate

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

### Variable Interest Rate Contracts

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

### Water Revenue Fund

The term “Water Revenue Fund” means the Water System Revenue Fund described in Section 5.2 hereof.

### Water Revenues

The term “Water Revenues” means, for any Fiscal Year, all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the District’s Water System, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System, plus (2) proceeds of the District’s share of the County’s 1% property tax received by the District, if any, plus (3) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including District reserves and the Reserve Fund, plus (4) the proceeds of any stand by or water availability charges collected by the District, but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and excluding any proceeds of any taxes or assessments required by law to be used by the District to pay bonds heretofore or hereafter issued and any assessments levied and collected by the District to pay any contract payments due under the State Water Supply Contract, plus (5) money withdrawn from the Rate Stabilization Fund in such Fiscal Year, minus (6) any revenues transferred to the Rate Stabilization Fund in such Fiscal Year.

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

#### Water Service

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

#### Water System

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

## **ARTICLE II**

### **REPRESENTATIONS AND WARRANTIES**

**Section 2.1 Representations by the District.** The District makes the following representations:

(a) The District is an irrigation district duly organized and existing under and pursuant to the laws of the State of California.

(b) The District has full legal right, power and authority to enter into this Installment Purchase Agreement and carry out its obligations hereunder, to carry out and consummate all other transactions contemplated by this Installment Purchase Agreement, and the District has complied with the provisions of the Law in all matters relating to such transactions.

(c) By proper action, the District has duly authorized the execution, delivery and due performance of this Installment Purchase Agreement.

(d) The District will not take or, to the extent within its power, permit any action to be taken which results in the interest paid for the installment purchase of the Project under the terms of this Installment Purchase Agreement being included in the gross income of the Authority or its assigns for purposes of federal or State of California personal income taxation or which results in interest on the 2021A Bonds being included in the gross income of the owners thereof for federal income tax purposes or being subject to State of California personal income taxation.

(e) The District has determined that it is necessary and proper for District uses and purposes within the terms of the Law that the District acquire the Project in the manner provided for in this Installment Purchase Agreement.

**Section 2.2 Representations and Warranties by the Authority.** The Authority makes the following representations and warranties:

(a) The Authority is a joint exercise of powers authority duly organized and in good standing under the laws of the State of California, has full legal right, power and authority to enter into this Installment Purchase Agreement and to carry out and consummate all transactions contemplated by this Installment Purchase Agreement and by proper action has duly authorized the execution and delivery and due performance of this Installment Purchase Agreement.

(b) The execution and delivery of this Installment Purchase Agreement and the consummation of the transactions herein contemplated will not violate any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which the Authority is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority.

(c) The Authority will not take or permit any action to be taken which results in interest paid for the installment purchase of the Project under the terms of this Installment Purchase Agreement being included in the gross income of the Authority or its assigns for purposes of federal or State of California personal income taxation.

### **ARTICLE III**

#### **ACQUISITION OF THE PROJECT**

**Section 3.1 Changes to the Project.** The District may substitute other improvements for those listed as components of the Project in Exhibit A hereto, but only if the District first files with the Authority and the Trustee a statement of the District in the form attached as Exhibit C:

(a) identifying the improvements to be substituted and the improvements to District facilities they replace in the Project; and

(b) stating that the estimated costs of construction, acquisition and installation of the substituted improvements are not less than such costs for the improvements previously planned.

**Section 3.2 Sale and Purchase of the Project.** In consideration for the Authority's assistance in financing the Project, the District agrees to sell, and hereby sells, to the Authority, and the Authority agrees to purchase and hereby purchases, from the District, the Project at the purchase price specified in Section 4.1 hereof and otherwise in the manner and in accordance with the provisions of this Installment Purchase Agreement.

**Section 3.3 Purchase and Sale of the Project.** In consideration for the Installment Payments as set forth in Section 4.2, the Authority agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Authority, the Project at the purchase price specified in Section 4.1 hereof and otherwise in the manner and in accordance with the provisions of this Installment Purchase Agreement.

**Section 3.4 Title.** All right, title and interest in the Project shall vest in the District immediately upon execution and delivery of this Installment Purchase Agreement.

**Section 3.5 Acquisition and Construction of the Project.** The Authority hereby agrees to cause the Project to be constructed, acquired and installed by the District as its agent. The District shall enter into contracts and provide for, as agent for the Authority, the complete construction, acquisition and installation of the Project. The District hereby agrees that it will cause the construction, acquisition and installation of the Project to be diligently performed after the deposit of funds into the Construction Fund, and that it will use its best efforts to cause the construction, acquisition and installation of the Project to be completed. It is hereby expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any cost of the Project and that all such costs and expenses shall be paid by the District.

## **ARTICLE IV**

### **SERIES 2021A INSTALLMENT PAYMENTS**

#### **Section 4.1 Purchase Price.**

(a) The Purchase Price to be paid by the District hereunder to the Authority is the sum of the principal amount of the District's obligations hereunder plus the interest to accrue on the unpaid balance of such principal amount from the date hereof over the term hereof, subject to prepayment as provided in Article VII.

(b) The principal amount of the installment payments to be made by the District hereunder is set forth in Exhibit B hereto.

(c) The interest to accrue on the unpaid balance of such principal amount is as specified in Section 4.2 and Exhibit B hereto, and shall be paid by the District as and constitute interest paid on the principal amount of the District's obligations hereunder.

**Section 4.2 Series 2021A Installment Payments.** The District shall, subject to its rights of prepayment provided in Article VII, pay the Authority the Purchase Price in installment payments of interest and principal in the amounts and on the Series 2021A Installment Payment Dates as set forth in Exhibit B hereto.

Each Series 2021A Installment Payment shall be paid to the Authority in lawful money of the United States of America. In the event the District fails to make any of the payments required to be made by it under this section, such payment shall continue as an obligation of the District until such amount shall have been fully paid and the District agrees to pay the same with interest accruing thereon at the rate or rates of interest then applicable to the remaining unpaid principal balance of the Series 2021A Installment Payments if paid in accordance with their terms.

The obligation of the District to make the Series 2021A Installment Payments is absolute and unconditional, and until such time as all of the Series 2021A Installment Payments have been paid in full (or provision for the payment thereof shall have been made pursuant to Article IX), the District will not discontinue or suspend any Series 2021A Installment Payments required to be made by it under this section when due, whether or not the Water System or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

**Section 4.3 Additional Payments.** In addition to the Series 2021A Installment Payments, the District shall pay all reasonable compensation to the Trustee for all services rendered under the Indenture of Trust and for all reasonable expenses, charges, costs, liabilities, legal fees and other disbursements incurred in and about the performance of its powers and duties under the Indenture of Trust.

## **ARTICLE V**

### **SECURITY**

**Section 5.1 Pledge of Water Revenues.** All Water Revenues and all amounts on deposit in the Water Revenue Fund and the Rate Stabilization Fund are hereby irrevocably pledged to the payment of the Series 2021A Installment Payments as provided herein, and the Water Revenues shall not be used for any other purpose while any of the Series 2021A Installment Payments remain unpaid; provided that out of the Water Revenues and amounts on deposit in the Water Revenue Fund there may be apportioned such sums for such purposes as are expressly permitted herein including the parity claim of any Bonds or Contracts. This pledge, together with the pledge created by all other Contracts and Bonds, shall constitute a first lien on and security interest in the Water Revenues and the Water Revenue Fund and all amounts on deposit therein as permitted herein and subject to the application of Water Revenues in accordance with the terms hereof.

**Section 5.2 Allocation of Water Revenues.** In order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants that all Water Revenues shall be received by the District in trust and shall be deposited when and as received in the “Water Revenue Fund” which fund the District has previously established and agrees and covenants to maintain and to hold separate and apart from other funds so long as any Installment Payments, Contracts or Bonds remain unpaid. Moneys in the Water Revenue Fund shall be used and applied by the District as provided in this Installment Purchase Agreement.

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

such Operation and Maintenance Costs become due and payable. All remaining moneys in the Water Revenue Fund shall be set aside by the District at the following times in the following respective special funds in the following order of priority and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this Section:

(a) Bond Payment Fund. On or before each Series 2021A Installment Payment Date, the District shall, from the moneys in the Water Revenue Fund, transfer to the Trustee for deposit in the Bond Payment Fund a sum equal to the Series 2021A Installment Payment coming due on such Series 2021A Installment Payment Date. The District shall also, from the moneys in the Water Revenue Fund, transfer to the applicable trustee or payee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service or payments in accordance with the provisions of any Contract, Bond, resolution or indenture relating thereto.

No deposit need be made in the Bond Payment Fund as Series 2021A Installment Payments if the amount in the Bond Payment Fund is at least equal to the amount of the Series 2021A Installment Payment due and payable on the next succeeding Series 2021A Installment Payment Date.

All money in the Bond Payment Fund shall be used and withdrawn by the Trustee in accordance with the Indenture of Trust.

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

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

(d) Surplus. On the last day of each month, moneys on deposit in the Water Revenue Fund not required to make any of the payments required above may be expended by the District at any time for any purpose permitted by law, including but not limited to the deposit of amounts in the Rate Stabilization Fund in accordance with Section 5.5.

**Section 5.3 Additional Contracts and Bonds.** The District may at any time execute any Contract or issue any Bonds, as the case may be, payable from Net Water Revenues on a parity with the Installment Payments in accordance herewith; provided there shall be on file with the District either:

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

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

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

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

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

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

(c) No event of default, or event which with the passage of time would constitute an event of default, shall exist hereunder.

Notwithstanding the foregoing provisions, the District may issue bonds and contracts the payment of which are subordinate to Bonds and Contracts and which are subordinate to the payment by the District of the Installment Payments without meeting the test provided in this Section 5.3.

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

Notwithstanding satisfaction of the other conditions to the execution of any Contract or the issuance of Bonds set forth in this Section 5.3, no such execution or issuance may occur if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such Event of Default shall be cured upon such execution or issuance.

**Section 5.4 Investments.** All moneys held by the District in the Water Revenue Fund shall be invested in Permitted Investments and the investment earnings thereon shall remain on deposit in such fund, except as otherwise provided herein. All investment earnings on amounts in the Rate Stabilization Fund shall be transferred to the Water Revenue Fund upon receipt thereof. With regards to funds held by the Trustee, the District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grants the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

**Section 5.5 Rate Stabilization Fund.** The District has previously established a special fund designated as the “Rate Stabilization Fund” to be held by the District in trust and the District agrees and covenants to maintain and to hold such fund separate and apart from other funds so long as any Series 2021A Installment Payments remain unpaid. Money transferred by the District from the Water Revenue Fund to the Rate Stabilization Fund in accordance with Section 5.2(d) shall be held in the Rate Stabilization Fund and applied in accordance with the terms hereof.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Water Revenue Fund for application in accordance with Section 5.2 hereof or, in the event that all or a portion of the Series 2021A Installment Payments are discharged in accordance with Article IX hereof, transfer all or any portion of such amounts for application in accordance with said Article.

**Section 5.6 Payment of Insurer Costs.** The District shall pay any reimbursements due to the Insurer under Section 5.05(b) of the Indenture to the extent that the Authority fails to pay any such costs and such amounts are payable from and secured by a lien on and pledge of the Water Revenues on a parity with other Bonds and Contracts. In addition, the District shall pay to the Insurer any Policy Costs due to the Insurer under Section 5.05 of the Indenture. In order to secure the District’s payment obligations with respect to Policy Costs, there is hereby granted and perfected in favor of the Insurer a security interest in the Water Revenues and the Water Revenue Fund subordinate to the pledge created hereunder and with respect to all other Bonds and Contracts.



## ARTICLE VI

### COVENANTS OF THE DISTRICT

**Section 6.1 Compliance with Installment Purchase Agreement and Ancillary Agreements.** The District will punctually pay the Series 2021A Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate this Installment Purchase Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained herein required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

The District will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Indenture of Trust required to be observed and performed by it, and it is expressly understood and agreed by and among the parties to this Installment Purchase Agreement and the Indenture of Trust that, subject to Section 10.6 hereunder, each of the agreements, conditions, covenants and terms contained in each such agreement is an essential and material term of the purchase of and payment for the Project by the District pursuant to, and in accordance with, and as authorized under the Law.

The District will faithfully observe and perform all the agreements, conditions, covenants and terms required to be observed and performed by it pursuant to all outstanding Contracts and Bonds as such may from time to time be executed or issued, as the case may be.

**Section 6.2 Against Encumbrances.** The District will not make any pledge of or place any lien on Water Revenues or the moneys in the Water Revenue Fund or the Rate Stabilization Fund except as provided herein. The District may at any time, or from time to time, issue evidences of indebtedness or incur other obligations for any lawful purpose which are payable from and secured by a pledge of and lien on Water Revenues or any moneys in the Water Revenue Fund and the Rate Stabilization Fund as may from time to time be deposited therein, provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein.

**Section 6.3 Against Sale or Other Disposition of Property.** The District will not enter into any agreement or lease which impairs the operation of the Water System or any part thereof necessary to secure adequate Water Revenues for the payment of the Series 2021A Installment Payments, or which would otherwise impair the rights of the Authority hereunder or the operation of the Water System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Water System, or any material or equipment which has become worn out, may be sold if such sale will not impair the ability of the District to pay the Series 2021A Installment Payments and if the proceeds of such sale are deposited in the Water Revenue Fund.

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

**Section 6.4 Against Competitive Facilities.** The District will not, to the extent permitted by law, acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the District any potable water system competitive with the Water System.

**Section 6.5 Tax Covenants.** Notwithstanding any other provision of this Installment Purchase Agreement, absent an opinion of Special Counsel that the exclusion from gross income of interest on the 2021A Bonds will not be adversely affected for federal income tax purposes, the District and the Authority covenant to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income on the 2021A Bonds and specifically covenant, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The District and the Authority will not take or omit to take any action or make any use of the proceeds of the 2021A Bonds or of any other moneys or property which would cause the 2021A Bonds to be “private activity bonds” within the meaning of Section 141 of the Code.

(b) Arbitrage. The District and the Authority will make no use of the proceeds of the 2021A Bonds or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the 2021A Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(c) Federal Guarantee. The District and the Authority will make no use of the proceeds of the 2021A Bonds or take or omit to take any action that would cause the 2021A Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(d) Information Reporting. The District and the Authority will take or cause to be taken all necessary action to comply with the informational reporting requirements of Section 149(e) of the Code necessary to preserve the exclusion of interest on the 2021A Bonds pursuant to Section 103(a) of the Code.

(e) Hedge Bonds. The District and the Authority will make no use of the proceeds of the 2021A Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the 2021A Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District and the Authority take all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the 2021A Bonds for federal income tax purposes.

(f) Miscellaneous. The District and the Authority will take no action, or omit to take any action, inconsistent with the expectations stated in any Tax Certificate executed for the

2021A Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.

This Section and the covenants set forth herein shall not be applicable to, and nothing contained herein shall be deemed to prevent the District from issuing Bonds or executing and delivering Contracts, the interest with respect to which has been determined by Special Counsel to be subject to federal income taxation.

**Section 6.6 Maintenance and Operation of the Water System.** The District will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner and will pay all Operation and Maintenance Costs as they become due and payable.

**Section 6.7 Payment of Claims.** The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Water Revenues or the funds or accounts created hereunder or under the Indenture of Trust or on any funds in the hands of the District pledged to pay the Series 2021A Installment Payments or to the Owners prior or superior to the lien of the Series 2021A Installment Payments or which might impair the security of the Series 2021A Installment Payments.

**Section 6.8 Compliance with Contracts.** The District will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of the Water System and all other contracts affecting or involving the Water System, to the extent that the District is a party thereto.

**Section 6.9 Insurance.**

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

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

If such Net Proceeds exceed the costs of such reconstruction, repair or replacement portion of the Water System, and/or the cost of the construction of additions, betterments, extensions or improvements to the Water System, then the excess Net Proceeds may, at the option of the District, be applied in part to the prepayment of Series 2021A Installment Payments as provided in Section 7.1 and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of Series 2021A Installment Payments then bears to the aggregate unpaid principal amount

of such Bonds and Contracts. If such Net Proceeds are sufficient to enable the District to retire the entire obligation evidenced hereby prior to the final due date of the Series 2021A Installment Payments as well as the entire obligations evidenced by Bonds and Contracts then remaining unpaid prior to their final respective due dates, the District may elect not to reconstruct, repair or replace the damaged or destroyed portion of the Water System, and/or not to construct other additions, betterments, extensions or improvements to the Water System; and thereupon such Net Proceeds shall be applied to the prepayment of Series 2021A Installment Payments as provided in Section 7.1 and to the retirement of such Bonds and Contracts.

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

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

All policies of insurance required to be maintained herein shall provide that the Trustee and the Authority shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

#### **Section 6.10 Accounting Records; Financial Statements and Other Reports.**

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

(b) The District will prepare and file with the Authority and the Trustee annually within two hundred seventy (270) days after the close of each Fiscal Year (commencing with the Fiscal Year ending December 31, 2017) financial statements of the District for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with the report of a certified public accountant thereon. The Trustee shall not be responsible for reviewing such financial statements.

(c) As long as there are any outstanding financial obligations of the District (in excess of \$100,000), the District will notify the Authority and the Trustee within 10 days following the date of any event that has the potential to have a material impact on the financial condition of the District.

**Section 6.11 Protection of Security and Rights of the Authority.** The District will preserve and protect the security hereof and the rights of the Authority to the Series 2021A Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

**Section 6.12 Payment of Taxes and Compliance with Governmental Regulations.** The District will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System, or any part thereof or upon the Water Revenues when the same shall become due. The District will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water System, or any part thereof, but the District shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

**Section 6.13 Amount of Rates and Charges.** The District, to the fullest extent permitted by law, shall fix, prescribe and collect Water Revenues for Water Service which will be at least sufficient to yield during each Fiscal Year Net Water Revenues equal to one hundred ten percent (110%) of Debt Service and one hundred percent (100%) of Policy Costs. The District may make adjustments from time to time in such Water Revenues and may make such classification thereof as it deems necessary, but shall not reduce the Water Revenues then in effect unless the Net Water Revenues from such reduced Water Revenues will at all times be sufficient to meet the requirements of this section.

**Section 6.14 Collection of Rates and Charges.** The District will have in effect at all times by-laws, rules and regulations requiring each customer to pay the rates and charges applicable to the Water Service and providing for the billing thereof and for a due date and a delinquency date for each bill.

**Section 6.15 Eminent Domain Proceeds.** If all or any part of the Water System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

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

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied by the District in part to the prepayment of Series 2021A Installment Payments as provided in Section 7.1 and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal components of the Series 2021A Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

**Section 6.16 Further Assurances.** The District will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Authority of the rights and benefits provided to it herein.

**Section 6.17 Enforcement of Contracts.** So long as any of the 2021A Bonds are outstanding, the District will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with any contracts previously or hereafter entered into which contracts provide for water to be supplied to the District which will reduce the supply of water thereunder (except as provided therein) if such rescission or amendment would in any manner impair or adversely affect the rights of the owners from time to time of the 2021A Bonds.

**Section 6.18 Superior Additional Obligations.** The District shall not execute any Contracts or issue any Bonds, as the case may be, that are payable from or secured by a pledge of and lien on Water Revenues and any money in the Water Revenue Fund superior to the pledge securing the Series 2021A Installment Payments.

**Section 6.19 Continuing Disclosure.** The District will comply with and carry out all of its obligations under the Continuing Disclosure Certificate to be executed and delivered by the District in connection with the issuance of the 2021A Bonds. Notwithstanding any other provision of this Installment Purchase Agreement, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default.

**Section 6.20 Payments in Connection with the State Water Supply Contract.** The District shall apply to the payments due for any Fiscal Year under that certain Water Supply Contract, by and between the District and the State of California Department of Water Resources, as amended, all amounts the District collects through the ad valorem assessment levied to pay such amounts.

**Section 6.21 Provision of Information to the Insurer.** So long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, the Insurer shall be provided with the following information by the District:

(a) Annual audited financial statements within 270 days after the end of the District's Fiscal Year (together with a certification of the District that it is not aware of any default or Event of Default under this Installment Purchase Agreement), and the District's annual budget within 30 days after the approval thereof together with such other information, data or reports as the Insurer shall reasonably request from time to time;

(b) Notice of the commencement of any proceeding by or against the District commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law;

(c) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to this Installment Purchase Agreement or any supplement thereto or amendment thereof; and

(d) All information furnished pursuant to the Continuing Disclosure Certificate shall also be provided to the Insurer, simultaneously with the filing of the Continuing Disclosure Certificate with any electronic repository.

## **ARTICLE VII**

### **PREPAYMENT OF SERIES 2021A INSTALLMENT PAYMENTS**

#### **Section 7.1 Prepayment.**

(a) The District may or shall, as the case may be, prepay from the Net Proceeds as provided in Sections 6.9 and 6.15 herein on any date all or any part of the unpaid Series 2021A Installment Payments at a prepayment price equal to the sum of the principal components prepaid plus accrued interest thereon to the date of prepayment.

(b) The District may prepay the Series 2021A Installment Payments, as a whole or in part, in the order of payment date as its directs, on the date and at the prepayment price (expressed as a percentage of the principal amount of the 2021A Bonds to be prepaid) plus accrued interest thereon to the date of prepayment, as set forth in Section 4.01(a) of the Indenture of Trust.

Notwithstanding any such prepayment, the District shall not be relieved of its obligations hereunder, including its obligations under Article IV, until the Purchase Price shall have been fully paid (or provision for payment thereof shall have been provided to the written satisfaction of the Authority and the Trustee) and the requirements of Article IX hereof shall have been satisfied.

**Section 7.2 Method of Prepayment.** Before making any prepayment pursuant to Section 7.1, the District shall, within five (5) days following the event permitting the exercise of such right to prepay or creating such obligation to prepay or a determination to prepay, give written notice to the Authority and the Trustee describing such event and specifying the date on which the prepayment will be paid, which date shall be not less than sixty (60) nor more than seventy-five (75) days from the date such notice is given unless a shorter period is agreed to by the Trustee in its sole discretion.

## **ARTICLE VIII**

### **EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY**

**Section 8.1 Events of Default and Acceleration of Maturities.** If one or more of the following Events of Default shall happen, that is to say --

(1) if default shall be made by the District in the due and punctual payment of any Series 2021A Installment Payment or any Contract or Bond when and as the same shall become due and payable;

(2) if default shall be made by the District in the performance of any of the agreements or covenants required herein or in connection with any Contract or Bond to be performed by it, and such default shall have continued for a period of sixty (60) days after the District shall have been given notice in writing of such default by the Authority;

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

(4) if payment of the principal of any Contract or Bond is accelerated in accordance with its terms;

then and in each and every such case upon the occurrence of such Event of Default specified in clauses (3) and (4) above, without any notice to the District, the Authority shall, with the written approval of the Insurer (which shall be required only so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy), declare the entire principal amount of the unpaid Series 2021A Installment Payments and the accrued interest thereon shall be immediately due and payable and for any other Event of Default the Authority may, with the written approval of the Insurer (which shall be required only so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy), by notice in writing to the District declare the entire principal amount of the unpaid Series 2021A Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding. This section, however, is subject to the condition that if at any time after the entire principal amount of the unpaid Series 2021A Installment Payments and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered the District shall deposit with the Authority a sum sufficient to pay the unpaid principal amount of the Series 2021A Installment Payments or the unpaid payment of any other Contract or Bond referred to in clause (1) above due prior to such declaration and the accrued interest thereon, with interest on such overdue installments, at the rate or rates applicable to the remaining unpaid principal balance of the Series 2021A Installment Payments or such Contract or Bond if paid in accordance with their terms, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid Series 2021A Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Authority, if appropriate, or provision deemed by the Authority, if appropriate, to be adequate shall have been made therefor, then and in every such case the Authority, if appropriate by written notice to the District, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

**Section 8.2 Application of Funds Upon Acceleration.** Upon the date of the declaration of acceleration as provided in Section 8.1, all Water Revenues thereafter received by the District shall be applied in the following order --

First, to the payment of the fees, costs and expenses of the Trustee, if any, in carrying out the provisions of this article, including reasonable compensation to its accountants and counsel and any outstanding fees and expenses of the Trustee, and then to the payment of the fees, costs and expenses



of the Authority, if any, in carrying out the provisions of this article, including reasonable compensation to its accountants and counsel;

Second, to the payment of the Operation and Maintenance Costs;

Third, to the payment of the entire principal amount of the unpaid Series 2021A Installment Payments and the unpaid principal amount of all Bonds and Contracts and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable to the Series 2021A Installment Payments and such Bonds and Contracts if paid in accordance with their respective terms; and

Fourth, to the payment of Subordinate Obligations in accordance with the terms thereof.

**Section 8.3 Other Remedies of the Authority.** The Authority shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the District or any director, officer or employee thereof, and to compel the District or any such director, officer or employee to perform and carry out its or his duties under the Law and the agreements and covenants required to be performed by it or him contained herein;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority; or

(c) by suit in equity upon the happening of an Event of Default to require the District and its directors, officers and employees to account as the trustee of an express trust.

Notwithstanding anything contained herein, the Authority shall have no security interest in or mortgage on the Project, the Water System or other assets of the District and no default hereunder shall result in the loss of the Project, the Water System, or other assets of the District.

**Section 8.4 Non-Waiver.** Nothing in this article or in any other provision hereof shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the Series 2021A Installment Payments to the Authority at the respective due dates or upon prepayment from the Net Water Revenues, the Water Revenue Fund and the other funds herein pledged for such payment, or shall affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

A waiver of any default or breach of duty or contract by the Authority shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Authority to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Authority by the Act or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Authority.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Authority, the District and the Authority shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

**Section 8.5 Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law. To the extent that this Installment Purchase Agreement confers upon or gives or grants the Trustee any right, remedy or claim under or by reason of this Installment Purchase Agreement, the Trustee is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

## **ARTICLE IX**

### **DISCHARGE OF OBLIGATIONS**

#### **Section 9.1 Discharge of Obligations.** When

(a) all or any portion of the Series 2021A Installment Payments shall have become due and payable in accordance herewith or a written notice of the District to prepay all or any portion of the Series 2021A Installment Payments shall have been filed with the Trustee; and

(b) there shall have been deposited with the Trustee at or prior to the Series 2021A Installment Payment Dates or date (or dates) specified for prepayment, in trust for the benefit of the Authority or its assigns and irrevocably appropriated and set aside to the payment of all or any portion of the Series 2021A Installment Payments, sufficient moneys and non-callable Defeasance Securities, the principal of and interest on which when due will provide money sufficient to pay all principal, prepayment premium, if any, and interest of such Series 2021A Installment Payments to their respective Series 2021A Installment Payment Dates or prepayment date or dates as the case may be; and

(c) provision shall have been made for paying all fees and expenses of the Trustee, then and in that event, the right, title and interest of the Authority herein and the obligations of the District hereunder shall, with respect to all or such portion of the Series 2021A Installment Payments as have been so provided for, thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the Trustee and the obligation of the District to have such Defeasance Securities applied to the payment of such Series 2021A Installment Payments).

In such event, upon request of the District the Trustee shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary or desirable to evidence such total or partial discharge and satisfaction, as the case may be, and, in the event of a total discharge and satisfaction, the Trustee shall pay over to the District, after payment of all amounts due the Trustee pursuant to the Indenture of Trust as an overpayment of Series 2021A Installment Payments, all such Defeasance Securities held by it pursuant hereto other than such Defeasance Securities, as are required for the payment or prepayment of the Series 2021A Installment Payments, which Defeasance Securities shall continue to be held by the Trustee in trust for the payment of the Series 2021A Installment Payments and shall be applied by the Trustee to the payment of the Series 2021A Installment Payments of the District.

Notwithstanding anything to the contrary set forth herein or in the Indenture, the right, title and interest of the Authority herein and the obligations of the District hereunder shall not cease, terminate, become void or be discharged and satisfied until all amounts due and owing to the Insurer in connection with the Insurance Policy and the Reserve Surety Policy shall have been paid.

## **ARTICLE X**

### **MISCELLANEOUS**

**Section 10.1 Liability of District Limited.** Notwithstanding anything contained herein, the District shall not be required to advance any moneys derived from any source of income other than the Net Water Revenues and the other funds provided herein and in the Indenture for the payment of the Series 2021A Installment Payments or for the performance of any agreements or covenants required to be performed by it contained herein. The District may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the District for such purpose.

The obligation of the District to make the Series 2021A Installment Payments is a special obligation of the District payable solely from such Net Water Revenues and other funds described herein, and does not constitute a debt of the District or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

**Section 10.2 Benefits of Installment Purchase Agreement Limited to Parties.** Nothing contained herein, expressed or implied, is intended to give to any person other than the District or the Authority and its assigns any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the District or the Authority shall be for the sole and exclusive benefit of the other party.

**Section 10.3 Successor Is Deemed Included in all References to Predecessor.** Whenever either the District or the Authority is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the District or the Authority, and all agreements and covenants required hereby to be performed by or on behalf of the District or the Authority shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

**Section 10.4 Waiver of Personal Liability.** No director, officer or employee of the District shall be individually or personally liable for the payment of the Series 2021A Installment Payments, but nothing contained herein shall relieve any director, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law or hereby.

**Section 10.5 Article and Section Headings, Gender and References.** The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to “Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith” and other words of similar import refer to the Installment Purchase Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

**Section 10.6 Partial Invalidity.** If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the District or the Authority shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The District and the Authority hereby declare that they would have executed the Installment Purchase Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

**Section 10.7 Assignment.** This Installment Purchase Agreement and all right, title and interest of the Authority hereunder, including its right to receive the Series 2021A Installment Payments, shall be assigned by the Authority to the Trustee, pursuant to the Indenture of Trust with the express consent of the District.

**Section 10.8 Net Contract.** The Installment Purchase Agreement shall be deemed and construed to be a net contract, and the District shall pay absolutely net during the term hereof of the Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

**Section 10.9 California Law.** THE INSTALLMENT PURCHASE AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

**Section 10.10 Notices.** All written notices to be given hereunder shall be given by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the District: Palmdale Water District  
2029 E. Avenue Q  
Palmdale, California 93550  
Attention: General Manager

If to the Authority: Palmdale Water District Public Financing Authority  
2029 E. Avenue Q  
Palmdale, California 93550  
Attention: Executive Director

If to the Trustee: The Bank of New York Mellon Trust Company, N.A.  
400 South Hope Street, Suite 500  
Los Angeles, California 90071  
Attention: Corporate Trust Department

If to the Insurer: [To come]

Attention:

**Section 10.11 Effective Date.** The Installment Purchase Agreement shall become effective upon its execution and delivery, and shall terminate when the Purchase Price shall have been fully paid (or provision for the payment thereof shall have been made to the written satisfaction of the Authority and the Trustee).

**Section 10.12 Execution in Counterparts.** The Installment Purchase Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

**Section 10.13 Indemnification of Authority and the Trustee.** The District hereby agrees to indemnify and hold harmless the Authority and the Trustee and their directors, officers and employees if and to the extent permitted by law, from and against all claims, advances, damages and losses, including legal fees and expenses, arising out of or in connection with the acceptance or the performance of their duties hereunder and under the Indenture of Trust; provided that no indemnification will be made for willful misconduct, negligence or breach of an obligation hereunder or under the Indenture of Trust by the Authority or the Trustee.

**Section 10.14 Insurer as Third Party Beneficiary.** The Insurer is intended as a third party beneficiary to this Installment Purchase Agreement.

**Section 10.15 No Impairment of Insurer's Rights.** No contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the 2021A Bonds which is provided from the District may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

**Section 10.16 Insurer Considerations.** The rights granted to the Insurer under this Installment Purchase Agreement or any supplement thereto or amendment thereof to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Owners and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Owners or any other person is required in addition to the consent of the Insurer.

**Section 10.17 Amendments Permitted.**

(a) This Installment Purchase Agreement and the rights and obligations of the Authority and the District and of the Owners of the 2021A Bonds and of the Trustee may be modified or amended at any time by an amendment hereto which shall become binding when the written consent of the Insurer, which shall be required only so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, shall have been filed with the Trustee. No such modification or amendment shall: (1) extend the stated maturities of the 2021A Bonds, or reduce the rate of interest represented thereby, or extend the time of payment of interest, or reduce the amount of principal represented thereby, or reduce any premium payable on the prepayment thereof, without the consent of the Owner of each 2021A Bond so affected; or (2) reduce the aforesaid percentage of Owners of 2021A Bonds whose consent is required for the execution of any amendment or modification of this Installment Purchase Agreement; or (3) modify any of the rights or obligations of the Trustee or the Authority without its written consent thereto.

(b) This Installment Purchase Agreement and the rights and obligations of the Authority and the District and of the Owners of the 2021A Bonds may also be modified or amended to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Authority or the District contained in this Installment Purchase Agreement other covenants and agreements thereafter to be observed or to surrender any right or power herein reserved to or conferred upon the Authority or the District, and which shall not adversely affect the interests of the Owners of the 2021A Bonds;

(2) to cure, correct or supplement any ambiguous or defective provision contained in this Installment Purchase Agreement or in regard to questions arising under this Installment Purchase Agreement, as the Authority or the District may deem necessary or desirable and which shall not adversely affect the interests of the Owners of the 2021A Bonds;

(3) to make such other amendments or modifications as may be in the best interests of the Owners of the 2021A Bonds; and

(4) to make any amendments or supplements necessary or appropriate to preserve or protect the exclusion of interest on the 2021A Bonds from gross income for federal income tax purposes under the Code or the exemption of such interest from State personal income taxes.

No amendment may modify any of the rights or obligations of the Trustee without the written consent of the Trustee thereto.

*[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]*

IN WITNESS WHEREOF, the parties hereto have executed this Installment Purchase Agreement by their officers thereunto duly authorized as of the day and year first written above.

PALMDALE WATER DISTRICT

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

PALMDALE WATER DISTRICT PUBLIC  
FINANCING AUTHORITY

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

**EXHIBIT A**  
**DESCRIPTION OF THE PROJECT**

The Project comprises the following described improvements to the District's Water System:

<b>Project Description</b>	<b>Cost</b>
----------------------------	-------------

**TOTAL**

The District may substitute other improvements to the Water System for all or a portion of the improvements listed above.



**EXHIBIT B**  
**PURCHASE PRICE**

1. The principal amount of the installment payments to be made by the District hereunder is \$\_\_\_\_\_.

2. The installment payments of principal and interest are payable in the amounts and on the Series 2021A Installment Payment Dates as follows:

<i>Series 2021A Installment Payment Date</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total</i>
<i>Tenth Day Prior To:</i>			

<i>Series 2021A Installment Payment Date</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total</i>
<i>Tenth Day Prior To:</i>			

TOTAL

## EXHIBIT C

### FORM OF SUBSTITUTION CERTIFICATE

Palmdale Water District Public Financing Authority  
2029 E. Avenue Q  
Palmdale, California 93550  
Attention: Executive Director

The Bank of New York Mellon Trust Company, N.A.  
400 South Hope Street, Suite 400  
Los Angeles, California 90071  
Attention: Corporate Trust Department

The undersigned General Manager of the Palmdale Water District (the “District”) hereby states pursuant to Section 3.01 of the Installment Purchase Agreement, dated as of \_\_\_\_\_ 1, 2021, by and between Palmdale Water District Public Financing Authority and the District (the “Installment Purchase Agreement”) that each component of the Project (as defined in the Installment Purchase Agreement) described in the Exhibit 1 attached hereto, with an estimated cost set forth in Exhibit 1, will be replaced by the corresponding improvement described in the Exhibit 1 with an estimated cost set forth in Exhibit 1.

Dated: \_\_\_\_\_, 2021

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General Manager

## **EXHIBIT 1**

**ASSIGNMENT AGREEMENT**

by and between

**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY**

and

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

Dated as of \_\_\_\_\_ 1, 2021

Relating To

\$ \_\_\_\_\_  
**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY**  
**WATER REVENUE BONDS, SERIES 2021A**

## ASSIGNMENT AGREEMENT

This Assignment Agreement is made and entered into as of \_\_\_\_\_ 1, 2021 by and between the PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY, a joint exercise of powers agency duly organized and existing under the laws of the State of California (the "Authority") and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as trustee (the "Trustee");

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

### Section 1. Assignment.

The Authority, for good and valuable consideration in hand received, does hereby sell, assign and transfer to the Trustee without recourse, for the benefit of the owners of the bonds (the "Bonds"), to be issued by the Authority pursuant to the Indenture of Trust dated as of \_\_\_\_\_ 1, 2021, by and between the Authority and the Trustee (the "Indenture"), all of its rights, title and interest in the Installment Purchase Agreement dated as of \_\_\_\_\_ 1, 2021, by and between the Palmdale Water District (the "District") and the Authority (the "Installment Purchase Agreement") including the right to receive all installment payments from the District under the Installment Purchase Agreement (but not including the right to be indemnified pursuant to, or receive notices under, the Installment Purchase Agreement), together with any and all of the other rights of the Authority under the Installment Purchase Agreement as may be necessary to enforce payment of such installment payments when due or otherwise to protect the interests of the owners of the Bonds. The assignment herein is absolute and presently effective.

### Section 2. Acceptance.

The Trustee hereby accepts the foregoing assignment for the purpose of securing the right assigned to it to receive all such installment payments from the District under the Installment Purchase Agreement and the other rights assigned to it, subject to the terms and provisions of the Indenture, and all such installment payments shall be applied and the rights so assigned shall be exercised by the Trustee as provided in the Indenture.

### Section 3. Conditions.

This Assignment Agreement shall confer no rights or impose no obligations upon the Trustee beyond those expressly provided in the Indenture.

*[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]*

IN WITNESS WHEREOF, the parties hereto have executed this Assignment Agreement by their officers thereunto duly authorized as of the day and year first written above.

PALMDALE WATER DISTRICT PUBLIC  
FINANCING AUTHORITY

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

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

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

\$ \_\_\_\_\_  
**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY  
WATER REVENUE BONDS, SERIES 2021A**

**BOND PURCHASE AGREEMENT**

\_\_\_\_\_, 2021

Palmdale Water District Public Financing Authority  
c/o Palmdale Water District  
2029 East Avenue Q  
Palmdale, CA 93550

Palmdale Water District  
2029 East Avenue Q  
Palmdale, CA 93550

Ladies and Gentlemen:

The undersigned (the “**Underwriter**”) hereby offers to enter into this Bond Purchase Agreement (the “**Purchase Agreement**”) with you, the Palmdale Water District Public Financing Authority (the “**Authority**”) and the Palmdale Water District (the “**District**”), for the purchase by the Underwriter and the delivery by the Authority of the Bonds specified below. The proceeds of the Bonds will be used (i) to finance certain improvements to the District’s water system; (ii) to purchase a municipal bond insurance policy (the “**Insurance Policy**”) to guarantee payment of the principal of and interest on the Bonds; (iii) to purchase a municipal bond debt service reserve insurance policy (the “**Reserve Surety Policy**”) for deposit in the Reserve Fund; and (iv) to pay the costs of issuing the Bonds. This offer is subject to your acceptance prior to 11:59 p.m., Los Angeles time, on the date hereof and if not so accepted will be subject to withdrawal by the Underwriter upon written notice delivered to the District and the Authority at any time prior to the acceptance thereof by the District and the Authority. Upon such acceptance, this Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon you and the Underwriter. All terms not defined herein shall have the meanings set forth in the Indenture and Installment Purchase Agreement (each as defined below).

The District and the Authority acknowledge and agree that: (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm’s length commercial transaction among the District, the Authority and the Underwriter in which the Underwriter is acting solely as a principal and not as an agent of the District or the Authority and the Underwriter is not acting as a municipal advisor, financial advisor or fiduciary to the District or the Authority; (ii) the Underwriter has not assumed any advisory or fiduciary responsibility to the District or the Authority with respect to the transaction contemplated by the Purchase Agreement and the discussions, undertakings or procedures leading thereto (irrespective of whether the Underwriter, or any affiliate of the Underwriter have provided other services or is currently providing other services to the District or the Authority on other matters); (iii) the only obligations the Underwriter has to the District and the Authority with respect to the transaction contemplated by this Purchase Agreement are expressly set forth in this Purchase Agreement; and (iv) the District and the Authority have consulted their own financial



and/or municipal legal, accounting, tax and other advisors, as applicable, to the extent the District and the Authority have deemed appropriate. The Authority acknowledges that it has previously provided the Underwriter with an acknowledgement of receipt of the required Underwriter disclosure under Rule G-17 of the Municipal Securities Rulemaking Board (the “MSRB”).

1. Upon the terms and conditions and upon the basis of the representations herein set forth, the Underwriter hereby agrees to purchase from the Authority for offering to the public, and the Authority hereby agrees to sell and deliver to the Underwriter, all (but not less than all) of the \$\_\_\_\_\_ aggregate principal amount of the Palmdale Water District Public Financing Authority Water Revenue Bonds, Series 2021A (the “**Bonds**”) to be dated the Closing Date, at a price of \$\_\_\_\_\_, being the principal amount of the Bonds, plus net original issue premium of \$\_\_\_\_\_, less an Underwriter’s discount of \$\_\_\_\_\_.

The Bonds shall mature in the amounts and on the dates, and bear interest at the rates, set forth in Exhibit A hereto. The Bonds shall be as described in and shall be secured under and pursuant to an Indenture of Trust, dated as of \_\_\_\_\_ 1, 2021 (the “**Indenture**”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”), substantially in the form previously submitted to the Underwriter with only such changes therein as shall be mutually agreed upon by the Authority, the Trustee and the Underwriter.

The obligation of the Authority to pay the principal of and interest on the Bonds is a special obligation of the Authority, payable solely from Revenues (as defined in the Indenture), and certain other amounts held under the Indenture. Revenues consist primarily of capital payments made by the District pursuant to the Installment Purchase Agreement, dated as of \_\_\_\_\_ 1, 2021 (the “**Installment Purchase Agreement**”), by and between the District and the Authority. The principal of and interest on the Bonds are not required to be paid from any other funds of the Authority, including any proceeds of any taxes, and does not constitute a debt or pledge of the faith and credit of the Authority or the State of California or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under the Insurance Policy to be issued concurrently with the delivery of the Bonds by \_\_\_\_\_ (the “**Insurer**”). The Insurer will also issue the Reserve Surety Policy concurrently with the delivery of the Bonds.

The District hereby ratifies the use by the Underwriter of the Preliminary Official Statement, dated \_\_\_\_\_, 2021 relating to the Bonds (together with the cover page and all appendices thereto, and any supplements thereof, the “**Preliminary Official Statement**”), and authorizes the Underwriter to use and distribute the Preliminary Official Statement, the Official Statement (as defined below), the Indenture, the Installment Purchase Agreement, the Continuing Disclosure Certificate as required by Securities and Exchange Commission Rule 15c2-12, as amended (“**Rule 15c2-12**”), and substantially in the form attached as an appendix to the Official Statement (the “**Continuing Disclosure Certificate**”) and this Purchase Agreement, and all information contained therein, and all other documents, certificates and statements furnished by the District to the Underwriter in connection with the offer and sale of the Bonds by the Underwriter. The District has heretofore “deemed final” the Preliminary Official Statement within the meaning of the Rule.

The District will undertake pursuant to the Installment Purchase Agreement and the Continuing Disclosure Certificate to provide certain annual financial and operating information and

notices of the occurrence of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement. This undertaking will be entered into in order to assist the Underwriter in complying with the Rule.

2. The Underwriter agrees to offer all the Bonds to the public initially at the prices (or yields) set forth on the cover page of the Official Statement of the District pertaining to the Bonds, dated \_\_\_\_\_, 2021 (together with all appendices thereto, and with such changes therein and supplements thereto as are consented to in writing by the Underwriter, and with the Preliminary Official Statement, are herein called the “**Official Statement**”). Subsequent to the initial public offering of the Bonds, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Bonds subject to Section 5 hereof. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices. “**Public Offering**” shall include an offering to a representative number of institutional investors or registered investment companies, regardless of the number of such investors to which the Bonds are sold. The Underwriter agrees that prior to the time the final Official Statement relating to the Bonds is available, the Underwriter will send to any potential purchaser of the Bonds, upon the request of such potential purchaser, a copy of the most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent by first class mail or electronic distribution (or other equally prompt means) not later than the first business day following the date upon which each such request is received.

3. The District shall also deliver a sufficient number of copies of the Official Statement to enable the Underwriter to distribute a single copy of each Official Statement to any potential customer of the Underwriter requesting an Official Statement during the time period beginning when the Official Statement becomes available and ending on the End Date (defined below). The District shall deliver these copies to the Underwriter no later than the earlier of (i) seven (7) business days after the execution of this Purchase Agreement or (ii) one (1) business day prior to the Closing Date in order to permit the Underwriter to comply with Rule 15c2-12 of the Securities and Exchange Commission, and the applicable rules of the MSRB, with respect to distribution of the Official Statement. The District and Authority shall prepare the Official Statement, including any amendments thereto, in word-searchable PDF format as described in the MSRB’s Rule G-32 and shall provide the electronic copy of the word-searchable PDF format of the Official Statement to the Underwriter no later than one (1) business day prior to the Closing Date to enable the Underwriter to comply with MSRB Rule G-32. The Underwriter shall inform the District in writing of the End Date, and covenants to file the Official Statement with the MSRB on a timely basis.

The Official Statement, as of its date, as of the Closing Date and as of the date of any update, amendment or supplement thereto as required hereby subsequent to the Closing, up to and including the date which is twenty-five (25) days following the end (the “**End Date**”) of the Underwriting Period (as hereinafter defined), will be correct and complete in all material respects and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

If, after the date of this Purchase Agreement and until the earlier of (i) ninety (90) days after the end of the “underwriting period” (as defined in Rule 15c2-12) (the “**Underwriting Period**”), or (ii) twenty-five (25) days following the end of the Underwriting Period if the Official Statement is available to any person from the MSRB as contemplated by Rule 15c2-12(b)(4), any event shall occur or circumstance shall exist of which the Authority or the District has knowledge that would cause the Official Statement to contain any untrue statement of a material fact or to omit to state a

material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority or the District, as the case may be, shall notify the Underwriter (and for the purpose of this Section provide the Underwriter with such information as it may from time to time reasonably request), and, if in the opinion of the District, the Authority or the Underwriter such event or circumstance requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority and the District will, at their expense, supplement or amend the Official Statement in a form and manner jointly approved by the District, the Authority and the Underwriter and furnish to the Underwriter a reasonable number of copies of such supplement or amendment provided that the Underwriter promptly agrees that it will notify the Authority and the District of the end of the Underwriting Period.

4. At 8:30 a.m., Pacific Time, on \_\_\_\_\_, 2021, or at such other time or date as shall be agreed upon by the Underwriter and the District (such time and date being herein referred to as the “**Closing Date**”), the District will deliver to the Underwriter, at a location or locations to be designated by the Underwriter, the Bonds in book-entry form (all Bonds having had the CUSIP numbers assigned to them thereon), duly executed by an authorized officer of the Trustee as provided in the Indenture, and the other documents herein mentioned; and the Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 of this Purchase Agreement in immediately available funds (such delivery and payment being herein referred to as the “**Closing**”).

Upon initial issuance, the ownership of such Bonds shall be registered in the registration books kept by the Trustee in the name of Cede & Co., as the nominee of The Depository Trust Company.

5. (a) The Underwriter agrees to assist the Authority in establishing the issue price of the Bonds and shall execute and deliver to the Authority at Closing an “**issue price**” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Authority and Bond Counsel (as defined herein), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds.

(b) Except as otherwise set forth in Exhibit A attached hereto, the Authority will treat the first price at which 10% of each maturity of the Bonds (the “**10% test**”) is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Agreement, the Underwriter shall report to the Authority the price or prices at which it has sold to the public each maturity of Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the Authority the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) the Underwriter has sold all Bonds of that maturity or (ii) the 10% test has been satisfied as to the Bonds of that maturity, provided that, the Underwriter’s reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Authority or Bond Counsel. For purposes of this Section, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds.

(c) The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Purchase Agreement at the offering price or prices (the “**initial offering**”).

price”), or at the corresponding yield or yields, set forth in Exhibit A attached hereto, except as otherwise set forth therein. Exhibit A also sets forth, as of the date of this Purchase Agreement, the maturities, if any, of the Bonds for which the Underwriter represents that (i) the 10% test has been satisfied (assuming orders are confirmed by the close of the business day immediately following the date of this Purchase Agreement) and (ii) the 10% test has not been satisfied and for which the Authority and the Underwriter agrees that the restrictions set forth in the next sentence shall apply, which will allow the Authority to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “**hold-the-offering-price rule**”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the Underwriter has sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter will advise the Authority promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

(d) The Underwriter confirms that:

(i) any selling group agreement and any third-party distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A)(i) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be reasonable periodic intervals or otherwise upon request of the Underwriter and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter,

(B) to promptly notify the Underwriter of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(ii) any selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of

the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(e) The Authority acknowledges that, in making the representation set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires.

(f) The Underwriter acknowledges that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(1) “public” means any person other than an underwriter or a related party;

(2) “underwriter” means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public);

(3) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

(4) “sale date” means the date of execution of this Purchase Agreement by all parties.

6. The Underwriter represents to and agrees with the District and the Authority that, as of the date hereof and as of the Closing Date:

(i) The Underwriter is duly authorized to execute this Purchase Agreement and to take any action under this Purchase Agreement required to be taken by it;

(ii) The Underwriter is in compliance with MSRB Rule G-37 with respect to the District and the Authority, and is not prohibited thereby from acting as the underwriter with respect to securities of the District and the Authority; and

(iii) The Underwriter has, and has had, no financial advisory relationship, as that term is defined in California Government Code Section 53590 (c) or MSRB Rule G-32, with the District with respect to the Bonds, and no investment firm controlling, controlled by or under common control with the Underwriter has or has had any such financial advisory relationship.

7. The Authority represents, warrants and covenants to the Underwriter that:

(a) The Authority is a joint powers authority duly organized and validly existing pursuant to the laws of the State of California and has all necessary power and authority to enter into and perform its duties under the Indenture, the Installment Purchase Agreement, the Assignment Agreement, dated as of \_\_\_\_\_ 1, 2021 (the “**Assignment Agreement**”), between the Authority and the Trustee and this Purchase Agreement (collectively, the “**Authority Documents**”) and, when executed and delivered by the respective parties thereto, the Authority Documents will constitute the legal, valid and binding obligations of the Authority in accordance with their respective terms.

(b) Neither the execution and delivery of the Authority Documents, or the approval and execution of the Official Statement or this Purchase Agreement, and compliance with the provisions on the Authority’s part contained therein, nor the consummation of any other of the transactions herein and therein contemplated, nor the fulfillment of the terms hereof and thereof, conflicts with or constitutes a breach of or default under nor contravenes any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, nor does any such execution, delivery, adoption or compliance result in the security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Authority Documents.

(c) Except as may be required under blue sky or other securities laws of any state, there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over the Authority required for the execution and delivery of the Bonds or the consummation by the Authority of the other transactions contemplated by the Official Statement and this Purchase Agreement.

(d) To the best of the knowledge of the Authority, and except as disclosed in the Official Statement, there is, and on the Closing Date there will be, no action, suit, proceeding or

investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the Authority to restrain or enjoin the delivery of any of the Bonds, or the payments to be made pursuant to the Indenture, or in any way contesting or affecting the validity of the Authority Documents or the authority of the Authority to approve this Purchase Agreement, or enter into the Authority Documents or contesting the powers of the Authority to perform its obligations under any of the foregoing or in any way contesting the powers of the Authority in connection with any action contemplated by this Purchase Agreement, or in any way questioning or challenging the tax status of the Bonds.

(e) As of the date thereof and at all times subsequent thereto up to and including the End Date, the information relating to the Authority contained in the Official Statement will be complete and will not contain any untrue or misleading statement of a material fact or omit to state any material fact (unless an event occurs of the nature described in Section 7(j) below) necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. As of its date and as of the date hereof, the information relating to the Authority and the Bonds contained in the Official Statement is true and correct in all material respects and such information does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) The Authority agrees to cooperate with the Underwriter in endeavoring to qualify the Bonds for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Underwriter may request; provided, however, that the Authority will not be required to execute a special or general consent to service of process in any jurisdiction in which it is not now so subject or to qualify to do business as a foreign agency in any jurisdiction where it is not so qualified.

(g) By official action of the Authority prior to or concurrently with the execution hereof, the Authority has duly approved the distribution of the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part contained in the Authority Documents and the consummation by it of all other transactions contemplated by the Official Statement and this Purchase Agreement.

(h) The Authority is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument.

(i) The Authority is not in default, nor has been in default at any time, as to the payment of principal or interest with respect to an obligation issued by the Authority or successor of the Authority or with respect to an obligation guaranteed by the Authority as guarantor or successor of a guarantor.

