

Since 1918



PALMDALE WATER DISTRICT

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Board of Directors

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Division 1

JOE ESTES
Division 2

MARCO HENRIQUEZ
Division 3

KATHY MAC LAREN
Division 4

VINCENT DINO
Division 5

ALESHIRE & WYNDER
LLP
Attorneys

September 8, 2016

***Agenda for Regular Meeting
of the Board of Directors of the Palmdale Water District
to be held at the District's office at 2029 East Avenue Q, Palmdale***

Wednesday, September 14, 2016

7:00 p.m.

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, a Spanish interpreter will be made available to assist the public in making comments during the meeting if requested at least 48 hours before the meeting. This was authorized by Board action on May 11, 2016 as a temporary measure while a long-term policy is developed.

Adicionalmente, un intérprete en español estará disponible para ayudar al público a hacer comentarios durante la reunión, siempre y cuando se solicite con 48 horas de anticipación de la junta directiva. Esto fué autorizado por la mesa directiva en la junta del 11 de mayo del 2016 como una medida temporal mientras se desarrolla una poliza a largo plazo.

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.
- 2) Roll Call.
- 3) Adoption of Agenda.
- 4) Public comments for non-agenda items.
- 5) Presentations:



- 5.1) Overview of Strategic Water Resources Plan. (Director Henriquez/Water & Energy Resources Director Pernula)
- 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 financial workshop special meeting held August 23, 2016.
 - 6.2) Approval of minutes of regular meeting held August 24, 2016.
 - 6.3) Payment of bills for September 14, 2016.
 - 6.4) Approval of Resolution No. 16-13 Amending the Conflict of Interest and Disclosure Code for the Palmdale Water District. (General Manager LaMoreaux)
- 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) Status report on Cash Flow Statement and Current Cash Balances as of July, 2016. (Financial Advisor Egan)
 - 7.2) Status report on Financial Statements, Revenue, and Expense and Departmental Budget Reports for July, 2016. (Finance Manager Williams)
 - 7.3) Status report on committed contracts issued and water revenue bond projects. (Assistant General Manager Knudson)
 - 7.4) Public hearing regarding the possible execution, sale, and delivery of an installment purchase agreement with the Palmdale Water District Public Financing Authority in order to refinance certain public capital improvements of the District. (Financial Advisor Egan/Finance Manager Williams)
 - 7.5) Consideration and possible action on Resolution No. 16-15 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 Refunding Bonds in an Aggregate Principal Amount Not to Exceed \$20,000,000 and Approving Certain Documents in Connection Therewith. (Finance Manager Williams)
 - 7.6) Adjourn to September 14, 2016 meeting of the Public Financing Authority.
 - 7.7) Adjourn to September 14, 2016 annual meeting of the Public Facilities Corporation.
 - 7.8) Consideration and possible action on proposal received from TruePoint for updating the District's customer information system. (\$180,000.00 – Budgeted – Finance Manager Williams)
 - 7.9) 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 2016 Budget:
 - a) American Water Works Association California-Nevada Section 2016 Annual Fall Conference “What’s on the Water Horizon?” to be held October 24 – 27, 2016 in San Diego.

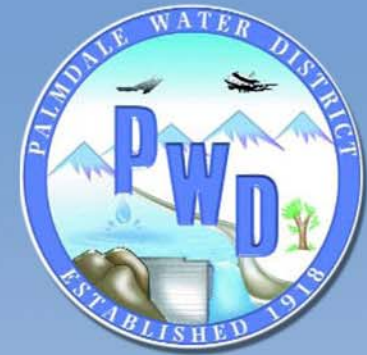
- 8) Information Items:
 - 8.1) Reports of Directors:
 - a) Meetings/General Report.
 - b) Standing Committee/Assignment Reports (Chair):
 - 1) Antelope Valley State Water Contractors Association
 - 2) Finance Committee.
 - 8.2) Report of General Manager.
 - 8.3) Report of General Counsel.
- 9) Public comments on closed session agenda matters.
- 10) Break prior to closed session.
- 11) Closed session under:
 - 11.1) Conference with Legal Counsel – Existing Litigation: A closed session will be held, pursuant to Government Code §54956.9 (d)(1), to confer with Special Litigation Counsel regarding pending litigation to which the District is a party. The title of such litigation is as follows: *Antelope Valley Ground Water Cases*.
- 12) Public report of any action taken in closed session.
- 13) Board members' requests for future agenda items.
- 14) Adjournment.



DENNIS D. LaMOREAUX,
General Manager

DDL/dd

Palmdale Water District



Strategic Water
Resources Plan

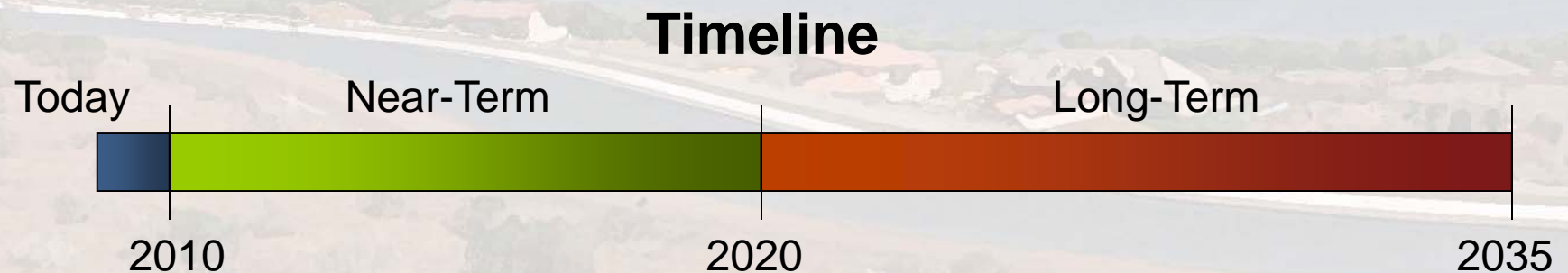
Final Report



August 12, 2009

Why Develop a Strategic Plan?

- ❑ Develop sound strategy to meet future needs
- ❑ Answers questions:
 - ✓ How much water will we need?
 - ✓ Where water will come from?
 - ✓ What facilities will be needed?
 - ✓ What will it cost and where will money come from?
 - ✓ What happens when circumstances change?



Four Major Parts to The Strategic Plan

1. Strategic objectives
2. Implementation actions
3. Schedule of activities
4. Financing principles and strategy



Strategic Water Resource Recommendations

- ❑ Create local storage and recovery
- ❑ Acquire additional imported supplies
- ❑ Maximize recycled water
- ❑ Maintain Littlerock Reservoir
- ❑ Expand conservation efforts