(j) If between the date of this Purchase Agreement and the End Date an event occurs, of which the Authority has knowledge, which might or would cause the information relating to the Authority or the Authority's functions, duties and responsibilities contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to

omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the Authority will notify the Underwriter, and if, in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will cooperate with the Underwriter in the preparation of an amendment or supplement to the Official Statement in a form and in a manner approved by the Underwriter, provided all expenses thereby incurred will be paid for by the Authority.

(k) If the information relating to the Authority, its functions, duties and responsibilities contained in the Official Statement is amended or supplemented pursuant to the immediately preceding subsection, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subsection) at all times subsequent thereto up to and including the date of the Closing, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading.

(l) No consent, approval, authorization or other action by a governmental or regulatory authority that has not been obtained is or will be required of the Authority for the delivery and sale of the Bonds or the consummation of the other transactions contemplated by this Purchase Agreement and the Official Statement, except as may be required under the state securities or blue sky laws in connection with the sale of the Bonds by the Underwriter.

(m) The Authority will deliver all opinions, Bonds, letters and other instruments and documents reasonably required by the Underwriter and this Purchase Agreement.

(n) Any certificate of the Authority delivered to the Underwriter shall be deemed a representation and warranty by the Authority to the Underwriter as to the statements made therein.

(o) Other than as described in the Official Statement, as of the time of acceptance hereof and as of the Closing, the Authority does not and will not have outstanding any indebtedness which is secured by a lien on the Revenues superior to or on a parity with the lien of the Bonds thereon.

(p) Between the date of this Purchase Agreement and the Closing Date, the Authority will not, without the prior written consent of the Underwriter, offer or issue any bonds, notes or other obligations for borrowed money, or incur any material liabilities, direct or contingent.

(q) The Authority is not presently and as a result of the execution of the Authority Documents and the sale of the Bonds will not be in violation of any debt limitation, appropriation limitation or any other provision of the California Constitution or statutes or any additional debt or similar provision of any bond, note, contract or other evidence of indebtedness to which the Authority is a party or to which the Authority is bound.

(r) The Authority will not knowingly take or omit to take any action, which action or omission will in any way cause the proceeds from the sale of the Bonds to be applied in a manner other than as provided in the Authority Documents.



8. The District represents, warrants and covenants to the Underwriter that:

(a) The District is an irrigation district duly organized and existing under the laws of the State of California, and has all necessary power and authority to enter into and perform its duties under the Installment Purchase Agreement, the Continuing Disclosure Certificate, and this Purchase Agreement (collectively, the “**District Documents**”) and, when executed and delivered by the respective parties thereto, the District Documents will constitute the legal, valid and binding obligations of the District in accordance with their respective terms.

(b) Neither the execution and delivery of the District Documents, or the approval and execution of the Official Statement, and compliance with the provisions on the District’s part contained therein, nor the consummation of any other of the transactions herein and therein contemplated, nor the fulfillment of the terms hereof and thereof, conflicts with or constitutes a breach of or default under nor contravenes any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party or is otherwise subject, nor does any such execution, delivery, adoption or compliance result in the security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the District under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the District Documents.

(c) Except as may be required under blue sky or other securities laws of any state, there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over the District required for the execution and delivery of the Bonds or the consummation by the District of the other transactions contemplated by the Official Statement and this Purchase Agreement.

(d) To the best of the knowledge of the District, and except as disclosed in the Official Statement, there is, and on the Closing there will be, no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the District to restrain or enjoin the delivery of any of the Bonds, or the payments to be made pursuant to the Indenture, or in any way contesting or affecting the validity of the District Documents or the authority of the District to approve this Purchase Agreement, or enter into the District Documents, or in any way questioning or challenging the tax status of the Bonds.

(e) As of its date and as of the date hereof, the information relating to the District, the Bonds and the Water System contained in the Preliminary Official Statement is true and correct in all material respects and such information does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. As of the date thereof and at all times subsequent thereto up to and including the End Date, the information relating to the District, the Bonds and the Water System contained in the Official Statement will be complete and will not contain any untrue or misleading statement of a material fact or omit to state any material fact (unless an event occurs of the nature described in Section 8(j) below) necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) The District agrees to cooperate with the Underwriter in endeavoring to qualify the Bonds for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Underwriter may request; provided, however, that the District will not be

required to execute a special or general consent to service of process in any jurisdiction in which it is not now so subject or to qualify to do business as a foreign agency in any jurisdiction where it is not so qualified.

(g) By official action of the District prior to or concurrently with the execution hereof, the District has duly approved the distribution of the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the District of the obligations on its part contained in the District Documents and the consummation by it of all other transactions contemplated by the Official Statement and this Purchase Agreement.

(h) The District is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument.

(i) The District is not in default, nor has been in default at any time, as to the payment of principal or interest with respect to an obligation issued by the District or successor of the District or with respect to an obligation guaranteed by the District as guarantor or successor of a guarantor.

(j) If between the date of this Purchase Agreement and the End Date an event occurs, of which the District has knowledge, which might or would cause the information relating to the District, the Water System or the District's functions, duties and responsibilities contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the District will notify the Underwriter, and if, in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the District will cooperate with the Underwriter in the preparation of an amendment or supplement to the Official Statement in a form and in a manner approved by the Underwriter, provided all expenses thereby incurred will be paid for by the District.

(k) If the information relating to the Water System, the District, its functions, duties and responsibilities contained in the Official Statement is amended or supplemented pursuant to the immediately preceding subsection, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subsection) at all times subsequent thereto up to and including the date of the Closing, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading.

(l) The District covenants that it will comply with all tax covenants relating to it in the District Documents and the Tax Certificate of the District.

(m) The written information supplied by the District to the Underwriter with respect to the financial information relating to the Water System is true, correct and complete in all material respects for the purposes for which it was supplied.

(n) No consent, approval, authorization or other action by an governmental or regulatory agency that has not been obtained is or will be required of the District for the delivery and sale of the Bonds or the consummation of the other transactions contemplated by this Purchase Agreement and the Official Statement, except for such licenses, certificates, approvals, variances or permits which may be necessary for the construction or operation of the Water System which the District has applied for (or will apply for in the ordinary course of business) and expects to receive, and except as may be required under the state securities or blue sky laws in connection with the sale of the Bonds by the Underwriter.

(o) Substantially all the proceeds from the sale of the Bonds (after deducting the expenses of issuance and sale of the Bonds) will be used to finance the acquisition and construction of improvements to the Water System, and the District will not take or omit to take any action which action or omission will in any way cause the proceeds from the sale of the Bonds to be applied in a manner contrary to that provided in the Indenture, as amended from time to time.

(p) The District will deliver all opinions, certificates, letters and other instruments and documents reasonably required by the Underwriter and this Purchase Agreement.

(q) Any certificate of the District delivered to the Underwriter shall be deemed a representation and warranty by the District to the Underwriter as to the statements made therein.

(r) Other than as described in the Official Statement, as of the time of acceptance hereof and as of the Closing, the District does not and will not have outstanding any indebtedness which is secured by a lien on the Net Water Revenues superior to or on a parity with the lien of the Bonds thereon.

(s) Between the date of this Purchase Agreement and the Closing Date, the District will not, without the prior written consent of the Underwriter, and except as disclosed in the Official Statement, offer or issue any bonds, notes or other obligations for borrowed money, or incur any material liabilities, direct or contingent payable from the Net Water Revenues.

(t) The District is not presently and as a result of the execution of the District Documents and the sale of the Bonds will not be in violation of any debt limitation, appropriation limitation or any other provision of the California Constitution or statutes or any additional debt or similar provision of any bond, note, contract or other evidence of indebtedness to which the District is a party or to which the District is bound.

(u) The District has not, in the last five years, failed to comply in any material respect in its obligations under any continuing disclosure undertaking entered into pursuant to Rule 15c2-12 except as disclosed in the Official Statement. The District will undertake, pursuant to the Continuing Disclosure Certificate to provide annual reports and notices of certain events in accordance with the requirements of Rule 15c2-12.

9. The Underwriter has entered into this Purchase Agreement in reliance upon the representations, warranties and agreements of the Authority and the District contained herein, and the

opinions of Bond Counsel, Counsel to the Trustee, Counsel to the District and Counsel to the Authority required hereby. The Underwriter's obligations under this Purchase Agreement are and shall be subject to the following further conditions:

(a) At the time of Closing, this Purchase Agreement, the Indenture, the Installment Purchase Agreement, the Assignment Agreement and the Continuing Disclosure Certificate (collectively the "**Legal Documents**"), all as described in the Official Statement, shall be in full force and effect as valid and binding agreements between or among the various parties thereto and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter, and there shall be in full force and effect such resolutions as, in the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation (herein called "**Bond Counsel**"), shall be necessary in connection with the transactions contemplated hereby.

(b) At or prior to the Closing, the Underwriter shall receive the following documents, in each case satisfactory in form and substance to them:

(1) The unqualified approving opinion of Bond Counsel, dated the Closing Date, addressed to the Authority, the District, the Trustee and the Underwriter (or a reliance letter to the Trustee and the Underwriter), in substantially the form attached as APPENDIX C to the Official Statement;

(2) A supplemental opinion or opinions of Bond Counsel dated the Closing Date, addressed to the Underwriter, in form and substance to the effect that:

(a) The statements and information contained in the Official Statement under the captions "INTRODUCTION," "THE 2021A BONDS," "SECURITY FOR THE 2021A BONDS," "TAX MATTERS" and APPENDIX B and APPENDIX C, to the extent they purport to summarize information concerning the Bonds and certain provisions of the Legal Documents and the opinion of such counsel, present a fair and accurate summary of such information and such provisions;

(b) The Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Indenture is exempt from qualification as an Indenture pursuant to the Indenture Act of 1939, as amended; and

(c) The Purchase Agreement has been duly authorized, executed and delivered by the Authority and the District, and, assuming due authorization, execution and delivery by the other parties thereto, constitutes the legal, valid and binding agreement of the Authority and the District enforceable against each in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and equitable remedies if equitable remedies are sought, and except no opinion need be expressed as to the enforceability of the indemnification, waiver, choice of law or contributions provisions contained in the Purchase Agreement.

(3) The opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel, dated the Closing Date and addressed to the Authority, the District and the Underwriter, to the effect that, based upon their

participation in conferences in the course of preparation of the Preliminary Official Statement and Official Statement, and in reliance on such conferences and on the certificates, opinions and other documents mentioned in such opinion, no facts came to the attention of the attorneys in such firm rendering legal services in connection with such representation which caused them to believe that the Preliminary Official Statement as of its date and as of the date of this Purchase Agreement and the Official Statement as of its date and as of the Closing Date (except for any CUSIP numbers, financial, statistical or economic or engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any information about feasibility, valuation, appraisals, technology, real estate or environmental matters, any information with respect to ratings or rating agencies, the compliance by the District with its obligations to provide notice of the events described in part (b)(5)(i)(C) of Rule 15c2-12 or to file annual reports described in part (b)(5)(i)(A) of Rule 15c2-12, the appendices thereto or any information about the Insurer, the Insurance Policy, the Reserve Surety Policy, The Depository Trust Company or the Book-Entry System included or referred to therein, which such firm expressly excludes from the scope of this section and as to which such firm need express no opinion or view) contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(4) An opinion of Aleshire & Wynder LLP, General Counsel to the District dated the Closing Date, in form and substance satisfactory to the Underwriter and Bond Counsel, addressed to the Authority and the Underwriter, to the effect that:

(i) the District is an irrigation district created in accordance with the laws of the State of California;

(ii) the preparation and distribution of the Official Statement and the District Documents have been duly approved by the District;

(iii) the resolution of the District approving and authorizing the execution and delivery of the Official Statement and the District Documents has been duly adopted at a meeting of the governing body of the District which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout;

(iv) except as disclosed in the Official Statement, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or, to the best knowledge of such counsel, threatened against or affecting the District or the Authority, which would adversely impact the District's or the Authority's ability to complete the transactions described in and contemplated by the Official Statement, to restrain or enjoin the payments under, or in any way contesting or affecting the validity of the District Documents, or the transactions described and defined in the Official Statement wherein an unfavorable decision, ruling or finding would adversely affect the validity and enforceability of the District Documents;

(v) the execution and delivery of the District Documents and the approval of the Official Statement, and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the District a breach of or default under any agreement or other instrument to which the District is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the District is subject;

(vi) the District Documents and the Official Statement have been duly authorized, executed and delivered by the District, and, assuming due authorization, execution and delivery by the other parties thereto, the District Documents constitute legal, valid and binding agreements of the District enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if sought and by the limitations on legal remedies imposed on actions against public agencies in the State of California;

(vii) no authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California is required for the valid authorization, execution and delivery of the District Documents and the approval of the Official Statement; and

(viii) the Water System charges and fees were duly approved and adopted by the District, and are valid and enforceable at the current levels levied by the District.

(5) An opinion of Aleshire & Wynder LLP, General Counsel to the Authority dated the Closing Date, in form and substance satisfactory to the Underwriter and Bond Counsel, addressed to the District and the Underwriter, to the effect that:

(i) the Authority is a joint powers authority duly organized and validly existing under the laws of the State of California;

(ii) the preparation and distribution of the Official Statement and the Authority Documents have been duly approved by the Authority;

(iii) the resolution of the Authority approving and authorizing the execution and delivery of the Official Statement and the Authority Documents has been duly adopted at a meeting of the governing body of the Authority which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout;

(iv) except as disclosed in the Official Statement, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or, to the best knowledge of such counsel, threatened against or affecting the Authority, which would adversely

impact the Authority's ability to complete the transactions described in and contemplated by the Official Statement, to restrain or enjoin the payments under, or in any way contesting or affecting the validity of the Authority Documents, or the transactions described and defined in the Official Statement wherein an unfavorable decision, ruling or finding would adversely affect the validity and enforceability of the Authority Documents;

(v) the execution and delivery of the Authority Documents and the approval of the Official Statement, and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the Authority a breach of or default under any agreement or other instrument to which the Authority is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Authority is subject;

(vi) the Authority Documents and the Official Statement have been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery by the other parties thereto, the Authority Documents constitute legal, valid and binding agreements of the Authority enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if sought and by the limitations on legal remedies imposed on actions against public agencies in the State of California; and

(vii) no authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California is required for the valid authorization, execution and delivery of the Authority Documents and the approval of the Official Statement.

(6) The opinion of counsel to The Bank of New York Mellon Trust Company, N.A. (the "**Bank**") as Trustee, dated the Closing Date in form and substance satisfactory to the Underwriter and Bond Counsel, and addressed to the Authority, the District and the Underwriter, to the effect that:

(i) The Bank is a national banking association duly organized and validly existing under the laws of the United States.

(ii) The Bank has duly authorized the execution and delivery of the Indenture and the Assignment Agreement (respectively, the "**Bank Documents**").

(iii) The Bank Documents have been duly entered into and delivered by the Bank and assuming due, valid and binding authorization, execution and delivery by the other parties thereto, constitutes the legal, valid and binding obligations of the Bank enforceable against the Bank in accordance with their terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency or other similar laws affecting

the enforcement of creditors' rights generally, or by general principles of equity.

(iv) No approval, authorization or other action by, or filing with, any governmental body or regulatory authority (which has not been obtained) is required in connection with the due execution, delivery and performance by Trustee of the Bank Documents.

(7) An opinion, dated the Closing Date and addressed to the Underwriter, of Kutak Rock LLP, counsel to the Underwriter ("**Underwriter's Counsel**"), in such form as may be acceptable to the Underwriter.

(8) A certificate, dated the Closing Date, signed by a duly authorized official of the Authority satisfactory in form and substance to the Underwriter and Bond Counsel, (a) confirming as of such date the representations and warranties of the Authority contained in this Purchase Agreement; (b) certifying that the Authority has complied with all agreements, covenants and conditions to be complied with by the Authority at or prior to the Closing under the Authority Documents; and (c) certifying that to the best of such official's knowledge, no event affecting the Authority has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing the statements or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect.

(9) A certificate or certificates, dated the Closing Date, signed by a duly authorized official of the District satisfactory in form and substance to the Underwriter and Bond Counsel, (a) confirming as of such date the representations and warranties of the District contained in this Purchase Agreement; (b) certifying that the District has complied with all agreements, covenants and conditions to be complied with by the District at or prior to the Closing under the District Documents; (c) certifying that to the best of such official's knowledge, no event affecting the District has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing the statements or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect; (d) certifying that no consent is required to be obtained for the inclusion of the District's audited financial statements, including the accompanying accountant's letter, for Fiscal Year 2020 in the Official Statement; and (e) certifying that the payment by the District of the Installment Payments is on a parity with the obligation of the District to pay the Parity Payments (as defined in the Official Statement).

(10) A certificate, dated the date of the Preliminary Official Statement, signed by a duly authorized official of the District deeming the Preliminary Official Statement "final" for purposes of Rule 15c2-12.



(11) A certificate, dated the date of the Preliminary Official Statement, signed by a duly authorized official of the Authority deeming the Preliminary Official Statement “final” for purposes of Rule 15c2-12.

(12) Two executed or certified copies of the Legal Documents.

(13) Two executed copies of the Official Statement.

(14) Two certified copies of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of documents such as the Bonds and the Indenture.

(15) Copies of the resolution adopted by the Authority and certified by the Secretary of the Authority authorizing the execution and delivery of the Authority Documents and the Official Statement.

(16) Copies of the resolution adopted by the District and certified by the Secretary of the Board of Directors, authorizing the execution and delivery of the District Documents and the Official Statement.

(17) Tax certifications by the Authority and the District in form and substance acceptable to Bond Counsel.

(18) A Certificate of the Bank, dated the Closing Date to the effect that:

(i) The Bank is duly organized and existing as a national banking association in good standing under the laws of the United States, having the full power and authority to accept and perform its duties under the Bank Documents;

(ii) Subject to the provisions of the Bank Documents, the Bank will apply the proceeds from the Bonds to the purposes specified in the Indenture; and

(iii) The Bank has duly authorized and executed the Bank Documents.

(19) Evidence that the Bonds have been rated as set forth in the Official Statement and that such ratings continue in effect as of the Closing.

(20) The Insurance Policy, duly executed by the Insurer.

(21) The Reserve Surety Policy, duly executed by the Insurer.

(22) An opinion of counsel to the Insurer, dated the Closing Date, addressed to the Authority and the Underwriter, in form and substance satisfactory to the Underwriter and Bond Counsel.

(23) A certificate or certificates of the Insurer, dated the Closing Date, as to the accuracy of the information relating to the Insurer, the Insurance Policy and the Reserve Surety Policy included in the Official Statement and such other matters reasonably requested by the Underwriter and Bond Counsel.

(24) Evidence that a federal tax information form 8038-G has been prepared for filing with respect to the Bonds.

(25) A copy of the Notice of Final Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 8855 of the California Government Code.

(26) Such additional legal opinions, certificates, proceedings, instruments and other documents as Bond Counsel, the Underwriter and Underwriter's Counsel may reasonably request to evidence compliance with legal requirements, the truth and accuracy, as of the time of Closing, of the representations contained herein and in the Official Statement and the due performance or satisfaction by the Trustee and the Authority at or prior to such time of all agreements then to be performed and all conditions then to be satisfied.

(c) All matters relating to this Purchase Agreement, the Bonds and the sale thereof, the Legal Documents and the consummation of the transactions contemplated by this Purchase Agreement shall have been approved by the Underwriter, such approval not to be unreasonably withheld.

If the conditions to the Underwriter's obligations contained in this Purchase Agreement are not satisfied or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriter, the District nor the Authority shall have any further obligation hereunder.

10. The Underwriter shall have the right to terminate this Purchase Agreement, without liability therefore, by written notification to the Authority and the District if at any time at or prior to the Closing:

(i) Legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to alter, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Bonds, or the interest on the Bonds as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly,

of changing the federal income tax consequences of any of the transactions contemplated herein; or

(ii) Legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds are not exempt from registration under or other requirements of the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering, or sale of obligations of the general character of the Bonds, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect; or

(iii) A general suspension of trading in securities on the New York Stock Exchange or any other national securities exchange, the establishment of minimum or maximum prices on any such national securities exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, or any material increase of restrictions now in force (including, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter); or

(iv) A general banking moratorium shall have been established by federal, State of New York or California authorities; or

(v) A decision by a court of the United States shall be rendered, or a stop order, release, regulation or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made, to the effect that the issuance, offering or sale of the Bonds, including the underlying obligations as contemplated by this Purchase Agreement or by the Official Statement, or any document relating to the issuance, offering or sale of the Bonds, is or would be in violation of any provision of the federal securities laws at the Closing Date, including the Securities Act of 1933, as amended, the Exchange Act of 1934, as amended and the Trust Indenture Act of 1939, as amended; or

(vi) Establishment of any new restrictions in securities materially affecting the free market for securities of the same nature as the Bonds (including the imposition of any limitations on interest rates) or the charge to the net capital requirements of the Underwriter established by the New York Stock Exchange, the Securities and Exchange Commission, any other Federal or state agency or the Congress of the United States, or by Executive Order; or

(vii) Any amendment to the federal or California Constitution or action by any federal or California court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the District or the Authority, its property, income or securities (or interest thereon), or the ability of the District to execute the Installment Purchase Agreement or the Authority to issue the Bonds and pledge the Revenues as contemplated by the Indenture and the Official Statement; or

(viii) There shall have occurred any (1) new material outbreak of hostilities (including, without limitation, an act of terrorism) or (2) new material other national or international calamity or crisis, or any material adverse change in the financial, political or economic conditions affecting the United States, including, but not limited to, an escalation of hostilities that existed prior to the date hereto; or

(ix) There shall have occurred any materially adverse change in the affairs or financial position, results of operations or condition, financial or otherwise, of the District or the Authority, other than changes in the ordinary course of business or activity or in the normal operation of the District or the Authority, except as described in the Official Statement; or

(x) Any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any respect any material statement or information contained in the Preliminary Official Statement or the Official Statement, or results in the Preliminary Official Statement or the Official Statement containing any untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; or

(xi) An event described in Section 7(j) or 8(j) hereof shall have occurred which, in the reasonable professional judgment of the Underwriter, requires the preparation and publication of a supplement or amendment to the Official Statement; or

(xii) Any rating of the Bonds or other obligations of the Insurer by a national rating agency shall have been withdrawn or downgraded; or

(xiii) A material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred; or

(xiv) Any rating of the Bonds or other obligations of the District or the Authority by a national rating agency shall have been withdrawn or downgraded or placed on negative outlook or negative watch.

11. Performance by the Authority and the District of their respective obligations under this Purchase Agreement is conditioned upon (i) performance by the Underwriter of its obligations hereunder, and (ii) receipt by the Underwriter of all opinions and certificates to be delivered at Closing by persons and entities other than the Authority or the District.

12. After the Closing and until the End Date (a) neither the Authority nor the District will adopt any amendment of or supplement to the Official Statement to which the Underwriter shall reasonably object in writing or which shall be reasonably disapproved by the Underwriter, and (b) if any event relating to or affecting the Authority or the District shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to an initial purchaser of the Bonds, and the Authority will forthwith prepare and furnish to the Underwriter a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to an initial purchaser of the Bonds, not misleading. The costs of preparing any necessary amendment or supplement to the Official Statement to be utilized until the End Date shall be borne by the Authority and any costs incurred thereafter incident to amending or supplementing the Official Statement shall be borne by the Underwriter. For the purposes of this Section, the Authority will furnish such information with respect to itself as the Underwriter may from time to time request.

13. (a) The Underwriter shall be under no obligation to pay, and the District or Authority shall pay or cause to be paid out of the proceeds of the Bonds, all expenses incident to the performance of the District and Authority's obligations hereunder, including but not limited to: the cost of photocopying and delivering the Bonds to the Underwriter; the cost of preparing, printing (and/or word processing and reproducing), distributing and delivering the District Documents and the Authority Documents, and the cost of printing, distributing and delivering the Preliminary Official Statement and the Official Statement in such reasonable quantities as requested by the Underwriter; the cost of preparation of any "blue sky" or legal investment memoranda; and the fees and disbursements of Bond Counsel, Disclosure Counsel, any accountants, financial advisors or other engineers or experts or consultants the District or the Authority have retained in connection with the Bonds and expenses (included in the expense component of the Underwriter's spread) incurred on behalf of the District or Authority officers or employees which are incidental to implementing this Purchase Agreement, including, but not limited to, meals, transportation, lodging, and entertainment of those officers or employees.

(b) Whether or not the Bonds are delivered to the Underwriter as set forth herein, neither the Authority nor the District shall be under any obligation to pay, and the Authority and District shall not pay, any expenses incurred by the Underwriter in connection with its public offering and distribution of the Bonds (except those specifically enumerated in subsection (a) of this section), including any advertising expenses and the fees of the California Debt and Investment Advisory Commission, the cost of preparation of any "blue sky" or legal investment memoranda and the fees and disbursements of Underwriter's Counsel.

14. Any notice or other communication to be given to the Underwriter may be given by delivering the same to Hilltop Securities Inc., 2533 S. Coast Hwy. 101, Suite 250, Cardiff by the Sea, CA 92007, Attention: Public Finance Department. Any notice or other communication to be given to the Authority or the District may be given by delivering the same to addresses initially provided herein, Attention: General Manager. The approval of the Underwriter when required hereunder or the determination of satisfaction as to any document referred to herein shall be in writing signed by Hilltop Securities Inc. and delivered to you.

15. This Purchase Agreement is made solely for the benefit of the Authority, the District and the Underwriter (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof.

16. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which such counterparts shall together constitute but one and the same instrument.

17. The representations and warranties of the District and the Authority set forth in or made pursuant to this Purchase Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of this Purchase Agreement and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and warranties of the District and the Authority and regardless of delivery of and payment for the Bonds.

18. The primary role of the Underwriter, as underwriter, is to purchase the Bonds for resale to investors in an arms-length commercial transaction among the District, the Authority and the Underwriter. The Underwriter has financial and other interests that differ from those of the District and the Authority.

19. This Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the District, the Authority and the Underwriter and shall be valid and enforceable as of the time of such acceptance.

20. This Purchase Agreement shall be governed by the laws of the State of California. This Purchase Agreement shall not be assigned by either party hereto.

21. This Purchase Agreement supersedes and replaces all prior negotiations, agreements and understandings between the parties hereto in relation to the sale of Bonds by the District and the Authority and represents the entire agreement of the parties as to the subject matter herein.

22. Any provision of this Purchase Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Purchase Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

23. This Purchase Agreement shall be governed by the laws of the State of California.

**HILLTOP SECURITIES INC.**

By: \_\_\_\_\_  
Managing Director

The foregoing is hereby agreed to and accepted as of the date first above written:

**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY**

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

Time of Execution: \_\_\_\_\_ p.m. California time

**PALMDALE WATER DISTRICT**

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

Time of Execution: \_\_\_\_\_ p.m. California time

**[EXECUTION PAGE OF BOND PURCHASE AGREEMENT - PALMDALE  
WATER DISTRICT PUBLIC FINANCING AUTHORITY WATER REVENUE  
BONDS, SERIES 2021A]**

# EXHIBIT A

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## PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY WATER REVENUE BONDS, SERIES 2021A

Maturity (October 1)	Principal Amount	Interest Rate	Yield	Price	10% Test Satisfied*	10% Test Not Satisfied	Subject to Hold-The- Offering- Price Rule ( <i>marked if used</i> )
2022							
2023							
2024							
2025							
2026							
2027							
2028							
2029							
2030							
2031							
2032							
2033							
2034							
2035							
2036							
2037							
2038							
20____ <sup>(T)</sup>							
20____ <sup>(T)</sup>							
20____ <sup>(T)</sup>							

<sup>(T)</sup> Term Bond.

<sup>(C)</sup> Priced to optional call at [par] on October 1, 20\_\_\_\_.

\* At the time of execution of this Purchase Agreement and assuming orders are confirmed by the close of the business day immediately following the date of this Purchase Agreement.



## EXHIBIT B

\$ \_\_\_\_\_  
**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY**  
**WATER REVENUE BONDS, SERIES 2021A**

### FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Hilltop Securities Inc. ("Hilltop Securities") hereby certifies as set forth below with respect to the sale and issuance of the above-captioned bonds (the "Bonds").

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***Defined Terms.***

(a) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the "General Rule Maturities."

(b) *Issuer* means the Palmdale Water District Public Financing Authority.

(c) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(d) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Hilltop Securities' interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Stradling Yocca Carlson & Rauth, a Professional Corporation in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

**HILLTOP SECURITIES INC.**

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

Name: \_\_\_\_\_

Dated: \_\_\_\_\_, 2021

**SCHEDULE A**

**SALE PRICES OF THE GENERAL RULE MATURITIES**

*(To be attached)*

**INDENTURE OF TRUST**

**by and between**

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

**and**

**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY,  
as Issuer**

**Relating to**

**\$ \_\_\_\_\_  
PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY  
WATER REVENUE BONDS, SERIES 2021A**

**Dated as of \_\_\_\_\_ 1, 2021**

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## INDENTURE OF TRUST

This INDENTURE OF TRUST (the “Indenture”), dated as of \_\_\_\_\_ 1, 2021, by and between THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under and by virtue of the laws to the United States of America (the “Trustee”) and PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the “Issuer”);

### WITNESSETH

WHEREAS, the Issuer desires to assign without recourse all its rights to receive the Revenues (as hereinafter defined) scheduled to be paid by the Palmdale Water District (“the District”) to the Issuer under and pursuant to the Installment Purchase Agreement (as hereinafter defined); and

WHEREAS, in consideration of such assignment and the execution and entering into of this Indenture, the Trustee has agreed to authenticate and deliver bonds (the “Bonds”) in an aggregate principal amount equal to \$ \_\_\_\_\_; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Indenture do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Indenture;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

### ARTICLE I

#### DEFINITIONS; EQUAL SECURITY

**Section 1.01 Definitions.** Capitalized terms used herein and not otherwise defined herein shall have the respective meanings ascribed to such terms in the Installment Purchase Agreement. Unless the context otherwise requires, the terms defined in this Section shall for all purposes hereof and of any amendment hereof or supplement hereto and of the Bonds and of any certificate, opinion, request or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

Annual Debt Service. The term “Annual Debt Service” means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds in such Bond Year, and (b) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year.

Authority. The term “Authority” means the Palmdale Water District Public Financing Authority.

Authorized Denominations. The term “Authorized Denominations” means \$5,000 or any integral multiple thereof.

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

Bond Year. The term “Bond Year” means each twelve month period extending from October 2 in one calendar year to October 1 of the succeeding calendar year, except in the case of the initial Bond Year which shall be the period from the Closing Date of the Bonds to October 1, 2021, both dates inclusive.

Bonds. The term “Bonds” means the Palmdale Water District Public Financing Authority Water Revenue Bonds, Series 2021A in the aggregate principal amount of \$\_\_\_\_\_.

Book-Entry System. The term “Book-Entry System” means the system maintained by the Securities Depository and described in Section 2.10 hereof.

Business Day. The term “Business Day” means any day other than: (i) a Saturday or Sunday; or (ii) a day on which banks located in the city in which the Corporate Trust Office of the Trustee is located are authorized or required to remain closed; or (iii) a day on which The New York Stock Exchange is closed.

Certificate; Request. The term “Certificate” or “Request” means: (i) with respect to the District, an instrument in writing signed on behalf of the District by the General Manager, or by any other officer of the District duly authorized by the District’s Board of Directors to sign documents on its behalf with respect to the matters referred to therein; and (ii) with respect to the Issuer, by the Executive Director of the Issuer, or by any other officer of the Issuer duly authorized by the Board of Directors of the Issuer to sign documents on its behalf with respect to the matters referred to therein.

Code. The term “Code” means the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations in effect with respect thereto.

Construction Fund. The term “Construction Fund” means the fund by that name established in accordance with Section 3.03 hereof.

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



under the Insurance Policy or the Reserve Surety Policy), securities eligible for “AAA” defeasance under then existing criteria of S&P.

Delivery Date. The term “Delivery Date” means the date of the delivery of the Bonds to the initial purchaser thereof.

Depository. The term “Depository” means DTC or another recognized securities depository selected by the Issuer which maintains a book-entry system for the Bonds.

District. The term “District” means the Palmdale Water District.

DTC. The term “DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

Event of Default. The term “Event of Default” means an Event of Default as defined in Section 8.1 of the Installment Purchase Agreement.

Executive Director. The term “Executive Director” means the Executive Director of the Issuer.

Favorable Opinion of Special Counsel. The term “Favorable Opinion of Special Counsel” means an opinion of Special Counsel addressed to the District and the Trustee to the effect that an action proposed to be taken is not prohibited by the laws of the State or this Indenture and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Fitch. The term “Fitch” means Fitch Ratings, Inc., its successors and assigns.

General Manager. The term “General Manager” means the General Manager of the District.

Hazardous Substances. The term “Hazardous Substances” means any hazardous substances, wastes, pollutants or contaminants now or hereafter included in such (or any similar) term under any federal, state, or local statute, code, ordinance or regulation now in effect or hereafter enacted or amended.

Independent Certified Public Accountant. The term “Independent Certified Public Accountant” means any form of certified public accountants appointed by the Issuer which is independent pursuant to the Statement on Auditing Standards No. I of the American Institute of Certified Public Accountants.

Indenture. The term “Indenture” means this Indenture of Trust executed and entered into as of \_\_\_\_\_ 1, 2021 by and between the Trustee and the Issuer, as originally executed and entered into and as it may from time to time be amended or supplemented in accordance herewith.

Information Services. The term “Information Services” means national information services that disseminate securities redemption notices; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the District may specify in a Certificate to the Trustee.

Installment Payment Date. The term “Installment Payment Date” means each date on which Installment Payments are scheduled to be paid by the District pursuant to the Installment Purchase Agreement.

Installment Payments. The term “Installment Payments” means the installment payments payable by the District pursuant to the Installment Purchase Agreement and in the amounts and at the times set forth in the Installment Purchase Agreement.

Installment Purchase Agreement. The term “Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of \_\_\_\_\_ 1, 2021, by and between the District and the Issuer, as originally executed or as it may from time to time be amended or supplemented in accordance with its terms.

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

Insurer. The term “Insurer” means \_\_\_\_\_ or any successor thereto.

Interest Account. The term “Interest Account” means the account by that name established pursuant to Section 3.02 hereof.

Interest Payment Date. The term “Interest Payment Date” means April 1 and October 1 of each year, commencing April 1, 2022.

Issuance Costs. The term “Issuance Costs” means all the costs of issuing and delivering the Bonds, including, but not limited to, all printing and document preparation expenses in connection with this Indenture, the Installment Purchase Agreement, the Bonds and any preliminary official statement and final official statement pertaining to the Bonds, rating agency fees, CUSIP Service Bureau charges, market study fees, legal fees and expenses of counsel with the issuance and delivery of the Bonds, the initial fees and expenses of the Trustee and its counsel and other fees and expenses incurred in connection with the issuance and delivery of the Bonds, to the extent such fees and expenses are approved by the District.

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

Issuer. The term “Issuer” means the Palmdale Water District Public Financing Authority, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California.

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

Maturity Date. The term “Maturity Date” means October 1 of each year in which principal payments are due on the Bonds commencing in \_\_\_\_ and ending in \_\_\_\_.

Maximum Annual Debt Service. The term “Maximum Annual Debt Service” means, as of the date of any calculation, the largest Annual Debt Service during the current or any future Bond Year.

Moody’s. The term “Moody’s” means Moody’s Investors Service, Inc., its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, “Moody’s” will be deemed to refer to any other nationally recognized securities rating agency (other than S&P) designated by the Issuer by written notice to the Trustee.

Nominee. The term “Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.10 hereof.

Outstanding. The term “Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 9.02) all Bonds except: (i) Bonds canceled by the Trustee or delivered to the Trustee for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of Section 10.01; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to this Indenture.

Owner. The term “Owner” or “Bond Owner” or “Owner of Bonds” or any similar term, when used with respect to the Bonds, means any person who shall be the registered owner of any Outstanding Bond.

Participant. The term “Participant” means, with respect to DTC or another Securities Depository, a member of or participant in DTC or such other Securities Depository, respectively.

Person. The term “Person” means a natural person or any legal entity.

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

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

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

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

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

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

- (2) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (b) above, which escrow may be applied only to the payment of such principal and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;
- (i) Municipal Obligations rated “Aaa/AAA” or general obligations of States with a rating of “A2/A” or higher by both Moody’s and S&P;
- (j) Investment Agreements (supported by appropriate opinions of counsel);
- (k) the Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name;
- (l) Local Government Investment Pools (LGIP). Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code §6509.7. To be eligible for purchase, the pool must meet the requirements of CGC §53601(p); and
- (m) Certificates of deposit insured by the Federal Deposit Insurance Corporation.

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

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

Ratings of Permitted Investments shall be determined at the time of purchase of such Permitted Investments and without regard to rating subcategories. The Trustee shall have no responsibility to monitor the ratings of Permitted Investments after the initial purchase of such Permitted Investments, or the responsibility to validate Permitted Investments the ratings of Permitted Investments prior to the initial purchase.

Principal Account. The term “Principal Account” means the account by that name established pursuant to Section 3.02 hereof.

Project. The term “Project” has the meaning given in the Installment Purchase Agreement.

Project Costs. The term “Project Costs” means all costs of acquiring, constructing and installing the Project, including, but not limited to:

(a) all costs which the Issuer or the District shall be required to pay to a seller or any other person under the terms of any contract or contracts for the purchase of the Project;

(b) all costs which the Issuer or the District shall be required to pay a contractor or any other person for the acquisition, construction and installation of the Project;

(c) obligations of the Issuer or the District incurred for services (including obligations payable to the Issuer or the District for actual out-of-pocket expenses of the Issuer or the District) in connection with the acquisition, construction and installation of the Project, including reimbursement to the Issuer or the District for all advances and payments made in connection with the Project prior to or after delivery of the Bonds;

(d) the actual out-of-pocket costs of the Issuer or the District for surveys, estimates and preliminary investigations therefor, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of the Project, including administrative expenses relating to the acquisition, construction and installation of the Project; and

(e) any sums required to reimburse the Issuer or the District for advances made by the Issuer or the District for any of the above items or for any other costs incurred and for work done by the Issuer or the District which are properly chargeable to the Project.

Rebate Fund. The term “Rebate Fund” means the fund by that name established and held by the Trustee pursuant to Section 5.03 hereof.

Record Date. The term “Record Date” means the fifteenth (15th) day of the month immediately preceding an Interest Payment Date whether or not such day is a Business Day.

Redemption Account. The term “Redemption Account” means the account by that name established pursuant to Section 3.02.

Redemption Price. The term “Redemption Price” means, with respect to any Bond (or portion thereof), the principal amount with respect to such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and this Indenture.

Reserve Fund. The term “Reserve Fund” means the fund by that name established pursuant to Section 5.04.

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

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

Revenues. The term “Revenues” means amounts received by the Issuer pursuant to or with respect to the Installment Purchase Agreement and all interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder.

Securities Depository. The term “Securities Depository” means DTC or, if applicable, any successor securities depository appointed pursuant to Section 2.10 hereof.

Sinking Account. The term “Sinking Account” means the account established pursuant to section 5.02 hereof.

Special Counsel. The term “Special Counsel” means any attorney at law or firm of attorneys selected by the District, of nationally-recognized standing in matters pertaining to the federal tax exemption of interest with respect to obligations of states and political subdivisions.

S&P. The term “S&P” means S&P Global Ratings, a Standard & Poor’s Financial Services, LLC business, its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, “S&P” will be deemed to refer to any other nationally recognized securities rating agency (other than Moody’s) designated by the Issuer by written notice to the Trustee.

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

Statement of the Issuer or the District. The term “Statement of the Issuer or the District” means a statement signed by or on behalf of: (i) the Issuer by its President, Treasurer or Executive Director; or (ii) the District by the President, General Manager or the Finance Director or by any two persons (whether or not officers of the District) who are specifically authorized by resolution of the District to sign or execute such a document on its behalf.

Tax Certificate. The term “Tax Certificate” means the Tax Certificate dated the date of initial issuance of the Bonds, concerning certain matters pertaining to the use and investment of proceeds of the Bonds executed by and delivered to the District on the date of execution and delivery of the Bonds, including any and all exhibits attached thereto.

Term Bonds. The term “Term Bonds” means the Bonds maturing on October 1, \_\_\_\_ which are subject to mandatory sinking fund redemption.

Trustee. The term “Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association, duly organized and existing under and by virtue of the laws of the United States, having a principal corporate trust office in Los Angeles, California, or its successor as Trustee hereunder.

Written Consent of the Issuer or the District; Written Order of the Issuer or the District; Written Request of the Issuer or the District; Written Requisition of the Issuer or the District. The terms “Written Consent of the Issuer or the District,” “Written Order of the Issuer or the District,” “Written Request of the Issuer or the District,” and “Written Requisition of the Issuer or the District” mean, respectively, a written consent, order, request or requisition signed by or on behalf of: (i) the

Issuer by its President, Treasurer, Executive Director; or (ii) the District by the President, General Manager or its Finance Director or by any two persons who are specifically authorized by resolution of the District to sign or execute such a document on its behalf.

**Section 1.02 Equal Security.** In consideration of the acceptance of the Bonds by the Owners, the Indenture shall be deemed to be and shall constitute a contract between the Trustee and the Owners to secure the full and final payment of the interest and principal and redemption premiums, if any, on the Bonds, subject to the agreements, conditions, covenants and terms contained herein, including without limitation the terms included in Article VIII hereof; and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Trustee shall be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to benefit, protection or security of any Bonds over any other Bonds by reason of the number or date thereof or the time of sale, execution or delivery thereof or otherwise for any cause whatsoever, except as expressly provided herein or therein.

## ARTICLE II

### CONDITIONS AND TERMS OF BONDS

**Section 2.01 Preparation of Bonds.** The Trustee is hereby authorized to authenticate and deliver the Bonds, to be denominated “Palmdale Water District Public Financing Authority Revenue Refunding Bonds, Series 2021A” in an aggregate principal amount of \$\_\_\_\_\_.

**Section 2.02 Denominations; Dating.** The Bonds shall be prepared in the form of fully registered Bonds in Authorized Denominations. The Bonds shall be dated the initial date of delivery thereof.

#### **Section 2.03 Payment of Principal and Interest with Respect to Bonds.**

(a) Bonds. Bonds shall become payable on October 1 of each of the years in the principal amounts, and shall bear interest at the rates, set forth below:



<i><b>Maturity Date</b></i> <i><b>(October 1)</b></i>	<i><b>Principal Amount</b></i>	<i><b>Interest Rate</b></i>
	\$	%

(b) Amounts Due. Principal or Redemption Price due on the Bonds at maturity or redemption thereof, whichever is earlier, shall, to the extent of the aggregate principal amount stated upon the Bonds, represent the sum of those portions of the Installment Payments designated as principal coming due on the Installment Payment Dates immediately preceding the Payment Dates in each year.

(c) Payment of Interest. Interest on the Bonds shall be paid on each Interest Payment Date and redemption date and on the Maturity Date therefor. However, if, as shown by the records of the Trustee, interest on the Bonds is in default, Bonds issued in exchange for Bonds surrendered for registration of transfer or exchange shall bear interest from the date to which interest has been paid in full on the Bonds so surrendered or, if no interest has been paid on the Bonds, from the date thereof.

(d) Interest Accrual. Interest on the Bonds shall accrue on the basis of a 360-day year based on twelve 30-day months.

(e) Method and Place of Payment. The principal of and premium, if any, and interest on the Bonds shall be payable in lawful money of the United States of America. Such amounts shall be paid by the Trustee on the applicable payment dates by check mailed by the Trustee to the respective Owners thereof on the applicable Interest Payment Date at their addresses as they appear as of the close of business on the applicable Record Date in the registration books kept by the Trustee, except that in the case of such an Owner of \$1,000,000 or more in aggregate principal amount of Bonds, upon the written request of such Owner to the Trustee at least two Business Days before the Record Date, specifying the account or accounts in the United States to which such payment shall be made, such payments shall be made by wire transfer of immediately available funds

on the applicable payment date following such Record Date. Any request referred to in the preceding sentence shall remain in effect until revoked or revised by such Owner by an instrument in writing delivered to the Trustee. When a Book-Entry System is in effect, interest may be paid by wire transfer in accordance with mutually satisfactory arrangements between the Trustee and the Securities Depository. Principal and interest will be paid in money of the United States that at the time of payment is legal tender for payment of public and private debts or by checks or wire transfers payable in such money.

**Section 2.04 Form of Bonds.** The Bonds and the form of assignment to appear thereon shall be in substantially the form set forth in Exhibit A hereto with necessary or appropriate variations, omissions and insertions as permitted or required by this Indenture.

**Section 2.05 Execution of Bonds.** The Bonds shall be executed in the name and on behalf of the Issuer with the manual or facsimile signature of its President, attested by the manual or facsimile signature of its Secretary. The Bonds shall then be delivered to the Trustee for authentication by it. In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the Issuer before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee, or issued by the Issuer, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Issuer as though those who signed and attested the same had continued to be such officers of the Issuer, and also any Bonds may be signed and attested on behalf of the Issuer by such persons as at the actual date of execution of such Bonds shall be the proper officers of the Issuer although at the nominal date of such Bonds any such person shall not have been such officer of the Issuer.

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

**Section 2.06 Transfer of Bonds.** In the event that the Bonds are no longer held in book-entry form, the following transfer and exchange provisions shall apply. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.08, by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Corporate Trust Office of the Trustee, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee.

Whenever any Bond or Bonds shall be surrendered for transfer, the Trustee shall authenticate and deliver a new Bond or Bonds of the same series and maturity, for a like aggregate principal amount and of authorized denomination or denominations. The Trustee may charge a sum for each new Bond authenticated and delivered upon any transfer. The Trustee may require the payment by any Bond Owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of Bonds the Trustee shall cancel and destroy the Bonds it has received.

Prior to any transfer of the Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

**Section 2.07 Exchange of Bonds.** Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee, for a like aggregate principal amount of Bonds of other authorized denominations of the same series and maturity. The Trustee may charge a sum for each new Bond authenticated and delivered upon any exchange except in the case of any exchange of temporary Bonds for definitive Bonds. The Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of Bonds, the Trustee shall cancel and destroy the Bonds it has received.

The Trustee shall not be required to register the exchange or transfer pursuant to Section 2.06 hereof, of any Bond (i) within 15 days preceding selection of Bonds for redemption or (ii) selected for redemption.

**Section 2.08 Bond Registration Books.** The Trustee will keep or cause to be kept, at the Principal Corporate Trust Office of the Trustee, sufficient books for the registration and transfer of the Bonds, which shall upon reasonable prior notice and at all reasonable times be open to inspection by the Issuer or the District; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as hereinbefore provided.

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

**Section 2.09 Bonds Mutilated, Lost, Destroyed or Stolen.** If any Bond shall become mutilated, the Trustee shall authenticate and deliver a new Bond of like series, tenor, maturity and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated.

Every mutilated Bond so surrendered to the Trustee shall be canceled by it and destroyed. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given indemnifying the Trustee, the Issuer and the District, the Trustee, at the expense of the Bond Owner, shall authenticate and deliver a new Bond of like series, tenor and maturity, and numbered as the Trustee shall determine, in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond executed under this Section and of the expenses which may be incurred by the Trustee under this Section. Any Bond executed and authenticated under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture. The Trustee shall not be required to treat both the original Bond and any replacement

Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be executed hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement Bond shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Bond for a Bond which has been mutilated, lost, destroyed or stolen and which has matured or has been selected for redemption, the Trustee may make payment of such Bond upon receipt of indemnity satisfactory to the Trustee.

#### **Section 2.10 Book-Entry System.**

(a) Bonds shall be issued in fully registered form and shall be initially issued registered in the name of “Cede & Co.,” as nominee of The Depository Trust Company in accordance with this Section 2.10. The Bonds shall be evidenced by one bond maturing on each stated Maturity Date of Bonds. The Bonds may be assigned by the Trustee a distinctive number or letter and number, and a record of the same shall be maintained by the Trustee. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as set forth in this Section 2.10.

With respect to book-entry Bonds, the Issuer and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book-entry Bonds. Without limiting the immediately preceding sentence, the Issuer and the Trustee shall have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in book-entry Bonds; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the Bond registration books, of any notice with respect to book-entry Bonds, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in book-entry Bonds to be redeemed in the event the Issuer redeems the Bonds in part; or (iv) the payment by the Depository or any Participant or any other person, of any amount with respect to principal, premium, if any, or interest with respect to book-entry Bonds. The Issuer and the Trustee may treat and consider the person in whose name each book-entry Bond is registered in the Bond registration books as the absolute Owner of such book-entry Bond for the purpose of payment of principal, premium and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal, premium, if any, and interest on the Bonds only to or upon the order of the respective Owner, as shown in the Bond register, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer’s obligations with respect to payment of principal of, premium, if any, and interest evidenced and borne by the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Bond registration books, shall receive a Bond evidencing the obligation to make payments of principal, premium, if any, and interest evidenced and borne by the Bonds. Upon delivery by the Depository to the Owner and the Trustee, of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Indenture shall refer to such nominee of the Depository.

(b) Delivery of Letter of Representations. In order to qualify the book-entry Bonds for the Depository’s book-entry system, the Issuer and the Trustee shall execute and deliver to the Depository, if required by the Depository, a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the Issuer or the Trustee

any obligation whatsoever with respect to persons having interests in such book-entry Bonds other than the Owners, as shown on the Bond registration books. By executing a Letter of Representations, the Trustee shall agree to take all action necessary at all times so that the Trustee will be in compliance with all representations of the Trustee in such Letter of Representations. In addition to the execution and delivery of a Letter of Representations, the Issuer and the Trustee shall take such other actions, not inconsistent with this Indenture, as are reasonably necessary to qualify Book-Entry Bonds for the Depository's book-entry program.

(c) Selection of Depository. In the event that: (i) the Depository determines not to continue to act as securities depository for book-entry Bonds; or (ii) the Issuer determines that continuation of the book-entry system is not in the best interest of the beneficial owners of the Bonds or the Issuer, then the Issuer will discontinue the book-entry system with the Depository. If the Issuer determines to replace the Depository with another qualified securities depository, the Issuer shall prepare or direct the preparation of a new single, separate, fully registered Bond for each of the maturity dates of such book-entry Bonds, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in subsection (e) hereof. If the Issuer fails to identify another qualified securities depository to replace the Depository, then the Bonds shall no longer be restricted to being registered in such Bond register in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such Bonds shall designate, in accordance with the provisions of Sections 2.06 and 2.07 hereof.

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

(e) Transfer of Bonds to Substitute Depository.

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

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

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

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

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

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

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

### ARTICLE III

#### PROCEEDS OF BONDS

**Section 3.01 Delivery of Bonds.** The Trustee is hereby authorized to authenticate and deliver the Bonds to the purchaser thereof upon receipt of a Request of the Issuer and upon receipt of the proceeds of sale thereof.

**Section 3.02 Establishment of Funds and Accounts and Deposit and Use of Proceeds of Bonds.**

(a) There is hereby established with the Trustee the following funds and accounts for the Bonds: the Issuance Costs Fund, the Rebate Fund, the Reserve Fund, the Construction Fund and the Bond Payment Fund. Within the Bond Payment Fund there is hereby established an Interest Account, a Principal Account and a Redemption Account.

(b) Upon the receipt of payment for the Bonds on the Delivery Date, the Issuer will cause the Trustee to apply the proceeds of sale thereof as follows:

(i) Deposit into the Issuance Costs Fund, \$\_\_\_\_\_, constituting an amount sufficient to pay Issuance Costs with respect to the Bonds; and

(ii) Deposit into the Construction Fund, \$\_\_\_\_\_, constituting an amount sufficient to pay the Project Costs.

(c) Issuance Costs shall be paid from amounts on deposit in the Issuance Costs Fund. The Trustee shall make such payments in the amounts, at the times, in the manner, and on the other terms and conditions set forth herein. No such payment shall be made until the Trustee shall have received a Written Requisition of the District or the Issuer. Each such Written Requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Upon the earlier of the written direction from the Issuer to the effect that all Issuance Costs have been paid or on the six month anniversary of the initial issuance of the Bonds, the Trustee shall transfer any remaining money in the Issuance Costs Fund to the Bond Payment Fund and the Issuance Costs Fund shall thereafter be closed.

(d) The Reserve Surety Policy shall be deposited into the Reserve Fund to satisfy the Reserve Requirement.

The Trustee may establish temporary funds or accounts to facilitate such transfers.

### **Section 3.03 Construction Fund.**

(a) The Trustee shall establish and maintain a separate fund designated the "Construction Fund." On the Closing Date there shall be deposited in the Construction Fund the amount specified in Section 3.02(b)(ii) hereof.