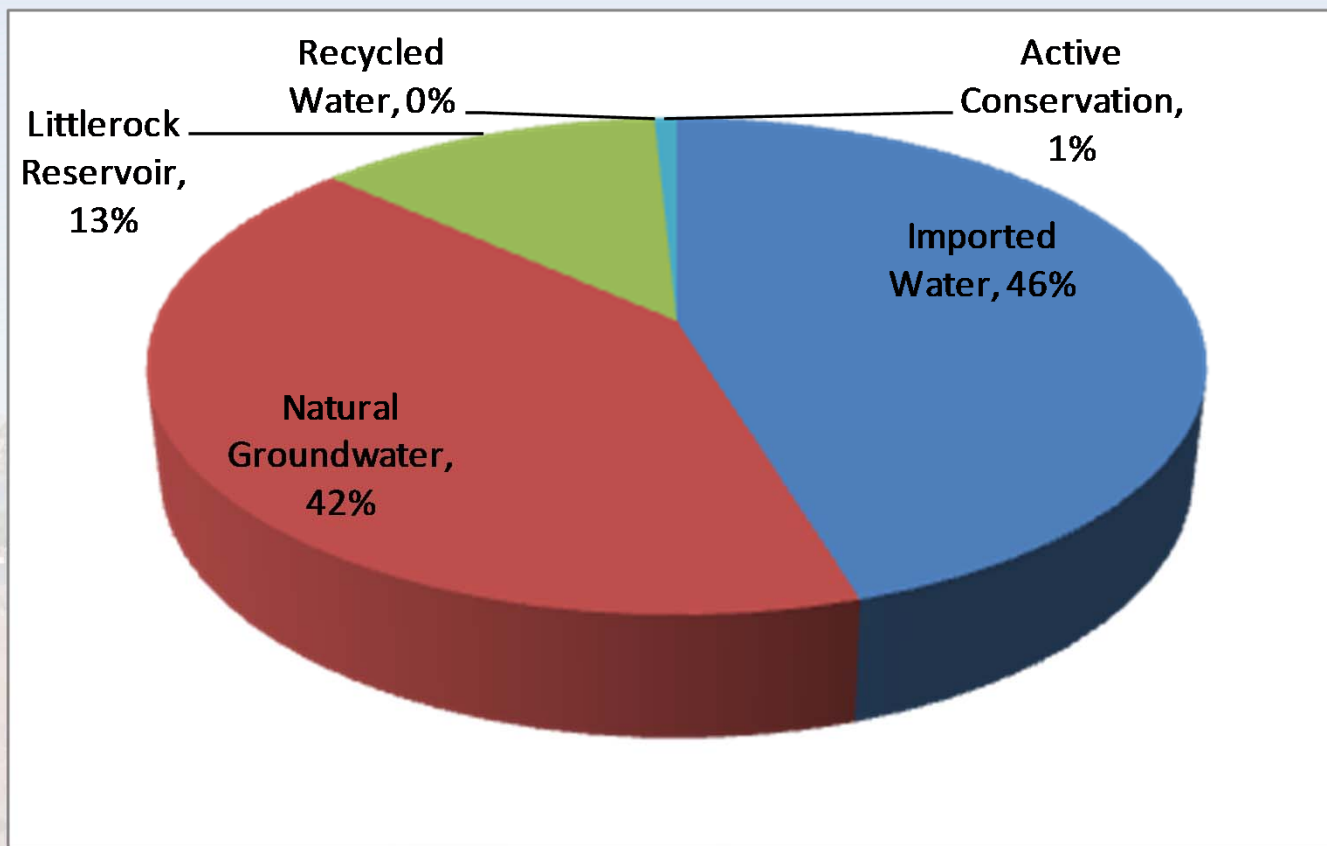


7 Things This Plan Accomplishes

1. Provides solid plan to supply future needs
2. Substantially improves supply reliability
3. Addresses uncertainty over the Delta
4. Addresses possible impacts of adjudication
5. Improves local environment
6. Allows for implementation in steps
7. Costs to meet new demands are not paid for by current customers

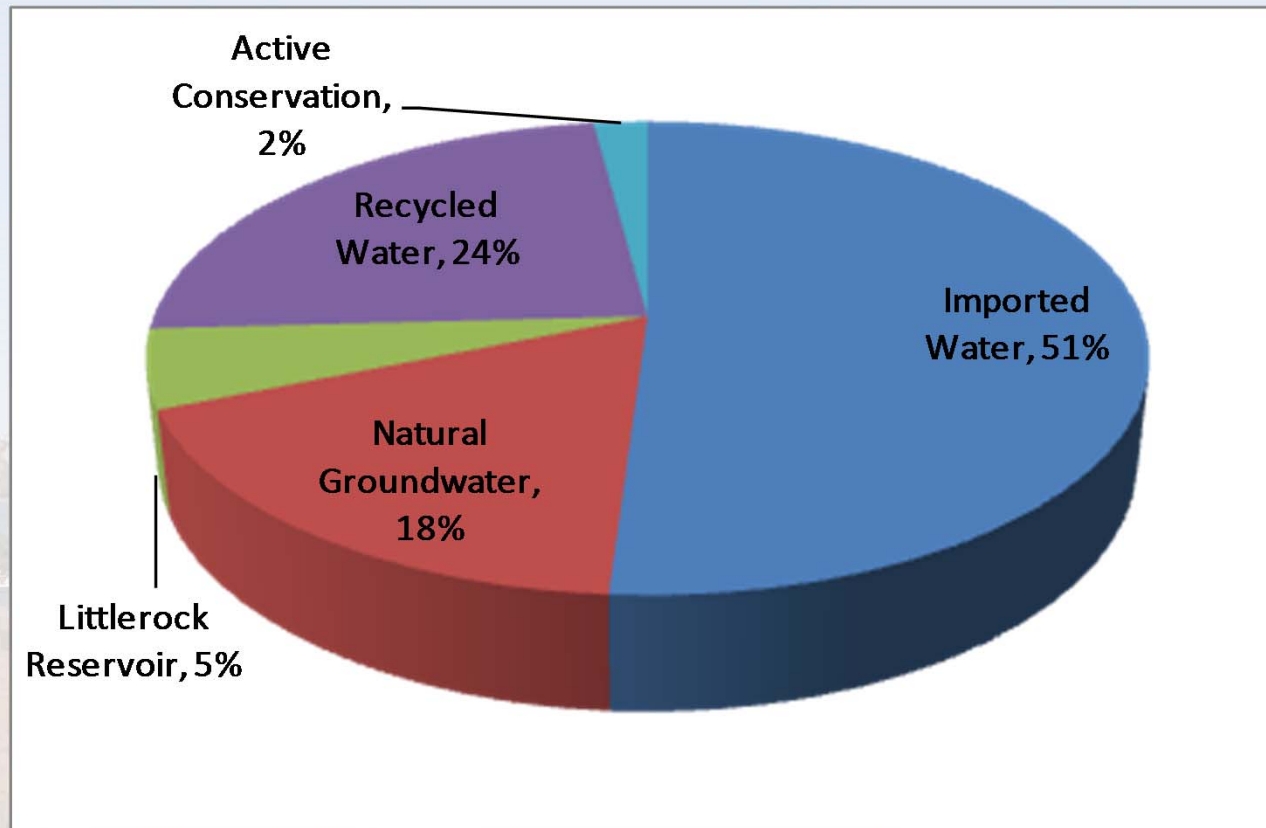
PWD Current Water Supplies

2009 Supply: ~27,000 AFY



PWD 2035 Water Supply Goals

2035 Supply: ~63,000 AFY



Financing Principles

- ❑ New customers pay for new supplies
- ❑ Current and future customers pay for reliability of current supply
- ❑ Heavy users help fund water reliability projects including conservation and recycling
- ❑ Current and future customers pay for O&M costs as well as fixed costs of existing systems
- ❑ Other system enhancements must pay for themselves
- ❑ Plan must be viable even with no future development or delayed future development.

Recommended Financing Mechanisms

□ Primary

- ✓ Water supply connection fee:
- ✓ Bonds/ debt, including State Revolving Fund (SRF) loans
- ✓ Rates

□ Secondary

- ✓ Grants
- ✓ Partnerships
- ✓ Tax assessments

What PWD Strategic Water Resource Plan Provides

- ❑ Provides solid plan to supply future needs
- ❑ Substantially improves supply reliability
- ❑ Addresses uncertainty over the Delta
- ❑ Addresses possible impacts of adjudication
- ❑ Improves local environment
- ❑ Allows for implementation in steps
- ❑ Costs for new supplies paid by new development



Strategic Water Resource Planning Team

PWD Staff and Board

RMC Water and Environment

Wildermuth Environmental

A&N Technical Services

**PALMDALE
WATER DISTRICT
BOARD MEMORANDUM**

DATE: September 7, 2016

September 14, 2016

TO: BOARD OF DIRECTORS

Regular Board Meeting

FROM: Mr. Dennis D. LaMoreaux, General Manager

RE: *AGENDA ITEM NO. 6.4 – APPROVAL OF RESOLUTION NO. 16-13 AMENDING THE CONFLICT OF INTEREST AND DISCLOSURE CODE FOR THE PALMDALE WATER DISTRICT.*

Recommendation:

Staff recommends approving Resolution No. 16-13 Amending the Conflict of Interest and Disclosure Code for the Palmdale Water District.

Alternative Option:

There is no alternative option due to position title revisions.

Background:

The Political Reform Act requires every local government agency to review its conflict of interest code biennially to determine if any changes are needed. Exhibit B of the District's conflict of interest code must be amended to reflect the title change of Public Information Officer/Conservation Director to Public Affairs & Sustainability Director. No other changes are required.

Strategic Plan Initiative:

This work is part of Strategic Initiative 5 – Regional Leadership.

Budget:

Approval of Resolution No. 16-13 will have no financial impact.

Supporting Documents:

- Resolution No. 16-13 Amending the Conflict of Interest and Disclosure Code for the Palmdale Water District.

RESOLUTION NO. 16-13

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

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

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

WHEREAS, the District’s Code was last approved by the County of Los Angeles Board of Supervisors effective October 15, 2014 and amended by the District on November 26, 2014; and

WHEREAS, Exhibit B of the District’s Code must be modified to revise the title of Public Information Officer/Conservation Director to Public Affairs & Sustainability Director as reflected on the Palmdale Water District Organization Chart attached hereto as “Exhibit 1” and as shown on the revised Code attached hereto as “Exhibit 2” both incorporated herein by reference; and

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

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

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

PASSED AND ADOPTED at a regular meeting of the Board of Directors of the Palmdale Water District held on September 14, 2016.

Robert Alvarado, President

ATTEST:

Joe Estes, Secretary

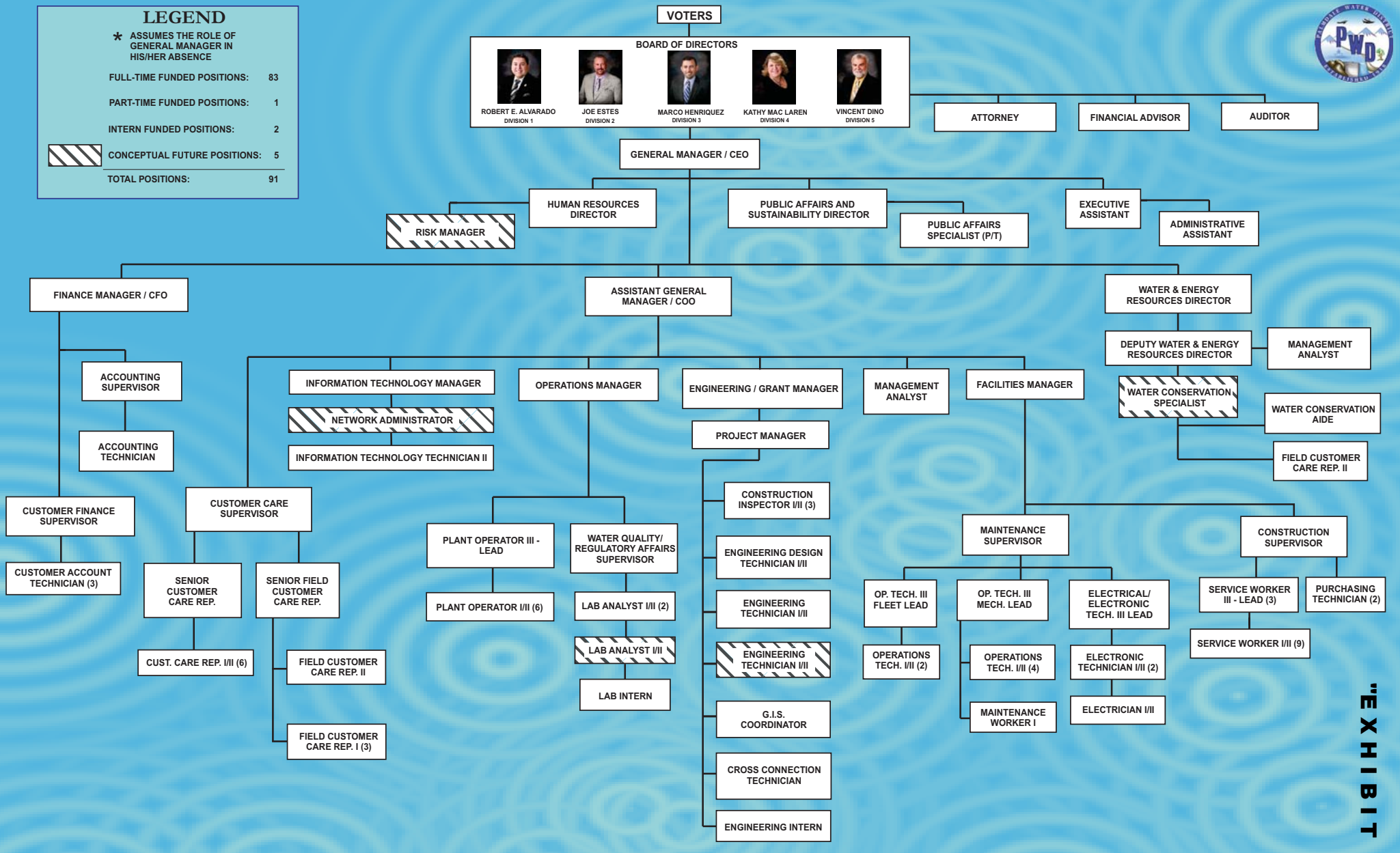
APPROVED AS TO FORM:

BY: _____
Aleshire & Wynder, LLP, General Counsel



LEGEND

- * ASSUMES THE ROLE OF GENERAL MANAGER IN HIS/HER ABSENCE
- FULL-TIME FUNDED POSITIONS: 83
- PART-TIME FUNDED POSITIONS: 1
- INTERN FUNDED POSITIONS: 2
- CONCEPTUAL FUTURE POSITIONS: 5
- TOTAL POSITIONS: 91



PALMDALE WATER DISTRICT ORGANIZATIONAL STRUCTURE

APPROVED JUNE 22, 2016

"EXHIBIT 1"

M.W. 7/27/16

Conflict of Interest Code
of the

PALMDALE WATER DISTRICT

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

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

Place of Filing of Statements of Economic Interests

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

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

PALMDALE WATER DISTRICT

EXHIBIT "A"

CATEGORY 1

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

CATEGORY 2

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

- Office equipment and supplies
- Banks and savings and loans institutions
- Securities dealers and underwriters
- Real property
- Public utilities
- Financial audit services
- Insurance services
- Computer equipment, services, and supplies
- Printing, reproduction, or photographic equipment, services and supplies
- Periodicals, books, newspapers
- Chemicals
- Motor vehicles and specialty vehicles, parts and supplies
- Construction and maintenance equipment, services and supplies and building materials
- Petroleum products
- Transportation and lodging services
- Safety equipment and supplies
- Security services
- Food services and supplies
- Communication services
- Water quality testing equipment, supplies and services
- Cathodic protection equipment, services and supplies
- Engineering services
- Employment / temporary help agencies
- Educational equipment, services and supplies

PALMDALE WATER DISTRICT

EXHIBIT "A" (Cont'd)

CATEGORY 2 (Cont'd)

Medical supplies, services and informational materials

Landscape services and supplies

Typographical services

4-color separations

General and specialty equipment rentals

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

CATEGORY 3

Consultants performing the duties of any designated position shall be required to file Statements of Economic Interests disclosing reportable interests in the categories assigned to that designated position.

In addition, consultants who, under contract, participate in decisions which affect financial interests by providing information, advice, recommendation or counsel to the District, or which could affect financial interests, and those consultants who, under contract, exercise primary responsibility for the management of public investments, shall be required to file Statements of Economic Interests disclosing reportable interests as determined by the General Manager of the District. (See footnote for clarification*)

PALMDALE WATER DISTRICT

EXHIBIT "B"

<u>Designated Positions</u>	<u>Disclosure Categories</u>
Members of Board of Directors	1, 2
General Manager/CEO.	2
Assistant General Manager/COO	2
Water and Energy Resources Director	2
Operations Manager	2
Facilities Manager	2
Finance Manager/CFO	2
Engineering/Grant Manager	2
Human Resources Director	2
Information Technology Manager	2
Public Affairs & Sustainability Director	2
Consultants/New Positions*	3

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

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

EFFECTIVE: _____

**PALMDALE
WATER DISTRICT
BOARD MEMORANDUM**

DATE: September 7, 2016 September 14, 2016
TO: BOARD OF DIRECTORS Board Meeting
FROM: Mr. Bob Egan, Financial Advisor
RE: *AGENDA ITEM NO. 7.1 – STATUS REPORT ON CASH FLOW STATEMENT AND
CURRENT CASH BALANCES AS OF JULY, 2016.*

Attached is the Investment Funds Report and current cash balance as of July 31, 2016. The reports will be reviewed in detail at the Board meeting.