(b) The moneys in the Construction Fund shall be used and withdrawn by the Trustee from time to time to pay the Project Costs upon submission of a Written Requisition of the District stating (i) the Person to whom payment is to be made, (ii) the amount to be paid with payment instructions, (iii) the purpose for which the obligation was incurred, (iv) that such payment constitutes a Project Cost and is a proper charge against the Construction Fund, and (v) that such amounts have not been the subject of a prior disbursement from the Construction Fund, in each case together with a statement or invoice for each amount requested thereunder. Each such Written Requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

(c) Upon the filing of a Written Request of the District stating that the Project has been completed and that all Project Costs have been paid, the Trustee shall transfer and apply the amount, if any, remaining in the Construction Fund (x) if such amount is equal to or greater than \$50,000, to the Redemption Fund to be used to optionally redeem Bonds, provided that the amount so transferred shall not exceed the amount required to provide for the redemption of all Outstanding Bonds and (y) if such amount is less than \$50,000, to the Bond Payment Fund to be used for the purposes thereof. Notwithstanding the foregoing, unless the Insurer otherwise directs, upon the occurrence and continuance of an Event of Default or an event which with notice or lapse of time would constitute an Event of Default, amounts on deposit in the Construction Fund shall not be

disbursed, but shall instead be applied to the payment of debt service or redemption price of the Bonds.

## ARTICLE IV

### REDEMPTION OF BONDS

#### Section 4.01 Redemption of Bonds.

(a) Optional Redemption. The Bonds maturing on and after October 1, \_\_\_\_ are subject to optional redemption, in whole or in part, on any date on and after October 1, \_\_\_\_, from such maturities as are selected by the District in a written request to the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in its sole discretion) prior to such date, in integral multiples of \$5,000, from any source of available funds provided to the Authority by or at the discretion of the District, at a Redemption Price equal to the principal amount of the Bonds to be redeemed, together with accrued interest to the date of redemption, without premium.

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

<i>Redemption Date</i> <i>(October 1)</i>	<i>Principal</i> <i>Amount</i>
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\$

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\* Final Maturity.

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



(c) Extraordinary Redemption. The Bonds will be subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity and within maturities as directed by the District in a Written Request of the District provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in, Sections 6.9 and 6.15 of the Installment Purchase Agreement, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

**Section 4.02 Selection of Bonds To Be Redeemed.** Whenever provision is made herein for the redemption of less than all of the Bonds, (other than mandatory sinking fund redemption of Term Bonds) the Trustee will select the Bonds to be redeemed from all Bonds or such given portion of the Bonds not previously called for redemption, among maturities as directed by the District, and approved in writing by the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy), and within each maturity in a manner selected by the Trustee. For purposes of such selection, the Trustee will treat each Bond as consisting of separate \$5,000 portions and each such portion will be subject to redemption as if such portion were a separate Bond.

**Section 4.03 Notice of Redemption.** The District shall notify the Trustee at least forty-five (45) days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee) prior to any optional or extraordinary redemption date for Bonds pursuant to Section 4.01. Notice of redemption shall be mailed by the Trustee, not less than twenty (20) nor more than sixty (60) days prior to the redemption date, (i) if the Bonds are no longer held under the Book-Entry System, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee by first-class mail, (ii) to the Securities Depository electronically or by such method as is acceptable to the Securities Depository, and (iii) to the Municipal Securities Rulemaking Board. Notice of redemption shall be given in the form and in accordance with the terms of this Indenture.

Each such notice of redemption will state the date of notice, the redemption date, the place or places of redemption and the Redemption Price, will designate the maturities, CUSIP numbers, if any, and, if less than all of any such maturity is to be redeemed, the serial numbers of the Bonds of such maturity to be redeemed by giving the individual number of each Bond or by stating that all Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Bonds the Redemption Price thereof or of said specified portion of the principal thereof in the case of a Bond to be redeemed in part only, together with interest accrued with respect thereto to the redemption date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such redemption date interest thereon ceases to accrue, and will require that such Bond be then surrendered to the Trustee. Any failure to receive such notice or any defect in the notice or the delivery of such notice will not affect the validity of the redemption of any Bond.

With respect to any notice of optional redemption of Bonds, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Bonds to be redeemed and that, if such moneys shall not have been so received, said notice shall be of no

force and effect and the Trustee shall not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received and that the redemption shall not take place.

**Section 4.04 Partial Redemption of Bonds.** Upon surrender of any Bond redeemed in part only, the Issuer shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the District, a new Bond of Authorized Denominations, and of the same maturity date and interest rate, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

**Section 4.05 Effect of Redemption of Bonds.** If notice of redemption having been duly given pursuant to Section 4.03 hereof, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption is held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice together with interest accrued thereon to the date fixed for redemption, interest on the Bonds so called for redemption shall cease to accrue, such Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price and accrued interest. Neither the failure to receive any notice nor any defect therein shall not affect the sufficiency of the proceedings of redemption.

All Bonds redeemed pursuant to the provisions hereof shall be cancelled upon surrender thereof and destroyed.

## ARTICLE V

### ASSIGNMENT AND APPLICATION OF REVENUES

**Section 5.01 Assignment of Revenues.** The Issuer, for good and valuable consideration, does hereby unconditionally grant, transfer and assign to the Trustee without recourse all its rights to receive the Revenues and enforce the Installment Purchase Agreement upon an event of default thereunder for the benefit of the Owners of the Bonds, for the purpose of securing: (a) the payment of all sums due and owing to the Owners of the Bonds under the terms of the Indenture; and (b) the observance, performance and discharge of each agreement, condition, covenant and term of the District contained in the Installment Purchase Agreement, and the Trustee hereby accepts such assignment.

All Installment Payments shall be paid directly by the District to the Trustee, and all Installment Payments received by the Trustee shall be held in trust by the Trustee under the terms hereof for the benefit of the District until deposited in the funds provided in Section 5.02, whereupon such money shall be held in trust in such funds by the Trustee for the benefit of the Owners.

**Section 5.02 Deposit of Revenues.** The Trustee shall deposit all Revenues paid to it into the Bond Payment Fund and shall transfer such funds to the Interest Account, Principal Account, Sinking Account and the Redemption Account in the manner and at the times hereinafter provided. The Bond Payment Fund (and all accounts contained therein) shall be maintained so long as any

Bonds are Outstanding. All moneys in the Bond Payment Fund (and the accounts contained therein) shall be disbursed only for the purposes and uses hereinafter authorized; provided, that any money in such fund or accounts not required to pay the principal and interest and redemption premiums, if any, on the Bonds shall on the Business Day immediately following each Interest Payment Date, be transferred first to the Reserve Fund to replenish amounts therein to the Reserve Requirement and/or to reimburse the Insurer for amounts owed, and second to the Issuer to be used for any lawful purpose of the Issuer.

(a) Interest Account. On or prior to each Interest Payment Date, the Trustee shall transfer to the Interest Account that amount of money representing the portion of the Revenues constituting the interest becoming due and payable on such Interest Payment Date. All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds on their respective Interest Payment Dates.

(b) Principal Account. On or prior to each maturity date (commencing on October 1, 2035), the Trustee shall transfer to the Principal Account that amount of money representing the portion of the Revenues constituting the principal becoming due and payable on such maturity date. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal on the Bonds on their respective maturities. Notwithstanding the foregoing, no principal payments shall be made on the Term Bonds from the Principal Account.

(c) Sinking Account. On or prior to each date on which the Term Bonds are subject to mandatory sinking fund redemption, the Trustee shall transfer to the Sinking Account that amount of money representing the portion of the Revenues constituting the principal becoming due and payable on such date. All money in the Sinking Account shall be used and withdrawn by the Trustee solely for the purpose of paying the mandatory sinking fund redemption of the Term Bonds as they become due and payable.

(d) Redemption Account. Any prepayments paid to the Trustee pursuant to the Installment Purchase Agreement shall immediately be transferred to the Redemption Account. All money in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest and principal and redemption premiums, if any, on the Bonds to be redeemed on their respective optional or mandatory redemption dates.

### **Section 5.03 Rebate Fund.**

(a) Establishment. The Trustee shall establish a separate fund designated the "Rebate Fund." Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected, the Issuer shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to this Section and the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund shall be governed by this Section and the Tax Certificate for the Bonds, unless and to the extent that the Issuer delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected if such requirements are not satisfied.

(i) Computation. Within 55 days of the end of each Bond Year (as such term is defined in the Tax Certificate), the Issuer shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exception of Section 148(f)(4)(B) and the construction expenditure exception of Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the “1½% Penalty”) has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the “Rebatable Arbitrage”). The Issuer shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Transfer. Within 55 days of the end of the fifth Bond Year, upon the written request of the Issuer, an amount shall be deposited to the Rebate Fund by the Trustee from any Revenues legally available for such purpose (as specified by the Issuer in the aforesaid written Request), if and to the extent required so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with (i) of this Subsection (a). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, upon written Request of the Issuer, the Trustee shall withdraw the excess from the Rebate Fund and then credit the excess to the Bond Payment Fund.

(iii) Payment to the Treasury. The Trustee shall pay, as directed by Request of the Issuer, to the United States Treasury, out of amounts in the Rebate Fund,

(A) not later than 60 days after the end of (X) the fifth Bond Year, and (Y) each applicable fifth Bond Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and

(B) not later than 60 days after the payment of all the Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the date of such payment and any income attributable to the Rebatable Arbitrage determined to be due and payable, computed in accordance with Section 1.148-3 of the Treasury Regulations.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Issuer shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this Subsection (a) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by an Internal Revenue Service Form 8038-T prepared by the Issuer, or shall be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment in full of the Bonds and the payments described in Subsection (a)(iii) above being made may be withdrawn by the Issuer upon written direction of the Issuer to the Trustee and utilized in any manner by the Issuer.

(c) Survival of Defeasance. Notwithstanding anything in this Section to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance or payment in full of the Bonds.

(d) Recordkeeping. The Issuer shall retain records of all determinations made hereunder until six years after the complete retirement of the Bonds.

The Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness or any rebate report or rebate calculations. The Trustee shall be deemed conclusively to have complied with the provisions of this Indenture regarding calculation and payment of rebate if it follows the directions of the Issuer and it shall have no independent duty to review or such calculations or enforce compliance with such rebate requirements.

**Section 5.04 Reserve Fund.** The Trustee shall establish and hold in trust the Reserve Fund. The District shall cause the Reserve Surety Policy to be deposited in the Reserve Fund and the Trustee shall draw upon the Reserve Surety Policy in accordance with this Section 5.04.

As long as the Reserve Surety Policy shall be in full force and effect, and the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, the Issuer and Trustee agree to comply with the following provisions:

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

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

(c) Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

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

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

(f) If the Issuer or the District shall fail to pay any Policy Costs in accordance with the requirements of Section 5.04(b) hereof, the Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under this Indenture of Trust other than: (i) acceleration of the maturity of the payments of principal of and interest on the Bonds; or (ii) remedies which would adversely affect Owners of the Bonds.

(g) The Trustee shall ascertain the necessity for a claim upon the Reserve Surety Policy in accordance with the provisions of Section 5.04(a) hereof and provide notice to the Insurer in accordance with the terms of the Reserve Surety Policy at least five (5) Business Days prior to an Interest Payment Date. Where deposits are required to be made by the District with the Trustee to the Bond Payment Fund for the payment of principal of and interest on the Bonds more often than semi-annually, the Trustee shall be instructed to give notice to the Insurer of any failure of the Issuer to make timely payment in full of such deposits within two Business Days of the date due.

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

#### **Section 5.05 Claims Upon the Insurance Policy and Payments by and to the Insurer.**

(a) Payment Procedure Under the Insurance Policy. In the event that principal and/or interest on the Bonds shall be paid by the Insurer pursuant to the Insurance Policy, the Bonds shall remain outstanding for all purposes, shall not cease, terminate, become void or be discharged or

otherwise satisfied and not be considered paid by the Issuer, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Issuer to the registered owners shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such registered owners.

In the event that on the second (2nd) Business Days prior to the related scheduled interest payment date or principal payment date (“Payment Date”), the Trustee has not received sufficient moneys to pay all principal of and interest on the Bonds due on such Payment Date, the Trustee shall immediately notify the Insurer or its designee on the same Business Day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the Payment Date, the Trustee shall so notify the Insurer or its designee.

In addition, if the Trustee has notice that any holder of the Bonds has been required to disgorge payments of principal of or interest on the Bonds pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Trustee shall notify the Insurer or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of the Insurer.

The Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Bonds as follows:

(i) If there is a deficiency in amounts required to pay interest and/or principal on the Bonds, the Trustee shall (i) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for such holders of the Bonds in any legal proceeding related to the payment and assignment to the Insurer of the claims for interest on the Bonds, (ii) receive as designee of the respective holders (and not as Trustee) in accordance with the tenor of the Insurance Policy payment from the Insurer with respect to the claims for interest so assigned, (iii) segregate all such payments in a separate account (the “Policy Payment Account”) to only be used to make scheduled payments of principal of and interest on the Bonds, and (iv) disburse the same to such respective holders; and

(ii) If there is a deficiency in amounts required to pay principal of the Bonds, the Trustee shall (i) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for such holder of the Bonds in any legal proceeding related to the payment of such principal and an assignment to the Insurer of the Bonds surrendered to the Insurer, (ii) receive as designee of the respective holders (and not as Trustee) in accordance with the tenor of the Insurance Policy payment therefor from the Insurer, (iii) segregate all such payments in the Policy Payment Account to only be used to make scheduled payments of principal of and interest on the Bonds, and (iv) disburse the same to such holders.

The Trustee shall designate any portion of payment of principal on the Bonds paid by the Insurer, whether by virtue of mandatory sinking fund prepayment, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Insurer, registered in the name directed by the Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee’s failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of

principal or interest payable by the District on any Bond or the subrogation or assignment rights of the Insurer.

Payments with respect to claims for interest on and principal of Bonds disbursed by the Trustee from proceeds of the Insurance Policy shall not be considered to discharge the obligation of the Issuer with respect to such Bonds, and the Insurer shall become the owner of such unpaid Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise. This Indenture shall not be discharged or terminated unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

Irrespective of whether any such assignment is executed and delivered, the Issuer and the Trustee agree for the benefit of the Insurer that:

(iii) They recognize that to the extent the Insurer makes payments directly or indirectly (e.g., by paying through the Trustee), on account of principal of or interest on the Bonds, the Insurer will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Issuer, with interest thereon, as provided and solely from the sources stated in this Indenture and the Bonds; and

(iv) They will accordingly pay to the Insurer the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Bonds, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Bonds to holders, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

(b) Additional Payments. The Issuer agrees unconditionally that it will pay or reimburse the Insurer on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that the Insurer may pay or incur, including, but not limited to, fees and expenses of the Insurer's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of this Agreement ("Administrative Costs"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of the Insurer spent in connection with the actions described in the preceding sentence. The Insurer agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to the Insurer until the date the Insurer is paid in full.

Notwithstanding anything herein to the contrary, the Issuer agrees to pay to the Insurer (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policy ("Policy Payment"); and (ii) interest on such Policy Payments from the date paid by the Insurer until payment thereof in full by the Issuer, payable to the Insurer at the Late Payment Rate per annum (collectively, "Reimbursement Amounts") compounded semi-annually. The Issuer hereby covenants and agrees that the Reimbursement Amounts are payable from Revenues and secured by a lien on and pledge of Revenues and other collateral pledged to the Bonds on a parity with debt service due on the Bonds.



**Section 5.06 Payments by the Insurer as a Result of Nonpayment.** The Insurer shall be entitled to pay principal or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Insurance Policy) and any amounts due on the Bonds as a result of acceleration of the maturity thereof in accordance with this Indenture, whether or not the Insurer has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.

## ARTICLE VI

### COVENANTS

**Section 6.01 Compliance With Indenture and Installment Purchase Agreement.** The Issuer will not execute and the Trustee will not authenticate or deliver any Bonds in any manner other than in accordance with the provisions hereof; and the Issuer will not suffer or permit any default by it to occur hereunder, but will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it.

The Issuer will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Installment Purchase Agreement required to be observed and performed by the Issuer, and will enforce such agreements against the other party thereto in accordance with their terms.

**Section 6.02 Tax Covenants.** Notwithstanding any other provision of this Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on Bonds will not be adversely affected for federal income tax purposes, the Issuer covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The Issuer will take no action or refrain from taking any action or make any use of the proceeds of the Bonds or of any other moneys or property which would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code;

(b) Arbitrage. The Issuer will make no use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(c) Federal Guaranty. The Issuer will make no use of the proceeds of the Bonds or take or omit to take any action that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(d) Information Reporting. The Issuer will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code;

(e) Hedge Bonds. The Issuer will make no use of the proceeds of the Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause either the Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the Issuer takes all necessary action to assure compliance with the

requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the Bonds for federal income tax purposes; and

(f) Miscellaneous. The Issuer will take no action or refrain from taking any action inconsistent with its expectations stated in that certain Tax Certificate executed by the Issuer in connection with each issuance of Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.

**Section 6.03 Prosecution and Defense of Suits.** The Issuer will defend against every action, suit or other proceeding at any time brought against the Trustee, the Issuer or any Owner upon any claim arising out of the receipt, deposit or disbursement of any of the Installment Payments or involving any rights or obligations of the Trustee, the Issuer or any Owner hereunder; provided, that the Trustee, the Issuer or any Owner at its, his or her election may appear in and defend any such action, suit or other proceeding. The Issuer will indemnify and hold harmless the Trustee and the Owners against any and all liability claimed or asserted by any person arising out of any such receipt, deposit or disbursement, and will indemnify and hold harmless the Owners against any attorneys' fees or other expenses which any of them may incur in connection with any litigation or otherwise in connection with the foregoing to which any of them may become a party in order to enforce their rights hereunder or under the Bonds; provided that such litigation shall be concluded favorably to such Owners' contentions therein.

**Section 6.04 Accounting Records and Statements.** The Trustee shall keep proper books of record and account in accordance with corporate trust industry standards in which complete and correct entries shall be made of all transactions made by the Trustee relating to the receipt, investment, disbursement, allocation and application of the Revenues and the proceeds of the Bonds. Such records shall be open to inspection by the Issuer and by any Owner at any reasonable time during regular business hours on reasonable notice. Not later than the fifteenth (15th) day of each month, commencing on the first calendar month after the initial issuance of the Bonds, and continuing so long as any Bonds are Outstanding, the Trustee will furnish to the Issuer and to the District a complete statement covering the receipts, deposits and disbursements of the funds held by the Trustee hereunder for the preceding month; provided that the Trustee shall not be obligated to provide an accounting for any fund or account that: (a) has a balance of \$0.00; and (b) has not had any activity since the last reporting date.

**Section 6.05 Further Assurances.** Whenever and so often as requested to do so by the Trustee or any Owner, the Issuer will promptly execute and deliver, or cause to be executed and delivered, all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners the benefit, protection and security conferred, or intended to be conferred, upon them hereby.

## ARTICLE VII

### DEFAULT AND LIMITATIONS OF LIABILITY

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

(a) Default by the Issuer in the due and punctual payment of the principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Default by the Issuer in the due and punctual payment of any installment of interest on any Bonds when and as the same shall become due and payable.

(c) Default by the Issuer in the observance of any of the other covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Issuer by the Trustee or by the Owners of a majority in aggregate principal amount of Bonds Outstanding; provided, however, that if in the reasonable opinion of the Issuer the default stated in the notice can be corrected, but not within such thirty (30) day period and corrective action is instituted by the Issuer, within such thirty (30) day period and diligently pursued in good faith until the default is corrected such failure shall not become an Event of Default; provided, however, if such default shall have been continued for ninety (90) days without being cured then such default shall become an Event of Default unless the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy) shall have consented to extend the time for such corrective action.

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

(e) A default by the Issuer under the Installment Purchase Agreement.

**Section 7.02 Remedies Upon Event of Default.** If any Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, with the written consent of the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy), which consent shall be at the sole discretion of the Insurer, upon written notice to the Issuer, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or

entered, the Issuer shall deposit with the Trustee a sum sufficient to pay all the principal of and interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable charges and expenses of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case the Trustee shall, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

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

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

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

(b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of this Indenture, in the following order of priority:

First: To the payment to the persons entitled thereto of all interest then due in the order of the due date of such interest, and, if the amount available shall not be sufficient to pay in full any interest due on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate of two hundred (200) basis points above the interest rate per annum on such overdue principal, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Issuer or rebate only after the payment of

past due and current debt service on the Bonds, any other amounts due and owing the Insurer hereunder or under the Installment Purchase Agreement and amounts required to restore the Reserve Fund to the Reserve Requirement.

**Section 7.04 Trustee to Represent Bond Owners.** The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds or this Indenture and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and, subject to Section 7.11 hereof, upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Bonds or this Indenture or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under this Indenture, pending such proceedings. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Indenture.

Notwithstanding anything contained herein, the Trustee shall have no security interest in or mortgage on the Project, any property of the District or other assets or property thereof and no default hereunder shall result in the loss of the Project, any property of the District or other assets or property thereof.

**Section 7.05 Bond Owners' Direction of Proceedings.** Subject to Section 7.11 hereof, anything in this Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conduct in all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bond Owners not parties to such direction.

**Section 7.06 Limitation on Bond Owners' Right to Sue.** No Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Installment Purchase Agreement or any other applicable law with respect to such Bonds, unless: (a) such Owners shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in

its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding; and (f) such suit, action or proceeding is instituted subject to this Indenture.

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

**Section 7.07 Absolute Obligation of Issuer.** Nothing in Section 7.06 or in any other provision of this Indenture or in the Bonds contained shall affect or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

**Section 7.08 Termination of Proceedings.** In case any proceedings taken by the Trustee or any one or more Bond Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bond Owners, then in every such case the Issuer, the Trustee and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Issuer, the Trustee and the Bond Owners shall continue as though no such proceedings had been taken.

**Section 7.09 Right of Mandamus; Remedies Not Exclusive.** Following an Event of Default, subject to Section 7.11 hereof, the Owners may, by mandamus or other suit or proceeding of law or in equity enforce any and all rights of the Owners hereunder. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

**Section 7.10 No Waiver of Default.** No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; provided, however, that every power and remedy given by this Indenture to

the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

**Section 7.11 Insurer Rights.** The Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy) shall be deemed to be the sole holder of the Bonds insured under the Insurance Policy for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Bonds insured by it are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. In each case in which a notice or other communication refers to an Event of Default or claim on the Insurance Policy, then a copy of such notice or other communication shall also be sent to the attention of the Insurer's General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

If an Insurer Default shall occur and be continuing, then, notwithstanding anything in this Indenture to the contrary: (1) if at any time prior to or following an Insurer Default, the Insurer has made payment under the Insurance Policy, to the extent of such payment the Insurer shall be treated like any other holder of the Bonds for all purposes, including giving of consents; and (2) if the Insurer has not made any payment under the Insurance Policy, the Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or the Insurer makes a payment under the Insurance Policy, in which event, the foregoing clause (1) shall control. For purposes of this Indenture, "Insurer Default" means: (A) the Insurer has failed to make any payment under the Insurance Policy when due and owing in accordance with its terms; or (B) the Insurer shall: (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law; (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition; (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property; (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding; (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Insurance Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the Insurer (including without limitation under the applicable state insurance law).

**Section 7.12 Control By Insurer.** Any reorganization or liquidation plan with respect to the Issuer or the District must be acceptable to the Insurer. Each Owner appoints the Insurer as its agent and attorney-in-fact and agrees that the Insurer may at any time during the continuation of any proceeding by or against the Issuer or the District under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, each Owner delegates and assigns to the Insurer, to the fullest extent permitted by law, the rights of each Owner in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

## ARTICLE VIII

### THE TRUSTEE

**Section 8.01 Employment and Duties of the Trustee.** The Issuer hereby appoints and employs the Trustee to receive, deposit and disburse the Revenues as provided herein, to prepare, authenticate, deliver, transfer, exchange and cancel the Bonds as provided herein, to pay the interest and principal and redemption premiums, if any, on the Bonds to the Owners thereof as provided herein, and to perform the other obligations contained herein; all in the manner provided herein and subject to the conditions and terms hereof. By executing and delivering the Indenture, the Trustee undertakes to perform such obligations (and only such obligations) as are specifically set forth herein, and no implied obligations shall be read herein against the Trustee.

**Section 8.02 Removal and Resignation of the Trustee.** The Issuer may, by giving thirty days prior notice of such negotiation to the Issuer and the District, as long as an Event of Default, or an event which with notice or passage of time or both would become an Event of Default, has not occurred and is continuing, and shall, after any breach by the Trustee hereunder, remove the Trustee initially a party hereto and any successor thereto by giving written notice of such removal to the Trustee, and by giving notice by mail in accordance with Section 11.06 of such removal to all Owners of Bonds, and the Trustee initially a party hereto and any successor thereto may at any time resign by giving written notice of such resignation to the Issuer and the District and by giving notice by mail in accordance with Section 11.06 of such resignation to all Owners of Bonds. Upon giving any such notice of removal or upon receiving any such notice of resignation, the Issuer shall promptly appoint a successor Trustee by an instrument in writing; provided, that in the event the Issuer and the District do not appoint a successor Trustee within sixty (60) days following the giving of any such notice of removal or the receipt of any such notice of resignation, the removed or resigning Trustee may petition any appropriate court having jurisdiction to appoint a successor Trustee. No removal, resignation or termination of the Trustee shall take effect until a successor trustee, acceptable to the Insurer, shall be appointed. Any successor Trustee shall be a bank, national banking association with trust powers or trust company doing business and having a principal corporate trust office in the United States of America, having (or if such bank, national banking association or trust company is a member of a bank holding company system, its bank holding company has) a combined capital, (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000), unless the District consents to a lesser amount therefor, and shall be subject to supervision or examination by state or national authorities. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this section the combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of the appointment by the successor Trustee.

Notwithstanding the foregoing, the Insurer shall receive prior written notice of any name change of the Trustee for the Bonds or the resignation or removal of the Trustee. Any Trustee must be (A) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250 million of assets, (B) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets, or (C) otherwise



approved by the Insurer in writing. No removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to the Insurer, shall be qualified and appointed.

**Section 8.03 Compensation and Indemnification of the Trustee.** The Issuer shall from time to time, subject to any agreement then in effect with the Trustee, pay the Trustee reasonable compensation for its services and reimburse the Trustee for all its reasonable advances and expenditures hereunder, including, but not limited to, advances to and the reasonable fees and expenses of accountants, agents, appraisers, consultants, counsel or other experts employed by it in the observance and performance of its rights and obligations hereunder; provided, except as otherwise provided in Section 7.03 hereof, that the Trustee shall not have any lien for such compensation or reimbursement against any money held by it in any of the funds established hereunder, although the Trustee may take whatever legal actions are available to it directly against the Issuer to recover such compensation or reimbursement. To the extent permitted by law, the Issuer does hereby assume liability for, and agree to defend, indemnify, protect, save and keep harmless, the Trustee and its directors, officers and employees and its successors and assigns from and against any and all liabilities, obligations, losses, damages (including consequential damages incurred by others), taxes and impositions, penalties, fines, claims, actions, suits, costs and expenses and disbursements (including legal fees and expenses) of whatsoever kind and nature imposed in, asserted against or incurred or suffered by the Trustee or its directors, officers or employees or its successors and assigns in any way relating to or arising out of (i) the condition, management, maintenance or use of or from any work done in connection with the Water System by the District including, the use, storage, preserve, disposal or release of any Hazardous Substances in or about the Water System, (ii) any act of negligence of the District or of any of its agents, contractors, directors, employees, invitees, licensees or officers in connection with the Water System, (iii) the authorization of the payment to any costs or expenses of the acquisition and construction of the Project, or (iv) the exercise of any rights or obligations of the Trustee hereunder; provided, that no indemnification will be made for willful misconduct or negligence hereunder by the Trustee.

The Trustee's rights to immunities and protection from liability hereunder and its rights to payment of its fees and expenses shall survive its resignation or removal and the final payment or defeasance of the Bonds.

**Section 8.04 Protection of the Trustee.** The Trustee shall be protected and indemnified as stated herein by the Issuer and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, notice, request, requisition, resolution, statement, telegram, electronic mail, facsimile, voucher, waiver or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions hereof, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee may consult with counsel, who may be counsel to the District, before being required to take any action under this Indenture with regard to legal questions arising hereunder, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it hereunder in good faith in accordance therewith.

The Trustee shall not be responsible for the sufficiency of the Installment Purchase Agreement or of the assignment made to it herein of all rights to receive the Revenues under the Installment Purchase Agreement, or of the title or value of the Project, and shall not be deemed to have knowledge of any Event of Default unless and until it shall have actual knowledge thereof or

have received written notice thereof at its corporate trust office in Los Angeles, California. All recitals, warranties or representations contained therein are statements of the District, and the Trustee assumes no responsibility for their correctness, and the Trustee shall not be accountable for the use or application by the District, or any other party, of any funds which the Trustee properly releases to the District or which the District may otherwise receive from time to time. The Trustee makes no representation concerning, and has no responsibility for, the validity, genuineness, sufficiency, or performance by parties other than the Trustee of the Indenture, any Bond, or of any other paper or document, or for taking any action on them (except as specifically and expressly stated for the Trustee in the Indenture), or with respect to any obligation of the Issuer or the District hereunder or for the sufficiency of any insurance on the Water System.

Whenever in the observance or performance of its rights and obligations hereunder or under the Bonds, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, the Trustee may request a Certificate of the District and such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the District, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner may be entitled to take with like effect as it were not a party hereto. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Issuer or the District, and may act as agent, depository or trustee for any committee or body of Owners or of owners of obligations of the Issuer or the District as freely as if it were not the Trustee hereunder. The Trustee shall not be answerable for the exercise of any of its rights hereunder or for the performance of any of its obligations hereunder or for anything whatsoever in connection with the funds established hereunder, except only for its own willful misconduct or negligence.

No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured or waived, exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Trustee shall not be responsible for monitoring the compliance of the District and the Issuer with the covenants as set forth in Sections 5.03 and 6.02 hereof and Section 6.5 of the Installment Purchase Agreement and may conclusively rely on all written instructions and calculations of the District and the Issuer with respect thereto; provided, the Trustee shall promptly comply with all such written instructions as provided in Sections 5.03 and 6.02.

The Issuer shall not be deemed to be an agent of the Trustee and the Trustee shall not be liable for the acts or omissions of the Issuer in connection with the transactions contemplated hereby and by the Installment Purchase Agreement.

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

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

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

The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, affiliates, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder.

The Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term “force majeure” means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force majeure shall include, but not be limited to, acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

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

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

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

The Trustee shall have no duty to review, verify or analyze any financial statements furnished to it by the District, and shall hold such financial statements solely as a repository for the Owners. The Trustee shall not be deemed to have notice of any information contained therein or any default or Event of Default that may be disclosed therein in any manner.

**Section 8.05 Notice to Insurer by Trustee.** The Trustee shall notify the Insurer of any failure of the Issuer to provide notices, certificates and other information under the transaction documents of which the Trustee has actual or deemed knowledge. The Trustee shall provide the Insurer with all notices and other information received by the Trustee that the Issuer is obligated to provide to the holders of the Bonds or to the Trustee under this Indenture.

## **ARTICLE IX**

### **AMENDMENT OF OR SUPPLEMENT TO THE INDENTURE**

**Section 9.01 Amendment or Supplement by Consent of Owners.** The Indenture and the rights and obligations of the Issuer, the District, Owners and the Trustee hereunder may be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 9.02, are filed with the Trustee. So long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, the consent of the Insurer shall be required for any amendment or supplement which requires the written consent of the Owners. No such amendment or supplement shall: (1) reduce the rate of interest on any Bond or extend the time of payment thereof or reduce the amount of principal or redemption premium, if any, of any Bond or extend the maturity thereof or

otherwise alter or impair the obligation of the Issuer to pay the interest and principal and redemption premium, if any, thereon at the time and place and at the rate and in the currency and from the funds provided therein without the prior written consent of the Owner of the Bond so affected; or (2) modify any of the rights or obligations of the Trustee without its prior written consent thereto.

The Indenture and the rights and obligations of the Issuer, the District, the Owners and the Trustee hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law and after receipt of an approving Opinion of Special Counsel and only if, in the opinion of the Trustee (which opinion may be based upon an Opinion of Special Counsel or a Certificate of the District), such amendment or supplement is not materially adverse to the interests of the Owners, including, but not limited to, amendments or supplements and, only if in the case of any amendment that adversely affects the rights and interests of the Insurer, with the written consent of the Insurer, which shall be requested only if the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy:

(a) to add to the agreements, conditions, covenants and terms contained herein required to be observed or performed by the Issuer or the District other agreements, conditions, covenants and terms thereafter to be observed or performed by the Issuer or the District, or to surrender any right reserved herein to or conferred herein on the Issuer or the District, and which in either case shall not adversely affect the interests of the Owners;

(b) to modify, amend or supplement this Indenture in such manner as to preserve the exemption of the Bonds from the registration requirements of the Securities Act of 1933 or any similar federal statute hereafter in effect or to permit the qualification of this Indenture under the Trust Indenture Act of 1939 or any similar federal statute hereinafter in effect;

(c) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Issuer or the District may deem desirable or necessary, and which shall not adversely affect the interests of the Owners; and

(d) to make any modifications or changes necessary or appropriate in the Opinion of Special Counsel to preserve or protect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

The Issuer shall give written notice of any amendment, or supplement to this Indenture, and the rights and obligations of the Issuer and the District and the Owners, the Trustee and the Insurer hereunder, to Fitch and S&P not less than fifteen (15) days prior to the execution thereof.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modification thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an opinion of counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture and complies with the terms hereof. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

**Section 9.02 Disqualified Bonds.** Bonds known to the Trustee to be held for the account of the Issuer or the District (but excluding Bonds held in any pension or retirement fund of the Issuer or the District) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided herein, and shall not be entitled to consent to or take any other action provided herein, and the Trustee may adopt appropriate regulations to require each Owner, before his or her consent provided for herein shall be deemed effective, to reveal if the Bonds as to which such consent is given are disqualified as provided in this Section. Upon request of the Trustee, the Issuer and the District shall specify in a Certificate of the Issuer and the District those Bonds disqualified pursuant to this Section 9.02 and the Trustee may conclusively rely on such Certificate.

**Section 9.03 Endorsement or Replacement of Bonds After Amendment or Supplement.** After the effective date of any action taken as hereinabove provided, the Trustee may determine that the Bonds may bear a notation by endorsement in form approved by the Issuer and the District as to such action, and in that case, upon demand of the Owner of any Outstanding Bond and presentation of the Bond for such purpose at the corporate trust office of the Trustee in Los Angeles, California, a suitable notation as to such action shall be made on such Bond. If the Issuer and the District shall so determine, new Bonds so modified as in the opinion of the Issuer and the District shall be necessary to conform to such action shall be prepared, and in that case upon demand of the Owner of any Outstanding Bonds such new Bonds shall be exchanged without cost to each Owner for Bonds then Outstanding at the corporate trust office of the Trustee in Los Angeles, California, upon surrender of such Outstanding Bonds. All Bonds surrendered to the Trustee pursuant to the provisions of this Section shall be canceled by the Trustee and shall not be redelivered.

**Section 9.04 Amendment or Supplement by Mutual Consent.** The provisions of this article shall not prevent any Owner from accepting any amendment or supplement as to the particular Bonds owned by him or her; provided, that due notation thereof is made on such Bonds.

**Section 9.05 Effect of Insurance Policy.** In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Indenture would adversely affect the security for the Bonds or the rights of the Owners, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Insurance Policy.

## **ARTICLE X**

### **DEFEASANCE**

#### **Section 10.01 Discharge of Bonds and Indenture.**

(a) If the Trustee shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the interest and principal and redemption premiums, if any, evidenced and represented thereby at the times and in the manner provided herein and therein, then all agreements and covenants of the Issuer and the District to such Owners hereunder shall thereupon cease, terminate and become void and shall be completely discharged and satisfied.

(b) Any Outstanding Bonds shall on their maturities or their mandatory redemption dates prior thereto be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this Section if there shall be on deposit with the Trustee money held in

trust for the benefit of the Owners of such Bonds which is sufficient to pay the interest and principal and redemption premiums, if any, on such Bonds payable on and prior to their maturities or their mandatory redemption dates thereto.

(c) Any Outstanding Bonds shall prior to their maturities or their mandatory redemption dates prior thereto be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this Section if: (1) in case any of such Bonds are to be redeemed on any date prior to their maturities, the Issuer shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice by mail in accordance with Section 11.06 to the Owners of such Bonds of the redemption of such Bonds on such mandatory redemption dates; (2) there shall have been deposited with the Trustee Defeasance Securities, the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Trustee at the same time, shall be sufficient (as evidenced by a report of an Independent Certified Public Accountant regarding such sufficiency) to pay when due the interest on such Bonds on and prior to the earlier of their maturities or their mandatory redemption dates, as the case may be, and the principal and redemption premiums, if any, on such Bonds; and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Issuer shall have given the Trustee in form satisfactory to it irrevocable instructions to give notice by mail in accordance with Section 11.06 to the Owners of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Section and stating their maturities or their mandatory redemption dates prior thereto upon which money is to be available for the payment of the interest and principal and redemption premiums, if any, on such Bonds.

To accomplish defeasance, the Issuer shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Insurer (the "Accountant") verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date (the "Verification"); (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Insurer); (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer "Outstanding" under this Indenture; and (iv) a certificate of discharge of the Trustee with respect to the Bonds. Each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Issuer, Trustee and Insurer. The Insurer shall be provided with final drafts of the above-reference documentation not less than three Business Days prior to the funding of the escrow. In addition, the Escrow Deposit Agreement shall provide that:

(i) Any substitution of securities following the execution and delivery of the Escrow Deposit Agreement shall require the delivery of a Verification, an opinion of bond counsel that such substitution will not adversely affect the exclusion (if interest on the Bonds is excludable) from gross income of the holders of the Bonds of the interest on the Bonds for federal income tax purposes and the prior written consent of the Insurer, which consent will not be unreasonably withheld.

(ii) The Issuer will not exercise any prior optional redemption of Bonds secured by the Escrow Deposit Agreement or any other redemption other than mandatory sinking fund redemption unless (a) the right to make any such redemption has been expressly reserved in the Escrow Deposit Agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (b) as a condition to any such redemption there shall be provided to the

Insurer a Verification as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

(iii) The District shall not amend the Escrow Deposit Agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the Insurer.

Bonds shall be deemed "Outstanding" under this Indenture unless and until they are in fact paid and retired or the above criteria are met.

(d) The Trustee shall, if so directed by the Issuer pursuant to a Request of the Issuer: (i) prior to the maturity date of Bonds deemed to have been paid in accordance with this Section 10.01 which are not to be redeemed prior to their maturity date; or (ii) prior to the mailing of the notice of redemption referred to in clause (c) above with respect to any Bonds deemed to have been paid in accordance with this Section 10.01 which are to be redeemed on any date prior to their maturity, apply moneys deposited with the Trustee with respect to such Bonds and redeem or sell Defeasance Securities so deposited with the Trustee and apply the proceeds thereof to the purchase of such Bonds and the Trustee shall immediately thereafter cancel all such Bonds so purchased; provided, however, that the Defeasance Securities remaining on deposit with the Trustee after the purchase and cancellation of such Bonds shall be sufficient to pay when due the interest on those Bonds on and prior to their maturities or their mandatory redemption dates prior thereto, as the case may be, and the principal and redemption premiums, if any, on such Bonds, with respect to which such Defeasance Securities are being held by the Trustee on or prior to the Redemption Date or maturity date thereof; as the case may be. If, at any time: (i) prior to the maturity date of Bonds deemed to have been paid in accordance with this Section 10.01 which are not to be redeemed prior to their maturity date; or (ii) prior to the mailing of the notice of redemption referred to in clause (c) with respect to any Bonds deemed to have been paid in accordance with this Section 10.01 which are to be redeemed on any date prior to their maturity, the Issuer shall purchase or otherwise acquire any such Bonds and deliver such Bonds to the Trustee prior to their maturity date or Redemption Date, as the case may be, the Trustee shall immediately cancel all such Bonds so delivered; such delivery of Bonds to the Trustee shall be accompanied by directions from the Issuer to the Trustee in the form of a Request of the Issuer as to the manner in which such Bonds are to be applied against the obligation of the Trustee to pay or redeem Bonds deemed paid in accordance with this Section 10.01. The directions given by the Issuer to the Trustee referred to in the preceding sentences shall also specify the portion, if any, of such Bonds so purchased or delivered and canceled to be applied against the obligation of the Trustee to pay Bonds deemed paid in accordance with this Section 10.01 upon their maturity date or dates and the portion, if any, of such Bonds so purchased or delivered and canceled to be applied against the obligation of the Trustee to redeem Bonds deemed paid in accordance with this Section 10.01 on any date or dates prior to their maturity.

In the event that on any date as a result of any purchases, acquisitions and cancellations of Bonds as provided in this Section 10.01 the total amount of Defeasance Securities remaining on deposit with the Trustee under this Section 10.01 is in excess of the total amount which would have been required to be deposited with the Trustee on such date with respect to the remaining Bonds in order to satisfy subclause (2) of subsection (c) of this Section 10.01, the Trustee shall, if requested by the District pursuant to a request of the District, pay the amount of such excess to the District free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under this Indenture; provided, however, before any such excess is transferred to the District, the District and the Trustee shall have received a report of an Independent Certified Public



Accountant to the effect that the amount of moneys and the principal of and interest when due on the Defeasance Securities remaining on deposit with the Trustee after such amount is transferred to the District shall be sufficient to pay when due the interest on such Bonds on and prior to their maturities or their mandatory redemption dates prior thereto, as the case may be, and the principal and redemption premiums, if any, of such Bonds.

Except as otherwise provided in this subsection (d) of this Section 10.01, neither Defeasance Securities deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or redemption price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the District as received by the Trustee, free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under the Indenture, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the interest on the Bonds on and prior to their maturities or their mandatory redemption dates prior thereto, as the case may be, and the principal and redemption premiums, if any, on the Bonds and interest earned from such reinvestment shall be paid over to the District, as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under the Indenture.

(e) After the payment of all interest and principal and redemption premiums, if any, of all Outstanding Bonds as provided in subsections (a) or (b) of this Section, and the payment of all fees and expenses of the Trustee, upon receipt of a Request of the District, the Trustee shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the Issuer and the District and shall authenticate and deliver to the Issuer and the District all such instruments as may be necessary or desirable to evidence such total discharge and satisfaction of the Indenture, and the Trustee shall pay over or deliver to the District all money or investments held by it pursuant hereto which are not required for the payment of the interest and principal and redemption premiums, if any, evidenced and represented by such Bonds, which money and investments shall be used by the District for any lawful purpose.

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

**Section 10.02 Unclaimed Money.** Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or principal or redemption premium, if any, on any Bonds which remains unclaimed for two (2) years after the date when the payments on such Bonds have become payable, if such money was held by the Trustee on such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and principal and redemption premiums, if any, on such Bonds have become payable, shall be repaid by the Trustee to the Issuer (without liability for interest) as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Issuer for the payment of the interest and principal and redemption premiums, if any, on such Bonds; provided, that before being required to make any such payment to the Issuer, the Trustee shall, at the expense of the Issuer, give

notice by mail in accordance with Section 11.06 to Owners of Bonds with respect to which moneys remain unclaimed that such money remains unclaimed and that after a date named in such notice, which date shall not be less than sixty (60) days after the date of giving such notice, the balance of such money then unclaimed will be returned to the Issuer.

## **ARTICLE XI**

### **MISCELLANEOUS**

**Section 11.01 Benefits of the Indenture Limited to Parties.** Nothing contained herein, expressed or implied, is intended to confer upon, or to give or grant to, any person or entity other than the Issuer, the District, the Trustee, the Insurer and the Owners any claim, remedy or right under or pursuant hereto, and any agreement, condition, covenant or term contained herein required to be observed or performed by or on behalf of the Issuer or the District shall be for the sole, exclusive benefit of the Trustee, the Insurer and the Owners.

**Section 11.02 Successor Deemed Included in All References to Predecessor.** Whenever either the Issuer, the District or the Trustee or any officer, director or employee thereof is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Issuer, the District or the Trustee or such officer, director or employee, and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Issuer, the District or the Trustee or any officer, director or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

**Section 11.03 Execution of Documents by Owners.** Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or such Owner's attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he or she purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him or her the execution thereof; or by an affidavit of a witness to such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

Any declaration, acceptance, request or other instrument in writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done by the Issuer or the District or the Trustee in good faith and in accordance therewith.

**Section 11.04 Waiver of Personal Liability.** No officer, director or employee of the District, the Issuer or the Trustee shall be individually or personally liable for the payment of the interest or principal or redemption premiums, if any, on the Bonds, but nothing contained herein shall relieve any officer, director or employee of the Issuer, the District or the Trustee from the performance of any official duty provided by any applicable provisions of law or by the Installment Purchase Agreement or hereby.

**Section 11.05 Content of Certificates.** Every certificate with respect to compliance with any agreement, condition, covenant or term contained herein shall include: (a) a statement that the

person or persons executing such certificate have read such agreement, condition, covenant or term and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with.

Any certificate may be based, insofar as it relates to legal matters, upon an Opinion of Special Counsel unless the person or persons executing such certificate know that the Opinion of Special Counsel with respect to the matters upon which his, her or their certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Special Counsel may be based, insofar as it relates to factual matters or information with respect to which is in the possession of the District, upon a representation by an officer or officers of the District unless the counsel executing such Opinion of Special Counsel knows that the representation with respect to the matters upon which his or her opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

**Section 11.06 Notice by Mail.** Any notice required to be given hereunder by mail to any Owners of Bonds shall be given by mailing a copy of such notice, first class postage redeemed, to the Owners of such Bonds at their addresses appearing in the books required to be kept by the Trustee pursuant to the provisions of Section 2.08 not less than fifteen (15) days nor more than thirty (30) days following the action or prior to the event concerning which notice thereof is required to be given; provided, that receipt of any such notice shall not be a condition precedent to the effect of such notice and neither failure to receive any such notice nor any immaterial defect contained therein shall affect the validity of the proceedings taken in connection with the action or the event concerning which such notice was given.

**Section 11.07 Funds.** Any fund required to be established and maintained herein by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purpose of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such funds shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the Owners. In addition to the funds and accounts required to be established hereunder, the Trustee may establish such other funds and accounts as it deems necessary or appropriate to perform its obligations.

#### **Section 11.08 Deposits and Investments.**

(a) Any money held by the Trustee in any of the funds provided herein shall be invested in one or more Permitted Investments in accordance with a Written Request of the Issuer or the District filed with the Trustee at least two Business Days in advance of the making of such investments. In the absence of a Written Request of the Issuer or the District funds shall be held uninvested. Any such money shall be invested by the Trustee as directed by the Issuer or the District pursuant to a Written Request of the Issuer or the District in Permitted Investments which will, as

nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement hereunder.

(b) The Trustee may act as principal or agent in the acquisition or disposition of any such deposit or investment and may, for the purpose of any such deposit or investment, commingle any of the money held by them hereunder, and the Trustee shall not be liable or responsible for any loss suffered in connection with any such deposit or investment made by them under the terms of and in accordance with this Section. The Trustee may present for redemption or sell any such deposit or investment whenever it shall be necessary in order to provide money to meet any payment of the money so deposited or invested, and the Trustee shall not be liable or responsible for any losses resulting from any such deposit or investment presented for redemption or sold. Any Permitted Investments that are registrable securities shall be registered in the name of the Trustee. The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

The Issuer (and the District by its execution of the Installment Purchase Agreement) acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Issuer the right to receive brokerage confirmations of security transactions as they occur, the Issuer specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish periodic cash transaction statements to the Issuer which include detail for all investment transactions made by the Trustee hereunder.

(c) Subject to Section 5.03 and subsection (d) of this Section, any interest or profits on such deposits and investments received by the Trustee shall be retained in the fund or account to which they relate and on or before April 1 and October 1 of each year shall be transferred first, if the Issuer so directs, to the Rebate Fund, and second, shall be transferred to the Interest Account of the Bond Payment Fund.

(d) Trustee shall deposit earnings on investments in the Bond Payment Fund to the Interest Account, Principal Account or Redemption Account of the Bond Payment Fund, to the extent money is needed therein to make the interest or principal payment or redemption premiums, if any, as the case may be, on such Interest Payment Date, maturity date, or Redemption Date.

**Section 11.09 Article and Section Headings, Gender and References.** The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to “Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words “hereby,” “hereof” “hereto,” “herewith,” “hereunder” and other words of similar import refer to the Indenture as a whole and not to any particular article, section, subdivision or clause thereof.

**Section 11.10 Partial Invalidity.** If any one or more of the agreements, conditions, covenants or terms contained herein required to be observed or performed by or on the part of the Issuer or the Trustee shall be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms shall be null and void and shall be deemed separable from the remaining agreements, conditions, covenants and terms hereof and shall

in no way affect the validity hereof or of the Bonds, and the Owners shall retain all the benefit, protection and security afforded to them hereunder and under all provisions of applicable law. The Trustee and the Issuer hereby declare that they would have executed and entered into the Indenture and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the execution and delivery of the Bonds pursuant hereto irrespective of the fact that any one or more of the articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

**Section 11.11 California Law.** THE INDENTURE SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

**Section 11.12 Insurer as Third Party Beneficiary.** The Insurer is intended as a third party beneficiary to this Indenture.

**Section 11.13 No Impairment of Insurer's Rights.** No contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

**Section 11.14 Insurer Consideration.** The rights granted to the Insurer under this Indenture or any supplement thereto or amendment thereof to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Owners and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Owners or any other person is required in addition to the consent of the Insurer.

**Section 11.15 Amounts Paid by Insurer.** Amounts paid by the Insurer under the Insurance Policy shall not be deemed paid for purposes of this Indenture and the Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Issuer in accordance with this Indenture. This Indenture shall not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

**Section 11.16 Notices.** All written notices to be given hereunder shall be given by first class mail, postage redeemed, to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the Trustee:       The Bank of New York Mellon Trust Company, N.A.  
400 South Hope Street, Suite 500  
Los Angeles, California 90071  
Attention: Corporate Trust Department

If to the Issuer:       Palmdale Water District Public Financing Authority  
2029 E. Avenue Q  
Palmdale, California 93550  
Attention: Executive Director

If to the District: Palmdale Water District  
2029 E. Avenue Q  
Palmdale, California 93550  
Attention: General Manager

If to the Insurer: [TO COME]

The Trustee shall give notices to S&P and Fitch upon (i) redemption of all Outstanding Bonds, (ii) acceleration of amounts due with respect to the Bonds, (iii) amendments to the Indenture, or (iv) any defeasance of the Bonds.

**Section 11.17 Execution in Counterparts.** The Indenture may be executed and entered into in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

**Section 11.18 Effective Date.** The Indenture shall become effective upon its execution and delivery.

*[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]*

IN WITNESS WHEREOF, the parties hereto have executed and entered into the Indenture by their officers hereunto duly authorized as of the day and year first above written.

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

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

PALMDALE WATER DISTRICT PUBLIC  
FINANCING AUTHORITY

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

**EXHIBIT A**

**[FORM OF BOND]**

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

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

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

**UNITED STATES OF AMERICA  
STATE OF CALIFORNIA**

**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY  
WATER REVENUE BONDS, SERIES 2021A**

<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Dated Date</b>	<b>CUSIP</b>
_____ %	October 1, 20__	_____, 2021	69674T__

REGISTERED OWNER: CEDE & CO.

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

The PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY, a joint exercise of powers agency duly organized and existing under the laws of the State of California (the “Authority”), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the “Registered Owner”), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date next preceding the date of authentication of this Bond (unless (i) this Bond is authenticated after the fifteenth day of the calendar month preceding an Interest Payment Date (the “Record Date”) and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) this Bond is authenticated on or before March 15, 2022, in which event it shall bear interest from the Dated Date identified above; provided, however, that if as of the date of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this Bond), at the interest rate per annum specified above, payable on each Interest Payment Date as set forth in the Indenture of Trust, dated as of \_\_\_\_\_ 1, 2021 (the “Indenture”) relating to the Bonds, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). Interest on this Bond shall be computed on the basis of a 360-day year consisting of twelve 30-day months.



Principal hereof, premium, if any, upon early redemption hereof, and interest, are payable in lawful money of the United States of America. Principal and premium, if any, shall be paid upon presentation and surrender at the corporate trust office of the Trustee, in Los Angeles, California, or at such other or additional offices as may be specified in writing by the Trustee to the Authority and the registered owners (the "Principal Corporate Trust Office"). Interest hereon is payable by check of the Trustee sent by first class mail to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the Record Date immediately preceding each Interest Payment Date (except that in the case of a registered owner of one million dollars (\$1,000,000) or more in principal amount, such payment may, at such registered owner's option, be made by wire transfer of immediately available funds to an account within the United States of America in accordance with written instructions provided to the Trustee by such registered owner prior to the Record Date).

Capitalized terms used herein and not defined herein have the meaning assigned thereto in the Indenture.

This Bond is not a debt of the members of the Authority, the State of California, or any of its political subdivisions, and neither the members of the Authority or the State, nor any of its political subdivisions, is liable hereon, nor in any event shall this Bond be payable out of any funds or properties of the Authority other than the Revenues and other amounts pledged therefor under the Indenture. The Bonds (as hereinafter defined) do not constitute an indebtedness in contravention of any constitutional or statutory debt limitation or restriction.