**PALMDALE WATER DISTRICT
INVESTMENT FUNDS REPORT
July 31, 2016**

		<u>July 2016</u>	<u>June 2016</u>			
CASH						
1-00-0103-100	Citizens - Checking	39,065.87	965,932.46			
1-00-0103-200	Citizens - Refund	343.73	(1,633.48)			
1-00-0103-300	Citizens - Merchant	41,877.70	72,329.45			
	Bank Total	81,287.30	1,036,628.43			
1-00-0110-000	PETTY CASH	300.00	300.00			
1-00-0115-000	CASH ON HAND	5,400.00	5,400.00			
	TOTAL CASH	86,987.30	1,042,328.43			
INVESTMENTS						
1-00-0135-000	Local Agency Investment Fund	11,806.40	11,790.36			
1-00-0120-000	UBS Money Market Account General (SS 11469)					
	UBS RMA Government Portfolio	2,690,933.75	2,619,500.19			
	UBS Bank USA Dep acct	250,000.00	250,000.00			
	Accrued interest	9,876.31	7,767.47			
		2,950,810.06	2,877,267.66			
US Government Securities						
CUSIP #	Issuer	Maturity Date	Rate	PAR	Market Value	Market Value
912828SJ0	US Treasury Note	02/28/2017	0.87	1,000,000	1,002,360.00	1,002,580.00
				1,000,000	1,002,360.00	1,002,580.00
Certificates of Deposit						
	Issuer	Maturity Date	Rate	Face Value		
1	Safra National Bank	08/16/2016	0.60	240,000	240,014.40	240,040.80
2	First Bank PR	11/07/2016	0.80	240,000	240,156.00	240,201.60
3	Compass Bank	02/07/2017	0.95	240,000	240,408.00	240,441.60
4	GE Cap Retail Bank	04/27/2017	1.84	200,000	201,370.00	201,440.00
5	Discover Bank	05/02/2017	1.73	240,000	241,869.60	241,965.60
6	Merrick Bank	06/12/2017	1.00	100,000	100,340.00	100,326.00
7	Level One Bank	06/19/2017	0.65	101,000	101,253.51	101,229.27
8	GE Cap Retail Bank	06/22/2017	1.78	200,000	201,960.00	202,038.00
9	Capitol One Bank	08/14/2017	1.20	240,000	241,060.80	241,063.20
10	Triumph Bank	09/26/2017	0.80	200,000	200,704.00	200,652.00
11	MB Finl Bank	10/26/2017	0.85	200,000	200,126.00	200,008.00
				2,201,000	2,209,262.31	2,209,406.07
	Acct. Total				6,162,432.37	6,089,253.73
1-00-1110-000	UBS Money Market Account Capital (SS 11475)					
	UBS Bank USA Dep acct				234,466.76	7.56
	UBS RMA Government Portfolio				-	-
	Acct. Total				234,466.76	7.56
1-00-0125-000	UBS Access Account General (SS 11432)					
	UBS Bank USA Dep acct				221,327.63	221,323.91
	UBS RMA Government Portfolio				-	-
	Accrued interest				27,993.64	21,711.82
					249,321.27	243,035.73
US Government Securities						
CUSIP #	Issuer	Maturity Date	Rate	PAR	Market Value	Market Value
912828XF2	US Treasury Note	06/15/2018	1.125	1,000,000	1,008,480.00	1,010,040.00
912828KD1	US Treasury Note	02/15/2019	2.610	1,500,000	1,577,520.00	1,581,090.00
912828P53	US Treasury Note	02/15/2019	0.75	1,000,000	1,000,630.00	1,001,950.00
				3,500,000	3,586,630.00	3,593,080.00
Certificates of Deposit						
	Issuer	Maturity Date	Rate	Face Value		
1	Goldman Sachs Bk	11/07/2016	1.00	240,000	240,314.40	240,405.60
2	CIT Bank	11/06/2017	1.60	240,000	240,259.20	240,232.80
3	BMW Bank	11/15/2018	1.96	240,000	245,354.40	245,160.00
4	American Express	04/29/2019	1.44	240,000	243,921.60	243,640.80
5	Synchrony Bank	04/14/2020	1.83	240,000	246,573.60	246,112.80
				1,200,000	1,216,423.20	1,215,552.00
	Acct. Total				5,052,374.47	5,051,667.73
	Total Managed Accounts				11,461,080.00	11,152,719.38
1-00-1121-000	UBS Rate Stabilization Fund (SS 24016) - District Restricted					
	UBS Bank USA Dep acct				250,000.00	250,000.00
	UBS RMA Government Portfolio				230,298.83	230,290.46
	Acct. Total				480,298.83	480,290.46
	GRAND TOTAL CASH AND INVESTMENTS				12,028,366.13	12,675,338.27
	Increase (Decrease) in Funds				(646,972.14)	
1-00-1130-000	2013A Bonds - Project Funds (BNY Mellon)					
	Construction Funds				533,272.15	597,345.70

PALMDALE WATER DISTRICT
2016 Cash Flow Report (Based on Jan. 19, 2016 Approved Budget)

	January	February	March	April	May	June	July	August	September	October	November	December	YTD	Budget 2017 Carryover Information
Total Cash Beginning Balance (BUDGET)	12,253,595	11,996,708	12,070,140	9,443,313	11,240,278	11,923,901	11,779,269	10,981,346	11,574,708	9,220,541	9,395,698	9,267,781		
Total Cash Beginning Balance	12,253,595	12,534,672	12,719,333	10,275,232	12,340,454	13,316,414	12,675,338	12,028,366	11,924,930	9,547,576	9,330,821	9,006,288		
Budgeted Water Receipts	1,541,128	1,523,788	1,575,809	1,590,982	1,790,396	1,946,460	2,165,382	2,202,231	2,030,994	1,946,460	1,688,521	1,673,349	21,675,500	
Water Receipts	1,836,145	1,903,857	1,602,349	1,518,640	1,618,564	1,843,912	1,793,757	2,202,231	2,030,994	1,946,460	1,688,521	1,673,349	21,658,779	
DWR Refund (Operational Related)				1,718	28								1,746	
Other													-	
Total Operating Revenue (BUDGET)														
Total Operating Revenue (ACTUAL)	1,836,145	1,903,857	1,602,349	1,520,358	1,618,592	1,843,912	1,793,757	2,202,231	2,030,994	1,946,460	1,688,521	1,673,349	21,660,525	
Total Operating Expenses excl GAC (BUDGET)	(1,237,486)	(1,217,967)	(1,591,629)	(1,550,533)	(1,568,100)	(1,439,060)	(1,770,025)	(1,614,651)	(1,795,266)	(1,449,785)	(1,434,170)	(1,550,028)	(18,218,700)	
GAC (BUDGET)	(362,730)		(190,000)			(190,000)			(190,000)		(190,000)		(1,122,730)	
Operating Expenses excl GAC (ACTUAL)	(1,356,117)	(1,281,496)	(1,961,054)	(1,361,831)	(1,377,208)	(1,883,577)	(1,989,499)	(1,614,651)	(1,795,266)	(1,449,785)	(1,434,170)	(1,550,028)	(19,054,682)	
GAC	(62,730)	(183,290)	(275,135)					(190,000)			(190,000)		(901,154)	
Prepaid Insurance (paid)/refunded		(66,457)											(66,457)	
Total Operating Expense (ACTUAL)	(1,418,847)	(1,531,243)	(2,236,189)	(1,361,831)	(1,377,208)	(1,883,577)	(1,989,499)	(1,804,651)	(1,795,266)	(1,449,785)	(1,624,170)	(1,550,028)	(20,022,294)	
Non-Operating Revenue Expenses:														
Assessments, net (BUDGET)	664,439	253,955	14,289	2,027,090	739,781	11,042	75,342	127,302	-	-	129,251	2,452,512	6,495,000	
Actual/Projected Assessments, net	684,181	313,172	15,308	2,078,805	818,666	12,539	70,859	145,201	-	-	129,251	2,452,512	6,720,493	
RDA Pass-through (Successor Agency)					307,851								307,851	
Interest	3,168	4,991	9,069	8,540	9,385	9,296	9,120	2,915	2,915	2,915	2,915	2,935	68,164	
Market Adjustment	7,983	(12,780)	7,384	(3,392)	(4,736)	19,028	(5,943)						7,543	
Grant Re-imbursment						306,915							483,915	
Capital Improvement Fees							234,459						234,459	
DWR Refund (Capital Related)				98,537	37,228				50,000				235,765	
Other	3,415	26	590	(202)	(33)	89	21,976	8,330	8,330	8,330	8,330	8,370	67,551	
Total Non-Operating Revenues (BUDGET)														
Total Non-Operating Revenues (ACTUAL)	698,746	305,408	32,351	2,182,288	1,168,361	347,866	330,472	156,446	61,245	11,245	140,496	2,690,817	8,125,741	
Non-Operating Expenses:														
Budgeted Capital Expenditures	(514,999)	(306,567)	(287,878)	(40,796)	(48,676)	(26,296)	(91,743)	(91,743)	(91,743)	(91,743)	(91,744)	(918,263)	(2,602,191)	
Actual/Projected Capital Expenditures	(93,505)	(302,341)	(24,615)	(62,302)	(242,404)	(31,036)	(43,219)	(261,081)	(129,572)	(123,296)	-	-	(1,313,371)	
Uncommitted Capital Expenditures	-	-	-	-	-	-	-	(205,000)	(225,000)	(410,000)	(338,000)	(25,000)	(1,203,000)	
WRB Capital Expenditures	-	-	-	-	-	-	-	-	-	-	-	(347,629)	(347,629)	(582,380)
SWP Capitalized	(717,495)	(170,388)	(196,069)	(170,390)	(170,390)	(170,390)	(717,492)	(170,390)	(201,804)	(170,388)	(170,388)	(170,388)	(3,195,972)	
Butte County Water Transfer						(726,859)						(726,859)	(1,453,719)	
Bond Payments - Interest			(1,084,814)						(1,076,522)				(2,161,336)	
Principal			(537,114)						(1,020,439)				(1,557,553)	
Capital leases - Go West (2012 Lease)	(17,296)	(17,296)	-	(35,624)	(17,296)	(17,296)	(17,296)	(17,296)	(17,296)	(17,296)	(17,296)	(17,296)	(208,585)	
Capital leases - Wells Fargo (Printer Lease)	(6,672)	(3,336)	-	(7,277)	(3,695)	(3,695)	(3,695)	(3,695)	(3,695)	(3,695)	(3,695)	(3,695)	(46,846)	
Total Non-Operating Expenses (ACTUAL)	(834,969)	(493,362)	(1,842,612)	(275,592)	(433,785)	(949,277)	(781,702)	(657,462)	(2,674,328)	(724,675)	(529,379)	(1,290,868)	(11,488,010)	
Total Cash Ending Balance (BUDGET)	11,996,708	12,070,140	9,443,313	11,240,278	11,923,901	11,779,269	10,981,346	11,574,708	9,220,541	9,395,698	9,267,781	10,300,285		
Total Cash Ending Balance (ACTUAL)	12,534,672	12,719,333	10,275,232	12,340,454	13,316,414	12,675,338	12,028,366	11,924,930	9,547,576	9,330,821	9,006,288	10,529,558		
													Budget	10,300,285
													Difference	229,273