The Bonds are authorized to be issued in the form of fully registered Bonds in Authorized Denominations; provided that no Bond shall have principal represented thereby maturing in more than one year. Subject to the limitations and conditions and upon payment of the taxes and governmental charges as provided in the Indenture, Bonds may be exchanged or transferred as provided in the Indenture at the Principal Corporate Trust Office of the Trustee.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the "Palmdale Water District Public Financing Authority Water Revenue Bonds, Series 2021A" (the "Bonds"), in an aggregate principal amount of \$\_\_\_\_\_, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, or interest rates) and all issued pursuant to the laws of the State of California, including the Act, and pursuant to the Indenture and the resolution of the Board of Directors of the Authority authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority hereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Authority to finance the acquisition and construction of certain facilities which are a part of the District's Water System.

This Bond and the interest and premium, if any, hereon and all other Bonds and the interest and premium, if any, thereon (to the extent set forth in the Indenture) are special obligations of the Authority, and are payable from, and are secured by a pledge and a first and exclusive lien on the Revenues. As and to the extent set forth in the Indenture, all of the Revenues and any other amounts

(including proceeds of the sale of the Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund) are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to secure the payment of the principal of and interest and premium (if any) on the Bonds.

The Bonds are subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity and within maturities as directed by the District in a Written Request provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in, the Indenture at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

The Bonds maturing on and after October 1, \_\_\_\_ are subject to optional redemption, in whole or in part, on any date on and after October 1, \_\_\_\_, from such maturities as are selected by the District in a written request to the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in its sole discretion) prior to such date, in integral multiples of \$5,000, from any source of available funds provided to the Authority by or at the discretion of the District, at a Redemption Price equal to the principal amount of the Bonds to be redeemed, together with accrued interest to the date of redemption, without premium.

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

<i><b>Redemption Date (October 1)</b></i>	<i><b>Principal Amount</b></i>
	\$

\*

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\* Final Maturity.

In lieu of such redemption, the Trustee may apply amounts in the Principal Account to the purchase of Term Bonds at public or private sale for cancellation, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as may be directed by the District, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Term Bonds, as set forth

in a Written Request of the District and subsequently cancelled or surrendered to the Trustee for cancellation. The par amount of any Term Bonds so purchased by the District in any twelve-month period immediately preceding any September 15 will be credited towards and will reduce the principal amount of such Term Bonds required to be redeemed on the succeeding October 1.

The Indenture and the rights and obligations of the Authority, the Owners and the Trustee thereunder may be amended or supplemented at any time by an amendment or supplement which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, are filed with the Trustee. No such amendment or supplement shall (1) reduce the rate of interest on any Bond or extend the time of payment thereof or reduce the amount of principal or redemption premium, if any, of any Bond or extend the maturity thereof or otherwise alter or impair the obligation of the Authority to pay the interest and principal and redemption premium, if any, thereon at the time and place and at the rate and in the currency and from the funds provided therein without the prior written consent of the Owner of the Bond so affected, or (2) modify any of the rights or obligations of the Trustee without its prior written consent thereto.

The Indenture and the rights and obligations of the Authority and the District and the Owners and the Trustee thereunder may also be amended or supplemented at any time by an amendment or supplement which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law and after receipt of an approving Favorable Opinion of Special Counsel and only if, in the opinion of the Trustee (which opinion may be based upon a Favorable Opinion of Special Counsel or a Certificate of the District), such amendment or supplement is not materially adverse to the interests of the Owners, including, but not limited to, amendments or supplements:

(a) to add to the agreements, conditions, covenants and terms contained therein required to be observed or performed by the Authority or the District other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the District, or to surrender any right reserved therein to or conferred therein on the Authority or the District, and which in either case shall not adversely affect the interests of the Owners;

(b) to modify, amend or supplement the Indenture in such manner as to preserve the exemption of the Bonds from the registration requirements of the Securities Act of 1933 or any similar federal statute hereafter in effect or to permit the qualification of the Indenture under the Trust Indenture Act of 1939 or any similar federal statute hereinafter in effect;

(c) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained therein or in regard to questions arising thereunder which the Authority or the District may deem desirable or necessary, and which shall not adversely affect the interests of the Owners; and

(d) to make any modifications or changes necessary or appropriate in a Favorable Opinion of Special Counsel to preserve or protect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

The Trustee has no obligation or liability to the registered owners of the Bonds for the payment of interest, principal or redemption premium, if any, with respect to the Bonds out of the Trustee's own funds; the Trustee's sole obligations are those described in the Indenture.

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

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

Bonds may be exchanged at said office of the Trustee for a like aggregate principal amount of Bonds of other Authorized Denominations and of like maturity, but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture.

The Trustee shall not be required to register the transfer of or exchange of any Bond during the period in which the Trustee is selecting Bonds for redemption and any Bond that has been selected for redemption.

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

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Act, the Indenture, and the Constitution and laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Constitution or any laws of the State of California, or by the Act.

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

IN WITNESS WHEREOF, the PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its President and attested to by the facsimile signature of its Secretary, all as of this \_\_\_\_ day of \_\_\_\_\_, 2021.

PALMDALE WATER DISTRICT PUBLIC  
FINANCING AUTHORITY

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

ATTEST:

By: \_\_\_\_\_  
Secretary

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

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

Dated: \_\_\_\_\_, 2021

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

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

[FORM OF LEGAL OPINION]

The following is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation, in connection with the issuance of, and dated as of the date of the original delivery of, the Bonds. A signed copy is on file in my office.

---

Secretary of the Board of the Palmdale Water District  
Public Financing Authority

[FORM OF STATEMENT OF INSURANCE]

[TO COME]

[FORM OF ASSIGNMENT]

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

(Name, Address and Tax Identification or  
Social Security Number of Assignee)

the within-registered Bond and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_  
\_\_\_\_\_, attorney, to transfer the same on the  
registration books of the Trustee with full power of substitution in the premises.

Dated: \_\_\_\_\_, 20\_\_

Note: The signature(s) on this assignment must  
correspond with the name(s) as written on the  
face of the within Bond in every particular  
without alteration or enlargement or any  
change whatsoever.

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an  
eligible guarantor institution.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

**PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2021**

**NEW ISSUE—BOOK-ENTRY ONLY**

**RATINGS: S&P: “\_” (Insured)  
S&P: “\_” (Underlying)  
(See “RATINGS” herein)**

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original discount) on the 2021A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2021A Bonds is exempt from State of California personal income tax. See the caption “TAX MATTERS” herein.*

**\$9,050,000\***  
**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY**  
**WATER REVENUE BONDS, SERIES 2021A**

**Dated: Date of Delivery**

**Due: October 1, as shown on the inside cover**

The Palmdale Water District Public Financing Authority’s (the “Authority”) Water Revenue Bonds, Series 2021A (the “2021A Bonds”), are being issued by the Authority pursuant to an Indenture of Trust, dated as of \_\_\_\_\_, 2021 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee, and will be payable from the sources described herein. The 2021A Bonds are being issued: (i) to finance certain improvements to the District’s water system; (ii) to purchase a municipal bond insurance policy to guarantee payment of the principal of and interest on the 2021A Bonds; (iii) to purchase a municipal bond debt service reserve insurance policy for deposit in the Reserve Fund; and (iv) to pay the costs of issuing the 2021A Bonds.

Interest due on the 2021A Bonds is payable semiannually on April 1 and October 1 of each year, commencing April 1, 2022. The 2021A Bonds are being issued in fully registered book-entry form and initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Purchasers will not receive certificates representing their interest in the 2021A Bonds. Individual purchases will be in principal amounts of \$5,000 and integral multiples thereof. Payments of principal of and interest on the 2021A Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners who have purchased interests in the 2021A Bonds.

The 2021A Bonds are subject to redemption prior to maturity as described in this Official Statement. See “THE 2021A BONDS—Redemption of 2021A Bonds.”

The 2021A Bonds are limited obligations of the Authority. The 2021A Bonds are payable solely from Revenues (defined herein) and from certain other amounts on deposit in funds and accounts under the Indenture. Revenues consist primarily of installment payments (the “Series 2021A Installment Payments”) received by the Authority from the District pursuant to an Installment Purchase Agreement, dated as of \_\_\_\_\_, 2021 (the “Installment Purchase Agreement”), by and between the District and the Authority. The obligation of the District to make the Series 2021A Installment Payments is a special obligation of the District payable solely from Net Water Revenues (defined herein) on a parity with Parity Payments, as further described herein. See Table 2 herein for the Parity Payments.

The District will covenant not to incur additional obligations payable from Net Water Revenues senior to the Series 2021A Installment Payments. The District may incur additional obligations payable from Net Water Revenues on a parity with the Series 2021A Installment Payments and the Parity Payments, subject to the terms and conditions set forth in the Installment Purchase Agreement.

**NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF OR ANY MEMBER OF THE AUTHORITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF, OR INTEREST ON, THE 2021A BONDS. THE AUTHORITY HAS NO TAXING POWER. THE 2021A BONDS DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF (OTHER THAN THE AUTHORITY) OR ANY MEMBER OF THE AUTHORITY.**

**MATURITY SCHEDULE**  
(See inside front cover)

THE OBLIGATION OF THE DISTRICT TO MAKE THE SERIES 2021A INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET WATER REVENUES OF THE DISTRICT AND OTHER FUNDS DESCRIBED IN THE INSTALLMENT PURCHASE AGREEMENT, AND DOES NOT CONSTITUTE AN OBLIGATION THAT THE DISTRICT IS OBLIGATED TO PAY FROM ANY OTHER DISTRICT REVENUES OR TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE DISTRICT TO MAKE THE SERIES 2021A INSTALLMENT PAYMENTS UNDER THE INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE A DEBT OF THE DISTRICT OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The scheduled payment of principal of and interest on the 2021A Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the issuance of the 2021A Bonds by \_\_\_\_\_ (“Insurer”).

[Insurer Logo]

This cover page contains certain information for quick reference only. It is not a complete summary of the 2021A Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

*The 2021A Bonds are offered when, as and if issued, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and certain other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation, is serving as Disclosure Counsel to the District with respect to the 2021A Bonds. Certain legal matters will be passed upon for the District and the Authority by Aleshire & Wynder LLP, their general counsel, for the Underwriter by Kutak Rock, LLP, for the Trustee by its counsel and for the Insurer by its counsel. It is anticipated that the 2021A Bonds will be available for delivery through the facilities of The Depository Trust Company on or about \_\_\_\_\_, 2021.*

**[HILLTOP SECURITIES LOGO]**

Dated: \_\_\_\_\_, 2021

\* Preliminary, subject to change.

4852-2626-5322v7/022741-0013



\$ \_\_\_\_\_  
**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY**  
**WATER REVENUE BONDS, SERIES 2021A**

**MATURITY SCHEDULE**

<i><b>Maturity (October 1)</b></i>	<i><b>Principal Amount</b></i>	<i><b>Interest Rate</b></i>	<i><b>Yield</b></i>	<i><b>Price</b></i>	<i><b>CUSIP<sup>†</sup></b></i>
--	------------------------------------	-----------------------------	---------------------	---------------------	---------------------------------

\$ _____	_____ % Term Bonds due October 1, 20__	; Yield _____ %	; Price _____	; CUSIP <sup>†</sup> _____
\$ _____	_____ % Term Bonds due October 1, 20__	; Yield _____ %	; Price _____	; CUSIP <sup>†</sup> _____

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<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright© 2021 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Underwriter, the Authority or the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

**PALMDALE WATER DISTRICT  
LOS ANGELES COUNTY, CALIFORNIA**

**BOARD OF DIRECTORS**

Gloria Dizmang, *President*  
Vincent Dino, *Vice President*  
Don Wilson, *Treasurer*  
Kathy Mac Laren, *Secretary*  
Amberrose Merino, *Assistant Secretary*

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**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY**

**BOARD OF DIRECTORS**

Gloria Dizmang, *President*  
Vincent Dino, *Vice President*  
Don Wilson, *Treasurer*  
Kathy Mac Laren, *Secretary*  
Amberrose Merino, *Assistant Secretary*

---

**DISTRICT STAFF**

Dennis D. LaMoreaux, *General Manager/Chief Executive Officer*  
Adam Ly, *Assistant General Manager*  
Michael A. Williams, *Finance Manager/Chief Financial Officer*  
Robert M. Egan, CPA, *Financial Consultant*

---

**BOND COUNSEL AND DISCLOSURE COUNSEL**

Stradling Yocca Carlson & Rauth,  
a Professional Corporation  
Newport Beach, California

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**MUNICIPAL ADVISOR**

NHA Advisors LLC  
San Rafael, California

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**TRUSTEE**

The Bank of New York Mellon Trust Company, N.A.  
Los Angeles, California

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NO DEALER, BROKER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFER OR SALE OF THE 2021A BONDS, OTHER THAN AS CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, ANY SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE AUTHORITY, THE DISTRICT OR THE UNDERWRITER. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OF ANY SECURITIES OTHER THAN THOSE DESCRIBED ON THE COVER PAGE OR AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE 2021A BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT WITH THE PURCHASERS OF THE 2021A BONDS.

The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of this information.

The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or the Authority since the date hereof.

This Official Statement contains forward-looking statements, including: (a) statements containing projections of Net Water Revenues, expenditures and other financial items; (b) statements of the plans and objectives of the District for future operations of the water system; (c) statements of future economic performance of the water system; and (d) statements of the assumptions underlying or relating to statements described in (a), (b) and (c) above (collectively, “Forward-Looking Statements”). All statements other than statements of historical facts included in this Official Statement, including without limitation statements under APPENDIX A—“AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR YEAR ENDING DECEMBER 31, 2020” regarding the District’s financial position, business strategy, capital resources and plans and objectives for future operations of the water system, are Forward-Looking Statements. Although such expectations reflected in such Forward-Looking Statements are reasonable, there can be no assurance that such expectations will prove to have been correct. Statements of important factors (collectively, the “Cautionary Statements”) that could cause actual results to differ materially from expectations of the District are disclosed in this Official Statement. All subsequent written and oral Forward-Looking Statements attributable to the District or any person acting on behalf of the District are expressly qualified in their entirety by the Cautionary Statements.

This Official Statement is submitted in connection with the sale of the 2021A Bonds and may not be reproduced or be used, as a whole or in part, for any other purpose.

In connection with the offering of the 2021A Bonds, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the 2021A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the 2021A Bonds to certain dealers and dealer banks and banks acting as agent and others at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and the Underwriter may change those public offering prices from time to time.

\_\_\_\_\_ (the “Insurer”) makes no representation regarding the 2021A Bonds or the advisability of investing in the 2021A Bonds. In addition, the Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Insurer supplied by the Insurer and presented under the heading “BOND INSURANCE” and APPENDIX F—“SPECIMEN MUNICIPAL BOND INSURANCE POLICY”.

THE 2021A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), IN RELIANCE UPON AN EXEMPTION CONTAINED IN THE ACT. THE 2021A BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

*The District maintains a website. However, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2021A Bonds.*

**\$9,050,000\***  
**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY**  
**WATER REVENUE BONDS, SERIES 2021A**

**INTRODUCTION**

**General.** This Official Statement provides information concerning the issuance of the Palmdale Water District Public Financing Authority Water Revenue Bonds, Series 2021A (the “2021A Bonds”) pursuant to an Indenture of Trust, dated as of \_\_\_\_\_ 1, 2021 (the “Indenture”), by and between the Palmdale Water District Public Financing Authority (the “Authority”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). See the caption “THE 2021A BONDS.”

All capitalized terms used herein and not normally capitalized have the meanings assigned to them in the Indenture and the Installment Purchase Agreement, the summaries of which are included in Appendix B, unless otherwise stated in this Official Statement.

**The Authority.** The Authority is a joint exercise of powers agency organized under the provisions of State law governing the joint exercise of powers, being Chapter 5, Division 7, Title 1 of the Government Code of the State (the “Act”) and a Joint Exercise of Powers Agreement, dated as of April 10, 2013 (the “Joint Powers Agreement”), by and between the Palmdale Water District (the “District”) and the California Municipal Finance Authority, to assist the District in financing and refinancing improvements to its Water System. Under the Act and the Joint Powers Agreement, the Authority has the power to issue bonds to assist the District in financing and refinancing the costs of public capital improvements. See the caption “THE AUTHORITY.”

**Purposes of the 2021A Bonds.** The 2021A Bonds are being issued by the Authority: (i) to finance certain improvements to the District’s water system; (ii) to purchase a municipal bond insurance policy to guarantee payment of the principal of and interest on the 2021A Bonds (the “Insurance Policy”); (iii) to purchase a municipal bond debt service reserve insurance policy for deposit in the Reserve Fund (the “Reserve Surety Policy”); and (iv) to pay the costs of issuing the 2021A Bonds.

**Authority for Issuance.** The 2021A Bonds are being issued under the Indenture and the Marks-Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “State”). In connection with the authorization of the 2021A Bonds on June 14, 2021, the Authority adopted a resolution (the “Authorizing Resolution”) approving the 2021A Bonds and the execution and delivery of the Indenture and the District adopted a resolution approving the execution and delivery of various documents related to the 2021A Bonds.

**Sources of Payment for the 2021A Bonds.** The 2021A Bonds are limited obligations of the Authority. The 2021A Bonds are payable solely from “Revenues” and from certain other amounts on deposit in funds and accounts under the Indenture. Revenues consist primarily of payments (the “Series 2021A Installment Payments”) received by the Trustee from the District pursuant to an Installment Purchase Agreement, dated as of \_\_\_\_\_ 1, 2021 (the “Installment Purchase Agreement”), by and between the District and the Authority. See the caption “SECURITY FOR THE 2021A BONDS.”

The 2021A Bonds do not constitute a charge against the general credit of the Authority. The 2021A Bonds are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts except for moneys pledged under the Indenture which includes the Series 2021A Installment Payments under the Installment Purchase Agreement. Neither the faith and credit nor the taxing power of the State or any public agency thereof, including the District and any other member of the Authority, is pledged to the payment of the principal amount or redemption price of, or interest on, the 2021A

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\* Preliminary, subject to change.

Bonds. The Authority has no taxing power. The 2021A Bonds do not constitute a debt, liability or obligation of the State or any public agency thereof (other than the Authority) or any member of the Authority.

Pursuant to the Installment Purchase Agreement, the District is obligated to pay the Series 2021A Installment Payments as the purchase price for certain capital improvements described in the Installment Purchase Agreement. The obligation of the District to make the Series 2021A Installment Payments is a special obligation of the District payable solely from Net Water Revenues of the District's Water System and other funds described in the Installment Purchase Agreement, and does not constitute a debt of the District or of the State of California or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Net Water Revenues include Water Revenues remaining after payment of Operation and Maintenance Costs. See the caption "SECURITY FOR THE 2021A BONDS."

The obligation of the District to make the Series 2021A Installment Payments from Net Water Revenues on a parity with payments with respect to: (i) the Installment Purchase Agreement, dated as of November 1, 2012 (the "2012 Installment Purchase Agreement"), by and between the District and the Palmdale Water District Public Facilities Corporation; (ii) the Installment Purchase Agreement, dated as of May 1, 2013 (the "2013 Installment Purchase Agreement"), by and between the District and the Palmdale Water District Public Financing Authority (the "Authority"); (iii) the Installment Purchase Agreement, dated as of January 18, 2017 (the "2017 Installment Purchase Agreement"); (iv) the Installment Purchase Agreement, dated as of June 1, 2018 (the "2018 Installment Purchase Agreement"); (v) the Installment Purchase Agreement dated as of May 1, 2020 (the "2020 Installment Purchase Agreement"), by and between the District and Western Alliance Business Trust; and (vi) principal and interest on the District's 2020 Water Revenue Refunding Bonds (Federally Taxable) (the "2020 Bonds").

The payments made by the District under the 2012 Installment Purchase Agreement, the 2013 Installment Purchase Agreement, the 2017 Installment Purchase Agreement, the 2018 Installment Purchase Agreement and the 2020 Installment Purchase Agreement, and the payments of principal and interest on the 2020 Bonds, are collectively referred to herein as the "Parity Payments." The documents pursuant to which the District is obligated to make the Parity Payments are collectively referred to as the "Parity Obligation Documents." See Table 2 herein for the combined payment schedule for the Parity Payments and the caption "PALMDALE WATER DISTRICT—Outstanding Indebtedness" for more information with respect to the Parity Payments.

**Reserve Fund.** A Reserve Fund for the 2021A Bonds is established pursuant to the Indenture in an amount equal to the Reserve Requirement, which, as of the date of calculation, is an amount equal to the lowest of (i) 10% of the initial principal amount of the 2021A Bonds, (ii) Maximum Annual Debt Service on the Outstanding 2021A Bonds, or (iii) 125% of average Annual Debt Service on the Outstanding 2021A Bonds (the "Reserve Requirement"). \_\_\_\_\_ (the "Insurer") has committed to issue, simultaneously with the execution and delivery of the 2021A Bonds, the Reserve Surety Policy in an amount equal to \$\_\_\_\_\_, which is the initial Reserve Requirement for deposit in the Reserve Fund.

**Bond Insurance.** Payment of principal of and interest on the 2021A Bonds will be insured by the Insurance Policy to be issued by the Insurer concurrently with the issuance of the 2021A Bonds. See the caption "BOND INSURANCE" and APPENDIX F.

**Additional Parity Obligations.** The District will covenant in the Installment Purchase Agreement not to incur additional obligations payable from Net Water Revenues senior to the Series 2021A Installment Payments. The District may incur additional obligations on a parity with the Series 2021A Installment Payments and the Parity Payments, subject to the terms and conditions described under the caption "SECURITY FOR THE 2021A BONDS—Additional Bonds and Contracts."

***The District and the Water System.*** The District is located in northern Los Angeles County and serves an area of approximately 74,000 acres. The District's Water System provides water service to the residents of the City of Palmdale (the "City") as well as unincorporated areas located in Los Angeles County. See the caption "THE DISTRICT."

***Professionals Involved in the Offering.*** The Bank of New York Mellon Trust Company, N.A. will act as Trustee with respect to the 2021A Bonds. The 2021A Bonds are offered when, as and if issued, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and certain other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation, is serving as Disclosure Counsel to the District with respect to the 2021A Bonds. NHA Advisors, LLC is serving as Municipal Advisor to the District with respect to the 2021A Bonds. Certain legal matters will be passed on for the Underwriter by its counsel, Kutak Rock LLP, for the District and the Authority by Aleshire & Wynder LLP, their general counsel, for the Trustee by its counsel and for the Insurer by its counsel.

***Other Information about this Official Statement.*** There follows in this Official Statement (and attached appendices) a brief description of the 2021A Bonds, the security for the 2021A Bonds, the District, the Authority and certain other information relevant to the issuance of the 2021A Bonds. The descriptions and summaries of various documents in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements in this Official Statement are qualified in their entirety by reference to each document.

The Appendices are an integral part of this Official Statement and must be read together with all other parts of this Official Statement.

## **THE PROJECT**

The District will use a portion of the proceeds of the 2021A Bonds to construct various capital improvements to its Water System. The expected project components and the estimated costs, including contingencies, are listed in the table below. While the District expects to complete the projects listed below, the District may substitute other improvements for one or more of the listed components.



<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 12St 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>

### **ESTIMATED SOURCES AND USES OF FUNDS**

The estimated sources and uses of funds with respect to the 2021A Bonds are set forth below.

**Table 1**  
**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY**  
**Estimated Sources and Uses of Funds**

Sources

Principal Amount of 2021A Bonds  
[Plus/less [Net] Original Issue [Premium/discount]  
**TOTAL**

Uses

Construction Fund  
Costs of Delivery<sup>(1)</sup>  
**TOTAL**

<sup>(1)</sup> Includes Underwriter's Discount and fees for Trustee, legal fees, printing costs, rating agency fees, bond insurance and reserve surety premiums and other costs of delivery.

### **THE 2021A BONDS**

#### **Terms of the 2021A Bonds**

The 2021A Bonds will be issued in the aggregate principal amount of \$9,050,000\* and will be dated as of the date of issuance. Interest on the 2021A Bonds is payable on April 1 and October 1 of each year, commencing April 1, 2022 (each an "Interest Payment Date"). The principal of and premium, if any, and interest on the 2021A Bonds is payable in lawful money of the United States of America. Such amounts will

\* Preliminary, subject to change.

be paid by the Trustee on the applicable payment dates by the Trustee to the respective Owners thereof on the applicable Interest Payment Date at their addresses as they appear as of the close of business on the fifteenth day of the month preceding such Interest Payment Date (the “Record Date”) in the registration books kept by the Trustee, except that in the case of such an Owner of \$1,000,000 or more in aggregate principal amount of 2021A Bonds, upon the written request of such Owner to the Trustee at least two Business Days before the Record Date, specifying the account or accounts in the United States to which such payment will be made, such payments will be made by wire transfer of immediately available funds on the applicable payment date following such Record Date. Any request referred to in the preceding sentence will remain in effect until revoked or revised by such Owner by an instrument in writing delivered to the Trustee. When a Book-Entry System is in effect, interest may be paid by wire transfer in accordance with mutually satisfactory arrangements between the Trustee and the Securities Depository. Interest on the 2021A Bonds will accrue at the rates per annum and will mature on the dates set forth on the inside front cover page of this Official Statement. Interest on the 2021A Bonds will be computed based on a year consisting of 360 days and twelve 30-day months. Individual purchases will be made in principal amounts of \$5,000 and integral multiples thereof.

### **Redemption of 2021A Bonds\***

***Optional Redemption.*** The 2021A Bonds maturing on and after October 1, \_\_\_\_ are subject to optional redemption, in whole or in part, on any date on and after October 1, \_\_\_\_, from such maturities as are selected by the District in a written request to the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in its sole discretion) prior to such date, in integral multiples of \$5,000, from any source of available funds provided to the Authority by or at the discretion of the District, at a Redemption Price equal to the principal amount of the 2021A Bonds to be redeemed, together with accrued interest to the date of redemption, without premium.

***Mandatory Sinking Fund Redemption.*** The Term Bonds maturing on October 1, 20\_\_ (the “20\_\_ Term Bonds”) shall be paid at maturity and are subject to mandatory sinking fund redemption, in part by lot, from Sinking Account payments as set forth in the following schedule commencing on October 1, 20\_\_ and on each October 1 thereafter until maturity, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the 520\_\_ Term Bonds have been redeemed pursuant to the optional redemption or extraordinary redemption provisions of the Indenture, the total amount of Sinking Account payments to be made subsequent to such redemption will be reduced in an amount equal to the principal amount of the 20\_\_ Term Bonds so redeemed by reducing each such future Sinking Account payments on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as will be designated pursuant to written notice filed by the District with the Trustee:

<b><i>Redemption Date</i></b> <b><i>(October 1)</i></b>	<b><i>Principal</i></b> <b><i>Amount</i></b>
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\* Final Maturity.

The Term Bonds maturing on October 1, 20\_\_ (the “20\_\_ Term Bonds”) shall be paid at maturity and are subject to mandatory sinking fund redemption, in part by lot, from Sinking Account payments as set forth in the following schedule commencing on October 1, 20\_\_ and on each October 1 thereafter until maturity, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the

520\_\_ Term Bonds have been redeemed pursuant to the optional redemption or extraordinary redemption provisions of the Indenture, the total amount of Sinking Account payments to be made subsequent to such redemption will be reduced in an amount equal to the principal amount of the 20\_\_ Term Bonds so redeemed by reducing each such future Sinking Account payments on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as will be designated pursuant to written notice filed by the District with the Trustee:

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

***Principal  
Amount***

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\* Final Maturity.

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

***Extraordinary Redemption.*** The 2021A Bonds are subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity and within maturities as directed by the District in a Written Request of the District provided to the Trustee at least 60 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date and by lot within each maturity in integral multiples of \$5,000 from Net Proceeds of insurance or condemnation, upon the terms and conditions of, and as provided for in, the Indenture, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium. See Appendix B under the caption “DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS—INSTALLMENT PURCHASE AGREEMENT—COVENANTS OF THE DISTRICT—Insurance” and “—Eminent Domain Proceeds,” respectively, for a description of the circumstances under which the 2021A Bonds could be subject to extraordinary redemption from Net Proceeds of insurance or condemnation.

### **Notice of Redemption**

The District will notify the Trustee at least 45 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee) prior to any optional or extraordinary redemption date for 2021A Bonds pursuant to the Indenture. Notice of redemption will be given by the Trustee, not less than 30 nor more than 60 days prior to the redemption date: (i) if the 2021A Bonds are no longer held under the Book-Entry System, to the respective Owners of any 2021A Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee by first-class mail; (ii) to the Securities Depository electronically or by such method as is acceptable to the Securities Depository; and (iii) to the Municipal Securities Rulemaking Board. Notice of redemption will be given in the form and in accordance with the terms of the Indenture.

Each such notice of redemption will state the date of notice, the redemption date, the place or places of redemption and the Redemption Price, will designate the maturities, CUSIP numbers, if any, and, if less

than all of any such maturity is to be redeemed, the serial numbers of the 2021A Bonds of such maturity to be redeemed by giving the individual number of each 2021A Bond or by stating that all 2021A Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of 2021A Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said 2021A Bonds the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2021A Bond to be redeemed in part only, together with interest accrued with respect thereto to the redemption date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such redemption date interest thereon ceases to accrue, and will require that such 2021A Bond be then surrendered to the Trustee. Any failure to receive such notice or any defect in the notice or the delivery of such notice will not affect the validity of the redemption of any Bond.

With respect to any notice of optional redemption of 2021A Bonds, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such 2021A Bonds to be redeemed and that, if such moneys shall not have been so received, said notice shall be of no force and effect and the Trustee shall not be required to redeem such 2021A Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received and that the redemption shall not take place.

#### **Selection of 2021A Bonds for Redemption**

Whenever provision is made in the Indenture for the redemption of less than all of the 2021A Bonds, (other than mandatory sinking fund redemption of Term Bonds) the Trustee will select the 2021A Bonds to be redeemed from all 2021A Bonds or such given portion of the 2021A Bonds not previously called for redemption, among maturities as directed by the District and approved in writing by the Insurer (so long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy), and within each maturity in a manner selected by the Trustee. For purposes of such selection, the Trustee will treat each 2021A Bond as consisting of separate \$5,000 portions and each such portion will be subject to redemption as if such portion were a separate 2021A Bond.

#### **Partial Redemption of 2021A Bonds**

Upon surrender of any 2021A Bond redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the District, a new 2021A Bond of Authorized Denominations, and of the same maturity date and interest rate, equal in aggregate principal amount to the unredeemed portion of the 2021A Bond surrendered.

#### **Effect of Redemption of 2021A Bonds**

If notice of redemption has been duly given pursuant to the Indenture, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the 2021A Bonds (or portions thereof) so called for redemption is held by the Trustee on the redemption date designated in such notice, the 2021A Bonds (or portions thereof) so called for redemption will become due and payable at the Redemption Price specified in such notice together with interest accrued thereon to the date fixed for redemption, interest on the 2021A Bonds so called for redemption will cease to accrue, such 2021A Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of such 2021A Bonds will have no rights in respect thereof except to receive payment of the Redemption Price and accrued interest. Neither the failure to receive any notice nor any defect therein will affect the sufficiency of the proceedings of redemption. All 2021A Bonds redeemed pursuant to the provisions of the Indenture will be cancelled upon surrender thereof and destroyed.

## **Reserve Fund**

The Insurer has made a commitment to issue, simultaneously with the initial execution and delivery of the 2021A Bonds, the debt service reserve insurance policy in the amount of \$823,543.76, which amount is sufficient to satisfy the initial Reserve Requirement, for deposit in the Reserve Fund, effective as of the date of issuance of the 2021A Bonds. Under the terms of the debt service reserve insurance policy, the Insurer will unconditionally and irrevocably guarantee to pay that portion of the scheduled payments of principal of and interest on the 2021A Bonds that becomes due for payment but shall be unpaid by reason of nonpayment by the Authority.

See Appendix B—“DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS” for further information with respect to the debt service reserve insurance policy.

## **Book-Entry Only System**

One fully-registered 2021A Bond for each maturity will be issued in the principal amount of such 2021A Bond. Such 2021A Bonds will be registered in the name of Cede & Co. and will be deposited with DTC.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the 2021A Bonds will be printed and delivered and will be governed by the provisions of the Indenture with respect to payment of principal and interest and rights of exchange and transfer.

The Authority cannot and does not give any assurances that DTC participants or others will distribute payments with respect to the 2021A Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the beneficial owners of the 2021A Bonds, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement. See Appendix D hereto for additional information concerning DTC.

## **Transfers and Exchanges Upon Termination of Book-Entry Only System**

In the event that the 2021A Bonds are no longer held in book-entry form, the following transfer and exchange provisions will apply. Any 2021A Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of the Indenture, by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such 2021A Bond for cancellation at the Principal Corporate Trust Office of the Trustee, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee.

Whenever any 2021A Bond is surrendered for transfer, the Trustee will authenticate and deliver a new 2021A Bond of the same series and maturity, for a like aggregate principal amount and of authorized denomination or denominations. The Trustee may charge a sum for each new 2021A Bond authenticated and delivered upon any transfer. The Trustee may require the payment by any 2021A Bond Owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2021A Bonds the Trustee will cancel and destroy the 2021A Bonds it has received.

2021A Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee, for a like aggregate principal amount of 2021A Bonds of other authorized denominations of the same series and maturity. The Trustee may charge a sum for each new 2021A Bond authenticated and delivered upon any exchange except in the case of any exchange of temporary 2021A Bonds for definitive 2021A Bonds. The Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2021A Bonds, the Trustee will cancel and destroy the 2021A Bonds it has received.

The Trustee is not required to register the exchange or transfer pursuant to the Indenture, of any 2021A Bond: (i) within 15 days preceding selection of 2021A Bonds for redemption; or (ii) selected for redemption.

#### **Debt Service Schedule**

Set forth below is the debt service schedule for the 2021A Bonds assuming no optional or extraordinary redemption.

#### **PALMDALE WATER DISTRICT Semi-Annual Debt Service Schedule**

<i>2021A Bond Payment Date</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
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Table 2 below sets forth the annual scheduled Series 2021A Installment Payments and all current parity obligations payable from Net Water Revenues.

**Table 2**  
**PALMDALE WATER DISTRICT**  
**Outstanding Parity Debt Schedule<sup>(1)</sup>**

<i>Period Ending (October 1)</i>	<i>Series 2021A Installment Payments</i>	<i>Parity Obligations<sup>(2)</sup></i>	<i>Total</i>
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
TOTAL			

<sup>(1)</sup> Rounded to the nearest dollar.

<sup>(2)</sup> Reflects scheduled Parity Payments. See the caption “INTRODUCTION—Sources of Payments for the 2021A Bonds.”

Source: The District and the Underwriter.

## SECURITY FOR THE 2021A BONDS

### General

Pursuant to the Indenture, the Authority, for good and valuable consideration, will unconditionally grant, transfer and assign to the Trustee, without recourse, all its rights to receive the Revenues (as defined in the Indenture) and to enforce the Installment Purchase Agreement, upon an event of default thereunder for the benefit of the Owners of the 2021A Bonds, for the purpose of securing: (a) the payment of all sums due and owing to the Owners of the 2021A Bonds under the terms of the Indenture; and (b) the observance,

performance and discharge of each agreement, condition, covenant and term of the District contained in the Installment Purchase Agreement.

The 2021A Bonds are limited obligations of the Authority. The 2021A Bonds are payable solely from Revenues and from certain other amounts on deposit in funds and accounts under the Indenture. Revenues consist primarily of Series 2021A Installment Payments received from the District pursuant to the Installment Purchase Agreement.

The 2021A Bonds do not constitute a charge against the general credit of the Authority. The 2021A Bonds are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts except for Revenues pledged under the Indenture which includes the Series 2021A Installment Payments under the Installment Purchase Agreement. Neither the faith and credit nor the taxing power of the State or any public agency thereof, including the District and any other member of the Authority, is pledged to the payment of the principal amount or redemption price of, or interest on, the 2021A Bonds. The Authority has no taxing power. The 2021A Bonds do not constitute a debt, liability or obligation of the State or any public agency thereof (other than the Authority) or any member of the Authority.

### **Pledge of Water Revenues**

All Water Revenues and all amounts on deposit in the Water Revenue Fund and the Rate Stabilization Fund will be irrevocably pledged by the District to the payment of the Series 2021A Installment Payments as provided in the Installment Purchase Agreement. The District will further covenant not to use Water Revenues for any other purpose while any of the Series 2021A Installment Payments remain unpaid; provided that out of the Water Revenues and amounts on deposit in the Water Revenue Fund there may be apportioned such sums for such purposes as are expressly permitted in the Installment Purchase Agreement, including payment of the Parity Payments. Such pledge, together with the pledge created by all other Bonds and Contracts, constitutes a first lien on Water Revenues and the Water Revenue Fund and all amounts on deposit therein as permitted in the Installment Purchase Agreement and subject to the application of Water Revenues in accordance with the terms of the Installment Purchase Agreement. Under the Installment Purchase Agreement, the term “Bonds” means all revenue bonds or notes of the District authorized, executed, issued and delivered by the District, the payments of which are on a parity with the Series 2021A Installment Payments and which are secured by a pledge of and lien on the Water Revenues, including the 2020 Bonds, and the term “Contracts” means the Installment Purchase Agreement and any amendments and supplements thereto, and all contracts of the District authorized and executed by the District, the Installment Payments or payments under which are on a parity with the Series 2021A Installment Payments and which are secured by a pledge and lien on the Water Revenues, including the 2012 Installment Purchase Agreement, the 2013 Installment Purchase Agreement, the 2017 Installment Purchase Agreement, the 2018 Installment Purchase Agreement and the 2020 Installment Purchase Agreement. The term “Contracts” does not include the contracts with the State of California for the State Water Project, including the State Water Supply Contract.

The obligation of the District to make the Series 2021A Installment Payments is a special obligation of the District payable solely from Net Water Revenues of the Water System of the District, and does not constitute a debt of the District or of the State of California or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

The obligation of the District to make the Series 2021A Installment Payments from Net Water Revenues is absolute and unconditional, and until such time as all of the Series 2021A Installment Payments have been paid in full (or provision for the payment thereof has been made pursuant to the Installment Purchase Agreement), the District will not discontinue or suspend any Series 2021A Installment Payments required to be made by it under the Installment Purchase Agreement when due, whether or not the Water System or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments are not subject to reduction



whether by offset or otherwise and are not conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

As defined in the Installment Purchase Agreement, the term “Water Revenues” means, for any fiscal year, all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the District’s Water System, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System, plus (2) proceeds of the District’s share of the County’s 1% property tax received by the District, if any, plus (3) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including District reserves and the Reserve Fund, plus (4) the proceeds of any stand by or water availability charges collected by the District, but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and excluding any proceeds of any taxes or assessments required by law to be used by the District to pay bonds heretofore or hereafter issued and any assessments levied and collected by the District to pay any contract payments due under the State Water Supply Contract (as hereinafter defined), plus (5) money withdrawn from the Rate Stabilization Fund in such fiscal year, minus (6) any Revenues transferred to the Rate Stabilization Fund in such fiscal year.

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

Net Water Revenues means, for any fiscal year of the District (currently, the District’s fiscal year begins January 1 and ends on December 31), Water Revenues remaining after payment of Operation and Maintenance Costs. See Appendix B—“DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS” under the caption “INSTALLMENT PURCHASE AGREEMENT—DEFINITIONS.”

The obligation of the District to make the Series 2021A Installment Payments from Net Water Revenues is payable on a parity with the obligation of the District to make Parity Payments. See the caption “INTRODUCTION—Sources of Payments for the 2021A Bonds.”

Upon the defeasance of the 2012 Installment Purchase Agreement, the 2013 Installment Purchase Agreement and the 2017 Installment Purchase Agreement, and the consent of the purchaser under the 2020 Installment Purchase Agreement, the definition of Water Revenues will be revised as follows:

“For any Fiscal Year, all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the District’s Water System, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the sale, furnishing and supplying of the water or other services, facilities, and

commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System, plus (2) proceeds of the District's share of the County's 1% property tax received by the District, if any, plus (3) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including District reserves and the Reserve Fund, plus (4) the proceeds of any stand by or water availability charges collected by the District, but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and excluding any proceeds of any taxes or assessments required by law to be used by the District to pay bonds heretofore or hereafter issued and any assessments levied and collected by the District to pay any contract payments due under the State Water Supply Contract, plus (5) money withdrawn from the Rate Stabilization Fund in such Fiscal Year."

THE OBLIGATION OF THE DISTRICT TO MAKE THE SERIES 2021A INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM NET WATER REVENUES OF THE DISTRICT AND CERTAIN OTHER AMOUNTS DESCRIBED IN THE INSTALLMENT PURCHASE AGREEMENT, AND DOES NOT CONSTITUTE AN OBLIGATION OF THE DISTRICT THAT THE DISTRICT IS OBLIGATED TO PAY FROM ANY OTHER DISTRICT REVENUES OR TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE DISTRICT TO MAKE THE SERIES 2021A INSTALLMENT PAYMENTS UNDER THE INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE A DEBT OF THE DISTRICT OR OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

If the District defaults on its obligation to make the Series 2021A Installment Payments or any Parity Payments, the Trustee has the right to accelerate the entire principal amount of the unpaid Series 2021A Installment Payments and the accrued interest thereon, the entire principal amount of the unpaid Parity Payments and the accrued interest thereon. However, in the event of a default and such acceleration of the Series 2021A Installment Payments or the Parity Payments there can be no assurance that the District will have sufficient Net Water Revenues to pay the accelerated Series 2021A Installment Payments or the accelerated Parity Payments.

So long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, the Series 2021A Installment Payments may only be accelerated with the written approval of the Insurer.

### **Allocation of Water Revenues**

In order to carry out and effectuate the pledge and lien contained in the Installment Purchase Agreement, the District will agree and covenant in the Installment Purchase Agreement that all Water Revenues shall be received by the District in trust and shall be deposited when and as received in the Water Revenue Fund which fund the District has previously established and agrees and covenants to maintain and to hold separate and apart from other funds so long as any Series 2021A Installment Payments, Contracts or Bonds remain unpaid. Moneys in the Water Revenue Fund shall be used and applied by the District as provided in the Installment Purchase Agreement.

The District shall, from the moneys in the Water Revenue Fund, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as such Operation and Maintenance Costs become due and payable. All remaining moneys in the Water Revenue Fund shall be set aside by the District to make the Series 2021A Installment Payments and any payments on a parity therewith, including the Parity Payments, and at the following times in the following respective special funds in the following order of priority and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes as follows:

(a) Bond Payment Fund. On or before each Series 2021A Installment Payment Date, the District shall, from the moneys in the Water Revenue Fund, transfer to the Trustee for deposit in the Bond Payment Fund a sum equal to the Series 2021A Installment Payment coming due on such Series 2021A Installment Payment Date. The District shall also, from the moneys in the Water Revenue Fund, transfer to the applicable trustee or payee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service or payments, including the Parity Payments, in accordance with the provisions of any Contract, Bond, resolution or indenture relating thereto. No deposit need be made in the Bond Payment Fund for any Series 2021A Installment Payment if the amount in the Bond Payment Fund is at least equal to the amount of the Series 2021A Installment Payment due and payable on the next succeeding Series 2021A Installment Payment Date. All money in the Bond Payment Fund shall be used and withdrawn by the Trustee in accordance with the Indenture.

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

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

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

### **Rate Covenant**

The District will covenant in the Installment Purchase Agreement, to the fullest extent permitted by law, to fix, prescribe and collect Water Revenues for Water Service which will be at least sufficient to yield during each fiscal year Net Water Revenues equal to one hundred ten percent (110%) of Debt Service and one hundred percent (100%) of Policy Costs due with respect to any reserve surety policies funding reserve funds for Bonds and Contracts, including the 2021A Bonds. The District may make adjustments from time to time in such Water Revenues and may make such classification thereof as it deems necessary, but shall not reduce the Water Revenues then in effect unless the Net Water Revenues from such reduced Water Revenues will at all times be sufficient to meet the foregoing requirements.

### **Reserve Fund**

The Insurer has made a commitment to issue, simultaneously with the initial execution and delivery of the 2021A Bonds, the Reserve Surety Policy in the amount of \$ \_\_\_\_\_ for deposit in the Reserve Fund, effective as of the date of issuance of the 2021A Bonds. Under the terms of the Reserve Surety Policy, the Insurer will unconditionally and irrevocably guarantee to pay that portion of the scheduled payments of principal of and interest on the 2021A Bonds that becomes due for payment but shall be unpaid by reason of nonpayment by the Authority.

See Appendix B—"DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS—INDENTURE—ASSIGNMENT AND APPLICATION OF REVENUES—Reserve Fund" for further information with respect to the Reserve Surety Policy.

### **Rate Stabilization Fund**

The Installment Purchase Agreement continues the existence of a special fund designated as the "Rate Stabilization Fund" which is held by the District in trust. The District will covenant to maintain and to hold the Rate Stabilization Fund separate and apart from other funds so long as any Series 2021A Installment Payments remain unpaid. Money transferred by the District to the Rate Stabilization Fund, if any, in accordance with the Installment Purchase Agreement will be held in the Rate Stabilization Fund and applied in accordance with the Installment Purchase Agreement.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Water Revenue Fund for application in accordance with the Installment Purchase Agreement or, in the event that all or a portion of the Series 2021A Installment Payments are discharged in accordance with the Installment Purchase Agreement, transfer all or any portion of such amounts for application to the payment of the Series 2021A Installment Payments in accordance with the Installment Purchase Agreement. The District may also use moneys in the Rate Stabilization Fund to make Parity Payments. The District had approximately \$ \_\_\_\_\_ on deposit in the Rate Stabilization Fund as of \_\_\_\_\_, 2021.

Upon the defeasance of the Parity Installment Purchase Agreements, the definition of Water Revenues will be revised as described under the caption "—Pledge of Water Revenues" above so as to not subtract revenues transferred to the Rate Stabilization Fund in the applicable Fiscal Year when calculating the amount of Water Revenues. See Appendix B under the caption "DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS—INSTALLMENT PURCHASE AGREEMENT—DEFINITIONS—Water Revenues."

### **Additional Bonds and Contracts**

The District may at any time execute any Contract or issue any Bonds, as the case may be, payable from Net Water Revenues on a parity with the Series 2021A Installment Payments and Parity Payments; provided there shall be on file with the District either:

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

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

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

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

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

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

(c) No event of default, or event which with the passage of time would constitute an event of default, shall exist under the Installment Purchase Agreement.

Notwithstanding the foregoing provisions, the District may at any time issue bonds and contracts the payment of which are subordinate to Bonds and Contracts and which are subordinate to the payment by the District of the Series 2021A Installment Payments and the Parity Payments.

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

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

Notwithstanding the foregoing provisions, the District shall not execute any Contracts or issue any Bonds, as the case may be, that are payable from or secured by a pledge of and lien on Water Revenues and any money in the Water Revenue Fund superior to the pledge securing the Series 2021A Installment Payments.

With the exception of the Groundwater Water Augmentation Project (defined below) and the other capital projects discussed under the heading "THE WATER SYSTEM—Future Capital Projects," the District currently does not anticipate issuing any Bonds or executing any Contracts within the next five years that will be payable from Net Water Revenues on a parity with the Parity Payments and the Series 2021A Installments Payments.

## **BOND INSURANCE**

*The information under this caption has been prepared by the Insurer for inclusion in this Official Statement. None of the Authority, the District or the Underwriter makes any representation with respect to the accuracy or completeness thereof. Reference is made to Appendix F for a specimen of the Insurance Policy.*

[TO COME]

## **PALMDALE WATER DISTRICT**

### **General**

The Palmdale Irrigation District was formed in 1918 by a vote of the people for the principal purpose of supplying irrigation water to the 4,600 acres then contained in its boundaries. In 1973, the name of the Palmdale Irrigation District was changed to Palmdale Water District by Resolution No. 73-3. The name was changed to eliminate public confusion; however, the District still operates as an “Irrigation District” as such term is defined in Division 11 of the California Water Code. Since its formation, the District has supplied domestic water to the residents within the District.

From the time of its formation until the early 1950’s, the area within the District continued to be primarily agricultural in nature. Transformation of the District from a basically agricultural area to an urban area occurred simultaneously with activation of Air Force Plant No. 42 in Palmdale and the increased utilization of Edwards Air Force Base during the early 1950’s. Agricultural use of water in the District steadily diminished to the point that only 51 acre-feet of agricultural water was supplied during 1965. After that year, irrigation demand, if any, was supplied from the District’s domestic system and effectively, thereafter, the District became an urban water system.

In 1962, when it became apparent that the District could contract for water from the State Water Project, inclusion privileges were extended to a large portion of the south Antelope Valley for the primary purpose of participating in the State’s Supplemental Water Program. As a result of this, the service area of the District was expanded during the latter part of 1962 and the early part of 1963 from approximately 7,000 acres to approximately 83,894 acres. The expanded service area includes the Littlerock Creek watershed area located in the Angeles National Forest. Exclusive of the area within the Angeles National Forest, the current service area of the District is approximately 42,806 acres. See “—Land and Land Use” below for additional information.

### **Land and Land Use**

The District contains approximately 131 square miles of land in northeastern Los Angeles County, consisting of more than 30 non-contiguous areas scattered throughout the southern Antelope Valley and services a population of approximately 116,000 people. The District is partially located within the City boundaries with the remainder of its territory comprised of unincorporated areas of Los Angeles County. Approximately 96% of the District’s customers reside within the City. The urban areas of the District are substantially developed and the District expects to see additional future development occurring within its boundaries. The District serves an area in the high desert at elevations of 2,600 feet to 3,800 feet within the Antelope Valley.

The Antelope Valley and the Los Angeles Basin are the two major economic zones that influence the economic outlook for the District. The Antelope Valley encompasses over 3,000 square miles. It generally extends from the northern end of the San Gabriel Mountains northwards to Randsberg and Johannesburg in Kern County, and from the eastern region of Los Angeles and Kern Counties to the western end of the Tehachapi Mountains. The southern portion of the Antelope Valley is significantly urbanized and focused around the City, as well as the City of Lancaster. These cities accommodate nearly half of the Antelope Valley’s population and are located in the nearest proximity to the large metropolitan employment center of the Los Angeles Basin. The City encompasses approximately 106 square miles within the Antelope Valley and is located in the northeast area of Los Angeles County.

**Population.** Approximately 156,074 people reside in the City, and approximately 10,044,458 people reside in the County of Los Angeles. The County of Los Angeles is California’s most populous County with

approximately 25.5% of the State’s population residing within its borders. The following chart illustrates the historical population growth in the City, County and the State.

**Table 1**  
**POPULATION ESTIMATES**  
**2017-2021**

<i>Year</i>	<i>City of Palmdale<sup>(1)</sup></i>	<i>Annual Change</i>	<i>Los Angeles County</i>	<i>Annual Change</i>	<i>State of California</i>	<i>Annual Change</i>
2017	157,463	--	10,181,162	--	39,352,398	--
2018	157,599	0.1%	10,192,593	0.1%	39,519,535	0.4%
2019	157,418	(0.1)	10,163,139	(0.3)	39,605,361	0.2
2020	156,910	(0.3)	10,135,614	(0.3)	39,648,938	0.1
2021	156,074	(0.5)	10,044,458	(0.9)	39,466,855	(0.5)

<sup>(1)</sup> The number of persons located within the District’s boundaries is less than the population of the City. Approximately 116,000 people lived within the District’s boundaries in 2020.

Source: State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties, and the State, 2011-2021, with 2010 Census Benchmark*. Sacramento, California, May 2021.

### **Local Economy**

The economy in the Antelope Valley has grown steadily since it crashed during the recession in 2008. In general, the local economy in and around the District is diversified, with an emphasis on the aerospace, healthcare and municipal sectors. See APPENDIX G—“SUPPLEMENTAL INFORMATION CONCERNING THE CITY OF PALMDALE.”

The COVID-19 outbreak and the related government measures taken to stop the spread of COVID-19 has had a significant impact on the national, State and local economy. The District cannot currently predict the long-term impact that the COVID-19 outbreak will have on the economy of the District’s service area. See the caption “SYSTEM FINANCIAL INFORMATION—COVID-19 Outbreak.”

### **Governance and Management**

The District is governed by a 5-member Board of Directors (the “Board”) that is elected to staggered four year terms by the registered voters in the District’s five divisions. The current directors, their occupations and the expiration dates of their terms are set forth below.

<i>Director</i>	<i>Expiration of Term</i>	<i>Occupation</i>
Gloria Dizmang, President	2024	Retired
Vincent Dino, Vice President	2022	Retired
Kathy Mac Laren, Secretary	2024	Business Development
Don Wilson, Treasurer	2022	Retired
Amberrose Merino, Assistant Secretary	2024	Welder

Day-to-day management of the District is delegated to the General Manager. Set forth below is a brief resume for each of the District’s key staff members.

**Dennis D. LaMoreaux, General Manager/Chief Executive Officer.** Mr. LaMoreaux, the District’s General Manager, was initially employed by the District from March 1989 until March 2008 and was rehired in January 2010. Originally hired as the Assistant Engineer-Manager, he was promoted to General Manager in September 1994. His responsibilities are chiefly to oversee the day-to-day District operations and

implementation of Board policies. His previous employment was with private consulting firms in California and Wyoming where he was involved in design and inspection of projects. He is licensed as a Civil Engineer in California who graduated from the University of Wyoming with a B.S. Degree in Civil Engineering in 1984.

**Adam Ly, Assistant General Manager.** Mr. Ly joined the District as its Assistant General Manager in August 2018. He oversees the District's Information Technology, Operations, Engineering and Facilities departments. Mr. Ly has 22 years of experience in both public and private sectors in Southern California's water industry. He has worked for the Metropolitan Water District, the cities of Riverside, Pomona and Anaheim, and Liberty Utilities California, a private utilities company based in Downey. Mr. Ly received Bachelor of Science degrees in Chemical Engineering and Chemistry from the California State Polytechnic University, Pomona. Mr. Ly also received a Master of Business Administration from California State Polytechnic University, Pomona.

**Michael A. Williams, Sr., Finance Manager/Chief Financial Officer.** Mr. Williams began his employment with the District in October 2006. He was originally hired as the Finance and Services Manager and in October 2008, his title was changed to Finance Manager. In his current capacity as Finance Manager, his primary duties are to oversee the Finance department. Prior to his employment with the District, he served as Assistant Chief Administrative Officer/Finance Director for the City of Maywood. He was employed for twenty years with the City of Maywood. Mr. Williams majored in Finance at Regis University.

**Robert M. Egan, C.P.A., Financial Consultant.** Mr. Egan has been associated with the District since 1987. He assists District personnel in all aspects of financial accounting and reporting, as well as annual budgeting. He is a member of the District Finance Committee and has advised on the investment of District funds since 1987. He is the founding Partner of Egan & Egan Certified Public Accountants, a firm that audits many water districts, as well as other business entities in a variety of industries. Mr. Egan has a B.S. in Accounting, an M.S. in Tax and has taught accounting in the Los Angeles Community College District for thirty years.

## **Powers**

The District has broad general powers over the use of water within its boundaries, including the right of eminent domain and the authority to acquire, control, distribute, store, spread, sink, treat, purify, reclaim, recapture and salvage any water for beneficial use, to acquire, construct and operate facilities for the collection, treatment, and disposal of waste and storm water, to sell and deliver potable or nonpotable water, to contract with the United States, other public agencies, private corporations, or other persons and, subject to constitutional limitations, to levy assessments, taxes and standby charges.

## **Employees**

The District currently employs 88 persons, of whom 53 work in the Information Technology, Facilities, Operations and Engineering departments and 35 work in the Administration or Finance departments. Currently, the District's labor force is not represented by a union. The District has never experienced a strike, slow down or work stoppage.

## **Pension Benefits**

### **[TO BE UPDATED BASED ON 2020 AUDIT WHEN AVAILABLE]**

**CalPERS Plan.** Accounting and financial reporting by state and local government employers for defined benefit pension plans is governed by Governmental Accounting Standards Board ("GASB") Statement No. 68 ("GASB 68"). GASB 68 governs the accounting treatment of defined benefit pension plans, including how expenses and liabilities are calculated and reported by state and local government employers in their financial statements. GASB 68 includes the following components: (i) unfunded pension liabilities are



included on the employer's balance sheet; (ii) pension expense incorporates rapid recognition of actuarial experience and investment returns and is not based on the employer's actual contribution amounts; (iii) lower actuarial discount rates are required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities are required to be used for certain purposes of the financial statements; and (v) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. GASB 68 changed the District's accounting reporting and disclosure requirements, but it did not change the District's pension plan funding obligations. The pension information provided below is in conformance with GASB 68 standards.

The District participates in a CalPERS run agent multiple-employer public employee defined benefit pension plan for all of the District's full-time and certain of its temporary employees that have worked for the District for a total of over 1,000 hours (the "District's Miscellaneous Plan"). CalPERS provides retirement, disability and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State, including the District.

CalPERS plan benefit provisions and all other requirements are established by State statute and the District's Board of Directors. The District's employees participate in one of two plans under the District's Miscellaneous Plan depending upon their date of hire. Employees hired prior to January 1, 2013 participate in the Classic Tier 1 plan and employees hired after that date participate in the PEPRA Tier 2 plan. The benefits of each plan are summarized below:

	<i>Miscellaneous Plans</i>	
	<i>Classic Tier 1</i>	<i>PEPRA Tier 2</i>
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required member contribution rates	6.902%	6.250%
Required employer contribution rates – FY 2019	9.409%	6.533%
Required employer contribution rates – FY 2018	8.921%	6.842%

At June 30, 2019, the following members were covered by the benefit terms:

<i>Plan Members</i>	<i>Miscellaneous Plans</i>		<i>Total</i>
	<i>Classic Tier 1</i>	<i>PEPRA Tier 2</i>	
Active members	61	21	82
Transferred and terminated members	43	2	45
Retired members and beneficiaries	<u>53</u>	<u>-</u>	<u>53</u>
<b>Total plan members</b>	<u>157</u>	<u>23</u>	<u>180</u>

District employees who were hired on and after January 1, 2013 and who were not previously CalPERS members receive benefits based on a 2.0% at age 62 formula; such employees are required to make the full amount of required employee contributions themselves under the California Public Employees' Pension Reform Act of 2013 ("AB 340"), which was signed by the State Governor on September 12, 2012. AB 340 established a new pension tier – 2.0% at age 62 formula, with a maximum benefit formula of 2.5% at age 67. Benefits for such participants are calculated on the highest average annual compensation over a consecutive 36 month period. Employees are required to pay at least 50% of the total normal cost rate. AB

340 also caps pensionable income for 2019 as noted below. Amounts are set annually, subject to Consumer Price Index increases, and retroactive benefits increases are prohibited, as are contribution holidays and purchases of additional non-qualified service credit.

**Palmdale Water District  
Pensionable Income Caps for 2019 (AB 340 and Non-AB 340 Employees)**

<i>Hire Date</i>	<i>Before January 1, 2013 (Non-AB 340 Employees)</i>	<i>After January 1, 2013 (AB 340 Employees)</i>
<i>Maximum Pensionable Income</i>	\$280,000	\$149,019

Source: District.

Additional employee contributions, limits on pensionable compensation and higher retirement ages for new members as a result of the passage of AB 340 are expected to reduce the District's unfunded pension liability and potentially reduce District contribution levels in the long term.

The District is also required to contribute the actuarially determined remaining amounts necessary to fund benefits for its members. Employer contribution rates for all public employers are determined on an annual basis by the CalPERS actuary and are effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The total minimum required employer contribution is the sum of the plan's employer normal cost rate (expressed as a percentage of payroll) plus the employer unfunded accrued liability contribution amount (billed monthly). The normal cost rate is the annual cost of service accrual for the upcoming Fiscal Year of active employees.

Beginning in Fiscal Year 2018, CalPERS began collecting employer contributions toward a pension plan's unfunded liability as dollar amounts instead of the prior method of a percentage of payroll. According to CalPERS, this change was intended to address potential funding issues that could arise from a declining payroll or a reduction in the number of active members in the plan. Funding the unfunded liability as a percentage of payroll could lead to underfunding of pension plans. Due to stakeholder feedback regarding internal needs for total contributions expressed as an estimated percentage of payroll, the CalPERS reports include such results in the contribution projection for informational purposes only. Contributions toward a pension plan's unfunded liability will continue to be collected as set dollar amounts.

The District's required contributions to CalPERS fluctuate each year and, as noted, include a normal cost component and a component equal to an amortized amount of the unfunded liability. Many assumptions are used to estimate the ultimate liability of pensions and the contributions that will be required to meet those obligations. The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase the District's required contributions to CalPERS in future years. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions. CalPERS earnings reports for Fiscal Years 2010 through 2019 report investment gains of approximately 13.3%, 21.7%, 0.1%, 13.2%, 18.4%, 2.4%, 0.6%, 11.2%, 8.6% and 6.7%, respectively. In July 2020, CalPERS reported a preliminary 4.7% investment return in Fiscal Year 2020, which was below its investment target. Reductions in CalPERS' earnings could increase future contribution rates for plan participants, including the District, beginning in Fiscal Year 2023, although the District is unable to estimate the magnitude of any such increases at this time. See the caption "— COVID-19 Outbreak."

On December 21, 2016, the CalPERS Board of Administration voted to lower its discount rate from the current rate of 7.50% to 7.00% over a three-year period. For public agencies such as the District, the first discount rate reduction took effect July 1, 2018. Lowering the discount rate means that employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial

liabilities. Active members hired after January 1, 2013 will also see their contribution rates rise under AB 340. The reduction of the discount rate will result in average employer rate increases of approximately 1% to 3% of normal cost as a percentage of payroll for most Miscellaneous retirement plans such as the District's plan. Additionally, many employers will see a 30% to 40% increase in their current unfunded accrued liability payments. These payments are made to amortize unfunded liabilities over 20 years to bring pension funds to a fully funded status over the long term.

For Fiscal Years 2018 and 2019, the District made required Miscellaneous plan contributions of \$1,251,063 and \$1,268,063, respectively. The District's annual required contribution in Fiscal Year 2020 is \$1,493,530 (assuming that the District elects the lump sum payment option). The District notes that contributions in future years may increase because of losses in CalPERS' portfolio resulting from stock market declines in the wake of the COVID-19 outbreak, although the District is unable to estimate the magnitude of any such increases at this time. See the caption "—COVID-19 Outbreak."

*Portions of the above information are primarily derived from information that has been produced by CalPERS, its independent accountants and its actuaries. Neither the District nor the Underwriter has independently verified such information and neither makes any representations nor expresses any opinion as to the accuracy of the information that has been provided by CalPERS.*

*The comprehensive annual financial reports of CalPERS are available on CalPERS' Internet website at [www.calpers.ca.gov](http://www.calpers.ca.gov). The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information that concerns benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. Neither the District nor the Underwriter can guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future.*

The District's Miscellaneous plan had a proportionate share of the risk pool collective net pension liability of approximately \$10,081,661 for the Fiscal Year ended June 30, 2017, approximately \$9,809,458 for the Fiscal Year ended June 30, 2018 and approximately \$10,691,338 for the Fiscal Year ended June 30, 2019. The net pension liability is the difference between the total pension liability and the fair market value of pension assets. The District's total pension assets include funds that are held by CalPERS, and its net pension asset or liability is based on such amounts. The District notes that its net pension liability may increase in the future because of losses in CalPERS' portfolio resulting from stock market declines in the wake of the COVID-19 outbreak, although the District is unable to estimate the magnitude of any such increases at this time. See the caption "—COVID-19 Outbreak."

For the measurement period ending June 30, 2019 and 2018, the total pension liability was determined by rolling forward the June 30, 2018 and 2017, total pension liability. The December 31, 2019 and 2018 total pension liability was based on the following actuarial methods and assumptions:

**Palmdale Water District**  
**Actuarial Assumptions for CalPERS Miscellaneous Pension Plan**

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method	Market Value of Assets
<i>Actuarial Assumptions:</i>	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by entry age and service
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter
Mortality Rate Table <sup>(1)</sup>	Derived using CalPERS' membership data for all funds

<sup>(1)</sup> The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.  
Source: District.

Changes in the net pension liability for the District's Miscellaneous plan were as follows:

**Palmdale Water District**  
**Changes in CalPERS Miscellaneous Pension Plan Net Pension Liability**

	<i>Increase / (Decrease)</i>		
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability / (Asset)</i>
Balance at June 30, 2018	\$ 42,065,728	\$ 32,256,270	\$ 9,809,458
Balance at June 30, 2019	44,392,170	33,700,832	10,691,338
Net Changes <sup>(1)</sup>	<u>\$ 2,326,442</u>	<u>\$ 1,444,562</u>	<u>\$ 881,880</u>

<sup>(1)</sup> Reflects net changes for the period from July 1, 2018 through June 30, 2019.  
Source: District.

The following table presents the net pension liability of the District's Miscellaneous plan, calculated using the discount rate applicable to Fiscal Year 2019 (7.15%), as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the current rate:

**Palmdale Water District**  
**Sensitivity of the Miscellaneous Plan Net Pension Liability to Changes in the Discount Rate**

	<i>Discount Rate – 1 % (6.15%)</i>	<i>Current Discount Rate (7.15%)</i>	<i>Discount Rate + 1 % (8.15%)</i>
Plan's Net Pension Liability/(Asset)	\$16,662,221	\$10,691,338	\$5,762,797

Source: District.

For additional information relating to the District's CalPERS Miscellaneous pension plan, see Note 9 to the District's audited financial statements for Fiscal Years 2018 and 2019 set forth in Appendix A.

**Other Post-Employment Benefits**

**Plan Description – Eligibility.** The District administers its post-employment benefits plan, a single-employer defined benefit plan ("OPEB Plan"). The following requirements must be satisfied in order to be

eligible for the post-employment medical, dental and vision benefits: (1) attainment of age 55, and 20 years for full-time service with the District and (2) retirement from the District (the District must be the last employer prior to retirement).

Membership in the OPEB Plan consisted of the following members as of December 31 of each of the following years:

	<b>2019</b>	<b>2018</b>
Active plan members	87	82
Retirees and beneficiaries receiving benefits	<u>17</u>	<u>16</u>
Total plan membership	<u>104</u>	<u>98</u>

***OPEB Plan Description – Benefits.*** The District offers post-employment medical, dental and vision benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any plan available through the Association of California Water Agencies – Joint Power Insurance Authority (“ACWA-JPIA”) medical, dental and vision programs. The contribution requirements of OPEB Plan members and the District are established and may be amended by the Board of Directors. OPEB Plan benefits do not sunset when a retiree becomes eligible for Medicare.

The District’s total OPEB liabilities of \$12,965,981 and \$13,598,136 as of December 31, 2019 and 2018, respectively, were measured as of December 31, 2018 and 2017, and were determined by an actuarial valuation as of those dates.

GASB Statement No. 75 (“GASB 75”) requires governmental agencies to account for and report outstanding obligations and commitments related to post-employment benefits in essentially the same manner as for pensions. For the District, the reporting obligation began in Fiscal Year 2018.

The District retained Bartel Associates (the “Actuarial Consultant”) to calculate the District’s post-employment benefits funding status. In a report dated May 28, 2020 (the “Report”), the Actuarial Consultant concluded that, as of June 30, 2019, the District’s net liability for post-employment benefits was \$12,965,681.

Changes in the net liability for the District’s post-employment benefit plan were as follows.

**Palmdale Water District  
Changes in Post-Employment Benefit Plan Liability**

	<b><i>Total OPEB Liability</i></b>
<b>Balance at January 1, 2019 (MD Jan. 1, 2018)</b>	<b><u>\$ 13,598,136</u></b>
<b>Changes for the year:</b>	
Service cost	533,709
Interest	480,852
Assumption changes	(1,339,825)
Benefit payments	<u>(307,191)</u>
Net changes	<u>(632,455)</u>
<b>Balance at December 31, 2019 (MD Dec. 31, 2018)</b>	<b><u>\$ 12,965,681</u></b>

Source: District.

The following table presents the net liability of the District’s post-employment benefits plan, calculated using the discount rate applicable to Fiscal Year 2018 (4.09%), as well as what the net post-employment benefit liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.09%) or 1 percentage point higher (5.09%) than the Fiscal Year 2018 rate:

**Palmdale Water District**  
**Sensitivity of the Post-Employment Benefit Plan Net Liability to Changes in the Discount Rate**

<i>1% Decrease</i>	<i>Discount Rate</i>	<i>1% Increase</i>
<b>3.09%</b>	<b>4.09%</b>	<b>5.09%</b>
\$15,108,233	\$12,965,681	\$11,228,900

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Source: District.

The District's projections of Operation and Maintenance Costs under the caption "SYSTEM FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage" do not assume unusual increases in post-employment benefit funding expenses in the future. However, future changes in funding policies and assumptions, including those related to assumed rates of investment return and healthcare cost inflation, could trigger increases in the District's annual required contributions, and such increases could be material to the finances of the District. No assurance can be provided that such expenses will not increase significantly in the future. The District does not expect that any increased funding of post-employment benefits will have a material adverse effect on the ability of the District to make the 2021 Installment Payments when due.

For additional information relating to the post-employment benefit plan, see Note 8 to the District's audited financial statements set forth in Appendix A.

### **Budget Process**

The District operates on a calendar year basis. Historically, prior to the closing of each calendar year a tentative budget is proposed by the District's General Manager based on the previous year's revenues and expenses, taking into account growth within the District and inflationary factors. The preliminary budget is then presented to the Board of Directors for their approval and the final budget is normally adopted before the close of the calendar year. The Board approved the District operating budget for the 2021 calendar year on November 23, 2020.

The District's budget is prepared on the accrual basis. For budgeting purposes, the District generally sets user charges to cover operating expenses of the District, including certain transportation charges assessed by the State of California's Department of Water Resources ("DWR"), and sets ad valorem assessments to pay for other expenses arising from the contract between the District and DWR relating to the State Water Project. In addition, the District sets its capital improvement fee amounts to finance capital projects. See "SYSTEM FINANCIAL INFORMATION" herein for a detailed description of the District's various rates, assessments and fees. For a discussion of current and potential limitations on the District's ability to maintain or increase taxes, fees and other charges, including such fees and other charges as may be limited by the terms of Proposition 218. See "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218" herein. See also APPENDIX A—"AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEARS 2019 AND 2020."

### **Insurance**

#### **[TO BE UPDATED BASED ON 2020 AUDIT WHEN AVAILABLE]**

The District maintains general liability and automotive liability and public officials liability (errors and omissions) insurance through the Association of California Water Agencies - Joint Powers Insurance Authority ("ACWA-JPIA") with limits of \$60,000,000. The District's self-insured retention amount for the general and auto liability coverage is \$25,000. The District maintains employee dishonesty coverage of up to \$100,000 per loss, which includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage. The District maintains replacement property insurance coverage through ACWA-JPIA with a \$100,000 deductible per occurrence, with \$500,000,000 maximum per claim amount and no

maximum annual coverage amount. The District maintains boiler and machinery insurance coverage for the replacement cost of up to \$100,000,000, subject to various deductibles depending on the type of equipment. The District maintains public officials' personal liability coverage of up to \$100,000 for each occurrence, with an annual maximum of \$100,000 per each elected/appointed official to which this coverage applies and is subject to certain terms and a \$1,000 deductible per claim. The District also maintains worker's compensation insurance with ACWA-JPIA, with statutory limits and employers' liability coverage with limits of \$2,000,000. The District does not currently carry insurance to cover the Littlerock Dam, which retains water in a reservoir, one of the District's primary water storage facilities. The District carries earthquake insurance on its headquarters building, and the contents therein, in an amount up to \$3,000,000, and business and interruption insurance in an amount up to \$6,000,000. In addition, ACWA/JPIA provides cyber liability coverage up to \$3,000,000 per occurrence through the commercial liability policy for participating members of the general liability pool program.

### **Seismic Consideration**

The District is located near two seismically active faults: the San Andreas Fault located along the base of the San Gabriel Mountains and the Garlock Fault, located along the Tehachapi Mountains. The San Andreas Fault traverses the south central portion of the District's service area in roughly a northwest-southeast manner. The San Andreas Fault at this locale is actually a system of fault splays which include the Cemetery, the Littlerock and the Nadeau fault traces. In addition, there are several other regional faults near the District's service area, including the Sierra Madre fault, the White Wolf fault, and the Owens Valley fault. In the event of a major earthquake, the District believes that it could sustain ruptured pipelines or failures to facilities.

All facilities at the District have been designed in conformance with the Uniform Building Code standards for seismic Region 4 (the region of highest risk). In addition, storage tanks are designed based on site specific geotechnical engineering studies. The District also has incorporated certain precautions into its maintenance and construction practices to reduce impact on its facilities in the event of an earthquake. For example, rehabilitation of the Littlerock Dam was done in compliance with the standards set by the Division of Safety of Dams and all newly replaced pipeline segments are joined with rubber gasket joints for maximum flexibility. In addition, the District replaces and relines portions of old pipelines as part of its water system maintenance program. The District also maintains extra pipes and fittings in its inventory for use during an emergency. See "THE WATER SYSTEM" below.

### **Outstanding Indebtedness**

In November 2012, the District caused to be executed and delivered its Refunding Revenue Certificates of Participation, Series 1998, payable from the 2012 Installment Purchase Agreement. Upon the issuance of the 2021 Bonds, the 2012 Installment Payments will be outstanding in the amount of \$3,278,374.

In May 2013, the Authority issued the 2013 Bonds, which are secured by the 2013 Installment Payments. A portion of the 2013 Installment Payments were prepaid with the proceeds of the 2020 Installment Purchase Agreement and certain other 2013 Installment Payments were prepaid with the proceeds of the 2020 Bonds. Upon the issuance of the 2021 Bonds, the 2013 Installment Payments will be outstanding in the amount of \$18,930,000.

Upon the issuance of the 2021 Bonds, the 2017 Installment Payments will be outstanding in the amount of \$178,953.

Upon the issuance of the 2021 Bonds, the 2018 Installment Payments will be outstanding in the amount of \$12,805,000.

Upon the issuance of the 2021 Bonds, the 2020 Installment Payments will be outstanding in the amount of \$8,965,604.

Upon the issuance of the 2021 Bonds, the 2020 Bonds will be outstanding in the amount of \$14,555,000.

The 2012 Installment Payments due under the 2012 Installment Purchase Agreement, the 2013 Installment Payments due under the 2013 Installment Purchase Agreement, the 2017 Installment Payments due under the 2017 Installment Purchase Agreement, the 2018 Installment Payments due under the 2018 Installment Purchase Agreement, the 2020 Installment Payments due under the 2020 Installment Purchase Agreement, the payments on the 2020 Bonds and the 2021 Installment Payments are secured on a parity and payable from Net Water Revenues. Upon the issuance of the 2021 Bonds, the 2021 Bonds and the Parity Obligation Documents will be the only outstanding indebtedness payable from Net Water Revenues on a parity with the obligation to make the 2021 Installment Payments when due.

With the exception of debt that may be issued to finance the Palmdale Regional Groundwater Water Augmentation Program (the “Groundwater Water Augmentation Project”) and a potential bond issuance in 2023, the District currently does not anticipate issuing any Bonds or executing any Contracts within the next five years that will be payable from Net Water Revenues on a parity with the 2021 Installment Payments or payments due under the Parity Obligation Documents.



The overlapping debt table of the District as of June 1, 2021 is set forth in Table 2 below.

**Table 2**  
**PALMDALE WATER DISTRICT**  
**OVERLAPPING BONDED DEBT**

2020-21 Land Only Assessed Valuation: \$2,152,709,268

OVERLAPPING TAX AND ASSESSMENT DEBT: (Based on all property valuation of \$7,478,149,985)

	<u>% Applicable</u>	<u>Debt 6/1/21</u>
Antelope Valley Joint Community College District	18.948%	\$ 90,656,456
Pasadena Area Community College District	0.003	1,876
Acton-Agua Dulce Unified School District	0.992	101,191
La Canada Unified School District	0.038	28,660
Antelope Valley Union High School District	21.333	9,662,755
Palmdale School District	65.082	81,967,412
Westside Union School District	0.874	418,328
Palmdale School District Community Facilities District No. 90-1	79.489%	43,757,719
City of Palmdale Street Lighting Assessment Districts	52.597-69.070	6,588,657
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$233,183,054</b>

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

Los Angeles County General Fund Obligations	0.438%	\$ 11,469,062
Los Angeles County Superintendent of Schools Certificates of Participation	0.438	19,996
Pasadena Area Community College District Certificates of Participation	0.003	864
Acton-Agua Dulce Unified School District Certificates of Participation	0.992	19,840
Antelope Valley Union High School District General Fund Obligations	21.333	1,667,174
Palmdale School District Certificates of Participation	65.082	10,091,190
City of Palmdale Certificates of Participation	46.617	25,861,144
<b>Palmdale Water District Certificates of Participation and Water Revenue Bonds</b>	<b>100.</b>	<b>50,372,978 <sup>(1)</sup></b>
Los Angeles County Sanitation District No. 14 Authority	0.112	385
Los Angeles County Sanitation District No. 20 Authority	62.985	180,355
Antelope Valley Hospital District General Fund Obligations	20.187	926,710
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$100,609,698</b>

OVERLAPPING TAX INCREMENT DEBT:

Successor Agency to Palmdale Redevelopment Agency Merged Project Area	41.691%	\$25,765,422
<b>TOTAL OVERLAPPING TAX INCREMENT DEBT</b>		<b>\$25,765,422</b>

**COMBINED TOTAL DEBT** **\$359,558,174<sup>(2)</sup>**

Ratios to 2020-21 Land Only Assessed Valuation:

**Direct Debt (\$50,372,978) ..... 2.34%**

Ratios to 2020-21 All Property Assessed Valuation:

Total Overlapping Tax and Assessment Debt ..... 3.12%  
Combined Total Debt ..... 4.81%

Ratios to Redevelopment Incremental Valuation (\$628,981,250):

Total Overlapping Tax Increment Debt ..... 4.10%

<sup>(1)</sup> Excludes the 2021 Bonds.

<sup>(2)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

## District's Investment Policy

On November 23, 2020, the District adopted an updated Investment Policy to promote its stated objectives of (i) preserving principal through diversification, (ii) maintaining liquidity, and (iii) providing market rate of return throughout budgetary and economic cycles, taking into account risk constraints and the cash flow characteristics of the entire portfolio.

Under the current Investment Policy, investments are made in compliance with the Prudent Investor Rule and are governed by certain provisions of the California Government Code. Within the limitations imposed by the California Government Code, the District further restricts the types of investments and their maturities. Generally, permitted investments include: bonds issued by the District; United States Treasury Bills, Notes and Bonds, Federal agency or United States government-sponsored enterprise obligations, participations or other instruments; certificates of deposits not exceeding 40% of all money invested by the District pursuant to the Investment Policy; bonds, notes, warrants or other debt issued by a local agency within California, including pooled investment accounts established by the State of California, County Treasurer or other local agencies or joint powers agencies (including investments in the Local Agency Investment Fund); and monies held in trust pledged to the payment or security of bonds, or other indebtedness of a local agency. Under the Investment Policy, prohibited investments include inverse floaters, range notes, interest-only strips derived from a pool of mortgages or any investment that may result in zero interest accrual if held to maturity.

In addition, the Statement of Investment Policy provides certain guidelines for diversification of investments, liquidity goals, qualification of banks and securities dealers, and collateralization requirements for certain investments. While the District is currently required to adopt its Investment Policy annually, such requirement may be changed in the future and the investment guidelines may also be changed in the future.

The District's investments by category and their respective market value as of December 31, 2020, March 31, 2021 and May 31, 2021 are set forth in the table below. For additional information relating to the District's investments, see APPENDIX A—"AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEARS 2019 AND 2020," Note 2.

**Table 3**  
**PALMDALE WATER DISTRICT**  
**SUMMARY OF INVESTMENTS**

<i>Investment Category</i>	<i>Market Value</i>		
	<i>12/31/20</i>	<i>3/31/21</i>	<i>5/31/21</i>
Federal Agency Obligations	\$ 6,820,493	\$ 4,332,294	
Negotiable Certificates-of-Deposit	3,443,572	2,757,965	
Local Agency Investment Fund (LAIF)	12,641	12,661	
<b>TOTAL</b>	<u><u>\$ 10,276,706</u></u>	<u><u>\$ 7,102,920</u></u>	

Source: The District.

The Investment Policy may be changed at any time at the discretion of the District (subject to the State law provisions relating to authorized investments) and as the California Government Code is amended. Any exception to the Investment Policy must, however, be formally approved by the Board of Directors of the District. There can be no assurance the State law or the Investment Policy will not be amended in the future to allow for investments which are currently not permitted under such State law or the Investment Policy, or that the objectives of the District with respect to investments will not change.

### **Unrestricted Reserves**

The following chart illustrates the unencumbered reserves of the District for Fiscal Years 2011 through 2020. While the operating reserves may be allocated by the District to make the 2021 Installment Payments when due and payments due under the Parity Obligation Documents, they are not pledged for such purpose. Such reserves may be utilized at any time for lawful expenditures by the District, and no assurance can be made that the reserves will be available to make any such payments.

**Table 4**  
**PALMDALE WATER DISTRICT**  
**HISTORY OF UNRESTRICTED RESERVES**  
**2011-2020**

<i>Year</i>	<i>Cash and Cash Equivalents</i>	<i>Investments</i>	<i>Total Unrestricted Reserves</i>
2011	\$ 5,263,244	\$ 2,538,275	\$ 7,801,519
2012	7,240,103	2,019,050	9,259,153
2013	8,481,773	3,734,701	12,216,474
2014	9,220,142	3,761,914	12,982,056
2015	7,835,005	4,408,985	12,243,990
2016	4,412,202	8,441,547	12,853,749
2017	3,784,789	10,542,238	14,327,027
2018	3,679,407	8,105,601	11,785,008
2019	5,700,809	6,720,309	12,421,118
2020	1,459,889	10,276,706	11,736,595

Source: The District.

## THE WATER SYSTEM

### General Description

The District is the sole provider of potable water service to water users within its boundaries, currently serving a population of approximately 116,000 people (through 27,439 connections), approximately 81% of whom are residential users. The District receives its water from three sources: (i) local groundwater, (ii) surface water from Littlerock Creek and the Santiago Canyon deposited in the Littlerock Dam and Reservoir, and (iii) imported water from the DWR through the State Water Project. As set forth in Table 5 below, the percentage of water received from each of these sources fluctuates depending on levels of rainfall year to year. The District uses Palmdale Lake to store water it receives from the Littlerock Dam and Reservoir and the State Water Project. Palmdale Lake has a storage capacity of 4,250 acre-feet. The District maintains Palmdale Lake at 90-100% of total capacity during the months of February through September and at 75-100 percent of capacity from October through January. The amount of water stored in Palmdale Lake is capable of supplying water to the District's customers for approximately two months in the event water from the State Water Project and Littlerock Dam and Reservoir is not available.

The District operates 22 active water wells which extract groundwater from the Antelope Valley Groundwater Basin (the "Basin"). The District also maintains 20 reservoirs ranging in individual capacity from 40,000 to 6,000,000 gallons with an aggregate storage capacity of 49.9 million gallons of water. Other District water system facilities include two interconnections between the District's water system and the facilities of the Antelope Valley – East Kern Water Agency and Littlerock Creek Irrigation District which can be utilized during emergencies to transfer water from one system to the other.

The District's water system includes seven pressure zones. The distribution system includes over 408 miles of pipelines ranging in size from 4 inches to 42 inches in diameter. The District also operates 22 active water wells and 14 booster pumping stations which contain a total of 43 separate pumps. See "— District Water Facilities" below for additional information.

The table below sets forth the history of sources and use of water for the District from its three sources: local groundwater, surface water, and imported water from the DWR through the State Water Project. The District also expects to expand its water supply by approximately 4,000 acre feet of groundwater in 2026 with the Groundwater Water Augmentation Project which includes construction of new facilities to deliver

SWP water from the California Aqueduct along with recycled water from the Palmdale Water Reclamation Plant to surface spreading basins in the northeast portion of the City of Palmdale. See “—Local Groundwater” and “Future Capital Projects— Palmdale Recycled Water Advanced Treatment and Injection Project.” Quantities of water are expressed in terms of acre-feet. An acre-foot is the amount of water which will cover one acre to a depth of one foot and is equivalent to approximately 325,000 gallons.

**Table 5**  
**PALMDALE WATER DISTRICT**  
**WATER SOURCE AND USE SUMMARY TABLE**

<i>Calendar Year</i>	<i>Groundwater Production (ac.-ft.) (a)</i>	<i>Raw Surface Water Sources</i>		<i>Treated Surface Water Production</i>			<i>Total Water Production (ac.-ft.) (a+e)</i>	<i>Total Water Metered (ac.-ft.)<sup>(3)</sup></i>	<i>Unaccounted for Water (ac.-ft.) (%)</i>	
		<i>Littlerock Reservoir (ac.-ft.) (b)</i>	<i>State Water Project (ac.-ft.) (c)</i>	<i>Total Water Sources (ac.-ft.) (d)<sup>(1)</sup></i>	<i>Yearly Total (ac.-ft.) (e)</i>	<i>Yearly Average<sup>(2)</sup> (MGD) (f)</i>				
2016 <sup>(4)</sup>	8,473	0	11,155	19,629	8,894	10.7	17,367	15,854	1,513	8.7
2017	4,335	965	15,044	20,364	14,310	16.7	18,665	17,337	1,328	7.1
2018	6,058	3,138	10,184	19,380	13,829	12.4	19,887	18,086	1,801	9.0
2019	4,425	3,129	11,859	19,413	14,109	12.6	18,534	17,045	1,489	8.0
2020	7,599	4,536	8,348	20,483	12,912	11.5	20,511	19,017	1,494	7.3

(1) Difference between the annual Total Water Sources in column “(d)” and the Total Water Production column is primarily the result of water storage, reservoir replenishment and water lost due to environmental factors.

(2) Column “f” reflects the average daily production from the water treatment plant (WTP) over each year. WTP production during summer months averages 16 million gallons per day (MGD). The WTP production capacity is 35 MGD.

(3) Total includes water treated on behalf of Antelope Valley East Kern Water Agency (“AVEK”), water supplied to Littlerock Creek Irrigation District and process water used at the WTP.

(4) Due to dry conditions throughout the State, the Governor enacted mandatory water restrictions for all water agencies, including the District. See “FACTORS AFFECTING WATER SUPPLIES—California Drought and Response.”

Source: The District.

## Local Groundwater

Over the last five years, the District received an average of approximately 35% of its water supply from local groundwater, with a high of 62% and a low of 21% during this time. As described below, the District has various rights to groundwater which could provide the District with up to approximately 8,140 acre feet of groundwater per year.

Historically, the District’s primary service area was supplied with groundwater pumped from deep wells. Natural recharge of the Basin is achieved primarily from watershed areas in the San Gabriel Mountains. Creeks and streams spread runoff from precipitation in the mountains over alluvial fans on the northern slopes. Recharge of the area is limited by the semi-arid regional climate.

Groundwater supplies in the Antelope Valley have been determined to be overdrafted, which has resulted in litigation to adjudicate water rights in the Basin. In late 2015, the District as well as the majority of parties involved in such litigation agreed to a stipulated judgment for the adjudication of the Basin (the “Judgment”). Under the Judgment, the District receives a groundwater production right to a fixed amount of water. Prior to the Judgment, the District had an unquantified right to pump water from the Basin for beneficial use, and assumed projected pumping volumes of approximately 12,000 acre feet per year. As a result of the Judgment, the District has reduced its groundwater production to 2,769.63 acre feet per year from the safe yield (as such term is described below). See “FACTORS AFFECTING WATER SUPPLIES—Antelope Valley Groundwater Basin” for further discussion of the Judgment.

Under the Judgment, the District is additionally entitled to a pumping allocation equal to 39.1% of the water the District used from the SWP in prior years either for direct use via the Leslie O. Carter Water Treatment Plant or for recharge at the proposed Groundwater Water Augmentation Project after it is recovered and used by customers (the “Return Flow Credit”). The District projects that the Return Flow Credit will provide approximately 4,000 acre feet per year. Any unused portion of the Return Flow Credit for a given year may be carried forward for use in future years. The District also projects that the Groundwater Water Augmentation Project will provide approximately an additional 5,325 acre feet of groundwater upon completion in 2031 due to the additional conjunctive use of recycled water. See “—Future Capital Projects—Palmdale Recycled Water Advanced Treatment and Injection Project” for a discussion of the Groundwater Water Augmentation Project.

In addition to the groundwater allocation and the Return Flow Credit, the District is further entitled under the Judgment to a share of the unused reserve right of the Federal Government relating to the Edwards Air Force Base, which is projected to be approximately 1,370 acre feet per year through at least 2025. The District’s right to this water will be reduced or terminated in the event that the Federal Government increases water usage at the base.

The District also receives the following benefits from the Judgment, all of which make its groundwater supply more reliable: (1) the right to pump additional groundwater if the District pays the cost to replace it with imported water, (2) the right to store water in the Basin in wet years for use in dry years, and (3) the right to purchase additional water rights from other pumpers in the Basin.

The District is a member of a joint powers authority called the Antelope Valley State Water Contractors Association (the “Association”). The other members of the Association are the Littlerock Creek Irrigation District and the Antelope Valley – East Kern Water Agency, the other two State Water contractors in the Antelope Valley. A principal goal of the Association is for the three members to work together to develop conjunctive use projects, including groundwater banking.

The District’s primary service area overlies three sub-units of the Basin – the Lancaster, Buttes and Pearland sub-units. In addition, the District overlies a portion of the San Andreas Rift Zone, which also contains water bearing deposits. The District presently pumps groundwater from 22 wells in the Lancaster and Pearland sub-units and from the San Andreas Rift Zone. In Phase 3 of the trial in the Basin’s adjudication, the court determined the safe yield for the Basin, including imported water return flows, was 110,000 acre-feet per year. The term “safe yield” is generally defined as the maximum rate of extraction from a groundwater basin which, if continued over an indefinite period of years, would result in the maintenance of certain desirable fixed conditions.

Groundwater from the District’s wells meets all current water quality requirements and is not treated, other than the addition of disinfectant prior to being pumped into the water distribution system. Recently updated regulations, such as the new and lower arsenic maximum contaminant level, will also be met without treatment. The only present potential known threat to the District’s groundwater quality is the presence of a plume of high nitrate levels in groundwater located approximately two miles northeast of the District’s main well field that has resulted from the operation of the Sanitation Districts of Los Angeles County District No. 20 (the “Sanitation District”). The Sanitation District is currently under a Cleanup and Abatement Order from the Regional Water Quality Control Board, Lahontan Region, to fully identify and clean up the plume. The District’s wells are currently unaffected by the higher nitrate levels that exist in the plume.

## **Surface Water**

Over the last five years, the District received an average of approximately 12% of its water supply from local surface water. The amount of local surface supply varies annually and has ranged from 0% to 22% in the last five years. Surface water in Littlerock Creek and the Santiago Canyon is fed by runoffs from a 65 square mile watershed in the Angeles National Forest. Water from the watershed is diverted into the Littlerock

Dam which currently has a usable storage capacity of approximately 3,000 acre-feet of water. Construction of Littlerock Dam and Reservoir was completed in 1924 by the Palmdale Irrigation District, predecessor to the District, and the Littlerock Creek Irrigation District. Title to the Littlerock Dam and Reservoir is jointly held by the District and the Littlerock Creek Irrigation District. Pursuant to the Littlerock Dam Agreement, the District financed the rehabilitation of the Littlerock Dam and Reservoir in compliance with directions from the Division of Safety of Dams. In consideration of the District's undertaking of all rehabilitation costs of the Littlerock Dam and Reservoir, the District was granted an irrevocable license to 100% of the storage capacity of the Littlerock Dam and Reservoir for a term of 50 years through 2042. Under the Littlerock Dam Agreement, the District is also responsible for the maintenance and operation of the Littlerock Dam and Reservoir, except as otherwise provided by such agreement. The average annual yield from the Littlerock Dam and Reservoir is estimated at 4,000 acre-feet per year. In 2020, the District received 4,536 acre-feet of water from the Littlerock Dam and Reservoir.

### **State Water Project**

Over the last five years, the District received an average of approximately 53% of its water supply from the State Water Project ("SWP"). The SWP encompasses a complex array of reservoirs, pumping plants, power plants, canals and tunnels owned and operated by DWR. SWP water, which originates primarily north of the San Francisco Bay/Sacramento-San Joaquin River Delta (the "Bay-Delta" or "Delta"), is transported from the Delta to serve water contractors and their member agencies in the San Francisco Bay area, the San Joaquin Valley and Southern California.

Pursuant to a Water Supply Contract, dated February 2, 1963, by and between the Palmdale Irrigation District, as predecessor to the District, and DWR, as amended from time to time (as so amended, the "District's State Water Supply Contract"), the District received entitlements to SWP water. Pursuant to the District's State Water Supply Contract, the District is entitled to receive up to 21,300 acre-feet of SWP water each year. In 2020, the District received 8,348 acre-feet of water from the SWP, which includes its 2020 allocation, additional water supplied pursuant to a contract with Butte County, and a carryover allocation of water from 2019. The final allocation of water made by DWR in 2020 was 20% of each State Water Contractor's contract amount, but the District was able to supplement its supply through an agreement with Butte County to lease a portion of that County's Table "A" water allocation. The District has a long term lease agreement with Butte County for 10,000 acre-feet per year of their SWP Table A Quantity (the "Butte County Agreement"). The amount available through the Butte County Agreement varies primarily on the final annual allotment from DWR to the SWP contractors and can be roughly calculated by multiplying the final allotment percentage by 10,000 acre-feet. The Butte County Agreement runs through 2031 and has a renewal option through 2035. The District's State Water Supply Contract, the Butte County Agreement and any other agreements to which the District is a party for SWP water and for which the District levies or will levy an assessment are collectively referred to herein as the "State Water Supply Contract." The amount of water which DWR supplies to the District under the State Water Supply Contract may be reduced in any year in which there is a shortage or interruption, due to drought or other temporary cause, in the supply of water available for delivery to the District and other SWP contractors. DWR reduces allotments where the available water supply is less than the total of the annual project allotments of all project participants in the SWP facilities for that year. In March 2021, DWR announced that allocations for 2021 would be limited to 5% of requested supplies. Allocations are reviewed monthly based on several factors, including water in storage, environmental requirements and rain and snow runoff projections.

In the event that the State is unable to construct sufficient additional conservation facilities to prevent a reduction in the minimum SWP yield, or if for any other reason there is a reduction in the minimum SWP yield, which, notwithstanding preventative or remedial measures taken or to be taken by the State, threatens a permanent shortage in the supply of SWP water to be made available to the District under the State Water Supply Contract, the District's SWP allotment will be reduced in accordance with the State Water Supply Contract. In the event that the State is unable to construct sufficient additional conservation facilities to prevent a reduction in the minimum SWP yield, or if for any other reason there is a reduction in the minimum SWP

yield, which, notwithstanding preventative or remedial measures taken or to be taken by the State, threatens a permanent shortage in the supply of SWP water to be made available to the District under the State Water Supply Contract, the District's SWP allotment will be reduced in accordance with the State Water Supply Contract.

Pursuant to the District's State Water Supply Contract, the District is obligated to pay its allocable share of a capital cost component and a minimum operation, maintenance, power and replacement component (together, the "SWP Fixed Costs") of the SWP. In addition to the SWP Fixed Costs, the District pays a variable amount to the SWP from Net Water Revenues based on the amount of water that is purchased for delivery to the District each year. Such variable costs have averaged approximately \$1.96 million per year over the last five years. The obligation to pay the SWP Fixed Costs exists and is required to be honored by the District whether or not water is furnished to it from the SWP facilities at all times, or at all, and whether or not the SWP facilities are operable. Such costs of participation rights are being amortized over the District's water entitlement period through 2035. The District expects that the District's State Water Supply Contract will be extended beyond 2035. The table below sets forth the District's allocable share of the SWP Fixed Costs for the last five years:

**Table 6**  
**PALMDALE WATER DISTRICT**  
**HISTORY OF SWP FIXED COSTS**

<i>Year</i>	<i>Capital Cost Component</i>	<i>Minimum Fixed Operating Component</i>	<i>Total SWP Fixed Costs</i>
2016	\$4,649,693	\$86,001	\$4,735,694
2017	4,497,113	26,070	4,523,183
2018	4,598,609	22,269	4,620,878
2019	4,236,121	22,593	4,258,714
2020	5,238,206	38,084	5,276,290

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Source: The District.

Under the State Water Supply Contract, DWR is obligated to deliver to the District on or before July 1 of each year a statement of the SWP Fixed Costs payable in the next calendar year. The District levies an *ad valorem* assessment on the assessed value of the land (not including the value of any improvements) within its service area to pay the SWP Fixed Costs charged for operation, maintenance, power and replacement costs payable under the State Water Supply Contract. These assessments are placed on the tax roll and collected as a part of the annual tax bills sent to the property owners within the District by Los Angeles County. Any assessments collected are available only to pay amounts due under the State Water Supply Contract and are not a part of Water Revenues of the District pledged to secure the payments of the 2021 Installment Payments and any payments due under the Parity Obligation Documents. Increases or decreases in the District's allocable share of the SWP Fixed Costs generally will not require adjustments in the water rates of the District but will be factored in the subsequent *ad valorem* assessment levied. The District is not liable under the State Water Supply Contract for the obligations of any other SWP participants.

### **District Water Facilities**

The District's surface water system consists of Palmdale Lake into which water from Littlerock Dam and from the SWP aqueduct are deposited. Water from Palmdale Lake is treated at the Leslie O. Carter Water Treatment Plant (the "Water Treatment Plant") using chemical addition, flocculation, sedimentation, filtration, granular activated carbon ("GAC") and disinfection. The treated water enters the distribution system by gravity or through the low head transfer pump stations. The capacity of the existing plant is 35 million gallons per day. On average, the District utilizes less than 50% of the Water Treatment Plant's annual capacity and, currently, the District expects this capacity to meet projected demand for at least the next five years. Since

2004, the District has spent approximately \$56,000,000 to upgrade the Water Treatment Plant in order to meet more stringent water quality regulations. These upgrades were completed in April 2009, and include a GAC system for total trihalomethane (“TTHM”) control. GAC is considered Best Available Technology by the Environmental Protection Agency for meeting the new TTHM standards as well as a number of other standards.

In addition to its surface water supply system, the District operates 22 active wells. Water from the majority of the wells is pumped directly into the distribution system adjacent to their physical location. The remaining wells pump water into adjacent holding tanks from which booster pumps lift the water to the appropriate system pressure.

The District’s water distribution system includes 14 water booster or pumping plants, 49.9 million gallons of surface storage capacity and more than 408 miles of distribution pipeline ranging from 4 to 42 inches in diameter. The oldest pipelines are constructed of steel and many have experienced excessive leakage. The District has an ongoing, prioritized replacement program for these older steel pipelines. During calendar years 2015 through 2019, the District replaced 20,390 lineal feet of pipelines, representing 1% of all of the pipelines within the District. Water loss in the District’s distribution system in the last five years has ranged from a low of 7.1% in 2017 to a high of 10.6% in 2015. The District considers losses of water in its distribution system to be within acceptable industry standards.

Elevation within the District varies from 2,600 to 3,800 feet, and 7 pressure zones have been created within the District to provide water service at acceptable minimum and maximum pressures. The District attempts to maintain zone pressures between 40 and 120 pounds per square inch. Each pressure zone requires pumping plants or other sources of supply for providing water at the desired pressure. Most pressure zones also have storage facilities for providing water during peak demand, and under emergency and fire flow conditions. There are 43 booster pumps located within the District which vary in size from 10 to 150 hp to boost water in four of the seven primary pressure zones.

### **Quality of District’s Water**

Water quality requirements for potable water are developed by the U.S. Environmental Protection Agency and the California Department of Health Services, pursuant to mandates contained in the Safe Drinking Water Act. On August 2, 1996 Congress passed the Safe Drinking Water Act Amendments of 1996, and President Clinton signed them into law on August 6, 1996. Stored water at Palmdale Lake is conveyed through a 42-inch pipeline to the District’s Water Treatment Plant. The treatment process includes chemical addition, flocculation, sedimentation, filtration, GAC, and disinfection. Treated water at the District satisfies all current requirements of the Federal Safe Drinking Water Act and regulations of the California Department of Public Health. However, future legislation and/or regulations could impose additional requirements necessitating modifications to the water treatment process and procedure currently used by the District, which could have the effect of increasing the cost of treating such water.

### **Future Capital Projects**

**General.** The District conducts capital improvement planning on an ongoing basis for the rehabilitation, upgrade, and expansion of facilities, equipment, and improvements necessary to meet current and future needs for water treatment, storage, and conveyance within the existing service area. The table below sets forth a summary of estimated project costs for the capital projects which the District may undertake over the next five years based on certain categories. It is important to note that should sufficient funds not be available, several of these projects can be deferred beyond the five year period.



**Table 7**  
**PALMDALE WATER DISTRICT**  
**FIVE YEAR CAPITAL PROJECT PLAN**

<i>Category</i>	<i>Years</i> <b>2021-2026</b>
Pipeline	\$ 7,489,664
Water Supply	6,000,000
Wells & Boosters	10,715,053
Water Treatment Plant	4,095,000
Facilities	1,192,500
Vehicles & Equipment	1,985,500
Groundwater Water Augmentation Program <sup>(1)</sup>	8,400,000
Miscellaneous	<u>1,068,500</u>
<b>TOTAL:</b>	<b><u>\$ 40,946,217</u></b>

<sup>(1)</sup> See the caption “—Palmdale Regional Groundwater Water Augmentation Program.  
Source: The District.

The District completed a Water System Master Plan (the “WSMP”) in December 2016. The WSMP provides details for an updated capital improvement program through 2030. Based on the WSMP, the District develops updated capital improvement fees. The WSMP, the associated environmental impact report and capital improvement fees were approved by the Board in late 2018.

The District expects to finance a portion of its future capital costs by issuing water revenue bonds in Fiscal Year 2023 in the estimated amount of \$10,000,000. See “SYSTEM FINANCIAL INFORMATION – Projected Operation Results and Debt Service Coverage.”

***Palmdale Regional Groundwater Water Augmentation Program.*** The District is in the process of developing the Groundwater Water Augmentation Project, which the District will need to undertake in order to increase water supplies in future years to meet expected demand. The District is in the process of creating the environmental impact report, developing the basis of design report, working through permitting approvals and applying for funding. The Groundwater Water Augmentation Project includes construction of new facilities to deliver recycled water from the Palmdale Water Reclamation Plant to an advanced water treatment plant located in the northeast portion of the City. The advanced treated water would be pumped into the groundwater aquifer through injection wells and mix with native groundwater, until it is eventually extracted via existing District wells as potable water and delivered to District customers. The first phase of the project is intended for the District to fully utilize 5,325-acre feet of tertiary water by developing a groundwater water augmentation program. The capital cost to construct the facilities needed for the Groundwater Water Augmentation Program is projected to be approximately \$66,000,000 and design and construction management is projected to cost approximately \$8,400,000, for a total of \$74,000,000. Construction of the Groundwater Water Augmentation Program is expected to begin in 2025 and take approximately six years to complete. The overall funding for the \$66,000,000 in construction costs is expected to come from a combination of grants and loans from the Clean Water State Revolving Fund (the “SRF Loan”) with the repayment coming from Net Water Revenues consisting primarily of water supply fees from new development and water revenue from existing customers, while the District would pay the \$8,400,000 in design and construction management costs from a combination of funds on hand, and grants and loans. Payments on the SRF Loan are expected to be made from Net Water Revenues on a parity with the 2021 Installment Payments and any payments under the Parity Obligation Documents. The District has an approved water supply fee that is calculated based on estimated Groundwater Water Augmentation Program costs necessary to support new service connection/water demands. The District collects these fees from new development based on the District’s estimate of the water supplies needed for the new development. The District is in the process of submitting the required application and technical reports to the State Water Resource Control Board (the

“SWRCB”) and has requested that the SWRCB fund the SRF Loan. The District is waiting for a response from the SWRCB and there is no assurance that the SWRCB will fund all or a portion of the SRF Loan. If SWRCB funding is not available to cover any or all of the projected cost of the Groundwater Water Augmentation Program, the District may seek other financing through a direct loan or the sale of Bonds secured by Net Water Revenues on a parity with the payments of the 2021 Installment Payments and payments due under the Parity Obligation Documents. Even if development levels rise to the point that the Groundwater Water Augmentation Program will be required, the District does not expect to obtain financing for the Groundwater Water Augmentation Program until rates have been increased by an amount sufficient for the District to comply with the additional bonds test and its covenants under the Indenture and the Parity Obligation Documents. See the captions “SYSTEM FINANCIAL INFORMATION—Operating Revenues—*Future Rate Setting*,” “SECURITY FOR THE 2021A BONDS—Rate Covenant” and “—Additional Bonds and Contracts” herein.

### **Future Water Sources**

The Strategic Water Resources Plan (“SWRP”) that was adopted by the District in March, 2010, and the related Programmatic Environmental Impact Report that was certified by the Board of Directors in August, 2012, were developed to establish guiding objectives and identify necessary steps in order to meet the projected future needs of its customers. Over the next 23 years, the population residing within the District’s current service area is projected to more than double which will require the District to increase supply to meet the water demands of these customers. The District has a number of water resource options available to it in order to meet these needs, including imported water, groundwater, local runoff, recycled water, conservation and water banking. To understand where the District should be placing its emphasis, the SWRP was developed to consider and evaluate the District’s options with respect to a variety of factors including cost, reliability, flexibility, implementation ability and sustainability.