Indicates actual expenditures/revenues:
 Indicates anticipated expenditures/revenues:

**PALMDALE
WATER DISTRICT
BOARD MEMORANDUM**

DATE: September 7, 2016 **September 14, 2016**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Michael Williams, Finance Manager/CFO
VIA: Mr. Dennis LaMoreaux, General Manager
RE: *AGENDA ITEM 7.2 – STATUS REPORT ON FINANCIAL STATEMENTS, REVENUE, AND EXPENSE AND DEPARTMENTAL BUDGET REPORTS FOR JULY, 2016.*

Discussion:

Presented here are the Balance Sheet and Profit/Loss Statement for the period ending July 31, 2016. Also included are Year-To-Year Comparisons and Month-To-Month Comparisons for both revenue and expense. Finally, I have provided individual departmental budget reports for the month of July, 2016.

This is the seventh month of the District's Budget Year 2016. The target percentage is 58%. Revenues ideally are at or above, and expenditures ideally are below.

Balance Sheet:

- Page 1 is our balance sheet on July 31, 2016.
- The significant change is the reduction in cash. This is due to payment of obligations, which was discussed last month.
- There was an increase in accounts receivable of approximately \$500K due to the increased water sales for the month.
- There was an increase in assessments receivable assessments as we recognized the 2016/2017 assessments.
- The offset in liabilities appears under deferred assessments.

Profit/Loss Statement:

- Page 3 is our profit/loss statement on July 31, 2016.
- Operating revenue is at 56% of budget.
- Cash operating expense is at 59% of budget.
- Net operating profit for the month of July was \$793K. Net operating profit year-to-date is at \$62K.
- Operations and Finance Departments are tracking a little high and will discuss those later in the report.
- Page 6 is showing the distribution of operating expense between labor and operations. Labor costs are currently at 52% of total expenses with salaries making up 36% of that.

BOARD OF DIRECTORS
PALMDALE WATER DISTRICT

VIA: Mr. Dennis LaMoreaux, General Manager

-2-

September 7, 2016

Year-To-Year Comparison P&L:

- Page 7 is our comparison of July, 2015 to July, 2016.
- Total operating revenue is up \$337K, or 17%.
- Operating expenditures are down \$258K, or 14%.
- Page 7-1 is our comparison of July, 2014 to July, 2016.
- Total operating revenue is up \$6K, or .3%.
- Total operating expenses were up \$57K, or 4%.
- Page 8 and 8-1 is a graphic presentation of the water consumption comparison for 2015 and 2014, respectively. Units billed in acre feet for 2015 comparison were up by 348 or 22%. Total revenue per unit sold is down \$0.13, or 4%, total revenue per connection is up \$11.82, or 18%, and units billed per connection is up 5.64, or 22%.
- Units billed in acre feet for 2014 comparison were down by 245, or 11%. Total revenue per unit sold is up \$0.32, or 13%, total revenue per connection is down \$6.26, or 7.5%, and units billed per connection is down 4.2, or 12%.

Revenue Analysis Year-To-Date:

- Page 9 is our comparison of revenue, year-to-date.
- Operating revenue through July, 2016 is up \$345K, or 3%.
- Retail water revenue from all areas are up by \$115K from last year. That's shown by the combined green highlighted area.
- Retail water sales, including the drought surcharge but excluding meter fees, is up \$252K.
- Total revenue is up \$800K.
- Operating revenue is at 56% of budget; last year was at 51% of budget. However, our 2016 revenue budget is \$1.5MM less than 2015.

Expense Analysis Year-To-Date:

- Page 11 is our comparison of expense, year-to-date.
- Cash Operating Expenses through July, 2016 are up \$575K, or 4.7%, compared to 2015.
- Total Expenses are up \$705K, or 3.7%.

Departments:

- Pages 14 through 24 are detailed individual departmental budgets for your review.
- Operations Department on page 19 had some unexpected expenditures for the Hypo Generator, repairs to the facility, and increased chemical use.
- Finance Department on page 20 is tracking high under Contract Services because of the increased cost with new collection process. We under budgeted the increased costs.

Non-Cash Definitions:

Depreciation: This is the spreading of the total expense of a capital asset over the expected life of that asset.

BOARD OF DIRECTORS
PALMDALE WATER DISTRICT

VIA: Mr. Dennis LaMoreaux, General Manager

-2-

September 7, 2016

OPEB Accrual Expense: Other Post Employment Benefits (OPEB) is the recognized annual required contribution to the benefit. The amount is actuarially determined in accordance with the parameters of GASB 45. The amount represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year.

Bad Debt: The uncollectible accounts receivable that has been written off.

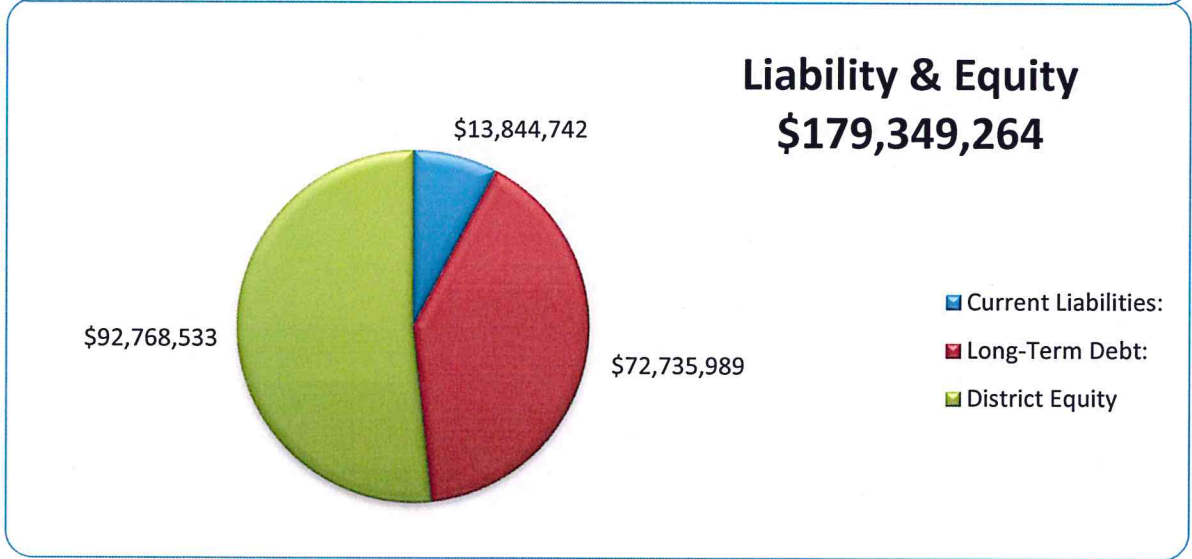
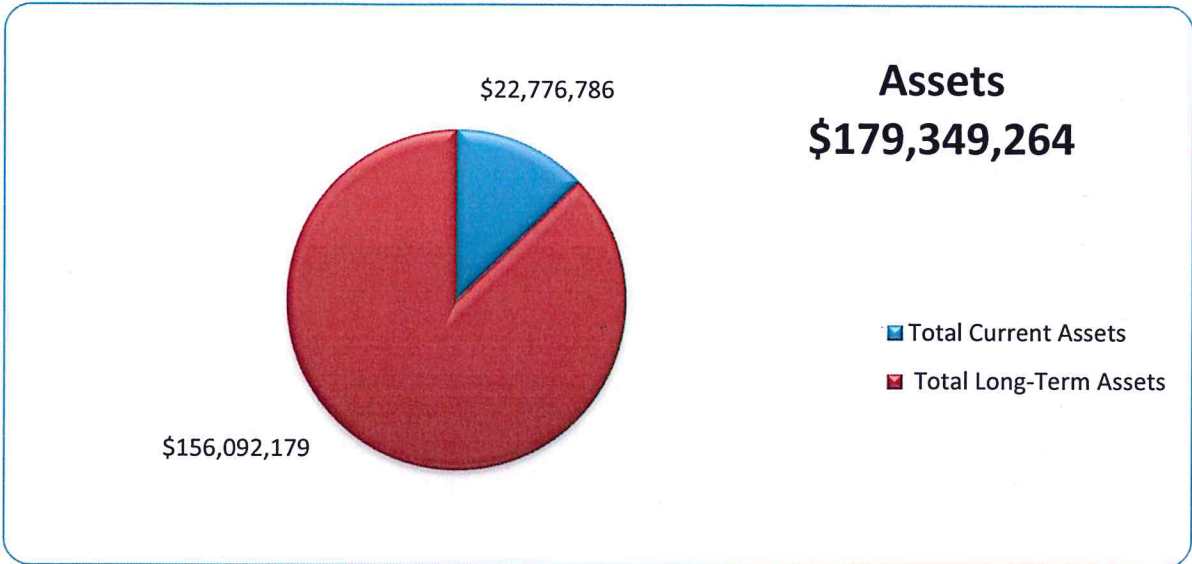
Service Cost Construction: The value of material, parts & supplies from inventory used to construct, repair and maintain our asset infrastructure.