In order to fund the costs of facilities and acquisitions of new water supplies, the principles followed by the SWRP are as follows:

- New customers establishing new connections must pay for new supplies and the infrastructure to deliver those supplies. This includes funding new imported water acquisition, recharge and recovery facilities, and recycled water facilities.
- Current and future customers must pay for reliability of current supply up to budgeted allotments for indoor and outdoor usage. This would include the costs of improvements to maintain Littlerock Reservoir, of the District’s share of improvements to the Delta, and of improvements needed to meet water quality standards.
- Those customers choosing to use more than their allotment need to contribute more to help fund water reliability projects including conservation and recycling.
- Current and future customers are to pay for all Operation and Maintenance Costs as well as fixed costs of existing systems.

In 2015, the District adopted an Urban Water Management Plan (“UWMP”). The UWMP examined the District’s current and future water sources and concluded that existing supplies in combination with identified future and potential water supply opportunities will enable the District to meet all future water demands under all hydrologic conditions through the end of the planning period (2040). Under single dry and multiple-dry year scenarios, there could be pressure (potential deficits) on future water supply, although potential measures to address these situations include controlling future growth (e.g. limiting connections), implementing additional conservation efforts and identifying/securing other long-term sources of supply projects/opportunities that would help overcome supply shortages.

The District currently strives to maintain the capacity to receive approximately 40% of its supply from groundwater. The District is reviewing the possibility of increasing yield at Littlerock Creek. The District is also actively promoting water conservation within its service area to reduce future demands. Finally, recycled water use through the Palmdale Recycled Water Authority (“PRWA”), a joint powers agency of which the District and the City are the only members, is being pursued. PRWA adopted a consolidated Recycled Water Facilities Master Plan in 2015 that addresses potential recycled water use within the District including direct non-potable use (irrigation), agricultural deliveries, and possible groundwater recharge with recycled water.

## **FACTORS AFFECTING WATER SUPPLIES**

### **State Water Project**

#### **[DISTRICT GENERAL COUNSEL TO REVIEW THIS SECTION]**

*General.* One of the District’s major sources of water is the State Water Project (“SWP”), which is owned by the State and operated by the California Department of Water Resources (“DWR”). The SWP transports Feather River water stored in and released from Oroville Dam and unregulated flows diverted directly from the Bay-Delta south via the California Aqueduct to delivery points near the boundaries of the District’s service area. The total length of the California Aqueduct is approximately 444 miles.

DWR’s ability to consistently deliver water to the District is one of the most challenging issues affecting the District’s long term water supply. See the caption “—California Water Policy Framework” below.

DWR faces various challenges in the continued supply of imported water to the District and other member agencies. A description of the challenges DWR faces in continuing to supply imported water as well as a variety of other operating information with respect to DWR is included in certain disclosure documents prepared by DWR. DWR has prepared certain publicly available documents and has entered into certain continuing disclosure agreements pursuant to which it is contractually obligated for the benefit of owners of certain of its outstanding obligations to file annual reports, notices of enumerated events as defined under Rule 15c2-12 and annual audited financial statements with EMMA. None of such information is incorporated into this Official Statement by reference thereto, and neither the District nor the Underwriter makes any representation as to the accuracy or completeness of such information.

**DWR HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE 2021 BONDS TO PROVIDE DWR INFORMATION TO THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE 2021 BONDS.**

**DWR HAS NOT REVIEWED THIS OFFICIAL STATEMENT AND HAS MADE NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO SWP AND DWR. DWR IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH DWR INFORMATION, FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE 2021 BONDS UNDER RULE 15C2-12.**

The SWP was designed to meet demands of 4.2 million acre-feet per year. Initial SWP facilities were completed in the early 1970s, and it was envisioned that additional facilities would be constructed as contractor demands increased. Several factors, including public opposition, increased costs, and increased non-SWP demands for limited water supplies, combined to delay the construction of additional facilities. At the same time, contractors’ demands for SWP entitlement water have been increasing.

The quantity of SWP water available for delivery each year to its contractors such as the District is controlled by both hydrology and operational considerations, including overall demand from contractors, weather, environmental controls, operational constraints and litigation regarding the SWP. The SWP has been unable to meet contractors' requests for entitlement water in drought periods. DWR has projected that future SWP supplies in normal weather years will be insufficient to meet demands unless additional facilities are constructed.

The District's final allocation from SWP for calendar year 2020 was 20% of its contracted-for amount, or 4,260 acre-feet. This allocation took into account the below average snowpack and reservoir levels, which resulted in a reduced water year as compared to calendar 2019.

Based on a March 2021 announcement by DWR, the District's current SWP allocation under the District's State Water Supply Contract for 2021 is 5% of its contracted-for amount, or 1,065 acre-feet. The allocation for 2021 is subject to revision by DWR. This allocation took into account below average participation during most of the winter. See "—California Drought and Response" below.

**DWR Litigation.** On May 5, 2020, the State Water Contractors, Kern County Water Agency, Antelope Valley-East Kern Water Agency, Central Coast Water Authority, Dudley Ridge Water District, County of Kings, Oak Flat Water District, the District, Santa Clarita Valley Water Agency, San Gabriel Valley Municipal Water District, and Tulare Lake Basin Water Storage District ("Petitioners") filed a Verified Petition for Writ of Mandate alleging California Environmental Quality Act and California Endangered Species Act violations by the California Department of Water Resources when evaluating the State Water Project's Long Term Operation Project and later the Refined Alternative 2b Project. In short, Petitioners allege that the Final Environmental Impact Report does not comply with the California Environmental Quality Act's procedural or substantive requirements and therefore approval of the project must be rescinded. Petitioners also allege breach of contract and breach of implied covenant of good faith and fair dealing claims.

There are seven related cases filed in four different superior courts: *The Metropolitan Water District of Southern California, et al. v. Dept. of Fish & Wildlife, et al.* – Fresno County Superior Court, Case No. 20CECG01347; *San Bernardino Valley Municipal Water District v. Dept. of Water Resources, et al.* – Fresno County Superior Court, Case No. 20CECG01556; *Tehama-Colusa Canal Authority, et al. v. Dept. of Water Resources, et al.* – Fresno County Superior Court, Case No. 20CECG01303; *Central Delta Water Agency, et al. v. Dept. of Fish & Wildlife, et al.* – Sacramento County Superior Court, Case No. 34-2020-80003368-CU-WM-GDS; *North Coast Rivers Alliance, et al. v. Dept. of Water Resources, et al.* – San Francisco County Superior Court, Case No. CPF20517078; *Sierra Club, et al. v. Dept. of Water Resources, et al.* – San Francisco County Superior Court, Case No. CPF20517120; *San Francisco Baykeeper, et al. v. DWR, et al.* – Alameda County Superior Court, Case No. RG20063682. On October 8, 2020, a court in the County of Sacramento granted coordination of the actions and found Sacramento Superior Court to be the proper venue for hearing and determining the coordinated matters. The District is unable to predict the outcome of the DWR Litigation at this time.

**Endangered Species Act Considerations.** The District's imported and local supplies are subject to regulatory restrictions due to implementation of the federal Endangered Species Act ("ESA"). The listing of winter-run Chinook salmon in 1989 and delta smelt in 1993 resulted in pumping restrictions imposed on the state and federal water projects to protect these species. These pumping restrictions resulted in reduced deliveries from the SWP and Central Valley Project ("CVP"), compounding the shortages created by the ongoing drought at the time. In 1993, the United States Environmental Protection Agency (the "EPA") also proposed to implement water quality standards for the Bay-Delta that would impose severe restrictions on the operation of the SWP and CVP. It was these circumstances that led to the historic Bay-Delta Accord in 1994, in which the state and federal governments, along with urban, agricultural and environmental interests, agreed to an interim set of ESA protection measures coupled with water supply certainty. The Bay-Delta Accord laid the groundwork for the establishment of the CALFED Bay-Delta Program, which has been succeeded by a

number of efforts, including the California Water Action Plan and the Delta Plan (See the below caption “—California Water Policy Framework”) to develop a long-term solution for conflicts in the Bay-Delta.

**Delta Litigation.** Various legal challenges have been filed impacting the conveyance of water through the Delta by the DWR via the SWP and by the United States Bureau of Reclamation (the “Bureau”) via the CVP. These have included such cases as *Watershed Enforcers v. Broderick* (California Department of Fish and Game), et al. (Alameda County Superior Court, J. Smith, presiding) (the “Watershed Smelt Litigation”), which relates to the SWP; *Natural Resources Defense Council v. Kempthorne* (United States Department of the Interior) (United States District Court for the Eastern District of California, J. Wanger, presiding) (the “Delta Smelt OCAP Litigation”) and *Pacific Coast Federation of Fisherman’s Association/Institute for Fisheries Resources v. Gutierrez* (United States Department of Commerce) (United States District Court for the Eastern District of California, J. Wanger, presiding) (the “Salmon OCAP Litigation”), which relate to the coordinated operations of the CVP and SWP; and *State Water Contractors (“SWC”), San Luis and Delta Mendota Water Authority (“SLDMWA”), Westlands Water District (“WWD”), et al. v. California Department of Fish and Game* (Sacramento Superior Court) (“Longfin Smelt Litigation”), which also relates to the operations of the SWP.

The above-listed lawsuits constitute challenges to Biological Opinions (“BOs”) relating to the coordinated operations of the CVP and SWP; required permitting for “incidental take” related to the SWP; a decision to list a new species as threatened under the California Endangered Species Act (“CESA”), or other, similar grounds. The factual basis for these cases relate to claims of recent population declines of pelagic organisms, which include the delta smelt and longfin smelt, and certain salmon species, in and around the Delta. While there are other potential causes for the decline of these Delta fish, the BOs, permitting requirements, and listing decisions that underlie these cases have significantly curtailed SWP and CVP deliveries and threaten to further curtail them.

**Watershed Smelt Litigation.** On October 4, 2006, Watershed Enforcers, a nonprofit organization related to the California Sportfishing Protection Alliance, filed an action against DWR in the Alameda County Superior Court, alleging that DWR was illegally operating certain pumping facilities without obtaining a “take” permit under CESA. Kern County Water Agency (“KCWA”) and SWC, a non-profit association of twenty-seven public agencies, including the District, and others intervened as real-parties-in-interest in the action in support of DWR. The fish species at issue were endangered winter-run Chinook salmon, threatened Delta smelt and spring-run Chinook. The court determined that DWR did not have the required State permit to “take” protected fish species in the Delta, and, on April 17, 2007, issued a final order directing DWR to shut down its Delta export pumps in 60 days, unless it obtained a determination from the State Department of Fish and Game (“DFG”) that SWP operations are in compliance with CESA. Immediate appeals were filed, which stayed enforcement of such order. In July 2009, DWR obtained a Consistency Determination (the “CD”) from DFG providing CESA incidental take coverage and DWR, SWC and KCWA dismissed their appeals. Other parties continued to litigate the appeal on other issues, which have all been determined. The case is now closed.

**Delta Smelt OCAP Litigation.** In 2005, a coalition of environmental and sportfishing organizations challenged the no jeopardy and no adverse modification findings in a 2005 Operating Criteria and Plan (“2005 OCAP”) BO in the United States District Court for the Eastern District of California. In May 2007, Judge Wanger ruled that the 2005 OCAP BO was unlawful and inadequate. Following a subsequent remedies hearing, the court determined that the water supply to the SWP and CVP would have to be reduced by up to one-third (approximately 2,000,000 acre-feet per year) to mitigate for impacts to the declining population of Delta smelt, and based on that determination issued an interim injunction, which was to remain in effect until a new BO for Delta smelt was prepared.

The 2008 BO prepared by United States Fish and Wildlife Service (“FWS”) and delivered to the Bureau on December 15, 2008 appeared to create water supply impacts greater than those that had already resulted from the Delta Smelt OCAP Litigation court’s interim injunction. This led to the filing of five

separate challenges to the 2008 BO in 2009 by SLDMWA, SWC, Metropolitan Water District of Southern California (“MWD”), Central Delta Water Agency, and the Coalition for a Sustainable Delta. The challenges were consolidated before Judge Wanger. On May 28, 2009, Judge Wanger granted the motion for preliminary injunction filed by plaintiffs SLDMWA and WWD, which was joined by SWC and the other plaintiffs, finding that plaintiffs were likely to prevail on their National Environmental Policy Act (“NEPA”) challenge to the 2008 BO. Thereafter, the plaintiffs filed motions for summary judgment, which Judge Wanger granted in part, determining that the Bureau must perform environmental review under NEPA prior to accepting and implementing the BO and its restrictive measures that would result in a further reduction in water deliveries from the SWP and CVP and other impacts.

On December 14, 2010, Judge Wanger issued a decision on summary judgment finding that there were major scientific and legal flaws in the 2008 BO. The court found that some but not all of the restrictions on project operations contained in the 2008 BO were arbitrary, capricious and unlawful. On May 18, 2011, Judge Wanger issued a final amended judgment directing the FWS to complete a new draft biological opinion by October 1, 2011, and a final biological opinion with environmental documentation by December 1, 2013. Later stipulations and orders changed the October 1, 2011 due date for a draft biological opinion to December 14, 2011. A draft biological opinion was issued on December 14, 2011. The draft biological opinion deferred specification of a reasonable and prudent alternative and an incidental take statement pending completion of environmental impact review under NEPA. The federal defendants and environmental intervenors appealed the final judgment invalidating the 2008 BO to the U.S. Court of Appeals for the Ninth Circuit. SWP and CVP contractor plaintiffs cross-appealed from the final judgment. On March 13, 2014, the Ninth Circuit reversed the district court’s findings that portions of the 2008 BO failed to meet the requirements of the ESA and its regulations, but upheld the requirement that the Bureau was required to perform NEPA review. The U.S. Court of Appeals for the Ninth Circuit issued a mandate on September 16, 2014. Petitions for Writ of Certiorari were submitted to the U.S. Supreme Court; however, the Court decided not to hear the case. The District Court issued the Final Order on October 1, 2014.

The SWP and CVP have been operating under the 2008 BO since it was issued. Deliveries of water supply from the SWP and CVP are not likely to increase in the near future unless new information or projects are developed that support a reconsultation and reconsideration of project operations.

***Salmon Operating Criteria and Plan Litigation.*** In the Salmon Operating Criteria and Plan Litigation, the United States District Court for the Eastern District of California issued a summary judgment order invalidating a 2004 BO related to certain salmon species, steelhead, and other aquatic species, finding it unlawful and inadequate on a variety of legal grounds under the ESA, and holding that NEPA review was required. A new BO was released on June 4, 2009 (the “2009 BO”) by the National Marine Fisheries Service (“NMFS”) which contained new measures concerning complex habitat management schemes and studies which are likely to cause additional water supply impacts. As a result, seven separate actions challenging the 2009 BO were filed in the United States District Court for the Eastern District of California and assigned to Judge Wanger, including challenges by the SWC, MWD, and KCWA. The court consolidated the cases under the caption Consolidated Salmon Cases.

On May 25, 2010, the court granted the plaintiffs’ request for preliminary injunction in the Consolidated Salmon Cases, restraining enforcement of two requirements under the 2009 BO that limit exported water during the spring months based on San Joaquin River flows into the Bay-Delta and reverse flows on the Old and Middle Rivers. Hearings on motions for summary judgment in the Consolidated Salmon Cases were held on December 16, 2010. On September 20, 2011, Judge Wanger issued a decision on summary judgment, finding that the 2009 BO was flawed, and that some but not all of the project restrictions in the 2009 BO were arbitrary and capricious. On December 12, 2011, Judge O’Neill (who was assigned to this case following Judge Wanger’s retirement) issued a final judgment in the Consolidated Salmon Cases. The final judgment remands the 2009 BO to NMFS, and directs that a new draft salmon BO be issued by October 1, 2014, and that a final salmon BO be issued by March 1, 2017, after completion of environmental impact review under NEPA. On January 19, 2012, Judge O’Neill approved a joint stipulation of the parties

that specifies how to comply with one of the 2009 BO restrictions that applies to water project operations in April and May of 2012. In January and February 2012, the federal defendants and environmental intervenors filed appeals of the final judgment in the Consolidated Salmon Cases, and the SWP and CVP contractors filed cross-appeals, but the NEPA holding was not appealed and thus stands. A hearing before the U.S. Court of Appeals for the Ninth Circuit was held in September 2014, and on December 22, 2014, the Ninth Circuit reversed the district court decision and upheld the 2009 BO. The remand order related to the 2009 BO was rescinded. The Ninth Circuit issued a mandate on February 17, 2015. The district court issued the final order on May 5, 2015.

**Longfin Smelt Litigation.** The California Fish and Game Commission listed the longfin smelt as a threatened species under CESA in March 2009. On February 23, 2009, in anticipation of the listing action, the DFG issued a CESA section 2081 incidental take permit to DWR authorizing the incidental take of longfin smelt by the SWP. This permit authorizes continued operation of the SWP under the conditions specified in the section 2081 permit through December 31, 2018. SWC filed suit against the DFG on March 25, 2009, alleging that the export restrictions imposed by the section 2081 permit have no reasonable relationship to any harm to longfin smelt caused by SWP operations, are arbitrary and capricious and are not supported by the best available science. Such litigation was recently settled and dismissed.

**Monterey Plus Cases.** Comprised of four (4) separate but related cases: *Central Delta Water Agency v. California Department of Water Resources* (“CD-I” and CD-II”), *Rosedale-Rio Bravo Water Storage District v. California Department of Water Resources* (“Rosedale”), *Center for Food Safety v. California Department of Water Resources* (“CFS”) (Court of Appeal of the State of California, Third Appellate District, J. Raye, presiding) (“Monterey Plus Cases”), which arose following the DWR transfer of the Kern Water Bank (“KWB”) in 1995, to the Kern County Water Agency (“KCWA”), who subsequently transferred it to the Kern Water Bank Authority (“KWBA”), a public-private JPA formed in anticipation of the transfer and for the purpose of operating the KWB. They are currently pending before the Third District Court of Appeal, awaiting scheduling of oral arguments.

In 1994, the DWR and SWP contractors engaged in mediated negotiations to settle allocation disputes, which resulted in a comprehensive agreement known as the “Monterey Agreement.” The Monterey Agreement became a standard amendment to the long-term water supply contracts, known as the “Monterey Amendments.” Among other things, the Monterey Amendments required the DWR to transfer the KWB property to the KCWA in exchange for the agricultural contractors’ permanent retirement of 45,000 AF in water; the transfer took place in 1995. The DWR first prepared an EIR for the transfer (the “1995 EIR”) as part of a larger EIR prepared by the Central Coast Water Agency (“CCWA”) for the Monterey Amendments. The 1995 EIR was challenged by the Planning and Conservation League and other petitioners (“PCL”), and, on appeal, was decertified and the transfer approvals stricken. However, the court allowed the KWB to continue to be owned and operated by the KWBA on an interim basis until a new environmental review was completed. In 2003, the CCWA set aside its certification of the 1995 EIR and the DWR started a new EIR (the “2003 EIR”). The 2003 EIR was certified on February 1, 2010. In August 2010, the court, following the DWR’s filing of a Return to Peremptory Writ of Mandate (the “2010 Writ”), entered an order discharging the writ and PCL consented.

This led to the CD-I, CD-II and *Rosedale* petitions, challenging the adequacy of the 2003 EIR and the validity of the transfer. The petitions were ordered “related” and assigned to the same judge at the Superior Court of California, Sacramento. Subsequently, CD-I and *Rosedale* were consolidated; CD-II was, and continues to be, stayed. In 2014, the court concluded the 2003 EIR was adequate in all aspects except for the part related to the KWB development, operation and use, but allowed DWR’s prior approvals to continue in place on an interim basis and prohibited KWBA from expanding KWB’s operations during this interim period, and issued a judgment and peremptory writ of mandate (the “2014 Writ”) requiring that DWR rectifies the deficiencies in the 2003 EIR by preparing a Revised EIR. CD-I petitioners appealed.

In 2016, the DWR issued a Revised EIR (the “REIR”), which was certified on September 20, 2016. The DWR then filed a Return to the 2014 Writ on September 28, 2016. In response, *CD-I* petitioners filed a new petition along with a new party, the Center for Food Safety (“CFS”), alleging that although the KWBA is a public JPA, it is controlled by private operators of agricultural land who have planted significant acreage of permanent crops since obtaining control of the KWB. *CFS* was ordered related to the other cases and reassigned to the same judge.

A single, joint hearing on all four cases was held on August 18, 2017. On October 2, 2017, the court issued an order discharging the 2014 Writ. *CFS* petitioners appealed. On May 4, 2018, the Court of Appeal for the Third Appellate District granted DWR’s request to consolidate the cases for purposes of oral argument and decision. No oral arguments have been scheduled yet.

*The SWP and CVP have been operating under the 2008 BO and 2009 BO since they were issued. Deliveries of water supply from the SWP is not likely to increase in the near future unless new information or projects are developed that support a reconsultation and reconsideration of project operations. The District believes that any future decision or order by a State or Federal court related to one or more of the above-described BOs or to the Monterey Plus Cases and leading to adverse decisions reducing SWP supplies would not have a material impact on the District’s ability to pay the 2021 Installment Payments.*

### **California Water Policy Framework**

The District’s water supply under its contracts with the SWP is imported through the Bay-Delta. The Bay-Delta is the largest estuary on the west coast and supports more than 750 species of plants and wildlife. However, decades of competing demands have taken a toll on the Bay-Delta and today it no longer functions as a healthy ecosystem. Regulatory actions to protect threatened or endangered fisheries have reduced the reliability of Bay-Delta water supplies. Water quality is degraded, making it difficult and expensive to meet drinking water standards. In addition, the vulnerability of Delta levees to seismic and flooding failures threatens both the infrastructure and the quality of California’s water supply.

In 1995, the SWRCB adopted a Water Quality Control Plan for the Sacramento-San Joaquin Delta estuary. The Water Quality Control Plan’s standards protect municipal, industrial and agricultural beneficial uses as well as fish and wildlife resources. In January 2003, the SWRCB completed its water rights process for implementing the Water Quality Control Plan.

In 2000, several State and federal agencies released the CALFED Bay-Delta Programmatic Record of Decision and Environmental Impact Report/Environmental Impact Statement (“EIR/EIS”) that outlined and disclosed the environmental impacts of a 30-year plan to improve the Bay-Delta’s ecosystem, water supply reliability, water quality, and levee stability. The CALFED Record of Decision remains in effect and many of the State, federal, and local projects begun under CALFED continue.

Building on CALFED and other Bay-Delta planning activities, in 2006 multiple State and federal resource agencies, water agencies, and other stakeholder groups entered into a planning agreement for the Bay-Delta Conservation Plan (“BDCP”). The BDCP was originally conceived as a comprehensive conservation strategy for the Bay-Delta designed to restore and protect ecosystem health, water supply, and water quality within a stable regulatory framework to be implemented over a 50-year time frame with corresponding long-term permit authorizations from fish and wildlife regulatory agencies. The BDCP includes both alternatives for new water conveyance infrastructure and extensive habitat restoration in the Bay-Delta. The existing State Water Project Delta water conveyance system needs to be improved and modernized to address operational constraints on pumping in the south Delta as well as risks to water supplies and water quality from climate change, earthquakes, and flooding. Operational constraints are largely due to biological opinions and incidental take permits to which the State Water Project is subject that substantially limit the way DWR operates the State Water Project.



In 2015, the State and federal lead agencies proposed an alternative implementation strategy and new alternatives to the BDCP to provide for the protection of water supplies conveyed through the Bay-Delta and the restoration of the ecosystem of the Bay-Delta, termed “California WaterFix” and “California EcoRestore,” respectively. In this alternative approach, DWR and the Bureau of Reclamation would implement planned water conveyance improvements (California WaterFix) as a stand-alone project with the required habitat restoration limited to that directly related to construction mitigation. The associated costs of such mitigation would be underwritten by the public water agencies participating in the conveyance project. Ecosystem improvements and habitat restoration more generally (California EcoRestore) would be undertaken under a more phased approach than previously contemplated by the BDCP and would not be linked with the conveyance project or permits. As part of California EcoRestore, which was initiated in 2015, the State is pursuing more than 30,000 acres of Delta habitat restoration. Work on a number of EcoRestore projects is ongoing. Among other things, EcoRestore was undertaken to implement restoration projects required by the biological opinions to which the State Water Project has been and is subject. EcoRestore is estimated to cost approximately \$300 million in the first four years, and includes amounts being paid by the State Water Contractors, for the costs of habitat restoration required to mitigate State and federal water project impacts pursuant to the biological opinions. See also “—Endangered Species Act Considerations.”

In July 2017, DWR certified a final EIR and approved the California WaterFix as an improvement to the State Water Project. As originally approved by DWR, California WaterFix, if completed, would have provided new conveyance facilities for the transportation of SWP and Central Valley Project water from the north Delta, principally from three new intakes, with a total maximum capacity of 9,000 cfs, through two 30-mile long tunnels running under the Delta, to the existing aqueduct systems in the south Delta. Under the California WaterFix as approved, DWR would have extended the delivery system from new north Delta water intakes on the Sacramento River to a new forebay in the south Delta to provide additional flexibility in operating the State Water Project.

On February 12, 2019, then recently elected Governor Gavin Newsom presented at the State of the State address a conceptual proposal supporting a single-tunnel configuration for new Bay-Delta conveyance instead of the two-tunnel California WaterFix. Subsequently, on April 29, 2019, Governor Newsom issued an executive order directing identified State agencies to develop a comprehensive statewide strategy to build a climate-resilient water system. Among other things, the Governor’s executive order directed the State agencies to inventory and assess the current planning for modernizing conveyance through the Bay-Delta with a new single tunnel project. Following the Governor’s executive order, in May 2019, DWR withdrew approval of the California WaterFix project and decertified the EIR. In August 2019, DWR terminated the last permit associated with the project.

DWR is pursuing a new environmental review and planning process for a single tunnel project to modernize the State Water Project’s Bay-Delta conveyance. The formal environmental review process commenced with the issuance by DWR of a Notice of Preparation under the California Environmental Quality Act on January 15, 2020. Planning, environmental review and conceptual design work by DWR for a proposed single tunnel project is expected to take approximately 18 to 36 months.

Between mid-2017 and mid-2019, California WaterFix was subject to several lawsuits primarily related to DWR’s powers to finance and construct the project and various environmental approvals and related matters. The lawsuits, administrative proceedings, and other matters were dismissed as a result of the cancellation of the California WaterFix project. However, new lawsuits could be filed in the future with respect to any new Bay-Delta conveyance project and may impact the anticipated timing and costs of a proposed new single tunnel project.

Two joint powers agencies were formed for purposes of the Bay-Delta conveyance project: the Delta Conveyance Design and Construction Authority (the “Construction JPA”), formed by the participating water agencies to actively participate with DWR in the design and construction of the conveyance project in coordination with DWR and under the control and supervision of DWR; and the Delta Conveyance Finance

Authority, formed by the participating water agencies to facilitate financing for the conveyance project. The Construction JPA is providing engineering and design activities to support the DWR's planning and environmental analysis for a potential new single tunnel Bay-Delta conveyance project. The District is a member of the Construction JPA.

### **Antelope Valley Groundwater Basin**

In 1999, two lawsuits naming the District were filed in Superior Court by landowners owning property in the Antelope Valley. In addition to the District, the lawsuits named as defendants Los Angeles County Waterworks District No. 40, the City of Lancaster, the Rosamond Community Services District, the Littlerock Creek Irrigation District, the Antelope Valley Water Company and the Quartz Hill Water District. The plaintiff landowners claimed in their suit that, as landowners, they were entitled to produce groundwater for use on their overlying land, and that their rights had priority over those of the defendants. The defendants contended that they acquired rights to the Basin groundwater through prescription, and that these prescriptive rights have priority over the rights of the plaintiffs.

In late 2004, the County of Los Angeles Waterworks District No. 40 filed a civil complaint against various groundwater users in the Antelope Basin, including the District, for adjudication of water rights. The lawsuit was consolidated with the prior lawsuits. In late 2015, the District as well as the majority of parties involved agreed to the Judgment for the adjudication of the Antelope Valley Groundwater Basin. The Judgment is on appeal, but the District believes that it is unlikely that its groundwater production right will change significantly as a result of the appeal.

Though the District will be required to make certain changes to its water supply sources as a result of the Judgment, the District does not believe that the Judgment will impact the District's ability to provide the required amount of water to its customers in future years. See "THE WATER SYSTEM—Local Groundwater."

### **California Drought and Response**

***State Water Project Allocations.*** Hydrological conditions in California can vary widely from year to year. California has experienced many droughts, recorded as far back as 1841, with the most recent occurring from late 2010 to early 2017.

On January 31, 2014, DWR reduced the SWP contractors' 2014 Table A allocations percentage to zero although it later increased the allocation to five percent. Under a zero percent allocation SWP contractors would not have received any of their Table A Amounts, with the exception of carryover amounts from previous years. In 2015, DWR increased the contractor's Table A allocations to 20 percent. The District's actual SWP Table A allocations for 2016, 2017, 2018, 2019 and 2020 were 60%, 85%, 35%, 75% and 20%, respectively, which is approximately 12,780 acre-feet, 18,105 acre-feet, 7,455 acre-feet, 15,975 acre-feet and 4,260 acre-feet, respectively. Based on a March 2021 announcement by DWR, the District's SWP contractors' Table A allocation for 2021 is 5%, which is approximately 1,065 acre-feet.

***State Actions.*** On January 17, 2014, after several years of below-average precipitation in the State, the State Governor declared a drought state of emergency (the "Declaration") with immediate effect. The Declaration also required DWR and the SWRCB to craft and enforce numerous emergency regulations that were designed to reduce water usage and increase water supplies.

For instance, a May 2015 SWRCB regulation required the District to effect a 28% reduction from its 2013 potable water usage. On May 18, 2016, the SWRCB adopted a revised regulation that gave water agencies the ability to establish their own conservation standards based on a "stress test" of supply reliability. By June 22, 2016, water agencies were required to submit self-certifications to the SWRCB demonstrating that

they had sufficient supplies to withstand three additional years of severe drought. Any identified percentage gap between supplies and demands became the water agency's updated mandatory conservation target.

On April 7, 2017, after significant improvement in water supply conditions across the State, the Governor issued Executive Order B-40-17, which rescinded mandatory conservation measures for most California counties.

In 2018, the California Governor signed Senate Bill 606 and Assembly Bill 1668 into law. These bills relate to water conservation and drought planning and empower DWR and the SWRCB to adopt long-term standards on water use. The District is unable to predict the substance, timing of adoption or effect on the Water System of the implementation of Senate Bill 606 and Assembly Bill 1668 or any future legislation with respect to water conservation. District staff is actively participating in all applicable working groups in order to ensure the effective implementation of Senate Bill 606 and Assembly Bill 1668.

To improve water conservation and drought planning, the California Legislature adopted and the Governor signed Senate Bill 606 (Hertzberg) and Assembly Bill 1668 (Friedman) into law in 2018. This legislation lays out a new long-term water conservation framework for the State and mandates that DWR and the SWRCB develop new standards for indoor residential water use, outdoor residential water use, commercial, industrial and institutional water use for landscape irrigation and water loss. The District is unable to predict the substance, timing of adoption or effect on the Water System of the implementation of Senate Bill 606 and Assembly Bill 1668 or any future legislation with respect to water conservation.

The indoor water use standard has been defined as 55 gallons per person per day ("GPCD") until January 2025; the standard will decrease over time to 50 GPCD in January 2030. Standards for outdoor residential water use, commercial, industrial and institutional water use for landscape irrigation are still being developed. Urban water suppliers will be required to stay within annual water budgets, based on these standards, for their service areas.

The District is monitoring regulations promulgated pursuant to Senate Bill 606 and Assembly Bill 1668. While reductions in water usage resulting from implementation of Senate Bill 606 and Assembly Bill 1668 may adversely affect the District's projected operating results set forth under the caption "SYSTEM FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage," the effect of any such reduction would likely be minimized by the current rate structure. The District does not currently believe that such reductions, if achieved by the District, will have a material adverse effect on the District's ability to make the 2021 Installment Payments. The District is obligated under the Indenture to set rates and charges sufficient to provide Net Water Revenues equal to 110% of Debt Service due in each Fiscal Year as more particularly described under the caption "SECURITY FOR THE 2021A BONDS—Rate Covenant."

***District Drought Response Actions and Impact.*** Although the District's customers cut water use by 95% of the mandated reductions, the District stabilized revenues through the imposition of the drought surcharge, which was triggered by the Governor's proclamation of a drought emergency and subsequent Board action. The District imposed the Stage-1 drought surcharge from June 1, 2015 through March 1, 2017. In 2016, the Stage-1 drought surcharge accounted for approximately \$1.2 million in revenues. The drought surcharge has not been imposed since February 2017, but may be imposed if the Governor proclaims a future drought emergency.

In 2018, the District's water supply was 31.3% groundwater and 68.7% surface water. In 2019, the District's water supply was 22.8% groundwater and 77.2% surface water. The District projects that it will be able to meet existing demands for imported water in Fiscal Years 2021 and 2022 even if dry conditions continue. The 20% SWP Table A allocation for 2020, in combination with the 2,000 acre-feet of leased Butte County Table A water and the availability of 10,500 acre-feet of return water from exchanges with Kern County Water Agency and AVEK will provide the District with more than sufficient carry over supply of surface water to meet current demands should the District experience three more consecutive drought years of

identical severity to 2013, 2014 and 2015. In the event of such a drought period the District would also rely on its Water Shortage Contingency plan developed as part of the 2015 UWMP. This plan provides the District with five levels of actions based on the severity of the water shortage. These actions involve progressively more stringent voluntary and mandatory reductions in customer water use as well as the ability to assess a drought surcharge. The Water Shortage Contingency Plan will be updated as part of the 2020 UWMP Update occurring in 2021.

### **Water Supply Limitations**

Factors beyond the control of the District could impair the ability of the District to supply water to its customers in an amount sufficient to yield Net Water Revenues sufficient to make the 2021 Installment Payments when due. Such factors could include, without limitation, the following:

***Weather Patterns.*** The District's existing sources of water could become limited due to changes in Statewide weather patterns caused by climate changes and other factors. There can be no assurance that currently available water supplies would be sufficient to meet demand under current and future conditions in the event of long-term climate changes that could alter snowpack levels or precipitation patterns. In its most recent California Water Plan (Update 2018), DWR assessed the possible impacts of climate changes on the State's future water supplies and the SWP. The District, as a SWP contractor, will receive updated information from DWR on any impacts to its SWP allocations and will update its water supply planning accordingly.

***Challenges to Department of Water Resources Water Supplies.*** DWR faces various challenges in continuing to supply imported water to its respective member agencies. The ability of the District to provide water is significantly dependent upon its receipt of imported water from DWR. No assurance can be given that additional water supplies will be secured, or that the District will receive its full Table A Amount pursuant to its contract with DWR. See the caption "—State Water Project" above.

## **SYSTEM FINANCIAL INFORMATION**

### **Rates and Charges**

***Existing Rates.*** The District has the power and authority under California law to establish charges for service without the review or approval of any other governmental body. The District staff annually determines, at the direction of the Board, the adequacy of the District water charge structure after full consideration of expected operations, maintenance and capital costs. See "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218" herein for a discussion of an initiative approved by the voters of the State of California which affects the District's ability to increase rates and charges in the future. The District's rates and charges are established by resolution or ordinance adopted by the Board of Directors.

On October 28, 2019, the Board conducted a hearing in accordance with Proposition 218 and adopted a resolution approving annual rate increases of 8.1% beginning in the calendar year 2020 through 2024. Under the new rate structure, metered revenues comprise approximately 55% of total revenues collected by the District making the District's revenue stream more reliable. The average water bill per customer under the new rate structure is approximately \$63.01 per month, which is lower than the average water bill for several other nearby public water providers.

The District's rate structure each customer is allotted a certain amount of water that the customer may use during the billing period. If the customer uses more than the allotted amount, then the customer pays the commodity rate at increasing tiered amounts, as shown in Table 8 below. Customers are allotted water equally regardless of customer class.

Of the 27,504 meter connections within the District, the District currently serves approximately 26,885 active customers. The District is on a monthly billing cycle for water usage. Payment is due upon receipt of the bill by the customer and is considered delinquent if not paid by the 25th day after the billed date (the “Due Date”). In the event of failure to pay by the Due Date, the District imposes a late charge of 10% of amount due and an additional 1.5% every thirty days. In addition to imposing the late charge, non-payment of a water bill will also cause the District to initiate its Delinquent Final Notice procedure. The District’s policy is to discontinue water service within an average of 48 calendar days from the date of the Delinquent Final Notice. After an additional 30-45 days, accounts which continue to be delinquent are turned over to a collection agency. Customer accounts not paid by the Due Date have ranged from 10 to 13% in the past five years, but such delinquency has never resulted in a net reduction in connections because all disconnected water customers generally re-connect their water service within a week of disconnection. Furthermore, historically, delinquencies as a whole have little to no current impact on the District because delinquency rates have been very low; however, the District did see an increase in delinquencies since the onset of the COVID-19 pandemic, though it expects delinquencies to return to historically normal levels once the effects of the COVID-19 pandemic have passed. See “PALMDALE WATER DISTRICT—Local Economy.” In addition, the District requires that all account holders provide an initial deposit to the District prior to connection from which the District can draw upon in the event of a delinquency. Under the District’s current policy, meter connections are only provided to property owners and not to renters or other short-term inhabitants. For Fiscal Year 2020, \$9,586 or 0.04% of billings were written off as uncollectible.

In addition to water rates, the District also charges capital improvement fees. In general, the methodology used to determine capital improvement fees consists of estimating the cost of needed capital improvements for each elevation zone and the District as a whole, estimating the number of new customers which provides the base on which the cost will be allocated and then adjusting the capital improvement fees based upon those estimates. See “—Operating Revenues—*Capital Improvement Fees*” and “—*Future Capital Projects*” below for additional information.

***Suspension of Disconnections.*** On April 2, 2020, Governor Newsom signed Executive Order N-42-20 (“Order N-42-20”), which, among other things, (i) suspends the authority of water systems, such as the District, from suspending water service for non-payment, (ii) orders that residential service to occupied residences that has been discontinued for nonpayment since March 4, 2020 be restored and (iii) provides that the SWRCB will identify best practices, guidelines, or both to be implemented during the COVID-19 emergency (a) to address non-payment or reduced payments, (b) to promote and to ensure continuity of service by water systems and wastewater systems, and (c) to provide measures such as the sharing of supplies, equipment and staffing to relieve water systems under financial distress. Order N-42-20 does not eliminate the obligation of water customers to pay for water service, prevent a water system, such as the District, from charging a customer for such service, or reduce the amount a customer already may owe to a water system, such as the District.

The District cannot predict whether the Governor or local governments will issue additional orders limiting the District’s ability to compel the payment of delinquent amounts owed for water service. In addition, the District cannot predict whether the impact of the COVID-19 pandemic on the economy within the District’s service area will have an adverse impact on delinquency rates following the expiration of Order N-42-20. See “INVESTMENT CONSIDERATIONS—COVID-19 Pandemic.”

***Future Rate Setting.*** The District is obligated under the Parity Obligation Documents, and will covenant in the Indenture, to set rates and charges sufficient to provide Net Water Revenues equal to 110% of Debt Service due in each Fiscal Year (the “Coverage Requirement”) as more particularly described under the caption “SECURITY FOR THE 2021 BONDS—Rate Covenant.” As of the date of this Official Statement, the District does not anticipate increasing rates above the rates adopted by the Board in October 2019 prior to the end of calendar year 2024. Pursuant to District policy, the District conducts a rate study every five years that considers the costs of maintaining its infrastructure, new projects, water imports, staffing and other

District financial needs. The data from the rate study is used to determine the water rates needed to maintain economic stability over the next five years.

While the District has never had a majority protest under Proposition 218 to prior rate increases, the City of Palmdale did file litigation objecting to rate increases approved by the District in 2009 challenging the District's rates and rate structure as unlawful under Proposition 218. After trial court and appellate litigation, and resulting revisions to the District's rate structure tiers, in 2012, the District and the City entered into a settlement agreement. That settlement allowed the District's new rate structure, as revised, and previously implemented rate increases to remain in effect, and also allowed for the previously approved future years' increases to be implemented at the discretion of the District's Board of Directors.

There can be no assurance that District ratepayers in the future will not protest one or more rate increases under Proposition 218, approve an initiative to repeal or modify any increase in water service rates and charges approved by the Board or file litigation challenging District rates, thereby preventing the Board from complying with the Coverage Requirement. There also can be no assurance that the Board will adopt future rate increases or will not repeal or modify any adopted rate increase.

***Fire Flow Litigation.*** On February 19, 2020, a complaint was filed against the District alleging that its current water rates violate Proposition 218 because a portion of the water rates is used to fund fire flows, which the complaint alleges should be funded by general taxes instead. Approximately eighty other water providers around the State were sued on similar grounds. The litigation is ongoing but the District does not believe that a result against the District will have any material impact on the District or its finances because fire flow funds make up a relatively small portion of the District's annual revenues (approximately 3.8%) and the District believes that, in the event the fire flow portion of its water rates is struck down, it will be able to offset the decrease in revenues by shifting the fire flow costs to local fire departments or agencies instead.

## **Operating Revenues**

Revenues of the District are derived primarily from the following sources: (a) water sales and water services, (b) *ad valorem* taxes and assessments and (c) capital improvement fees. The District does not assess standby charges at this time.

***Water Rates and Sales.*** The rates described below are the rates approved by the District on October 28, 2019. As described above, the District has approved annual rate increases through 2024. The rates adopted in 2019 were based on the analysis set forth in a rate study prepared by a consultant engaged by the District. That rate study took into consideration the District's revenue requirements and cost projections in reaching its recommended amounts of the rates and charges.

The new commodity rates that went into effect on January 1, 2021 are stated in the table below.

**Table 8**  
**PALMDALE WATER DISTRICT**  
**COMMODITY RATES FOR 2021**

<i><b>Tier</b></i>	<i><b>All Classes <sup>(1)</sup></b></i>
Tier 1 (\$0.93/unit)	0-100% Essential Allocation
Tier 2 (\$1.63/unit)	100% Essential Allocation – 100% Efficient Allocation
Tier 3 (\$2.15/unit)	101-130% Efficient Allocation
Tier 4 (\$3.51/unit)	131-160% Efficient Allocation
Tier 5 (\$5.01/unit)	161 and Above Efficient Allocation

<sup>(1)</sup> The District conducted a new water rate study in 2019. Final approval of the 2019 Water Rate Study was passed on October 28, 2019 with the first year's rates taking effect on January 1, 2020.  
Source: The District.

Certain other fees and charges of the District are set forth below:

**Water quality fees (\$/ccf)**  
\$ 0.09

<i><b>Zone</b></i>	<b><u>Elevation booster surcharge (\$/ccf)</u></b>
B	\$0.00
A 1	0.08
A 2	0.61
A 3	1.23

The table below sets forth the drought surcharge for Fiscal Years 2019 through 2024. The drought surcharge is triggered by the Governor's proclamation of a drought emergency, including water conservation mandated by the Governor, and subsequent Board action. The District imposed the Stage-1 drought surcharge from July 1, 2015 through March 1, 2017. For additional information about the drought surcharge, see the caption "FACTORS AFFECTING WATER SUPPLIES—California Drought and Response—District Drought Response Actions and Impact."

**Drought surcharge (\$/ccf)**

<i><b>Stage No.</b></i>	<i><b>Mandated Reduction in Water Deliveries <sup>(1)</sup></b></i>	<i><b>Fiscal Year 2019</b></i>	<i><b>Fiscal Year 2020</b></i>	<i><b>Fiscal Year 2021</b></i>	<i><b>Fiscal Year 2022</b></i>	<i><b>Fiscal Year 2023</b></i>	<i><b>Fiscal Year 2024</b></i>
1	20%	\$0.53	\$0.35	\$0.38	\$0.40	\$0.42	\$0.45
2	30	0.91	0.54	0.58	0.61	0.65	0.69
3	40	1.40	0.79	0.84	0.89	0.94	1.00

<sup>(1)</sup> Reflects conservation mandated by the Governor.  
Source: The District.

The current fixed meter charges, which went into effect on January 1, 2021 for calendar year 2021 are listed in the table below.

**Table 9**  
**PALMDALE WATER DISTRICT**  
**FIXED METER CHARGES FOR 2021**

<i>Meter Size</i>	<i>Monthly Service Charge</i>
1" and smaller	\$ 41.60
1-1/2"	101.49
2"	153.81
3"	275.89
4"	450.38
6"	886.21
8"	1,409.41
10"	2,019.99
Fixed Fire Line	144.79

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Source: The District.

As discussed above, on October 28, 2019, the District's Board of Directors adopted increases of 8.1% in the District's commodity rate and meter charges which are to be effective on January 1 of each subsequent year through 2024.

Table 10 below sets forth a comparison of the District's typical monthly residential water bill for a user of 20 CCF per month with a 3/4 inch service to those of nearby water purveyors effective as of January 1, 2021.

**Table 10**  
**PALMDALE WATER DISTRICT**  
**COMPARATIVE WATER RATES**

<i>Water Service Provider</i>	<i>Average Monthly Charge</i>
Water Service Provider	Average Monthly Charge
Littlerock Creek Irrigation District	\$ 42.55
Los Angeles County Waterworks – District 4	46.16
City of Victorville	53.24
Santa Clarita Valley Water District	53.91
City of California City	55.00
Indian Wells Water District	57.98
City of Hesperia	59.58
Los Angeles County Waterworks – District 34	60.92
Quartz Hill Water District	62.31
<b>Palmdale Water District</b>	<b>63.01</b>
Golden State Water	87.93
Rosamond Community Services District	89.29
California Water Company	99.47

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Source: The District.



**Water Services.** Water Revenues are also derived from various services provided to the District's customers. These services are charged for on a "cost plus basis" and constitute less than 5% of total annual Water Revenues for the District.

**Capital Improvement Fees.** To provide construction costs of new facilities and the enhancement costs of existing facilities to serve new development, the District undertook a cost/benefit study to determine its capital improvement fee structure and adopted a capital improvement fee policy in October 2013. Pursuant to its policy, the District levies capital improvement fees to pay for improvements necessitated by new development according to water pressure elevation zone and use type. For new residential development, the capital improvement fees are based upon the relative cost of providing service to residential connections in specific elevation zones. For commercial and industrial projects, elevation zones and fire flow requirements fixed by the County determine the capital improvement fees to be paid.

**Table 11**  
**PALMDALE WATER DISTRICT**  
**HISTORY OF COLLECTED CAPITAL IMPROVEMENT FEES**

<i>Year</i>	<i>CIF Amount</i>
2016	\$ 234,747
2017	1,021,406
2018	106,947
2019	624,101
2020	1,235,438

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Source: The District.

In addition to the capital improvement fee, the District levies a fee on new developments in the Palmdale Lake drainage area to provide construction costs of a diversion canal around the western and southern sides of Palmdale Lake. A capital improvement fee (exclusive of any applicable Palmdale Lake drainage area fee) is payable to the District upon application for and before installation or approval of installation of any new water service. The capital improvement fees for single family residential connections, approved by the Board on November 26, 2018, are set forth in Table 12 below. Unlike past years, the capital improvement fee structure was modified to include a water supply and a combined infrastructure component. Capital improvement fees for all other development is calculated on a case by case basis based upon estimated fire flow and domestic water demands.

**Table 12**  
**PALMDALE WATER DISTRICT**  
**2021 CAPITAL IMPROVEMENT FEES**  
**Capital Improvement Fees for Single Family Residential Connection**

<i>Service/Benefit Zones</i>	<i>2800' and 2850' Zones</i>	<i>2950' and 3000' Zones</i>	<i>3200' and 3250' Zones</i>	<i>3400' and Higher Zones</i>
Infrastructure	\$ 3,541	\$ 9,816	\$ 12,028	\$ 14,316
Water Supply	<u>8,128</u>	<u>8,196</u>	<u>7,852</u>	<u>7,852</u>
	\$ 11,669	\$ 18,012	\$ 19,880	\$ 22,168

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Source: The District.

**Ad Valorem Property Taxation.** Beginning in fiscal year 1978-79, Article XIII A and its implementing legislation permitted each county to levy and collect all property taxes (except for levies to support prior voter approved indebtedness) and prescribed how levies on county wide property values were to be shared with local taxing entities within each county. All property is assessed using full cash value as

defined by Article XIII A of the State Constitution. State law, however, provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

For purposes of allocating a county's 1% base property tax levy, future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, up to 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" sources from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in the tax bases in such entities may be affected by the existence of redevelopment agencies which, under certain circumstances, may be entitled to sources resulting from the increase in certain property values. State law exempts \$7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is made up by the State.

Taxes are levied for each fiscal year on taxable real and personal property which is situated in a county as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the county assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and February 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

***District Assessed Valuation.*** The general 1% *ad valorem* property tax levy is based upon the assessed valuation of the parcels of taxable property in the District. Property taxes allocated to the District are collected by the County at the same time and on the same tax rolls as are county, city and special district taxes. The assessed valuation of each parcel of property is the same for both District and county taxing purposes. The valuation of secured property by the County is established as of January 1, and is subsequently equalized in September of each year, when tax bills are mailed to property owners.

***Appeals and Adjustments of Assessed Valuations.*** Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

The District does not have information regarding pending appeals of assessed valuation of property within the District. No assurance can be given that property tax appeals currently pending or in the future will not significantly reduce the assessed valuation of property within the District.

***Taxation of State-Assessed Utility Property.*** A portion of property tax revenue of the District is derived from utility property subject to assessment by the State Board of Equalization (“SBE”). State-assessed property, or “unitary property,” is property of a utility system with components located in many taxing jurisdictions that are assessed as part of a “going concern” rather than as individual pieces of real or personal property. The assessed value of unitary and certain other State-assessed property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Changes in the California electric utility industry structure and in the way in which components of the industry are regulated and owned, including the sale of electric generation assets to largely unregulated, nonutility companies, may affect how utility assets are assessed in the future, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on utility property tax revenues, or whether legislation or litigation may affect ownership of utility assets or the State’s methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District.

***No Teeter Plan.*** Certain counties in the State operate under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”). Under the Teeter Plan local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the county. The County has not adopted the Teeter Plan, and consequently the Teeter Plan is not available to local taxing entities within the County, such as the District. The District’s receipt of property taxes is therefore subject to delinquencies.

***Assessed Valuations.*** The following tables present the assessed valuation for both land only and all property located within the District for the most recent five fiscal years.

**Table 13**  
**PALMDALE WATER DISTRICT**  
**ASSESSED VALUATIONS (LAND ONLY)**  
**FOR FISCAL YEARS 2016-17 TO 2020-21**

<i>Year</i>	<i>Total</i>
2016-17	\$1,719,332,925
2017-18	1,810,290,238
2018-19	1,917,077,483
2019-20	2,029,142,347
2020-21	2,151,933,768

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Source: Los Angeles County Assessor.

**Table 14**  
**PALMDALE WATER DISTRICT**  
**ASSESSED VALUATIONS (ALL PROPERTY)**  
**FOR FISCAL YEARS 2016-17 TO 2020-21**

<i>Year</i>	<i>Total</i>
2016-17	\$5,955,421,369
2017-18	6,279,536,818
2018-19	6,649,750,856
2019-20	7,042,368,116
2020-21	7,478,149,985

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Source: Los Angeles County Assessor.

The following table shows the twenty largest secured property taxpayers in the District and their 2021-22 assessed valuations.

**Table 15**  
**PALMDALE WATER DISTRICT**  
**LARGEST 2020-21 LOCAL SECURED TAXPAYERS**

<i>Property Owner</i>	<i>Primary Land Use</i>	<i>2020-21 Assessed Valuation</i>	<i>Percent of Total</i>
Charter Communications	Communications	\$ 20,314,002	0.94%
Richmond American Homes	Residential Development	14,939,134	0.69
MGP X Properties LLC	Shopping Center	14,642,461	0.68
Robertson's Ready Mix	Industrial	9,735,496	0.45
Palmdale Realty Holdings LLC	Apartments	8,323,200	0.39
Palmdale Shopping Center Inc.	Shopping Center	7,840,409	0.36
Palm Gateway SC LLC	Shopping Center	7,037,362	0.33
AP-Palmdale Place LLC	Shopping Center	6,294,420	0.29
Wal Mart Real Estate Business Trust	Shopping Center	6,284,857	0.29
Shayan Capital Ventures	Commercial	5,800,835	0.27
West Palmdale 10th Street Center	Shopping Center	5,628,646	0.26
Lowes HIW Inc.	Shopping Center	4,843,319	0.23
Savas and Helen Stathatos, Trustees	Commercial	4,708,466	0.22
Stater Bros. Markets	Shopping Center	4,588,565	0.21
Target Corporation	Shopping Center	4,290,187	0.20
Lisa G. Quateman	Hotel	4,202,375	0.20
3747 Palmdale Blvd. LLC	Commercial	3,953,520	0.18
Benjamin Gabayan Trust	Undeveloped	3,566,507	0.17
AEO LP	Commercial	3,559,963	0.17
SFJ Alrabadi Inc.	Shopping Center	<u>3,350,083</u>	<u>0.16</u>
		\$ 143,903,807	6.69%
2020-21 Local Secured Assessed Valuation (Land Only)	\$ 2,151,933,768		

Source: California Municipal Statistics

## Principal Water Users

In 2020, the District's ten largest water customers constituted 9.65% of total District operating revenues. The City, which is the District's largest customer, was charged for an amount representing 3.32% of the District's total operating revenues. The largest water customers in the District are as follows:

**Table 16**  
**PALMDALE WATER DISTRICT**  
**PRINCIPAL WATER USERS (2020 SALES)<sup>(1)</sup>**

<i>Customer Name</i>	<i>Amount Charged</i>	<i>% of Total Operating Revenues</i>
City of Palmdale	\$ 909,449	3.32
Palmdale School District	\$675,021	2.46
AV Union High School District	\$316,126	1.15
HK Realty	\$161,976	0.59
Lockheed Martin Skunkwork	\$159,884	0.58
Group X111 Properties LP	\$113,649	0.41
J K Properties Inc	\$103,176	0.38
Linc Housing Corp	\$77,239	0.28
38000 30 <sup>th</sup> Street Multi LLC	\$64,844	0.24
Hansa Investments Inc	\$ 64,839	0.24
<b>TOTAL:</b>	<b>\$ 2,646,198</b>	<b>9.65%</b>

<sup>(1)</sup> 2020 operating revenues totaled \$27,412,595.  
Source: The District.

## Customer Base

The table below shows the District's water consumption by customer class in 2020.

**Table 17**  
**PALMDALE WATER DISTRICT**  
**WATER CONSUMPTION BY CUSTOMER CLASS (2020)**

<i>Type of Customer</i>	<i>Number of Accounts</i>	<i>Total Consumption (ccf)</i>	<i>Total Charges</i>	<i>Percent of Total</i>
Single Family	25,214	5,121,398	\$20,298,293	77.06%
Multi-Family	543	677,201	1,819,911	6.91
Commercial/Industrial	663	613,585	1,659,880	6.30
Fire Service	155	617,848	1,506,317	5.72
Irrigation	243	453,253	968,656	3.68
Construction	19	14,675	87,399	0.33
<b>TOTAL:</b>	<b>26,837</b>	<b>7,497,960</b>	<b>\$26,340,457</b>	<b>100.00%</b>

Source: The District.

## New Meter Connections, Consumption and Sales

The table below indicates total meter connections, water consumption and sales for the District from 2016 through 2020. With 27,504 meter connections, the District expects to serve approximately 26,885 active customers during calendar year 2021. Of such active customers, approximately 95.8% were residential customers and 4.02% were non-residential customers.

**Table 18**  
**PALMDALE WATER DISTRICT**  
**TOTAL METER CONNECTIONS, WATER CONSUMPTION AND SALES**  
**FOR CALENDAR YEARS 2016-2020**

<i>Calendar Year</i>	<i>Total Meters</i>	<i>Water Consumption (in acre-feet)</i>	<i>Total Water Sales Revenues<sup>(1)</sup></i>
2016 <sup>(2)</sup>	27,407	15,213	\$21,578,227
2017 <sup>(2)</sup>	27,399	16,242	22,404,307
2018	27,403	16,769	23,538,802
2019	27,439	15,871	23,647,991
2020	27,504	17,213	26,287,479

<sup>(1)</sup> Accounts for water revenues derived from sales related to water, meter, elevation, water quality charges.

<sup>(2)</sup> Includes revenues derived from Stage-1 drought surcharge charges which were in effect from June 1, 2015 to March 1, 2017. For additional information about the drought surcharge, see the captions “—Water Rates and Sales” and “FACTORS AFFECTING WATER SUPPLIES—California Drought and Response—District Drought Response Actions and Impact.”

Source: The District.

Actual water sales achieved by the District in future years may increase from the water sales assumptions made by the District and such variation would be material. Increased water sales volume due to additional meter connections may generate additional Water Revenues of the District and could provide increased Net Water Revenues available to make the 2021 Installment Payments. An increase in Net Water Revenues would generate debt service coverage greater than that set forth in the table under the caption “—Projected Operating Results and Debt Service Coverage” below.

## COVID-19 Outbreak

The spread of a novel strain of coronavirus, and the resultant disease called COVID-19 (“COVID-19”), is having significant negative impacts throughout the world, including within the District’s service area. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the County, the State and the United States. The purpose of these declarations is to coordinate and formalize emergency actions across federal, State and local governmental agencies and to proactively prepare for a wider spread of COVID-19.

To date there have been a number of confirmed cases of COVID-19 in the County and health officials are expecting the number of confirmed cases to grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools (including schools within the District’s service area). The United States is also restricting certain non-citizens and permanent residents from entering the country. In addition, financial markets in the United States and globally have been volatile, with significant fluctuations attributed to COVID-19 concerns.

Potential impacts to the District associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges to the public health system in and around the District's service area, cancellations of public events and disruption of the regional and local economy with corresponding decreases in water use.

The District has remained operational during the COVID-19 outbreak and its offices are currently open, though employee work schedules have been staggered to reduce the number of employees in the District's offices at any one time, and employees have been encouraged to work from home when possible.

In addition, the State Governor has suspended utility service shutoffs (including for the District's Water System) for the duration of the state of emergency declared by the State, though the District is still imposing late fees and penalties which it seeks to collect. Although no service charges are being forgiven, the District expects its accounts receivable amount to increase as a result of the foregoing policy. See "SYSTEM FINANCIAL INFORMATION—Rates and Charges—*Suspension of Disconnections from System.*"

The COVID-19 outbreak is ongoing, and the duration and severity of the outbreak and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of COVID-19 on the operations and finances of the District is unknown at this time. The projected operating results which are set forth under the caption "SYSTEM FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage" do not include significant changes in District revenues as a result of the COVID-19 outbreak. The District continues to actively monitor customer usage, revenues and delinquencies so that any further impacts can be anticipated.

The District does not currently expect that the COVID-19 outbreak will have a material adverse effect on the District's ability to make the 2021 Installment Payments when due. See the caption "SYSTEM FINANCIAL INFORMATION—Rates and Charges."

## **Financial Statements**

A copy of the most recent audited financial statements of the District prepared by the Nigro & Nigro, P.C., a professional accountancy corporation (the "Auditor"), is included as Appendix A hereto (the "Audited Financial Statements"). The Auditor's letter concludes that the Audited Financial Statements present fairly, in all material respects, the financial position of the District as of December 31, 2019 and 2020, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. The Audited Financial Statements of the District should be read in their entirety.

The summary operating results contained under the caption "—Historic Operating Results and Debt Service Coverage" below are based on the audited financial statements of the District for calendar years 2016 through 2020 (excluding certain non-cash items and after certain other adjustments) and are qualified in their entirety by reference to such statements, including the notes thereto. The Auditor has not reviewed the historical operating results provided below.

The District accounts for its activities as an enterprise fund. Its financial statements use the accrual basis of accounting. Under this method, all assets and liabilities associated with operations are included on the balance sheet, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.



## Historical Operating Results and Debt Service Coverage

The following table sets forth historical operating results and debt service coverage for the District for the years 2016 through 2020. The historical information in the table for the years 2016 through 2020 is based on the District's audited financial statements for each of these years with certain adjustments to operating expenses and nonoperating revenues described below.

Included within the District's *ad valorem* property taxes collected are assessments that may be used only to pay for certain costs under the State Water Supply Contract. The operating results in the table below have been adjusted from those total amounts reflected in the audited financial statements to exclude the property taxes collected for capitalized and fixed operating expenses related to the SWP. Specifically, the operating expenses of the District have been reduced in the table below to exclude the amounts paid by the District for amounts due for fixed operating expenses under the State Water Supply Contract and also to exclude capitalized labor and overhead costs. Included in the non-operating revenues included in the table below are the available *ad valorem* assessments collected not related to the capitalized and fixed operating expenses of State Water Supply Contract. See APPENDIX A—"AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEARS 2019 AND 2020" hereto.

[UPDATE 2020 COLUMN ONCE AUDIT IS AVAILABLE]

**Table 19**  
**PALMDALE WATER DISTRICT**  
**HISTORICAL OPERATING RESULTS AND DEBT SERVICE COVERAGE**  
**FOR YEAR ENDED DECEMBER 31**

	<i>Audited</i>				<i>Unaudited</i>
	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>
<b>Operating Revenues</b>					
Operating Revenues <sup>(1)</sup>	\$ 22,586,801	\$ 23,693,095	\$ 24,884,078	\$ 25,165,648	\$ 27,412,595
Rate Stabilization Transfers	-	-	240,000	(120,757)	(100,000)
<b>Total Operating Revenues</b>	<b>\$ 22,586,801</b>	<b>\$ 23,693,095</b>	<b>\$ 25,124,078</b>	<b>\$ 25,044,891</b>	<b>\$ 27,312,595</b>
<b>Operating Expenses</b>					
Gross Operating Expenses <sup>(1)</sup>	\$ 22,298,745	\$ 22,580,982	\$ 23,863,950	\$ 24,456,462	\$ 24,246,013
CalPERS Unfunded Liability Payments <sup>(2)</sup>	405,564	472,523	571,885	635,434	790,669
Overhead Adjustment <sup>(1)(3)</sup>	(152,890)	(46,276)	(103,353)	(1,049,246)	(555,875)
SWP Fixed O&M Expenses <sup>(4)</sup>	(86,000)	(26,060)	(22,269)	(22,593)	(38,084)
Shortfall in SWP Assessments <sup>(5)</sup>	-	-	-	-	-
Non-cash Related OPEB Expense <sup>(6)</sup>	(2,069,452)	(1,384,456)	(959,067)	(864,570)	(1,170,500)
<b>Total Operating Expenses</b>	<b>20,395,967</b>	<b>21,596,713</b>	<b>23,351,146</b>	<b>23,155,487</b>	<b>23,272,223</b>
<b>Net Operating Revenues</b>	<b>\$ 2,190,834</b>	<b>\$ 2,096,382</b>	<b>\$ 1,772,932</b>	<b>\$ 1,889,405</b>	<b>\$ 4,040,372</b>
<b>Non-Operating Revenues</b>					
Ad Valorem Property Taxes <sup>(1)</sup>	\$ 2,189,472	\$ 2,289,337	\$ 2,436,208	\$ 2,507,927	\$ 2,409,433
Interest Income <sup>(1)</sup>	42,729	56,054	292,316	451,831	170,739
Capital Improvement Fees <sup>(1)</sup>	234,747	1,021,406	106,947	624,101	1,235,438
Other <sup>(1)(7)</sup>	523,597	426,668	646,969	397,531	324,880
<b>Total Non-Operating Revenues</b>	<b>\$ 2,990,545</b>	<b>\$ 3,793,465</b>	<b>\$ 3,482,440</b>	<b>\$ 3,981,390</b>	<b>\$ 4,140,490</b>
<b>Net Water Revenue Available for Debt Service</b>	<b>\$ 5,181,379</b>	<b>\$ 5,889,847</b>	<b>\$ 5,255,372</b>	<b>\$ 5,870,795</b>	<b>\$ 8,180,862</b>
<b>Debt Service</b>					
2012 Installment Purchase Agreement	\$ 1,373,697	\$ 1,372,785	\$ 1,369,593	\$ 1,373,241	\$ 1,374,152
2013 Water Revenue Bonds	2,345,225	2,350,975	2,351,125	2,345,825	2,169,025
2017 Installment Purchase Agreement	184,459	112,000	178,953	178,953	178,953
2018 Water Revenue Bonds	-	-	146,694	568,894	568,894
2020 Installment Purchase Agreement	-	-	-	-	131,681
2020 Water Revenue Refunding Bonds	-	-	-	-	-
<b>Total Debt Service</b>	<b>\$ 3,903,381</b>	<b>\$ 3,835,760</b>	<b>\$ 4,046,636</b>	<b>\$ 4,466,913</b>	<b>\$ 4,422,706</b>
<b>Debt Service Coverage<sup>(8)</sup></b>	<b>1.33x</b>	<b>1.54x</b>	<b>1.30x</b>	<b>1.31x</b>	<b>1.85x</b>
Rate Stabilization Fund Balance <sup>(9)</sup>	\$ 481,401	\$ 486,078	\$ 244,210	\$ 369,780	\$ 369,780
<b>Debt Service Coverage if All Amounts in the Rate Stabilization Fund are Used<sup>(9)</sup></b>	<b>1.45x</b>	<b>1.66x</b>	<b>1.36x</b>	<b>1.40x</b>	<b>1.93x</b>
<b>Net Water Revenues Available after Payment of Debt Service<sup>(8)</sup></b>	<b>\$ 1,277,998</b>	<b>\$ 2,054,087</b>	<b>\$ 1,208,736</b>	<b>\$ 1,403,882</b>	<b>\$ 3,758,156</b>

(1) From the District's Audited Financial Statements. Gross Operating Expenses are reduced by CalPERS Unfunded Liability Payments as described in Footnote 2 below.

(2) In the District's Audited Financial Statements, these amounts are included in the Gross Operating Expenses total. Includes only unfunded accrued liability. Does not include the normal cost, which is reflected in Gross Operating Expenses.

(3) Adjustment made to exclude overhead absorption which represents capital costs and does not constitute Operation and Maintenance Costs under the Indenture.

(4) Represents fixed operation and maintenance expenses paid by the District for SWP costs from assessments levied to pay costs associated with the State Water Supply Contract. Does not include fixed capital costs.

(5) Constitutes amounts paid by the District to cover costs related to the State Water Supply Contract in excess of the assessments available to pay such costs. Such payments were last made in 2008 and 2009 in the amount of approximately \$172,000 and \$377,000, respectively.

(6) The District has removed the non-cash related portion of the Other Post-Employment Benefits (OPEB) expense from the Gross Operating Expenses. This portion constitutes the unfunded annual required contribution of OPEB liability required by GASB 45.

(7) Represents rental income, legal/insurance refunds, DWR credits for overpayment of fixed expenses, energy refunds, and other net miscellaneous items.

(8) All Debt Service Coverage and Net Water Revenues Available after Payment of Debt Service for 2016 and 2017 have been recalculated based on changes made for OPEB accommodation.

(9) \$480,000, \$120,757 and \$100,000 were deposited into the Rate Stabilization Fund in 2013, 2019 and 2020, respectively. In 2018, a withdrawal was made for \$240,000 to ensure that the District met its debt service coverage requirement.

Note: Totals may not add due to rounding.

Source: The District.

## Projected Operating Results and Debt Service Coverage

The District is obligated under the Parity Obligation Documents, and will covenant in the Indenture, to set rates and charges sufficient to comply with the coverage requirement, as more particularly described under the caption “SECURITY FOR THE 2021A BONDS—Rate Covenant.” See the captions “SYSTEM FINANCIAL INFORMATION—Operating Revenues—*Future Rate Setting*” and “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.”

Table 20 below sets forth projected debt service coverage for the District for the years 2021 through 2025. These projections are based upon the District’s adopted rates for 2021 through 2024, which provide for an 8.1% annual rate increase, and includes other assumptions that the District believes to be reasonable. Table 20 below includes the Series 2021A Installment Payments, but does not include projections of debt service on any future debt to be incurred to finance future capital projects, other than for the general capital projects. The District expects to incur costs of up to \$40,946,217 over the next five years as part of its capital improvement project plan, including approximately \$10,000,000 in 2023 and approximately \$8,400,000 on the Groundwater Water Augmentation Program. Table 20 below accounts for the expected \$10,000,000 debt issuance in 2023 but not the \$8,400,000 because the District does not expect to issue debt to finance the design costs of the Groundwater Water Augmentation Program. See “THE WATER SYSTEM—Future Capital Projects.”

The assumptions used in Table 20 may be affected by numerous factors and there can be no assurance that such projections will be achieved. The projections in Table 20 are based upon certain forward-looking statements with respect to the financial condition, results of operations and business of the Water System. Forward-looking statements can be identified generally as those containing words such as “anticipates,” “assumes,” “believes,” “estimates,” “expects,” “should,” “will,” “will likely result,” “forecast,” “outlook,” “projects,” “may,” or similar expressions. By their nature, forward looking statements involve risk and uncertainty because they relate to future events and circumstances and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, water rates different than assumed, changes in water demand and related conservation levels, raw materials, rate of technological changes, employee costs, pension costs and actuarial assumptions, debt service payments, interest rates respecting interest income of the Water System, changes in legislation, legal claims and changes in tax rates, among other factors. As a result, future results of the Water System may differ materially from the plans, goals and expectations set forth in such forward-looking statements. For a discussion of other factors that could cause future results to differ from such forward-looking statements, see also “INVESTMENT CONSIDERATIONS” and “FACTORS AFFECTING WATER SUPPLIES.”

**Table 20**  
**PALMDALE WATER DISTRICT**  
**PROJECTED OPERATING RESULTS AND DEBT SERVICE COVERAGE**  
**2021 THROUGH 2025**

	2021 <sup>(1)</sup>	2022	2023	2024	2025
<b>Operating Revenues</b>					
Operating Revenues <sup>(2)</sup>	\$ 29,633,015	\$ 32,033,289	\$ 34,627,986	\$ 37,432,853	\$ 38,593,271
Rate Stabilization Transfers	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Total Operating Revenues	\$ 29,533,015	\$ 31,933,289	\$ 34,527,986	\$ 37,332,853	\$ 38,593,271
<b>Operating Expenses</b>					
Gross Operating Expenses <sup>(3)</sup>	\$ 24,997,640	\$ 25,772,567	\$ 26,571,516	\$ 27,395,233	\$ 28,244,485
CalPERS Unfunded Liability Payments <sup>(4)</sup>	851,851	919,492	979,374	1,041,653	1,089,598
Overhead Adjustment <sup>(5)</sup>	(555,875)	(555,875)	(555,875)	(555,875)	(555,875)
SWP Fixed Operation and Maintenance Expenses <sup>(6)</sup>	(42,358)	(40,000)	(40,000)	(40,000)	(40,000)
Shortfalls in SWP Assessments <sup>(7)</sup>	-	-	-	-	-
Non-Cash Related OPEB Expense <sup>(8)</sup>	(1,206,786)	(1,244,196)	(1,282,766)	(1,322,532)	(1,363,530)
Total Operating Expenses	<u>24,044,472</u>	<u>24,851,987</u>	<u>25,672,249</u>	<u>26,518,478</u>	<u>27,374,677</u>
<b>Net Operating Revenues</b>	<b>\$ 5,488,544</b>	<b>\$ 7,081,303</b>	<b>\$ 8,855,737</b>	<b>\$ 10,814,374</b>	<b>\$ 11,218,594</b>
<b>Non-Operating Revenues<sup>(9)</sup></b>					
Ad Valorem Property Taxes	\$ 2,457,622	\$ 2,506,774	\$ 2,556,910	\$ 2,608,048	\$ 2,660,209
Interest Income	170,739	170,739	170,739	170,739	170,739
Capital Improvement Fees	-	-	-	-	-
Other <sup>(10)</sup>	<u>324,880</u>	<u>324,880</u>	<u>324,880</u>	<u>324,880</u>	<u>324,880</u>
Total Non-Operating Revenues	\$ 2,953,241	\$ 3,002,393	\$ 3,052,529	\$ 3,103,667	\$ 3,155,828
<b>Net Water Revenue Available for Debt Service</b>	<b>\$ 8,441,784</b>	<b>\$ 10,083,696</b>	<b>\$ 11,908,266</b>	<b>\$ 13,918,041</b>	<b>\$ 14,374,422</b>
<b>Debt Service<sup>(11)</sup></b>					
2012 Installment Purchase Agreement	\$ 1,372,329	\$ 1,372,329	\$ 1,373,924	\$ -	\$ -
2013 Water Revenue Bonds <sup>(12)</sup>	1,375,575	1,377,325	1,372,575	2,878,475	2,878,125
2017 Installment Purchase Agreement	178,953	89,477	-	-	-
2018 Water Revenue Bonds	568,894	818,894	821,394	820,794	822,044
2020 Installment Sale Agreement	307,881	307,881	307,881	307,881	307,881
2020 Water Revenue Refunding Bonds	555,570	553,990	552,727	556,290	554,305
2021 Installment Purchase Agreement <sup>(13)*</sup>	-	430,445	354,600	354,600	354,600
2023 Installment Purchase Agreement <sup>(14)*</sup>	-	-	-	367,400	367,400
<b>Total Debt Service</b>	<b>\$ 4,359,202</b>	<b>\$ 4,950,341</b>	<b>\$ 4,783,101</b>	<b>\$ 5,285,440</b>	<b>\$ 5,284,354</b>
<b>Debt Service Coverage*</b>	<b>1.94x</b>	<b>2.04x</b>	<b>2.49x</b>	<b>2.63x</b>	<b>2.72x</b>
Rate Stabilization Fund Balance	\$ 569,780	\$ 669,780	\$ 769,780	\$ 869,780	\$ 869,780
Debt Service Coverage if all Amounts in the Rate Stabilization Fund are used*	<b>2.07x</b>	<b>2.17x</b>	<b>2.65x</b>	<b>2.80x</b>	<b>2.88x</b>
<b>Net Water Revenues Available after Payment of Debt Service</b>	<b>\$ 4,082,582</b>	<b>\$ 5,133,355</b>	<b>\$ 7,125,165</b>	<b>\$ 8,632,602</b>	<b>\$ 9,090,068</b>

\* Preliminary, subject to change.

(1) Projection based on the District's Fiscal Year 2020 results, with certain adjustments

(2) Projected to increase 8.1% in 2021 through 2024 as a result of rate increases and a projected 3.1% rate increase in 2025. See SYSTEM FINANCIAL INFORMATION—Rates and Charges—Existing Charges.”

(3) Gross Operating Expenses include the normal cost of the CalPERS Unfunded Liability Program Payments, but not the unfunded accrued liability. Assumes annual growth of 3.1%.

(4) Includes only unfunded accrued liability cost projected by CalPERS. Does not include the normal cost, which is reflected in Gross Operating Expenses. Projected to increase by 7.9%, 6.5%, 6.4% and 4.6% in Fiscal Years 2022, 2023, 2024 and 2025, respectively.

(5) Adjustment made to exclude overhead absorption which represents capital costs and does not constitute Operation and Maintenance Costs under the Indenture. Projected to remain flat through 2025.

(6) Represents fixed operation and maintenance expenses projected to be paid by the District for SWP costs from assessments levied to pay costs associated with the State Water Supply Contract. Does not include fixed capital costs. Projected to slightly decrease in Fiscal Year 2022 and remain flat thereafter.

(7) Constitutes amounts projected to be paid by the District to cover costs related to the State Water Supply Contract in excess of the assessments available to pay such costs. The District does not project any such shortfalls in the next five years.

(Footnotes Continued on Next Page)

- (8) The District has removed the non-cash related portion of the Other Post-Employment Benefits (OPEB) expense from the Gross Operating Expenses. This portion constitutes the estimated unfunded annual required contribution of OPEB liability required by GASB 45. Projected to increase by 3.1% annually through 2025.
- (9) Projected to remain flat through 2025, other than projected annual growth in *Ad Valorem* Property Taxes of 2% annually.
- (10) Represents rental income, legal/insurance refunds, DWR credits for overpayment of fixed expenses, energy refunds and other net miscellaneous items.
- (11) Other than the bonds referenced in footnote 13 below, projected debt service does not include any debt service to finance the future capital projects. The District has not yet secured financing for any such future projects and the timing, amount, interest rates and amortization schedule for any future debt is unknown but could result in reduced debt service coverage ratios from those shown above.
- (12) A portion of the 2013 Bonds was refunded with proceeds from the 2020 Bonds.
- (13) Represents the estimated principal amount of the 2021A Bonds of \$9,500,000 at a true interest cost of 3.01%.
- (14) The District expects to execute and deliver an installment purchase agreement in Fiscal Year 2023 in the approximate principal amount of \$10,000,000 to finance certain capital improvements. See “THE WATER SYSTEM—Future Capital Projects.” Whether the District actually issues such bonds and the amount of such bonds if issued cannot be assured.

Note: Totals may not add due to rounding.

Source: The District.

## CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

### Article XIII A

**General.** On June 6, 1978, California voters approved Proposition 13, which added Article XIII A to the California Constitution (“Article XIII A”). Article XIII A limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and (as a result of an amendment to Article XIII A approved by California voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property that has been approved on or after July 1, 1978 by the voters voting on such indebtedness. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975/76 tax bill under ‘full cash value’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

**Legislation Implementing Article XIII A.** Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by each California county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon the location of reappraised property and the value of property within each taxing agency. Any such allocation made to a local agency continues as part of its allocation in future years.

### Article XIII B

Article XIII B of the California State Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The “base year” for establishing such appropriation limit is the 1978-79 State fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices.

Adjustments in the appropriations limit of an entity may also be made if: (i) the financial responsibility for a service is transferred to another public entity or to a private entity; (ii) the financial source for the provision of services is transferred from taxes to other revenues; or (iii) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations subject to Article XIII B generally include the proceeds of taxes levied by or for the State or other entity of local government, exclusive of certain State subventions, refunds of taxes and benefit payments from retirement, unemployment, insurance and disability insurance funds. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to an entity of government from: (a) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost reasonably borne by the entity in providing the service or regulation); and (b) the investment of tax revenues. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Certain expenditures are excluded from the appropriations limit, including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by a vote of electors of the issuing entity and payments required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the providing of existing services more costly.

The District is of the opinion that its water charges do not exceed the costs it reasonably bears in providing such services and therefore are not subject to the limits of Article XIII B. The District will covenant in the Indenture that it will prescribe rates and charges sufficient to provide for payment of the principal of and interest on the 2021A Bonds in each year.

### **Proposition 218**

**General.** An initiative measure entitled the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIII C and Article XIII D to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges."

**Article XIII D.** Article XIII D defines the terms "fee" and "charge" to mean "any levy other than an *ad valorem* tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service." A "property-related service" is defined as "a public service having a direct relationship to property ownership." Article XIII D further provides that reliance by an agency on any parcel map (including an assessor's parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIII D requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for water service is ultimately determined to be a "fee" or "charge" as defined in Article XIII D, the local government's ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIII D includes a number of limitations applicable to existing fees and charges, including provisions to the effect that: (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than

that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

In July 2006, the California Supreme Court held, in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) (“*Bighorn*”), that the initiative power described in Article XIII C applies to any local taxes, assessments, fees and charges as defined in Articles XIII C and XIII D. Article XIII D defines “fee” or “charge” to mean a levy (other than *ad valorem* or special taxes or assessments) imposed by a local government “upon a parcel or upon a person as an incident of property ownership,” including a user fee for a “property related service.” The Court also found that charges for water delivery are charges for a property-related service and, therefore, constitute “fees” or “charges” within the meaning of both Article XIII D and section 3 of Article XIII C. In accordance with Article XIII D and the decision in *Bighorn*, the District has conducted notice and hearing proceedings to comply with requirements of Article XIII D with respect to proposed increases of rates and charges since Fiscal Year 2006-07. See the captions “SYSTEM FINANCIAL INFORMATION – Rates and Charges.”

On April 20, 2015, the California Court of Appeal, Fourth District, issued an opinion in *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano*, 235 Cal. App. 4th 1493 (2015) (“*SJC*”) upholding tiered water rates under Proposition 218 provided that the rates correspond to the actual cost of furnishing service at a given level of usage. The opinion was specific to the facts of the case, including a finding that the City of San Juan Capistrano did not attempt to calculate the actual costs of providing water at various tier levels. The District’s tiered water rates are described under the caption “SYSTEM FINANCIAL INFORMATION—Rates and Charges” and “—Operating Revenues – *Water Rates and Sales.*” The District does not currently expect the *SJC* ruling to affect its water rate structure or have a material adverse effect on its financial condition.

**Article XIII C.** Article XIII C provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIII C does not define the terms “local tax,” “assessment,” “fee” or “charge.” In light of *Bighorn* and as discussed above under the caption “—Article XIII D,” the terms “fee” and “charge” as used in Article XIII C include, at a minimum, all of the fees and charges within the “property related” qualification set forth in Article XIII D. Moreover, the provisions of Article XIII C are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the State Supreme Court held in the *Bighorn* Case that the provisions of Article XIII C applied to rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations.

On August 3, 2020, the State Supreme Court issued an opinion in *Wilde v. City of Dunsmuir* (Cal. S. Ct. S252915) holding that the taxation exemption from the State Constitution’s referendum process applies to measures setting water rates, and that the initiative power does not subject water rates to challenge by referendum. The District does not believe that Article XIII C grants to the voters within the District the power (whether by initiative under Article XIII C or otherwise, or by referendum, which is not authorized under Article XIII C) to repeal or reduce rates and charges for the Water Service in a manner that would interfere with the contractual obligations of the District or the obligation of the District to maintain and operate the Water System. However, there can be no assurance as to the availability of particular remedies adequate to protect the Beneficial Owners of the 2021A Bonds. Remedies that are available to Beneficial Owners of the 2021A Bonds in the event of a default by the District are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain. So long as the 2021A Bonds are held in book-entry form, DTC (or its nominee) will be the sole registered owner of the 2021A

Bonds and the rights and remedies of the 2021A Bond Owners will be exercised through the procedures of DTC.

In addition to the specific limitations on remedies contained in the applicable documents themselves, the rights and obligations with respect to the 2021A Bonds and the Indenture are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as Appendix C), will be similarly qualified.

### **Proposition 26**

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity. The District does not believe that the enactment of Proposition 26 has affected its ability to levy rates and charges for water service.

### **Proposition 1A**

Proposition 1A, which was approved by the voters in November 2004, restricts State authority to reduce major local tax revenues such as the tax shifts permitted to take place in fiscal years 2004-05 and 2005-06. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe State financial hardship, the shift is approved by two thirds of both houses and certain other conditions are met. See the captions “SYSTEM FINANCIAL INFORMATION—Operating Revenues—*Ad Valorem Property Taxation*” and “—District Assessed Valuation” above.

### **Proposition 15**

On May 29, 2020, a proposed ballot initiative became eligible for the November 2020 Statewide ballot (the “Proposition 15”). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, Proposition 15 would amend Article XIII A such that the “full cash value” of commercial and industrial real property, for each lien date, would be equal to the fair market value of that property. If approved, Proposition 15 would not affect the “full cash value” of residential property, real property used for commercial agricultural production, or commercial and industrial real property with combined value of \$3



million or less, which would continue to be subject to annual increases not to exceed 2%. In addition, Proposition 15 would eliminate the business tangible personal property tax on equipment and fixtures for small businesses and provide a \$500,000 per year exemption for all other businesses.

The District cannot predict whether Proposition 15 will be approved by a majority of voters casting a ballot. If approved, the District cannot make any assurance as to what effect the implementation of Proposition 15 will have on District revenues or the assessed valuation of real property in the District.

### **Future Initiatives**

Articles XIII A, XIII B, XIII C and XIII D and Proposition 26 were adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiatives could be proposed and adopted affecting The District's revenues or ability to increase revenues.

### **THE AUTHORITY**

The Palmdale Water District Public Financing Authority was established pursuant to a Joint Exercise of Powers Agreement dated as of April 10, 2013, by and between the District and the California Municipal Finance Authority to assist in financings undertaken by the District. The Board of Directors of the District is appointed as the Governing Board of the Authority.

### **INVESTMENT CONSIDERATIONS**

*The following information, in addition to the other matters that are described in this Official Statement, should be considered by prospective investors in evaluating the 2021A Bonds. However, the following does not purport to be comprehensive, definitive or an exhaustive listing of risks and other considerations that may be relevant to making an investment decision with respect to the 2021A Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. If any risk factor materializes to a sufficient degree, it alone could delay or preclude payment of principal or interest on the 2021A Bonds.*

### **Accuracy of Assumptions**

To estimate the Net Water Revenues which will be available to make the Series 2021A Installment Payments, the District has made certain assumptions with regard to various matters, including but not limited to future development within the District, the rates and charges to be imposed in future years, the expenses associated with operating the Water System and the interest rate at which funds will be invested. The District believes these assumptions to be reasonable, but to the extent that any of such assumptions fail to materialize, the Net Water Revenues available to make the Series 2021A Installment Payments, and thereby pay debt service on the 2021A Bonds, will in all likelihood, be less than those projected herein. See the caption "PALMDALE WATER DISTRICT—Projected Operating Results and Debt Service Coverage." The District may choose, however, to maintain compliance with the rate covenant set forth in the Installment Purchase Agreement in part by means of contributions from available reserves or resources, including the Rate Stabilization Fund. In such event, Net Water Revenues may generate amounts which are less than 110% of Debt Service in any given Fiscal Year. See the captions "SECURITY FOR THE 2021A BONDS—Rate Covenant" and "SECURITY FOR THE 2021A BONDS—Rate Stabilization Fund."

### **System Demand**

There can be no assurance that the demand for Water Service will occur as described in this Official Statement. Reduction in levels of demand could require an increase in rates or charges in order to comply with the rate covenant. See the caption "SECURITY FOR THE 2021A BONDS—Rate Covenant." Demand for Water Service could be reduced or may not occur as projected by the District as a result of reduced levels of

development in the District's service area, hydrological conditions, conservation efforts, an economic downturn, mandatory State conservation orders and other factors.

### **System Expenses**

There can be no assurance that the District's expenses will be consistent with the descriptions in this Official Statement. Operation and Maintenance Costs may vary with groundwater conditions, the cost of imported water and the quality and amount of local supplies, as well as treatment costs, regulatory compliance costs, labor costs (including costs related to pension and other post-employment benefits) and other factors.

Some of the District water supply is sold to the District by other public agencies, and increases in such agencies' costs or changes in such agencies' operations over which the District has limited control could impact the District's cost of water to supply its customers. See the caption "THE WATER SYSTEM." Increases in Operation and Maintenance Costs could require an increase in rates or charges in order to comply with the rate covenant. See the caption "SECURITY FOR THE 2021A BONDS—Rate Covenant."

### **Limited Obligations**

The obligation of the District to make the Series 2021A Installment Payments is a limited obligation of the District and is not secured by a legal or equitable pledge or charge or lien upon any property of the District or any of its income or receipts, except the Net Water Revenues. The obligation of the District to make the Series 2021A Installment Payments does not constitute an obligation of the District to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation.

### **Natural Disasters and Seismic Considerations**

**General.** The District, like all southern California communities, is subject to unpredictable seismic activity, fires, floods, high winds, landslides or other natural disasters. A severe natural disaster, such as an earthquake, fire, flood, high wind event or landslide, could result in substantial damage to the District, including the Water System.

Although the District maintains insurance, including flood insurance, for damage to the Water System as described under the caption "PALMDALE WATER DISTRICT—Insurance," there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers. Furthermore, significant portions of the Water System, including underground pipelines and valves, are not covered by property casualty insurance. Damage to such portions of the Water System as a result of natural disasters could result in uninsured losses to the District.

**Seismic Activity.** The District is located in a seismically active region. Significant faults are located near the District. There is potential for destructive ground shaking during the occurrence of a major seismic event. In addition, land along fault lines may be subject to liquefaction during the occurrence of such an event. In the event of a severe earthquake, there may be significant damage to both property and infrastructure within the District, including the Water System. The District has an emergency response plan that would be implemented under such circumstances.

Newer Water System facilities are designed to withstand earthquakes with minimal damage, as earthquake loads are taken into consideration in the design of project structures. The District has also undertaken a vulnerability assessment of critical Water System facilities. The vulnerability assessment ranks District infrastructure by importance, builds redundancy into existing operations and includes contingency plans in the event of damage to District assets and succession plans for critical staff. The impact of lesser magnitude events is expected by the District to be temporary, localized and repairable. The Water System has never sustained major damage to its facilities or experienced extended incidences of service interruptions as a result of seismic disturbances.

The District does not maintain earthquake insurances on Water System facilities. See the caption “PALMDALE WATER DISTRICT—Insurance.”

**Fire.** The southern portion of the District is located in an area that the California Department of Forestry and Fire Protection has designated to be either a High or Very High Fire Zone. Wildfires have occurred in recent years in different regions of the State, including areas near the District’s service area. In September 2020, the Bobcat wildfire broke out near the District, and as of September 21, 2020, the Bobcat fire had affected over 52% of the Littlerock Reservoir watershed, which will likely increase water treatment costs in the near future for water taken from the watershed. There can be no assurance that fires will not occur within the boundaries of the District in the future, leading to damage to or decreased usage of the District’s Water System and a decline in Net Water Revenues. The District carries property insurance for fire damage.

**Flooding.** Portions of the District are mapped within the 100-year flood plain and have the potential to flood if rain events exceed the floodplain capacity. Although the District maintains insurance, including flood insurance, for damage to the Water System as described under the caption “PALMDALE WATER DISTRICT—Insurance,” there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers. See the captions “PALMDALE WATER DISTRICT—Insurance” above and the subheading “—Climate Change” below.

**Drought.** On April 1, 2015, for the first time in California’s history, the State Governor directed the SWRCB to implement mandatory water reductions in cities and towns across California to reduce total water usage in the State by 25%. Such restrictions applied to the District, as described under the caption “FACTORS AFFECTING WATER SUPPLY—California Drought and Response.” Although most of such mandatory water reductions have since been lifted, the State has since enacted permanent restrictions on water usage. There can be no assurance that future drought conditions will not re-appear in the future, leading to decreased usage of the District’s Water System, or that the State’s permanent water usage restrictions will not lead to decreased usage of the District’s Water System.

**Climate Change.** Climate change caused by human activities is having, and is likely to continue to have, an effect on California and District water resources, as evidenced by a reduction in mountain snowpack, a rise in sea level, and a change in the amount and seasonal timing of river flows. In the foreseeable future, more of the precipitation in California is likely to fall as rain instead of snow. This potential change in weather patterns will exacerbate flood risks and add additional challenges for water supply reliability.

Currently, the Sierra snowpack provides as much as a third of California’s water supply by accumulating snow during winter and releasing it slowly during spring and summer. Warming temperatures will cause the snowpack to melt faster and earlier, making it more difficult to store and use water released by the melting snowpack. The loss of snowpack may curtail SWP deliveries which, on average, account for at least 50% of the District’s water supply. Climate change is also expected to result in more variable weather patterns throughout California. More variability can lead to longer and more severe droughts. In addition, the sea level is expected to continue to rise, potentially threatening the existing channels within the Delta.

The District considers the potential effects of climate change in its planning. Although it is clear that climate change has affected and will continue to affect the District, the District’s ability to support debt service has not been impacted by the effects of climate change. However, there can be no assurance that climate change will not affect the ability of the District to support debt service in the future.

### **Limitations on Remedies Available; Bankruptcy**

The enforceability of the rights and remedies of the Owners of the 2021A Bonds and the obligations of the Authority and the District may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; equitable principles which may limit the

specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercising of powers by the federal or State government, if initiated, could subject the Owners of the 2021A Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation or modification of their rights.

The opinions to be delivered by Bond Counsel concurrently with the issuance of the 2021A Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the 2021A Bonds will be similarly qualified. See Appendix C – FORM OF BOND COUNSEL OPINION. In the event that the Authority fails to comply with its covenants under the Indenture or fails to principal of and interest on the 2021A Bonds, there can be no assurance of the availability of remedies adequate to protect the interest of the Owners of the 2021A Bonds.

### **Statutory and Regulatory Compliance**

Laws and regulations governing treatment and delivery of water are enacted and promulgated by federal, State and local government agencies. Compliance with these laws and regulations is and will continue to be costly, and, as more stringent standards are developed, such costs will likely increase.

Claims against the Water System for failure to comply with applicable laws and regulations could be significant. Such claims may be payable from assets of the Water System and constitute Operation and Maintenance Costs or from other legally available sources. In addition to claims by private parties, changes in the scope and standards for municipal water systems such as that operated by the District may also lead to administrative orders issued by federal or State regulators. Future compliance with such orders can also impose substantial additional costs on the District. In addition to the other limitations described herein, the State electorate or Legislature could adopt a Constitutional amendment, legislation or an initiative with the effect of reducing revenues payable to or collected by the District. No assurance can be given that the cost of compliance with such laws, regulations and orders would not adversely affect the ability of the District to generate Net Water Revenues in amounts that are sufficient to make the Series 2021A Installment Payments and thereby pay principal of and interest on the 2021A Bonds.

### **Future Capital Projects and Additional Obligations**

The District issues debt from time to time for the purpose of financing capital projects, and expects to issue debt to finance the proposed Groundwater Water Augmentation Program and may issue debt to finance additional capital projects. See “THE WATER SYSTEM—Future Capital Projects.” The District is required under the Installment Purchase Agreement to fix, prescribe and collect Water Revenues for Water Service which will be at least sufficient to yield during each Fiscal Year Net Water Revenues equal to one hundred ten percent (110%) of Debt Service. In the event the District issues future debt, it is possible that future debt service coverage ratios could approach this minimum threshold rather than the levels shown in Table 20 hereof.

The Installment Purchase Agreement permits the issuance of additional obligations payable from Net Water Revenues on parity with the obligation to make the Series 2021A Installment Payments. See “SECURITY FOR THE 2021A BONDS—Additional Bonds and Contracts.”

### **Secondary Market**

There can be no guarantee that there will be a secondary market for the 2021A Bonds or, if a secondary market exists, that any 2021A Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular

issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

## **COVID-19 Pandemic**

The spread of the novel strain of coronavirus and the disease it causes (now known as “COVID-19”) is having significant negative impacts throughout the world, including in Southern California. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the United States, the State, and numerous counties throughout the State, including Santa Barbara County on March 12, 2020. The purpose behind these declarations are to coordinate and formalize emergency actions and across federal, state and local governmental agencies, and to proactively prepare for a wider spread of the virus.

To date there have been a number of confirmed cases of and deaths caused by COVID-19 in the State, including in the County, and health officials are expecting the number of confirmed cases to grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools. In addition, financial markets in the United States and globally have been volatile, with significant price fluctuation attributed to coronavirus concerns.

Potential impacts to the District associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges to the public health system in and around the District’s service area, cancellations of public events and disruption of the regional and local economy with corresponding decreases in the District’s Water System revenues. Further, an economic downturn affecting the District’s service area could have an adverse impact on development activities within the District’s service area. See the caption “SYSTEM FINANCIAL INFORMATION—Rates and Charges—*Suspension of Disconnections From System*” for a discussion of Order N-42-20, which, among other things, suspends the authority of water systems, such as the District, from suspending water service for non-payment during the COVID-19 emergency.

In response to the outbreak of COVID-19, on March 19, 2020, Governor Newsom ordered all individuals living in the State to stay home or at their place of residence, except as needed to maintain continuity of operation of the critical infrastructure sectors, critical government services, schools, and construction. On May 4, 2020, the Governor issued Executive Order N-60-20 to allow reopening of lower-risk business and spaces as part of Stage Two of a four-state reopening plan (the “California Resilience Roadmap”), and then to allow the reopening of high-risk businesses and spaces as part of Stage Three of such plan. Executive Order N-60-20 further allowed a county to pursue a variance to move further into the stages upon notification and certification of a written attestation to the State. On May 20, 2020, the State approved the County’s variance attestation, which allowed the County to progress through the various stages of the California Resilience Roadmap upon satisfying certain requirements.

On July 13, 2020, the Governor issued another order requiring all counties within the State to close indoor operations in certain sectors, including dine-in restaurants, wineries and tasting rooms, movie theatres, family entertainment centers, zoos and museums and cardrooms. The Governor’s July 13, 2020 order also required certain counties (including the County) to shut down additional industries and activities, including gyms and fitness centers, places of worship and cultural ceremonies (such as wedding and funerals), offices for non-critical infrastructure sectors, personal care services (such as nail salons, body waxing and tattoo parlors) and shopping malls. On August 28, 2020, the State released further guidance regarding re-opening certain types of businesses based on a county-by-county approach where each county is assigned a tier based on COVID-19 case rates within each County. Based on the initial assessment from the State, Los Angeles County is in the “Widespread” tier as of September 1, 2020. For counties in the “Widespread” tier, certain non-essential indoor businesses are required to remain closed and certain businesses may open with modifications, such as limitations on capacity.

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of COVID-19 on the operations and finances of the District is unknown and there can be no assurance that the outbreak of COVID-19 will not affect the District's ability to make the Series 2021A Installment Payments and thereby pay debt service on the 2021A Bonds.

### **Property Tax Collections**

The District receives a portion of its revenue from the 1% property tax levy under Article XIII A of the State Constitution. It is possible that future downturns in the housing market could cause the District to experience higher delinquency rates and reduced property tax collections in future fiscal years due to foreclosures, delinquencies, natural disasters or other events adversely affecting property values. In past years, the allocation of Article XIII A property taxes to local agencies has been revised such that property tax revenue was diverted away from special districts, such as the District, to school districts. It cannot be predicted if future legislation will be enacted or Constitutional amendments approved to further reduce, or entirely eliminate, the percentage of the 1% Article XIII A levy paid to the District or whether the State will exercise its rights under Proposition 1A to borrow property taxes from the District. See "SYSTEM FINANCIAL INFORMATION—Operating Revenues—*Ad Valorem Property Taxation*" and "—District Assessed Valuation,," and "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 1A."

### **Environmental Regulation**

The kind and degree of drinking water treatment is regulated, to a large extent, by the federal government and the State of California. Treatment standards set forth in federal and state law control the operations of the Water System, and mandate their use of technology. If the federal government, acting through the Environmental Protection Agency, or the State of California, acting through the Department of Health Services, or additional federal or state legislation, should impose stricter water quality standards upon the Water System, the District's expenses could increase accordingly and rates and charges would have to be increased to offset those expenses.

It is not possible to predict the direction which federal or state regulation will take with respect to drinking water and wastewater quality standards, although it is likely that both will impose more stringent standards with attendant higher costs.

### **Limited Recourse on Default; Insurer Right to Control Remedies**

Failure by the District to pay the Series 2021A Installment Payments when due constitutes an event of default under the Installment Purchase Agreement and the Trustee is permitted to pursue remedies at law or in equity to enforce the District's obligation to pay Series 2021A Installment Payments. There is no assurance that the District will have sufficient funds to pay the Series 2021A Installment Payments when due. See also "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218" above.

So long as the Insurer has not defaulted under any obligation of the Insurance Policy or the Reserve Surety Policy, it shall be deemed to be the sole holder of the 2021A Bonds insured under the Insurance Policy for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Bonds insured by it are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. Remedies granted to the Owners shall expressly include mandamus.

## **Acceleration upon Default**

If the District defaults on its obligation to make the Parity Payments, the Trustee has the right to accelerate the entire principal amount of the unpaid Series 2021A Installment Payments and the accrued interest thereon and the entire principal amount of the unpaid Parity Payments and the accrued interest thereon. However, in the event of a default and such acceleration of the Series 2021A Installment Payments or the Parity Payments there can be no assurance that the District will have sufficient Net Water Revenues to pay the accelerated Series 2021A Installment Payments or the accelerated Parity Payments.

So long as the Insurer has not defaulted on any obligation under the Insurance Policy or the Reserve Surety Policy, the Series 2021A Installment Payments may only be accelerated with the written approval of the Insurer.

## **Rate Covenant Not a Guarantee; Failure to Meet Projections**

The ability of the District to make the Series 2021A Installment Payments, and thereby pay the principal of and interest on the 2021A Bonds, depends on the ability of the District to generate Net Water Revenues in the levels required by the Installment Purchase Agreement. Although, as more particularly described herein, the District expects that sufficient revenues will be generated through the imposition and collection of water charges and fees and other Water System Revenues described herein, there is no assurance that such imposition of water charges, fees, or other Water System Revenues will result in the generation of Net Water Revenues in the amounts required by the Installment Purchase Agreement. As a result, the District's covenant does not constitute a guarantee that sufficient Net Water Revenues will be available to make the Series 2021A Installment Payments and thereby pay debt service on the 2021A Bonds.

In addition, the District's projected operating results are based on a number of assumptions, the capital and operating costs of the capital improvements, and are based on current regulatory requirements. Changes in circumstances, including but not limited to higher than expected capital or operating costs, and increasing regulatory requirements, could have a material adverse impact on the ability of the District to make the Series 2021A Installment Payments and thereby pay the principal of and interest on the 2021A Bonds.

## **Cybersecurity**

Municipal agencies, like other business entities, face significant risks relating to the use and application of computer software and hardware. Recently, there have been significant cyber security incidents affecting municipal agencies, including a freeze affecting computer systems of the City of Atlanta, an attack on the City of Baltimore's 911 system, an attack on the Colorado Department of Transportation's computers and an attack that resulted in the temporary closure of the Port of Los Angeles' largest terminal.

The District relies on computers and technology to conduct its operations. The District and its departments face cyber threats from time to time including, but not limited to, hacking, viruses, malware and other forms of technology attacks. Recently, there have been significant cyber security incidents affecting municipal agencies, including a freeze affecting computer systems of the District of Atlanta, an attack on the District of Baltimore's 911 system, an attack on the Colorado Department of Transportation's computers and an attack that resulted in the temporary closure of the Port of Los Angeles' largest terminal.

The District employs a multi-level cyber detection and protection scheme that includes firewalls, anti-virus software, anti-spam/malware software, intrusion protection, employee training, network monitoring software and appliances, and domain name filtering software. The District also contracts with third party vendors and consultants to monitor and augment internal monitoring of the District's network and computer systems. To date, the District has not experienced a successful attack on its computer operating systems nor its network. However, there can be no assurance given that the District's security, and operational control measures, will be successful in safeguarding against all cyber threats and attacks. The results of any attack on

the District's network or computer systems could negatively impact the District's operations, and the costs related to such attacks could be substantial, although the District expects such impact to be temporary. In the event of a successful attack the District has several plans in place to limit the disruption to data and services.

Although the District maintains cyber security liability insurance, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers.

## **TAX MATTERS**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the 2021A Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the 2021A Bonds is exempt from State of California personal income tax.

The difference between the issue price of a 2021A Bond (the first price at which a substantial amount of the 2021A Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the 2021A Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a beneficial owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a beneficial owner will increase the beneficial owner's basis in the applicable 2021A Bond. In the opinion of 2021A Bond Counsel, the amount of original issue discount that accrues to the beneficial owner of the 2021A Bond is excluded from gross income of such beneficial owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the beneficial owner of the 2021A Bonds is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the 2021A Bonds is based upon certain representations of fact and certifications made by the Authority, the District and others and is subject to the condition that the Authority and the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2021A Bonds to assure that interest (and original issue discount) on the 2021A Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the 2021A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2021A Bonds. The Authority and the District will covenant to comply with all such requirements.

The amount by which a beneficial owner's original basis for determining loss on sale or exchange in the applicable 2021A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the beneficial owner's basis in the applicable 2021A Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a beneficial owner realizing a taxable gain when a 2021A Bond is sold by the beneficial owner for an amount equal to or less (under certain circumstances) than the original cost of the 2021A Bond to the beneficial owner. Purchasers of the 2021A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.



Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the 2021A Bonds permit certain actions to be taken or to be omitted if a favorable opinion of a bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (or original issue discount) on any 2021A Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the 2021A Bonds is excluded from gross income for federal income tax purposes provided that the Authority and the District continue to comply with certain requirements of the Code, the ownership of the 2021A Bonds and the accrual or receipt of interest (and original issue discount) with respect to the 2021A Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2021A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2021A Bonds.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2021A Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2021A Bonds might be affected as a result of such an audit of the 2021A Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2021A Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the 2021A Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE 2021A BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE 2021A BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2021A BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2021A BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE 2021A BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE 2021A BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE 2021A BONDS.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix C.

#### **CERTAIN LEGAL MATTERS**

The validity of the 2021A Bonds is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, acting as Bond Counsel. The proposed form of such bond counsel opinion is attached hereto as Appendix C and such legal opinion will be attached to each 2021A Bond.

Stradling Yocca Carlson & Rauth, a Professional Corporation, is serving as Disclosure Counsel to the District with respect to the 2021A Bonds. Certain legal matters will be passed on for the Underwriter by its counsel, Nossaman LLP ("Underwriter's Counsel"), for the District and the Authority by Aleshire & Wynder LLP, their general counsel, for the Trustee by its counsel and for the Insurer by its counsel.

Payment of the fees of Bond Counsel, Disclosure Counsel and Underwriter's Counsel is contingent upon issuance of the 2021A Bonds. Bond Counsel and Disclosure Counsel represent the District in connection with the issuance of the 2021A Bonds. Bond Counsel and Disclosure Counsel represent the Underwriter from time-to-time on matters unrelated to the District or the 2021A Bonds. Bond Counsel and Disclosure Counsel do not represent the Underwriter or any other party in connection with the issuance of the 2021A Bonds.

In addition to the specific limitations on remedies contained in the applicable documents themselves, the right and obligation with respect to the Installment Purchase Agreement is subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as Appendix C), will be similarly qualified.