Capitalized Construction: The value of our labor force used to construct our asset infrastructure.

Palmdale Water District
Balance Sheet Report
For the Seven Months Ending 7/31/2016

	July 2016	June 2016
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 86,961	\$ 1,042,328
Investments	11,461,080	11,152,719
2013A Bonds - Project Funds	497,437	597,346
	\$ 12,045,478	\$ 12,792,394
Receivables:		
Accounts Receivables - Water Sales	\$ 2,216,182	\$ 1,655,295
Accounts Receivables - Miscellaneous	37,417	35,107
Allowance for Uncollected Accounts	(196,113)	(196,113)
	\$ 2,057,486	\$ 1,494,289
Assessments Receivables	\$ 7,864,811	\$ 935,670
Meters, Materials and Supplies	731,954	739,056
Prepaid Expenses	77,058	101,829
Total Current Assets	\$ 22,776,786	\$ 16,063,238
Long-Term Assets:		
Property, Plant, and Equipment, net	\$ 110,599,561	\$ 110,868,299
Participation Rights in State Water Project, net	44,340,668	43,820,076
Investment in PRWA	229,923	229,923
2013A Bonds - Insurance & Surety Bond	217,226	217,893
CalPERS Contributions	704,801	704,801
	\$ 156,092,179	\$ 155,840,991
Restricted Cash:		
Rate Stabilization Fund	480,299	480,290
Total Long-Term Assets & Restricted Cash	\$ 156,572,478	\$ 156,321,282
Total Assets	\$ 179,349,264	\$ 172,384,519
LIABILITIES AND DISTRICT EQUITY		
Current Liabilities:		
Current Interest Installment of Long-term Debt	\$ 717,724	\$ 538,300
Current Principal Installment of Long-term Debt	1,113,290	1,113,290
Accounts Payable and Accrued Expenses	5,597,061	6,003,615
Deferred Assessments	6,416,667	-
Total Current Liabilities	\$ 13,844,742	\$ 7,655,205
Long-Term Debt:		
Pension-Related Debt	\$ 9,177,550	\$ 9,177,550
OPEB Liability	12,492,726	12,492,726
2013A Water Revenue Bonds	42,943,711	42,945,961
2012 - Certificates of Participation	8,074,716	8,067,919
2011 - Capital Lease Payable	47,286	47,286
Total Long-Term Liabilities	\$ 72,735,989	\$ 72,731,442
Total Liabilities	\$ 86,580,731	\$ 80,386,647
District Equity		
Revenue from Operations	\$ (1,886,864)	\$ (2,657,525)
Retained Earnings	94,655,397	94,655,397
Total Liabilities and District Equity	\$ 179,349,264	\$ 172,384,519

BALANCE SHEET AS OF JULY 30, 2016



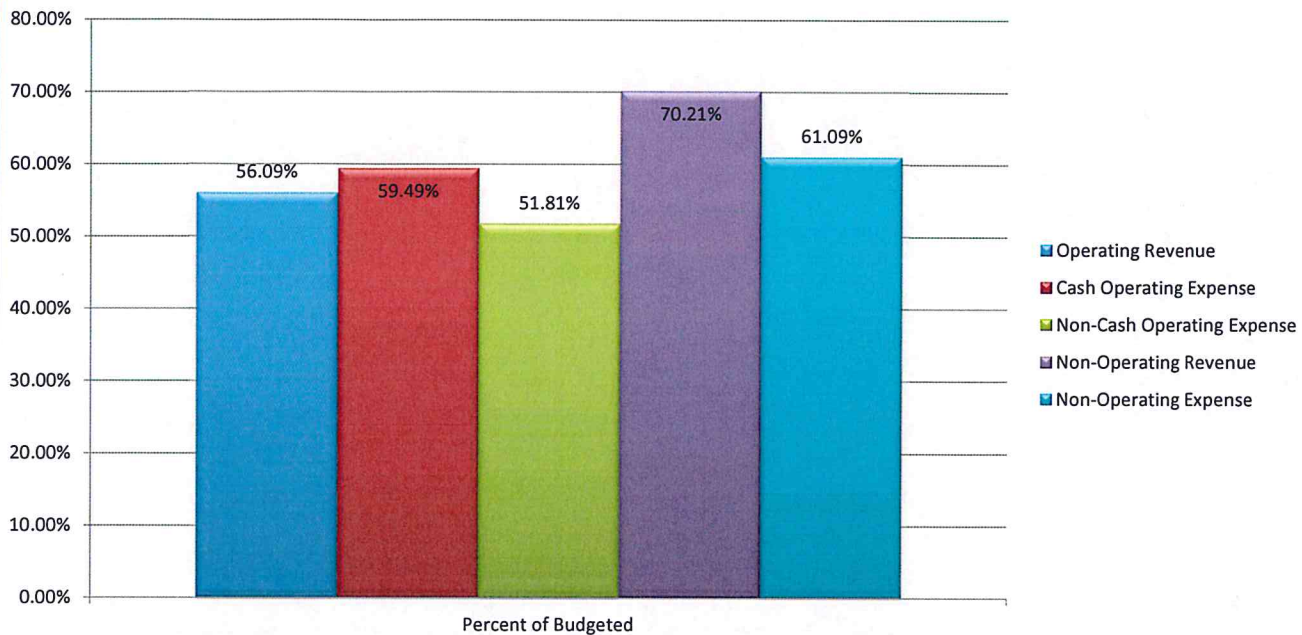
Palmdale Water District
Consolidated Profit and Loss Statement
For the Seven Months Ending 7/31/2016

	Thru June	July	Year-to-Date	Adjustments	Adjusted Budget	% of Budget
Operating Revenue:						
Wholesale Water	\$ 56,156	\$ 1,953	\$ 58,108		\$ 160,000	36.32%
Water Sales	2,486,348	882,839	3,369,187		7,242,000	46.52%
Meter Fees	6,082,948	1,016,145	7,099,093		12,079,000	58.77%
Water Quality Fees	339,735	108,103	447,838		934,500	47.92%
Elevation Fees	131,004	45,709	176,713		400,000	44.18%
Other (Page 3-1)	359,422	63,435	422,857		860,000	49.17%
Drought Surcharge	380,311	203,554	583,865		-	
Total Operating Revenue	\$ 9,835,925	\$ 2,321,738	\$ 12,157,662	\$ -	\$ 21,675,500	56.09%
Cash Operating Expenses:						
Directors	\$ 83,131	\$ 6,196	\$ 89,328		\$ 145,750	61.29%
Administration-Services	783,253	166,240	949,494		1,588,750	59.76%
Administration-District	785,830	15,264	801,094		1,612,750	49.67%
Engineering	609,286	107,998	717,284		1,279,250	56.07%
Facilities	3,355,102	533,481	3,888,583		6,513,750	59.70%
Operations	1,277,619	298,304	1,575,923		2,449,250	64.34%
Finance	613,924	108,476	722,400		1,168,250	61.84%
Water Conservation	121,826	17,841	139,667		239,250	58.38%
Human Resources	203,626	23,632	227,258		420,350	54.06%
Information Technology	362,899	75,992	438,891		867,750	50.58%
Customer Care	719,479	114,427	833,906		1,386,750	60.13%
Source of Supply-Purchased Water	898,781	11,776	910,557		1,725,000	52.79%
Plant Expenditures	231,509	48,656	280,165		-	
GAC Filter Media Replacement	521,064	-	521,064		934,500	55.76%
Total Cash Operating Expenses	\$ 10,567,330	\$ 1,528,284	\$ 12,095,614	\$ -	\$ 20,331,350	59.49%
Net Cash Operating Profit/(Loss)	\$ (731,406)	\$ 793,454	\$ 62,048	\$ -	\$ 1,344,150	4.62%
Non-Cash Operating Expenses:						
Depreciation	\$ 2,868,543	\$ 456,107	\$ 3,324,650		\$ 7,200,000	46.18%
OPEB Accrual Expense	1,371,021	-	1,371,021		2,250,000	60.93%
Bad Debts	55,014	14,334	69,347		50,000	138.69%
Service Costs Construction	46,795	34,572	81,367		125,000	65.09%
Capitalized Construction	(347,924)	(30,136)	(378,060)		(1,000,000)	37.81%
Total Non-Cash Operating Expenses	\$ 3,993,449	\$ 474,877	\$ 4,468,326	\$ -	\$ 8,625,000	51.81%
Net Operating Profit/(Loss)	\$ (4,724,855)	\$ 318,577	\$ (4,406,277)	\$ -	\$ (7,280,850)	60.52%
Non-Operating Revenues:						
Assessments (Debt Service)	\$ 2,680,250	\$ 440,417	\$ 3,120,667		\$ 4,670,000	66.82%
Assessments (1%)	1,177,601	142,917	1,320,518		2,025,000	65.21%
DWR Fixed Charge Recovery	135,765	(926)	134,839		200,000	67.42%
Interest	57,934	3,178	61,112		35,000	174.61%
Capital Improvement Fees	-	234,459	234,459		50,000	468.92%
Grants - State and Federal	306,915	-	306,915		485,000	63.28%
Other	124,595	21,977	146,571		120,000	122.14%
Total Non-Operating Revenues	\$ 4,483,059	\$ 842,021	\$ 5,325,081	\$ -	\$ 7,585,000	70.21%
Non-Operating Expenses:						
Interest on Long-Term Debt	\$ 1,116,601	\$ 184,638	\$ 1,301,239		\$ 2,228,000	58.40%
Amortization of SWP	1,181,379	196,900	1,378,280		2,238,000	61.59%
Change in Investments in PRWA	105,316	-	105,316		-	
Water Conservation Programs	11,243	9,590	20,833		126,500	16.47%
Total Non-Operating Expenses	\$ 2,414,540	\$ 391,128	\$ 2,805,668	\$ -	\$ 4,592,500	61.09%
Net Earnings	\$ (2,656,335)	\$ 769,471	\$ (1,886,864)	\$ -	\$ (4,288,350)	44.00%

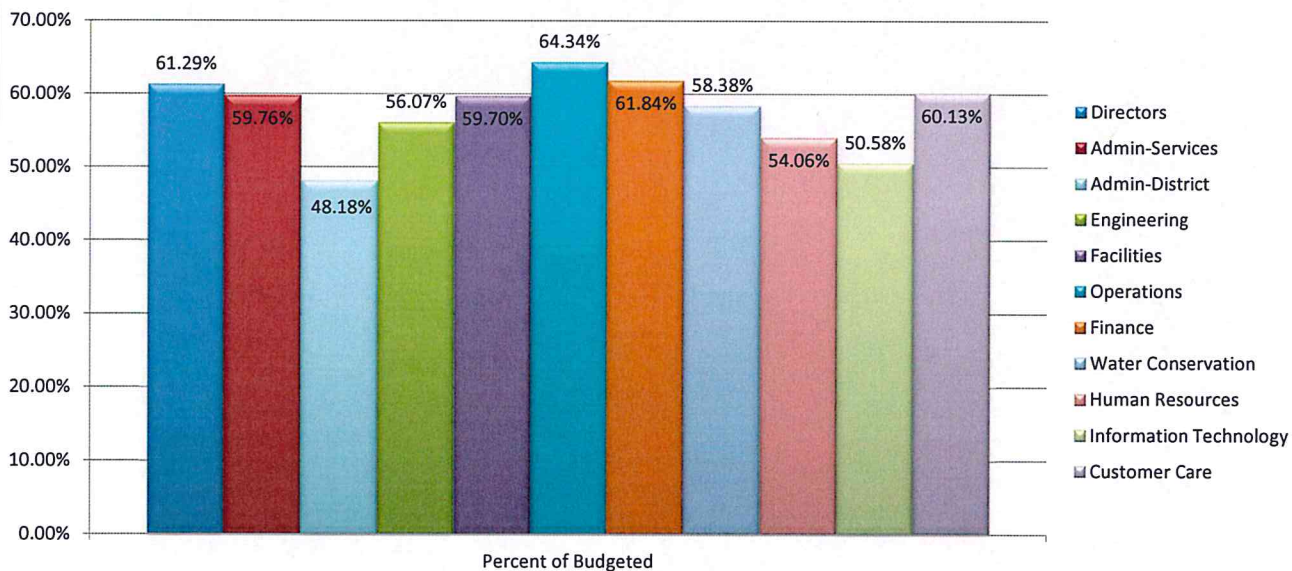
OTHER OPERATING REVENUE

	Current	YTD
Account Setup Charge(\$25)	\$4,250.00	\$26,385.00
Customer Request Turn On/Off(\$15)	\$0.00	\$15.00
Account Setup Charge/CC (\$35)	\$0.00	\$1,085.00
5/8" Meter W/Itron Assembly(\$212)	\$0.00	(\$212.00)
After Hours Service Call	\$15.00	\$540.00
Credit Check(\$10)	\$0.00	\$690.00
ERT (87.20)	\$0.00	\$87.20
Grind Down Angle Stop (\$230)	\$0.00	(\$230.00)
Lock Broken or Missing(\$15)	\$75.00	\$405.00
Miscellaneous Charge	\$0.00	\$931.70
Non-Compliance Fee Backflow(\$50)	\$0.00	\$600.00
Pulled Meter Service Charge(\$60)	\$120.00	\$660.00
Rejected Payment Notification	\$320.00	\$2,020.00
Repair Angle Stop After Hours(\$600.00)	\$0.00	\$0.00
Repair Angle Stop(\$440.00)	\$880.00	\$5,280.00
Shut-Off Charge(\$30)	\$6,210.00	\$43,170.00
Shut-Off Notice Fee (\$5)	\$7,845.00	\$57,350.00
Standard Trip Charge(\$15)	\$180.00	\$1,440.00
Waste Water 1st Notice(\$50.00)	\$450.00	\$6,150.00
Waste Water 2nd Notice (\$250.00)	\$0.00	(\$250.00)
Late Fees	\$34,344.40	\$220,026.39
NSF Fee	\$400.00	\$2,850.00