## **LITIGATION**

### **The Authority**

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the Authority, threatened against the Authority affecting the existence of the Authority or the titles of its officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the 2021A Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the action of the Authority contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Authority or its authority with respect to the 2021A Bonds or any action of the Authority contemplated by any of said documents.

### **The District**

To the best knowledge of the District, there is no action, suit or proceeding known to be pending, or threatened, restraining or enjoining the issuance of the 2021A Bonds, the Indenture, the Installment Purchase Agreement, or any other document relating to the 2021A Bonds, or in any way contesting or affecting the validity of the foregoing.

There are a number of lawsuits and claims pending against the District. In the opinion of the District, such suits and claims as are presently pending will not have a material adverse effect on the ability of the District to make the Series 2021A Installment Payments.

## **RATINGS**

The Authority expects that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") will assign the 2021A Bonds the rating of "\_\_\_\_" based upon the delivery of the Insurance Policy by the Insurer at the time of issuance of the 2021A Bonds. The Authority expects that S&P will assign the 2021A Bonds the rating "\_\_\_\_" without regard to the delivery of the Insurance Policy. There is no assurance that any credit rating given to the 2021A Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2021A Bonds. Such ratings reflect only the views of S&P, and an explanation of the significance of such ratings may be obtained from S&P.

The District will covenant in the Continuing Disclosure Certificate described below to file on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA") notices of

any rating changes on the 2021A Bonds. See the caption “CONTINUING DISCLOSURE UNDERTAKING” below and APPENDIX E—“FORM OF CONTINUING DISCLOSURE CERTIFICATE.” Notwithstanding such covenant, information relating to rating changes on the 2021A Bonds may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the 2021A Bonds are directed to the ratings agencies and their respective websites and official media outlets for the most current ratings changes with respect to the 2021A Bonds after the initial issuance of the 2021A Bonds.

In providing a rating on the 2021A Bonds, certain rating agencies may have performed independent calculations of coverage ratios using their own internal formulas and methodology which may not reflect the provisions of the Indenture. The District makes no representations as to any such calculations, and such calculations should not be construed as a representation by the District as to past or future compliance with any financial covenants, the availability of particular revenues for the payment of Debt Service or for any other purpose.

### **UNDERWRITING**

The 2021A Bonds are being purchased for reoffering by Hilltop Securities (the “Underwriter”). The Underwriter has agreed to purchase the 2021A Bonds pursuant to a Bond Purchase Agreement with the Authority (the “Purchase Agreement”) at the initial purchase price of \$\_\_\_\_\_ (being equal to the aggregate principal amount of the 2021A Bonds, less an Underwriter’s discount of \$\_\_\_\_\_, [plus/less] a [net] original issue [premium/discount] of \$\_\_\_\_\_). The Purchase Agreement provides that the Underwriter will purchase all of the 2021A Bonds if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Agreement. The Underwriter may offer and sell the 2021A Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

### **CONTINUING DISCLOSURE UNDERTAKING**

The District will covenant in a Continuing Disclosure Certificate to be executed by the District upon the issuance of the 2021A Bonds for the benefit of the Underwriter and the beneficial owners of the 2021A Bonds to provide certain financial information and operating data relating to the District by not later than nine (9) months following the end of the District’s fiscal year (currently its fiscal year ends on the last day of December) (the “Annual Report”), commencing with the report for fiscal year ending December 31, 2020, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of such enumerated events will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report and of the enumerated events is set forth in APPENDIX E—“FORM OF CONTINUING DISCLOSURE CERTIFICATE” hereto. These covenants will be made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934.

In the last five years, the District has not failed to materially comply with its continuing disclosure undertakings. The District has retained the services of an outside consultant to assist with filing all notices and reports due under its continuing disclosure undertakings going forward, including for the 2021A Bonds.

## MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the 2021A Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Authority and the District.

PALMDALE WATER DISTRICT PUBLIC FINANCING  
AUTHORITY

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Executive Director

PALMDALE WATER DISTRICT

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Finance Manager/Chief Financial Officer

**APPENDIX A**

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT**  
**FOR YEAR ENDING DECEMBER 31, 2020**

## **APPENDIX B**

### **DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS**

*The following is a summary of certain provisions of the Installment Purchase Agreement and the Indenture which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the respective agreement for a full and complete statement of the provisions thereof.*

## APPENDIX C

### FORM OF BOND COUNSEL OPINION

*Upon issuance of the 2021A Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:*

[Closing Date]

Palmdale Water District Public Financing Authority  
Palmdale, CA 93550

Re: \$\_\_\_\_\_ Palmdale Water District Public Financing Authority  
Water Revenue Bonds, Series 2021A

Members of the Board of Directors:

We have acted as Bond Counsel to the Palmdale Water District Public Financing Authority (the “Authority”) in connection with the issuance of \$\_\_\_\_\_ aggregate principal amount of the Palmdale Water District Public Financing Authority Water Revenue Bonds, Series 2021A (the “Bonds”). The Bonds have been issued by the Authority pursuant to the terms of the Indenture of Trust, dated as of \_\_\_\_\_ 1, 2021 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

The Bonds are limited obligations of the Authority payable solely from Revenues (as such term is defined in the Indenture), consisting of payments (the “Series 2021A Installment Payments”) to be made by the Palmdale Water District (the “District”) to the Authority pursuant to an Installment Purchase Agreement, dated as of \_\_\_\_\_ 1, 2021 (the “Installment Purchase Agreement”), by and between the District and the Authority, and certain other amounts held under the Indenture.

In connection with our representation we have examined a certified copy of the proceedings relating to the Bonds. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigations.

Based upon the foregoing and after examination of such questions of law as we have deemed relevant in the circumstances, but subject to the limitations set forth in the Indenture, we are of the opinion that:

1. The proceedings of the Authority show lawful authority for the issuance and sale by the Authority of the Bonds under the laws of the State of California now in force, and the Indenture has been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery of the Indenture by the Trustee, the Bonds and the Indenture are valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms.

2. The obligation of the Authority to make the payments of principal and interest on the Bonds from Revenues (as such term is defined in the Indenture) is an enforceable obligation of the Authority and does not constitute an indebtedness of the Authority in contravention of any constitutional or statutory debt limit or restriction.

3. The obligation of the District to make the Series 2021A Installment Payments from Net Water Revenues (as defined in the Installment Purchase Agreement) is an enforceable obligation of the District and does not constitute a debt of the District, or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation.

4. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in the Indenture and the Installment Purchase Agreement, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

5. Interest on the Bonds is exempt from State of California personal income tax.

6. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond Owner will increase the Bond Owner's basis in the applicable Bond. Original issue discount that accrues for the Bond Owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and is exempt from State of California personal income tax.

7. The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The opinions expressed in paragraphs (4) and (6) above as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the Authority, the District and others and are subject to the condition that the Authority and the District comply with all requirements of the Code that must be satisfied subsequent to issuance of the Bonds to assure that interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority and the District have covenanted to comply with all such requirements.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income for federal income tax purposes of interest (and original issue discount) with respect to the Bonds if any such action is taken or omitted based upon the opinion or advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture, the Bonds and the Installment Purchase Agreement are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.



Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

## APPENDIX D

### DTC AND BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the District and the Underwriter believe to be reliable, but neither of the District nor the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2021A Bonds, payment of principal, premium, if any, accreted value and interest with respect to the 2021A Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2021A Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2021A Bonds. The 2021A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond will be issued for each annual maturity of the 2021A Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of 2021A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2021A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2021A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2021A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2021A Bonds, except in the event that use of the book-entry system for the 2021A Bonds is discontinued.

To facilitate subsequent transfers, all 2021A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2021A Bonds with DTC and their registration in the

name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2021A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2021A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2021A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2021A Bonds, such as prepayments, tenders, defaults, and proposed amendments to the 2021A Bonds documents. For example, Beneficial Owners of 2021A Bonds may wish to ascertain that the nominee holding the 2021A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Prepayment notices shall be sent to DTC. If less than all of the 2021A Bonds within a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2021A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2021A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Prepayment proceeds, distributions, and dividend payments on the 2021A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A 2021A Bond Owner shall give notice to elect to have its 2021A Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Certificates by causing the Direct Participant to transfer the Participant's interest in the 2021A Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of 2021A Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2021A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2021A Bonds to the Trustee's DTC account. DTC may discontinue providing its services as depository with respect to the 2021A Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE 2021A BONDS, WILL SEND ANY NOTICE OF PREPAYMENT OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE PREPAYMENT OF THE 2021A BONDS CALLED FOR PREPAYMENT OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

*Upon issuance of the 2021A Bonds, the District proposes to enter into a Continuing Disclosure Certificate in substantially the following form:*

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is dated \_\_\_\_\_, 2021 and executed and delivered by the Palmdale Water District (the “District”) in connection with the issuance of \$ \_\_\_\_\_ Palmdale Water District Public Financing Authority Water Revenue Bonds, Series 2021A (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of \_\_\_\_\_ 1, 2021 (the “Indenture”), by and among the District, The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”) and the Palmdale Water District Public Financing Authority (the “Authority”). The District covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined below).

**SECTION 2. Definitions.** In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean, initially, NHA Advisors, LLC, or any successor Dissemination Agent designated in writing by the District and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

“EMMA” shall mean the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

“Holders” shall mean the Owners as defined in the Indenture.

“Listed Event” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“Official Statement” shall mean the Official Statement relating to the Bonds, dated \_\_\_\_\_, 2021.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports. The District shall, not later than nine (9) months after the end of the District's Fiscal Year (which is currently December 31) commencing with the report for the Fiscal Year ending December 31, 2021 (due September 30, 2022), provide to EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

If the District is unable to provide to EMMA an Annual Report by the date required in this Section 3, the District shall send a notice in a timely manner to EMMA in substantially the form attached as Exhibit A.

SECTION 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

The audited financial statements of the District for the most recent Fiscal Year then ended prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they come available.

(b) If not included in the audited financial statements, the principal amount of Bonds outstanding for the most recent Fiscal Year of the District then ended only;

(c) Amount on deposit in the Reserve Fund established under the Indenture; and

(d) An update, for the most recent Fiscal Year of the District then ended or the then current fiscal year only, as applicable, of the information in Tables 4, 5, 8, 9, 11, 12, 13, 14, 15, 16, 17, 18 and 19 in the Official Statement.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;

5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB);

6. tender offers;

7. defeasances;

8. ratings changes;

9. bankruptcy, insolvency, receivership or similar proceedings; and

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;

2. modifications to the rights of Bond holders;

3. Bond calls;

4. release, substitution or sale of property securing repayment of the Bonds;

5. non-payment related defaults;

6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

7. appointment of a successor or additional trustee or the change of the name of a trustee; and

8. incurrence of a financial obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect Bond holders.

(c) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the District shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

(d) While the failure to file a notice of the occurrence of a Listed Event under Section 5(a)(8) shall constitute non-compliance with the terms hereof and may be required to be disclosed by the District in accordance with the Rule, failure shall not constitute an event of default hereunder if (i) the District did not receive written notice of such rating change from the respective rating agency, (ii) the rating change was a result of a change in the rating of a liquidity or credit enhancement and the market was generally aware of the change in the rating of such liquidity or credit enhancer or (iii) the rating agency filed a notice of such rating change with EMMA.

(e) For purposes of the events identified in subparagraphs (a)(10) and (b)(8) under this Section 5, the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

**SECTION 6. Termination of Reporting Obligation.** The District’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

**SECTION 7. Dissemination Agent.** The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be NHA Advisors, LLC. The Dissemination Agent may resign by providing thirty days written notice to the District and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the District. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the District in a timely manner and in a form suitable for filing.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**SECTION 9. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the



District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to file an annual report under Section 4 hereof or to file a report of a significant event under Section 5 hereof, any Holders or Beneficial Owners of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to make such filing. Notwithstanding the foregoing, no action may be undertaken by Holders or Beneficial Owners of the Bonds with respect to the accuracy of the information contained in any such filing or otherwise without the approval in writing of Holder or Beneficial Owner of at least 50% of the aggregate principal amount of the Bonds. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

No Owners or Beneficial Owners may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as Holders or Beneficial Owners of at least 50% aggregate principal amount of the Bonds, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: \_\_\_\_\_, 2021

PALMDALE WATER DISTRICT

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

**EXHIBIT A**

**NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT**

Name of Obligated Person: PALMDALE WATER DISTRICT

Name of Obligation: \$\_\_\_\_\_ PALMDALE WATER DISTRICT PUBLIC FINANCING  
AUTHORITY WATER REVENUE BONDS, SERIES 2021A

Date of Issuance: \_\_\_\_\_, 2021

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate executed by the District on the date of issuance of the Bonds. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

PALMDALE WATER DISTRICT

By: [no signature required; form only]

**APPENDIX F**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

## **APPENDIX G**

### **SUPPLEMENTAL INFORMATION CONCERNING THE CITY OF PALMDALE**

*The information and expressions of opinion set forth in this Appendix G have been obtained from sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness. Statements contained herein which involve estimates, forecasts, or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale thereafter of the securities offered hereby shall under any circumstances create any implication that there has been no change in the affairs of the District or in any other information contained herein since the date of the Official Statement.*

**THE FOLLOWING INFORMATION AND EXPRESSIONS OF OPINION HAVE BEEN PROVIDED AS GENERAL BACKGROUND INFORMATION ONLY. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE CITY, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE 2021A BONDS.**

#### **Employment and Industry**

The following table summarizes the civilian labor force, civilian employment and civilian unemployment figures over the period from 2016 through 2020 in the City, the County, the State of California and the United States.

**TABLE NO. G-1**  
**City of Palmdale, County of Los Angeles, State of California and United States**  
**Labor Force, Employment and Unemployment**  
**Yearly Average**

<i>Year and Area</i>	<i>Civilian Labor Force</i>	<i>Civilian Employment<sup>(1)</sup></i>	<i>Civilian Unemployment<sup>(2)</sup></i>	<i>Civilian Unemployment Rate<sup>(3)</sup></i>
2016				
Palmdale	63,500	59,200	4,300	6.8%
Los Angeles County	5,030,500	4,765,900	264,600	5.3
California	19,012,000	17,865,400	1,046,600	5.5
United States	159,187,000	151,436,000	7,751,000	4.9
2017				
Palmdale	64,100	60,100	4,100	6.3%
Los Angeles County	5,084,000	4,841,900	242,200	4.8
California	19,173,800	18,246,800	927,000	4.8
United States	160,320,000	153,337,000	6,982,000	4.4
2018				
Palmdale	64,400	60,300	4,100	6.3%
Los Angeles County	5,095,500	4,860,300	235,000	4.6
California	19,263,900	18,442,400	821,500	4.3
United States <sup>(4)</sup>	162,075,000	155,761,000	6,314,000	3.9
2019				
Palmdale	64,700	60,700	4,000	6.1%
Los Angeles County	5,121,600	4,894,300	227,300	4.4
California	19,353,700	18,550,500	803,200	4.2
United States <sup>(4)</sup>	163,539,000	157,538,000	6,001,000	3.7
2020				
Palmdale	62,600	53,100	9,600	15.3%
Los Angeles County	4,921,500	4,291,700	629,800	12.8
California	18,821,200	16,913,100	1,908,100	10.1
United States <sup>(4)</sup>	—	—	—	—

Note: Data is not seasonally adjusted.

(1) Includes persons involved in labor-management trade disputes.

(2) Includes all persons without jobs who are actively seeking work.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

(4) Not strictly comparable with data for prior years.

Source: California Employment Development Department and U.S. Department of Labor, Bureau of Labor Statistics.

The following table sets forth the industry employment and the labor force estimates for the years 2016 through 2020 for the Los Angeles-Long Beach-Glendale MD. Annual industry employment information is not compiled by sector for the City.

**TABLE G-2**  
**LOS ANGELES-LONG BEACH-GLENDALE MD**  
**INDUSTRY EMPLOYMENT & LABOR FORCE - BY ANNUAL AVERAGE**  
**2016 through 2020**

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Civilian Labor Force	5,018,900	5,088,900	5,094,300	5,122,800	4,921,500
Civilian Employment	4,751,200	4,843,700	4,857,300	4,888,600	4,291,700
Civilian Unemployment	267,700	245,200	237,000	234,300	629,800
Civilian Unemployment Rate	5.3%	4.8%	4.7%	4.6%	12.8%
 Total Farm	5,300	5,700	4,600	4,400	4,400
Total Nonfarm	4,396,100	4,449,200	4,516,100	4,561,500	4,146,700
Total Private	3,819,400	3,863,100	3,925,500	3,974,600	3,581,000
Goods Producing	498,500	491,100	490,800	492,500	460,900
Mining & Logging	2,400	2,000	1,900	1,900	1,700
Construction	134,000	138,700	146,300	149,800	145,500
Manufacturing	362,000	350,400	342,600	340,700	313,800
Service Providing	3,897,600	3,958,100	4,025,300	4,069,000	3,685,800
Trade, Transportation & Utilities	835,600	845,700	851,600	851,400	787,300
Wholesale Trade	222,100	221,500	223,200	220,500	200,100
Retail Trade	424,600	426,100	424,800	417,900	378,600
Transportation, Warehousing & Utilities	188,900	198,200	203,600	213,000	208,600
Information	229,400	214,900	216,400	217,900	185,800
Financial Activities	219,800	221,600	223,200	223,500	211,500
Professional & Business Services	603,000	612,100	630,400	643,900	593,300
Educational & Health Services	769,900	797,400	817,900	839,900	820,900
Leisure & Hospitality	510,000	524,600	536,500	547,200	394,400
Other Services	153,300	155,700	158,800	158,400	127,000
Government	<u>576,700</u>	<u>586,100</u>	<u>590,600</u>	<u>586,900</u>	<u>565,600</u>
Total, All Industries	<u>4,401,400</u>	<u>4,454,900</u>	<u>4,520,700</u>	<u>4,565,800</u>	<u>4,151,000</u>

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households and persons involved in labor-management trade disputes. Employment reported by place of work. Items may not add to total due to independent rounding. The "Total, All Industries" data is not directly comparable to the employment data found in this Appendix G.

Source: State of California, Employment Development Department, Los Angeles-Long Beach-Glendale MD Industry Employment & Labor Force - by Annual Average, March 2020 Benchmark.

The principal employers operating within the City and their respective number of employees as of Fiscal Year 2018-2019 are as follows:

**TABLE G-3  
PRINCIPAL EMPLOYERS  
CITY OF PALMDALE  
FISCAL YEAR 2018-2019**

<i>Employer</i>	<i>Number of Employees</i>	<i>Percentage of Total Employment</i>
Edwards Air Force Base	11,149	2.06%
China Lake NWC	9,906	1.83
Northrop Grumman	4,200	0.78
County of Los Angeles	4,211	0.78
Lockheed Martin	3,700	0.68
Antelope Valley Union High School District	2,500	0.46
Antelope Valley Hospital Medical Center	2,425	0.45
Lancaster School District	2,200	0.41
Wal-Mart (5) Stores	1,922	0.35
Antelope Valley Mall (All Stores)	<u>1,800</u>	<u>0.33</u>
Total Top Employers	44,013	8.13%

Source: City of Palmdale, Comprehensive Annual Financial Report for the year ending June 30, 2019

#### **Income**

The following table summarizes per capita personal income for Los Angeles County, California and the United States for 2016 through 2020.

**TABLE NO. G-4  
PER CAPITA PERSONAL INCOME  
2016 through 2020**

<i>Year</i>	<i>Los Angeles County</i>	<i>State of California</i>	<i>United States</i>
2016	57,538	58,074	55,578
2017	59,625	60,581	57,538
2018	62,300	63,759	59,625
2019	65,094	66,745	62,300
2020	N/A	71,480	65,094

Source: U.S. Department of Commerce, Bureau of Economic Analysis. March 24, 2021.

## Commercial Activity

The following table summarizes the volume of retail sales and taxable transactions for Palmdale for 2016 through 2020

**TABLE NO. G-5  
CITY OF PALMDALE  
TOTAL TAXABLE TRANSACTIONS  
(in Thousands)  
2016– 2020**

<i>Year</i>	<i>Retail Sales \$(000's)</i>	<i>Retail Sales Permits</i>	<i>Total Taxable Transactions \$(000's)</i>	<i>Issued Sales Permits</i>
2016	1,425,869	1,893	1,590,372	2,732
2017	1,538,841	2,001	1,734,811	2,845
2018	1,625,004	2,110	1,818,028	3,063
2019	1,643,871	2,215	1,859,138	3,274
2020	1,570,098	2,446	1,791,159	3,681

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Source: California Department of Tax and Fee Administration, *Taxable Sales in California (Sales and Use Tax)*.



## Building Activity

As a result of the relatively moderate cost of land in the Antelope Valley, single family detached housing is affordable when compared with most areas of the County. The availability of reasonably affordable housing in the Antelope Valley was an important factor in the District's population growth during the 1980s and early 1990s. Below are valuations of building permits in the City from 2015 through 2019.

**TABLE NO. G-6  
CITY OF PALMDALE  
BUILDING ACTIVITY VALUATIONS  
(Dollars expressed in Thousands)  
2015 – 2019**

	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
<u>Residential</u>					
Single Family	\$ 21,357	\$ 37,122	\$ 24,022	\$ 16,276	\$ 17,560
Multi-Family	0	0	15,366	0	5,647
Alteration/Additions	<u>4,014</u>	<u>3,907</u>	<u>5,302</u>	<u>6,315</u>	<u>5,167</u>
Total <sup>(3)</sup>	\$ 25,371	\$ 41,029	\$ 44,690	\$ 22,591	\$ 28,374
<u>Non-Residential</u>					
New Commercial	\$ 2,799	\$ 3,150	\$ 7,412	\$ 7,017	\$ 544
New Industry	30	0	0	92	1,383
Other <sup>(1)</sup>	4,590	3,333	9,838	5,512	8,684
Alteration/Additions	<u>15,388</u>	<u>8,525</u>	<u>13,214</u>	<u>16,442</u>	<u>14,754</u>
Total <sup>(3)</sup>	\$ 22,807	\$ 15,008	\$ 30,464	\$ 29,063	\$ 25,365
<u>Total<sup>(3)</sup></u>	<u>\$ 48,178</u>	<u>\$ 56,037</u>	<u>\$ 75,154</u>	<u>\$ 51,654</u>	<u>\$ 53,739</u>
Single Family Units <sup>(2)</sup>	99	170	99	64	76
Multi-Family Units <sup>(2)</sup>	<u>0</u>	<u>0</u>	<u>161</u>	<u>0</u>	<u>80</u>
Total	99	170	260	64	156

<sup>(1)</sup> Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and non-residential alterations and additions.

<sup>(2)</sup> Number of units rather than dollars. Not in thousands.

<sup>(3)</sup> Total may not add due to rounding.

Source: Construction Industry Research Board.

## Real Estate

The following table shows the median sales prices of homes for the City in January in the years 2016 through 2020.

**TABLE NO. G-7  
CITY OF PALMDALE  
MEDIAN HOME SALES PRICES  
2016 – 2020**

<i>January</i>	<i>Median Home Sales Prices</i>
2016	\$244,400
2017	265,500
2018	297,600
2019	305,000
2020	324,000

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Source: Zillow Research.

The following table shows the median home values for the City on January 1 of the years 2016 through 2020.

**TABLE NO. G-8  
CITY OF PALMDALE  
MEDIAN HOME VALUES  
2016 – 2020**

<i>January 1,</i>	<i>Median Home Value</i>
2016	\$241,855
2017	265,889
2018	302,620
2019	321,000
2020	333,000

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Source: Zillow Research.

**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**  
**FROM:** Mr. Adam Ly, Assistant General Manager  
**VIA:** Mr. Dennis D. LaMoreaux, General Manager  
**RE:** ***AGENDA ITEM NO. 7.7 – APPOINTMENT OF DIRECTORS TO  
UNITED WATER CONSERVATION DISTRICT AD HOC COMMITTEE.  
(PRESIDENT DIZMANG)***

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**Recommendation:**

Staff has no recommendation on this item.

**Background:**

This item is presented for the appointment of an Ad Hoc Committee to meet with Directors of the United Water Conservation District to discuss beneficial joint projects.

**Strategic Plan Initiative/Mission Statement:**

This work is part of Strategic Initiative No. 5 – Regional Leadership.  
This item directly relates to the District’s Mission Statement.

**Budget:**

This item will not affect the Budget.



# Hotel and Travel Accommodations

## Event Name/Date:

ACWA's Virtual Region Event Series

## CONTACT INFORMATION

First Name

Last Name

Date

## ACCOMMODATION INFORMATION

*Rooms and rates are subject to availability. Complete and submit this form as soon as possible to guarantee a room at the host hotel. In the event that the host hotel is booked, every effort will be made to secure a room at the closest hotel within comparable rates to the event discounted rate.*

Arrival Date

Departure Date

No. of guests

Room Type

Do you require a smoking room?

☐ Yes ☐ No

Do you need transportation from the airport to the hotel?

☐ Yes ☐ No

Flight Number

Time

## ADDITIONAL INFORMATION/REQUESTS

Staff Representative





Click [here](#) to view it in your browser.



## Join us for ACWA's Virtual Region Event Series

Zoom through California with ACWA Regions 1, 3, 5, and 8. This year's virtual region event series will highlight a diverse range of local and regional water issues, as well as spotlight ACWA members' efforts to build regional partnerships and implement innovative solutions at the local level.

For a single registration fee, attendees will have the opportunity to view multiple region programs and hear from issue experts, elected officials, and water leaders from across the state. This unique opportunity will provide attendees insight into the statewide significance of emerging regional issues including developing regulations, drought conditions, and more.

**Dates:** Jun. 23, Jul. 20, Aug. 19 & Sep. 22

**Time:** 10 am

**Cost:** All 4 sessions: \$100 | Individual session: \$35

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**June 23 • Region 1**

**Regional Drought Impacts: How Well Managed Water Supplies Went Dry**

Join us as we explore current drought conditions in the region. Panelists will share real impacts and stories from water users whose supplies went dry and discuss some of the collaborative mitigation efforts under way.

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**July 20 • Region 3**

**Understanding the Impacts of the California Air Resources Board's Advanced Clean Fleets Rule**

Hear member and industry stakeholder perspectives on CARB's Advanced Clean Fleets Rule. Panelists will discuss challenges, funding, and support available for public water agencies in Region 3 and beyond.

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**August 19 • Region 5**

**Developments in Regional Water Management**

Zoom through Region 5 as we spotlight two member agencies and learn about an emerging market in California. Panelists will dive into the state's new water futures market answering: What is it? How does it operate? What are the implications for public water agencies?

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**September 22 • Region 8**

**Innovation on the Colorado: Metropolitan's Regional Recycled Water Program & Lower Basin Drought Resilience**

Metropolitan's proposed Regional Recycled Water Program (RRWP) presents an innovative opportunity that reflects the kind of creativity needed to both increase supplies and draw down demands on the Colorado River. Learn about how partnerships with the Southern Nevada Water Authority and the Central Arizona Project can help improve Colorado River sustainability and benefit Lower Basin States.

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**Questions**

Contact Ana Javaid at [anaj@acwa.com](mailto:anaj@acwa.com)

**MINUTES OF REGULAR MEETING OF THE COMMISSIONERS OF THE ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION, FEBRUARY 11, 2021.**

*A regular meeting of the Commissioners of the Antelope Valley State Water Contractors Association was held Thursday, February 11, 2021, via teleconference. Chair Parris called the meeting to order at 6:00 p.m.*

**1) Pledge of Allegiance.**

No pledge of allegiance was held.

**2) Roll Call.**

**Attendance:**

Robert Parris, Chair  
Kathy Mac Laren-Gomez, V. Chr.  
Leo Thibault, Treasurer-Auditor  
Gloria Dizmang, Secretary  
Keith Dyas, Commissioner  
Barbara Hogan, Commissioner

**Others Present:**

Peter Thompson II, General Manager  
Tom Barnes, Resources Manager  
Dennis Hoffmeyer, Controller  
Matthew Knudson, AVEK Asst. Gen. Manager  
James Chaisson, LCID General Manager  
Amberrose Merino, PWD Alt. Commissioner  
Danielle Herry, Management Analyst  
0 members of the public

**3) Adoption of Agenda.**

It was moved by Commissioner Dyas, seconded by Commissioner Mac Laren-Gomez, and unanimously carried by all members of the Board of Commissioners present at the meeting on the following roll call vote to adopt the agenda, as written:

Chair Parris – aye  
Commissioner Mac Laren-Gomez – aye  
Commissioner Thibault - aye  
Commissioner Dizmang – aye  
Commissioner Dyas – aye  
Commissioner Hogan – aye

**4) Public Comments for Non-Agenda Items.**

There were no public comments.



ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION  
FEBRUARY 11, 2021  
REGULAR MEETING

**5) Consideration and Possible Action on Minutes of Regular Meeting Held December 10, 2020.**

It was moved by Commissioner Thibault, seconded by Commissioner Mac Laren-Gomez, and unanimously carried by all members of the Board of Commissioners present at the meeting on the following roll call vote to approve the minutes of the regular meeting held December 10, 2020, as written:

Chair Parris – aye  
Commissioner Mac Laren-Gomez – aye  
Commissioner Thibault - aye  
Commissioner Dizmang – aye  
Commissioner Dyas – aye  
Commissioner Hogan – aye

**6) Payment of Bills.**

It was moved by Commissioner Thibault, seconded by Commissioner Hogan, and unanimously carried by all members of the Board of Commissioners present at the meeting on the following roll call vote to approve payment of the bills received from PWD in the amount of \$2,335.76 for staff services, from AVEK in the amount of \$224.55 for staff services, from Digital Deployment Inc. (Streamline) in the amount of \$75.00 for web hosting services, from Woodard and Curran in the amount of \$1,070.50 for professional services associated with the 2019 Antelope Valley Integrated Regional Water Management Plan update, from Kennedy/Jenks in the amount of \$6,800.00 for professional services associated with the Big Rock Creek Joint Ground Water Recharge Project, and from the United States Geological Survey (U.S.G.S.) in the amount of \$16,375.00 for the quarterly billing for the 2019/2020 Joint Funding Agreement for cooperative water resources investigations:

Chair Parris – aye  
Commissioner Mac Laren-Gomez – aye  
Commissioner Thibault - aye  
Commissioner Dizmang – aye  
Commissioner Dyas – aye  
Commissioner Hogan – aye



**7) Consideration and Possible Action on Election of Officers. (General Manager Thompson II)**

After a brief discussion of PWD's new Commissioners and of the Vice Chair and Secretary positions, it was moved by Commissioner Hogan, seconded by Commissioner Dyas, and unanimously carried by all members of the Board of Commissioners present at the meeting on the following roll call vote to approve the slate of officers for the Association as follows:

Robert Parris, Chair  
Kathy Mac Laren-Gomez, Vice Chair  
Leo Thibault, Treasurer-Auditor  
Gloria Dizmang, Secretary  
Keith Dyas, Commissioner  
Barbara Hogan, Commissioner

Chair Parris – aye  
Commissioner Mac Laren-Gomez – aye  
Commissioner Thibault - aye  
Commissioner Dizmang – aye  
Commissioner Dyas – aye  
Commissioner Hogan – aye

Controller Hoffmeyer then suggested that Agenda Item Nos. 9 and 11 be considered prior to Agenda Item No. 8 after which Chair Parris stated that Agenda Item No. 9 would now be considered.

**9) Consideration and Possible Action on Request from the Antelope Valley Watermaster to Continue Current Cost Share for the U.S.G.S./CASGEM Program. (General Manager Thompson II)**

General Manager Thompson II reviewed the request from the Antelope Valley Watermaster for the Association's commitment to continue the current cost share for the U.S.G.S./CASGEM Program for a period of three to five years, and after a brief discussion of considering the Program cost share on an annual basis and of the approval from each member agency's Board of Directors, it was moved by Commissioner Thibault, seconded by Commissioner Hogan, and unanimously carried by all members of the Board of Commissioners present at the meeting on the following roll call vote to approve the

ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION  
FEBRUARY 11, 2021  
REGULAR MEETING

continued participation and current cost share of 50% for the 2020/2021 U.S.G.S./CASGEM Program contingent upon the approval by each member agency's Board of Directors:

Chair Parris – aye  
Commissioner Mac Laren-Gomez – aye  
Commissioner Thibault - aye  
Commissioner Dizmang – aye  
Commissioner Dyas – aye  
Commissioner Hogan – aye

The total number of wells monitored under the Program and the associated cost for each was then briefly discussed.

**10) Discussion and Possible Action on Mutual Response Agreement for Antelope Valley Agencies. (General Manager Thompson II)**

General Manager Thompson II stated that a Mutual Response Agreement for Antelope Valley Agencies, including Palmdale Water District and other various large Antelope Valley agencies, is near completion and then recommended approval of outreach efforts to smaller Antelope Valley agencies for joining this Agreement in lieu of developing a separate Mutual Aid Agreement after which it was moved by Commissioner Mac Laren-Gomez, seconded by Commissioner Hogan, and unanimously carried by all members of the Board of Commissioners present at the meeting on the following roll call vote to approve the not-to-exceed amount of \$3,300.00 for staff time to provide outreach efforts to Antelope Valley agencies for inclusion in the Mutual Response Agreement for Antelope Valley Agencies:

Chair Parris – aye  
Commissioner Mac Laren-Gomez – aye  
Commissioner Thibault - aye  
Commissioner Dizmang – aye  
Commissioner Dyas – aye  
Commissioner Hogan – aye

**11) Report of General Manager.**

**a) Status Updates:**

**1) Antelope Valley Watermaster Meetings.**

General Manager Thompson II stated that the 2021 Replacement Water Assessment Rates were approved by the Watermaster Board; that staff expects a request for replacement water from the Watermaster by early summer; and that discussions continue among the member agencies regarding the development of boundaries for providing replacement water for new production within the Antelope Valley adjudicated areas.

**2) Antelope Valley and Fremont Basin IRWMP Stakeholder Meetings.**

He then stated that Woodard and Curran completed the requested changes and submitted the AV IRWMP Grant Agreement to the Department of Water Resources (DWR) for final review; that DWR staff anticipates a quick approval of the Agreement; that staff will present the updated Antelope Valley IRWM Plan MOU for consideration at the next regular meeting; and that he has no update on the Fremont Basin IRWMP.

**3) 2021 Home Show and SMART Water Expo.**

He then reported that the 2021 Home Show and SMART Water Expo is tentatively scheduled for October.

**4) Big Rock Creek Joint Ground Water Recharge Program.**

He then stated that staff met with Kennedy/Jenks to discuss the draft analysis and alternative recharge options for this Program; that the most favorable option at this time is off-stream recharge; that staff will work with the member agencies to determine the anticipated recharge quantities and durations; and that Kennedy/Jenks will provide a presentation on the alternative analysis at the next regular meeting.

**5) Ethics AB 1234 Training.**



He then stated that the Association was unable to host Ethics AB 1234 training in 2020 due to COVID restrictions but that staff is working on a virtual option with AVEK attorney James Markman after which Management Analyst Henry stated that she will contact the member agencies to coordinate training for the Commissioners and staff in need of Ethics AB 1234 training.

Chair Parris then stated that Agenda Item No. 8 will now be considered.

**8) Consideration and Possible Action on Approval of the 2020/2021 Restricted Funds Budget. (Controller Hoffmeyer)**

Controller Hoffmeyer reviewed the 2020/2021 Restricted Funds Budget, including the 2020/2021 U.S.G.S./CASGEM Program cost share approved this evening and the pass through costs from the Big Rock Creek Joint Ground Water Recharge Project previously approved, after which it was moved by Commissioner Mac Laren-Gomez, seconded by Commissioner Dyas, and unanimously carried by all members of the Board of Commissioners present at the meeting on the following roll call vote to approve the 2020/2021 Restricted Funds Budget contingent upon the approval by each member agency's Board of Directors:

Chair Parris – aye  
Commissioner Mac Laren-Gomez – aye  
Commissioner Thibault - aye  
Commissioner Dizmang – aye  
Commissioner Dyas – aye  
Commissioner Hogan – aye

**12) Report of Controller.**

**a) Update on Revenue, Expenses and Change in Net Position.**

Controller Hoffmeyer provided an update on the Association's revenue, expenses, and change in net position as of January 31, 2021 and then stated that the Watermaster payment for 2019 replacement water has been received and distributed accordingly to AVEK and LCID; that staff will begin discussions on the AV IRWMP MOU and management of the Proposition 1 grant funding; and that staff is preparing for the 2019/2020 audit.

ANTELOPE VALLEY STATE WATER CONTRACTORS ASSOCIATION  
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**13) Reports of Commissioners.**

There were no reports.

**14) Report of Attorney.**

No attorney was present at the meeting.

**15) Commission Members' Requests for Future Agenda Items.**

It was determined that "Presentation on the Big Rock Creek Joint Ground Water Recharge Project Alternative Analysis," "Consideration and possible action on Memorandum of Understanding for the Antelope Valley Integrated Regional Water Management Plan Update" and "Update on Mutual Response Agreement for Antelope Valley Agencies" be added to the next meeting agenda.

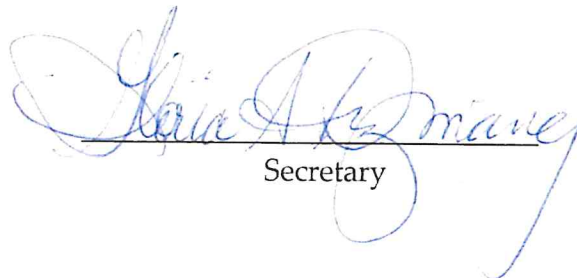
There were no further requests for future agenda items.

**16) Consideration and Possible Action on Scheduling the Next Association Meeting April 8, 2021.**

After a brief discussion, it was determined that the next meeting of the Association will be held April 15, 2021 at 6:00 p.m.

**17) Adjournment.**

There being no further business to come before the Commissioners, the regular meeting of the Commissioners of the Antelope Valley State Water Contractors Association was adjourned at 7:03 p.m.

  
Secretary

**MINUTES OF MEETING OF THE PERSONNEL COMMITTEE OF THE PALMDALE  
WATER DISTRICT, APRIL 15, 2021:**

*A meeting of the Personnel Committee of the Palmdale Water District was held Thursday, April 15, 2021, at 2029 East Avenue Q, Palmdale, CA 93550 and via teleconference. Chair Mac Laren called the meeting to order at 10:00 a.m.*

**1) Roll Call.**

**Attendance:**

Committee:

Kathy Mac Laren-Gomez, Chair  
Amberrose Merino,  
Committee Member

**Others Present:**

Dennis LaMoreaux, General Manager  
Adam Ly, Assistant General Manager  
Mike Williams, Finance Manager  
Jennifer Emery, Human Resources Director  
Judy Shay, Public Affairs Director  
Scott Rogers, Engineering/Grant Manager  
Dawn Deans, Executive Assistant  
0 members of the public

**2) Adoption of Agenda.**

It was moved by Committee Member Merino, seconded by Chair Mac Laren-Gomez, and unanimously carried by all members of the Committee present at the meeting to adopt the agenda, as written.

**3) Public Comments for Non-Agenda Items.**

There were no public comments for non-agenda items.

**4) Action Items: (The Public Shall Have an Opportunity to Comment on Any Action Item as Each Item is Considered by the Committee Prior to Action Being Taken.)**

**4.1) Consideration and Possible Action on Approval of Minutes of Meeting Held February 17, 2021.**

It was moved by Committee Member Merino, seconded by Chair Mac Laren-Gomez, and unanimously carried by all members of the Committee present at the meeting to approve the minutes of the Personnel Committee meeting held February 17, 2021, as written.



**4.2) Consideration and Possible Action on a Recommendation on Updated Job Descriptions for the Engineering Department. (No Budget Impact – Human Resources Director Emery)**

Human Resources Director Emery provided an overview of updating all job descriptions and the revised job descriptions for the Engineering Department, and after a brief discussion of the job descriptions and of succession planning, it was moved by Committee Member Merino, seconded by Chair Mac Laren-Gomez, and unanimously carried by all members of the Committee present at the meeting that the Committee concurs with staff's recommendation to approve the updated job descriptions for the Engineering Department and that they be presented to the full Board for consideration at the April 26, 2021 Regular Board Meeting.

**4.3) Consideration and Possible Action on a Recommendation on Director Compensation. (No Budget Impact – Human Resources Director Emery)**

Human Resources Director Emery provided an overview of the 2021 Board Compensation and Benefit Survey, and after a brief discussion of the District's position in this survey, the process for revising Board compensation, the current cap on Directors' budgets, and the overall budget for Directors, it was moved by Committee Member Merino, seconded by Chair Mac Laren-Gomez, and unanimously carried by all members of the Committee present at the meeting that the Committee concurs with staff's recommendation to remove the cap on Directors' budgets; that this be presented to the full Board for consideration at the April 26, 2021 Regular Board Meeting; that the Committee also concurs with staff's recommendation regarding compensation for Directors; and that this be presented to the full Board for consideration at the May 10, 2021 Regular Board Meeting.

**5) Reports:**

**5.1) Human Resources Director Emery:**

**a) Personnel Policy Effects of COVID-19 Event.**

Human Resources Director Emery provided an overview of staff's efforts regarding COVID-19, including quarantine requirements, return-to-work procedures, vaccinations, and COVID-19 sick time.

6) **Board Members' Requests for Future Agenda Items.**

Committee Member Merino recommended a future agenda item for "Consideration and possible action on hosting a public workshop regarding saving water prior to the time of drought and water conservation methods."

There were no further requests for future agenda items.

7) **Date of Next Committee Meeting.**

It was stated that the next Personnel Committee meeting will be held May 20, 2021 at 10:00 a.m.

8) **Adjournment.**

There being no further business to come before the Personnel Committee, the meeting was adjourned at 10:59 p.m.

  
Chair



**MINUTES OF MEETING OF THE RESOURCE AND FACILITIES COMMITTEE OF  
THE PALMDALE WATER DISTRICT, APRIL 20, 2021:**

*A meeting of the Resource and Facilities Committee of the Palmdale Water District was held Tuesday, April 20, 2021, at 2029 East Avenue Q, Palmdale, CA 93550 and via teleconference. Chair Dino called the meeting to order at 1:30 p.m.*

**1) Roll Call.**

**Attendance:**

Committee:

Vincent Dino, Chair

Amberrose Merino, Committee  
Member

**Others Present:**

Dennis LaMoreaux, General Manager

Adam Ly, Assistant General Manager

Mike Williams, Finance Manager

Judy Shay, Public Affairs Director

Chris Bligh, Facilities Manager

Peter Thompson II, Res. & Analytics Dir.

Scott Rogers, Engineering/Grant Manager

Robert Rosati, Water Use Efficiency Specialist I

Dawn Deans, Executive Assistant

0 members of the public

**2) Adoption of Agenda.**

It was moved by Committee Member Merino, seconded by Chair Dino, and unanimously carried by all members of the Committee present at the meeting to adopt the agenda, as written.

**3) Public Comments for Non-Agenda Items.**

There were no public comments for non-agenda items.

**4) Action Items: (The Public Shall Have an Opportunity to Comment on Any Action Item as Each Item is Considered by the Committee Prior to Action Being Taken.)**

**4.1) Consideration and Possible Action on Approval of Minutes of Meeting Held March 1, 2021.**

It was moved by Committee Member Merino, seconded by Chair Dino, and unanimously carried by all members of the Committee present at the meeting to approve

the minutes of the Resource and Facilities Committee meeting held March 1, 2021, as written.

**4.2) Consideration and Possible Action on a Recommendation to Implement Stage 1 of the Water Shortage Contingency Plan. (Resource and Analytics Director Thompson II)**

Resource and Analytics Director Thompson II provided an overview of the District's 2021 water supply, demand, and current drought conditions after which it was moved by Committee Member Merino, seconded by Chair Dino, and unanimously carried by all members of the Committee present at the meeting that the Committee concurs with staff's recommendation to implement Stage 1 of the District's Water Shortage Contingency Plan and that this item be presented to the full Board for consideration at the April 26, 2021 Regular Board Meeting.

**4.3) Consideration and Possible Action on a Recommendation for Approval of Consulting Services for Completion of CEQA Compliance for the Multi-Year Transfer Agreement With Littlerock Creek Irrigation District. (\$25,000.00 – Budgeted – Budget Item No. 1-02-5070-007 – Resource and Analytics Director Thompson II)**

Resource and Analytics Director Thompson II provided an overview of the Consulting Services Agreement for this work after which it was moved by Committee Member Merino, seconded by Chair Dino, and unanimously carried by all members of the Committee present at the meeting that the Committee concurs with staff's recommendation to approve a Consulting Services Agreement with P&P Consulting Group for the Completion of CEQA Compliance for the Multi-Year Transfer Agreement with Littlerock Creek Irrigation District in the not-to-exceed amount of \$25,000.00.

**5) Reports:**

**5.1) Resource and Analytics Director Thompson II:**

**a) 2021 State Water Project Allocation Use.**

Resource and Analytics Director Thompson II stated that the District's 2021 State Water Project allocation remains at 5% and that the entire allocation will be used in 2021.

**b) Water Conservation and Education Garden.**

Resource and Analytics Director Thompson II stated that a survey of the Water Conservation and Education Garden area was performed and that construction of the Garden will be advertised for bids upon the Engineering Department's final review and approval.

Water Use Efficiency Specialist I Rosati then provided a written report regarding the District's Water Use Efficiency Programs and stated that promotion of these Programs by Public Affairs Director Shay and their inclusion in various publications has increased participation in the Programs after which Finance Manager Williams provided specific numbers for participation in these Programs.

**5.2) Engineering/Grant Manager Rogers:**

**a) Littlerock Reservoir Sediment Removal Project**

Engineering/Grant Manager Rogers stated that the emergency removal of 19,000 acre feet of sediment from Littlerock Reservoir was completed with disposal of the sediment at Hi-Grade Quarry and that California Department of Fish and Wildlife permits will be renewed for additional sediment removal in September 2021.

**b) Palmdale Regional Groundwater Recharge and Recovery Project.**

He then stated that the capacity of this Project has been determined to be only half of what was originally anticipated and that a Feasibility Study for the advanced treatment of recycled water is being prepared.

**5.3) Facilities Manager Bligh:**

**a) Status on Purchase of New Water Truck. (Board Approved March 8, 2021)**

Facilities Manager Bligh stated that the new Water Truck has been built and that the next step is the installation of the engine.

6) **Board Members' Requests for Future Agenda Items.**

There were no requests for future agenda items.

7) **Date of Next Committee Meeting.**

There was no date set for the next Resource and Facilities Committee meeting.

8) **Adjournment.**

There being no further business to come before the Resource and Facilities Committee, the meeting was adjourned at 1:50 p.m.

  
\_\_\_\_\_  
Chair

## **MINUTES OF MEETING OF THE FINANCE COMMITTEE OF THE PALMDALE WATER DISTRICT, APRIL 21, 2021:**

*A meeting of the Finance Committee of the Palmdale Water District was held Wednesday, April 21, 2021, at 2029 East Avenue Q, Palmdale, CA 93550 and via teleconference. Chair Wilson called the meeting to order at 3:00 p.m.*

### **1) Roll Call.**

#### **Attendance:**

Committee:

Don Wilson, Chair

Gloria Dizmang, Committee Member

#### **Others Present:**

Dennis LaMoreaux, General Manager

Adam Ly, Assistant General Manager

Mike Williams, Finance Manager

Judy Shay, Public Affairs Director

Dennis Hoffmeyer, Accounting Spvsr.

Bob Egan, Financial Advisor

Dawn Deans, Executive Assistant

0 members of the public

### **2) Adoption of Agenda.**

It was moved by Committee Member Dizmang, seconded by Chair Wilson, and unanimously carried by all members of the Committee present at the meeting to adopt the agenda, as written.

### **3) Public Comments for Non-Agenda Items.**

There were no public comments for non-agenda items.

### **4) Action Items: (The Public Shall Have an Opportunity to Comment on Any Action Item as Each Item is Considered by the Committee Prior to Action Being Taken.)**

#### **4.1) Consideration and Possible Action on Approval of Minutes of Meeting Held March 17, 2021.**

It was moved by Committee Member Dizmang, seconded by Chair Wilson, and unanimously carried by all members of the Committee present at the meeting to approve the minutes of the Finance Committee meeting held March 17, 2021.

#### **4.2) Discussion and Overview of Cash Flow Statement and Current Cash Balances as of March 2021. (Financial Advisor Egan)**



Finance Manager Williams and Financial Advisor Egan provided an overview of the 2021 1st Quarter and February to March 2021 Major Account Activity Reports including assessments received, interest, transfers, capital improvement fees received, and bond interest payments; the March 2021 Investment Funds Report; and the March 2021 Cash Flow Statement, including water purchases, sediment removal from Littlerock Reservoir, additional payrolls, Department of Water Resources' refunds, reduced costs to the Palmdale Recycled Water Authority, and the projected year-end balance followed by discussion of bond principal and interest payments and potential grant funds.

**4.3) Discussion and Overview of Financial Statements, Revenue, and Expense and Departmental Budget Reports for March 2021. (Finance Manager Williams)**

Finance Manager Williams reviewed in detail the balance sheet, profit and loss statement and trends, quarter to quarter comparisons, and revenue and expense analysis reports for the period ending March 2021 and stated that most departments are operating at or below the targeted expenditure percentage of 25%.

**4.4) Discussion and Overview of Committed Contracts Issued. (Finance Manager Williams)**

Finance Manager Williams provided an overview of the Contractual Commitments and Needs Report for new and replacement capital projects, consulting and engineering support projects, new and replacement equipment, water quality fee funded projects, committed and projected capital expenditures, and the payout summary for the Water Revenue Bond Series 2018A through March 2021.

**4.5) Consideration and Possible Action on a Recommendation on Resolution No. 21-9 Being a Resolution of the Board of Directors of the Palmdale Water District Regarding its Intention to Seek Reimbursement in Connection With the Issuance of Tax-Exempt Water Revenue Bonds by the Palmdale Water District Public Financing Authority. (Potential Revenue Through Reimbursement of Loans – Finance Manager Williams)**

Finance Manager Williams provided an overview of Resolution No. 21-9, and after a brief discussion, it was moved by Committee Member Dizmang, seconded by Chair Wilson, and unanimously carried by all members of the Committee present at the

meeting that the Committee concurs with staff's recommendation to approve Resolution No. 21-9 being a Resolution of the Board of Directors of the Palmdale Water District Regarding its Intention to Seek Reimbursement in Connection With the Issuance of Tax-Exempt Water Revenue Bonds by the Palmdale Water District Public Financing Authority and that Resolution No. 21-9 be presented to the full Board for consideration at the April 26, 2021 Regular Board Meeting.

**5) Reports.**

**5.1) Finance Manager Williams:**

**a) The Effect of COVID-19 Event.**

Finance Manager Williams stated that due to COVID-19 events, as of March 31, 2021, there were 1,619 single family accounts with a balance of \$50 or more and over sixty days past due with a total past due amount of \$846,200 compared to 1,534 accounts at December 31, 2020 with an outstanding balance of \$764,226 and 513 accounts at March 31, 2020 with an outstanding balance of \$119,478 and that cash received for March 2021 was \$141,901 more than February 2021, \$108,327 higher than January 2021, and \$365,920 higher than March 2020 followed by discussion of selling more water, when the District may be able to turn water off for non-payment, and the effect on the reserve fund.

**b) Revenue Projections.**

He then stated that 2021 revenue is ahead of projections by approximately \$290,000 as of March 31, 2021.

**c) Payment Transactions by Type.**

He then stated that there is a reduction in total payments of 2,500 for the first quarter of 2021 compared to 2020 but an increase in electronic payments of 7,500 followed by discussion of fees for electronic payments.

**d) Accounts Receivable Aging Report.**

He then stated that receivables at March 31, 2021 are approximately \$731,000 higher than March 31, 2020, but there is an increase in 120-day delinquencies of approximately \$283,000 compared to 2020.

**e) Financing Schedule for New 2021 Bond Issue.**

He then stated that the new 2021 Bond Issue will be presented to the Finance Committee in May.

**e) Rate Assistance Program.**

He then stated that as of March 31, 2021, there were 599 participants in the Rate Assistance Program with 302 seniors, 13 veterans, and 284 low income.

**f) Status on 2020 Audit.**

He then stated that the 2020 Audit has begun; that documents are being uploaded to the Auditor's portal as requested; and that a draft audit is anticipated by May.

**5.2) Financial Advisor Egan:**

**a) Debt Service Coverage Status.**

Financial Advisor Egan stated that the Debt Service Coverage for April 2020 to March 2021 is 1.80 and remains strong followed by discussion of the District's bond rating for the 2021 Bond Issue.

**6) Board Members' Requests for Future Agenda Items.**

There were no requests for future agenda items.

**7) Date of Next Committee Meeting.**

It was determined that the next Finance Committee meeting will be held May 19, 2021 at 1:30 p.m.

**8) Adjournment.**

There being no further business to come before the Finance Committee, the meeting was adjourned at 4:00 p.m.

  
Chair