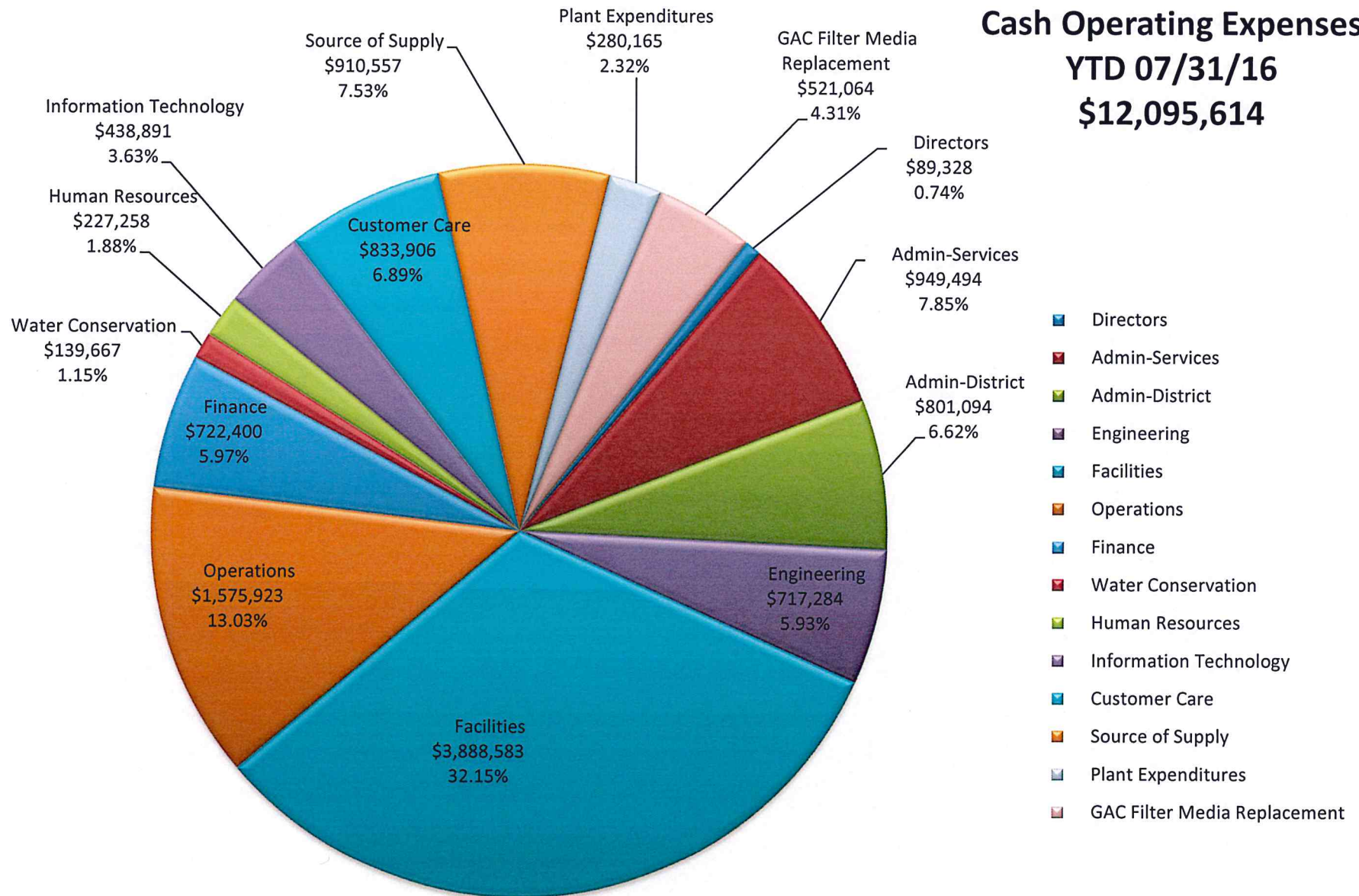
P & L BUDGET vs. ACTUAL



DEPARTMENTAL - BUDGET vs. ACTUAL



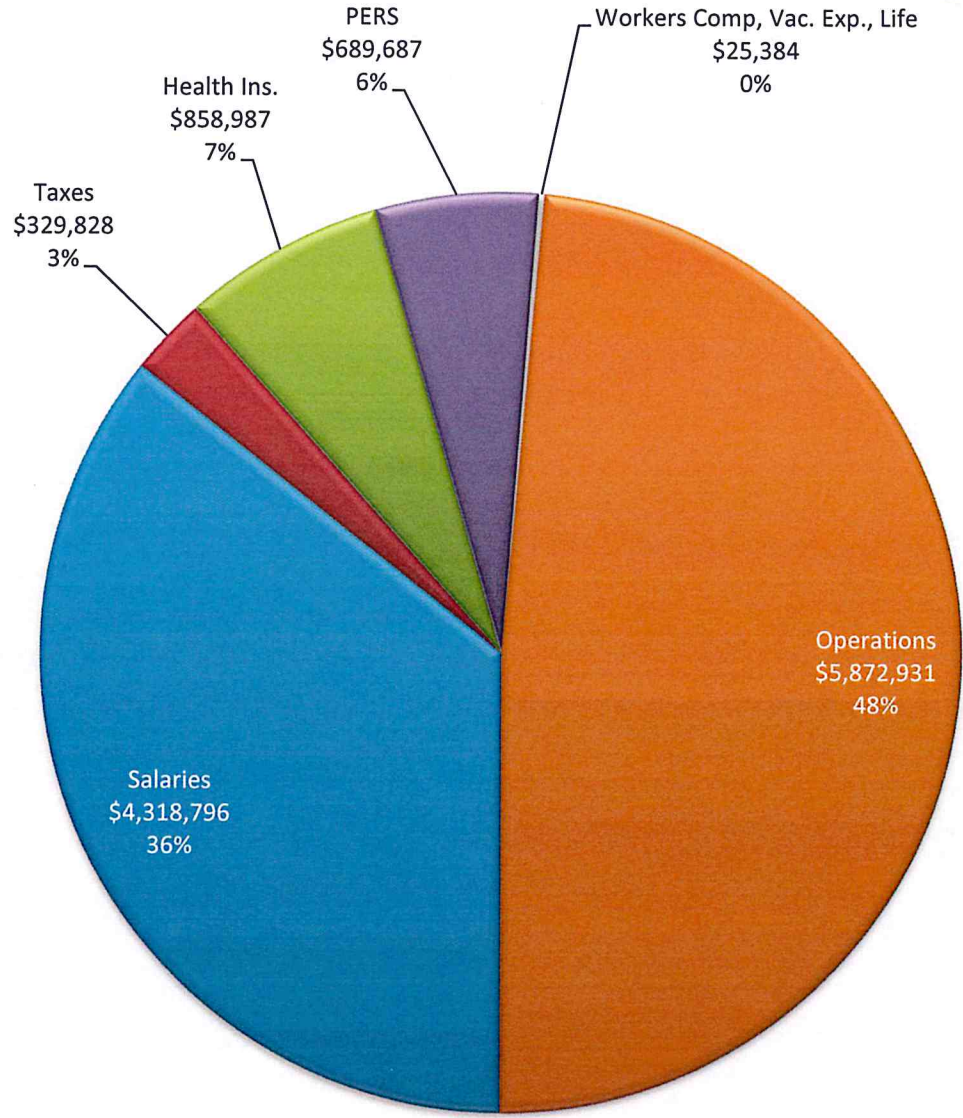
Cash Operating Expenses YTD 07/31/16 \$12,095,614



Personnel to Operations Exp

YTD 07/31/16

\$12,095,614



- Salaries
- Taxes
- Health Ins.
- PERS
- Workers Comp, Vac. Exp., Life
- Operations

**Palmdale Water District
Profit and Loss Statement
Year-To-Year Comparison - July**

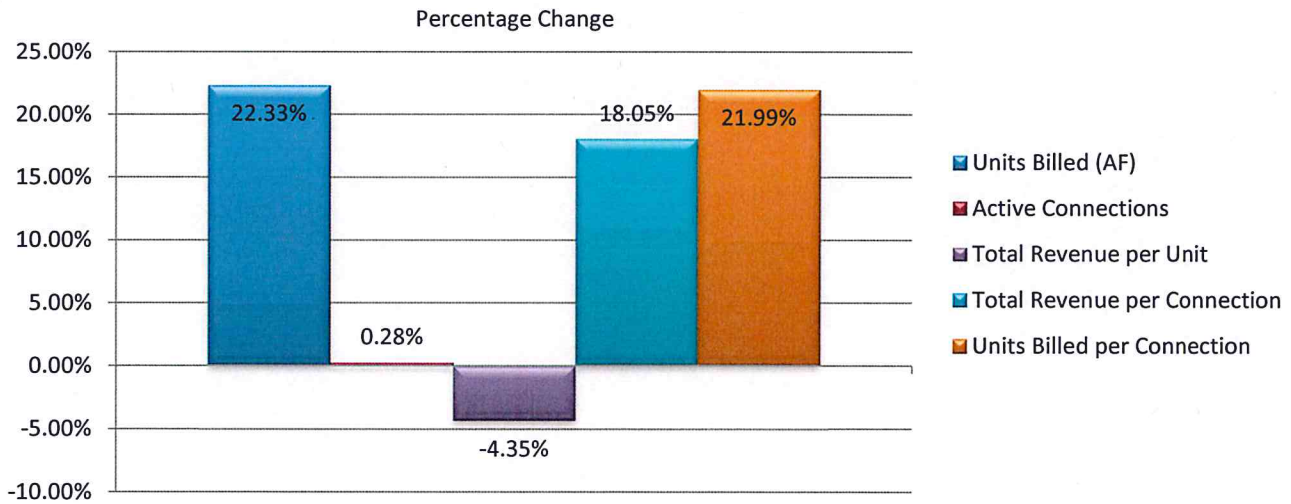
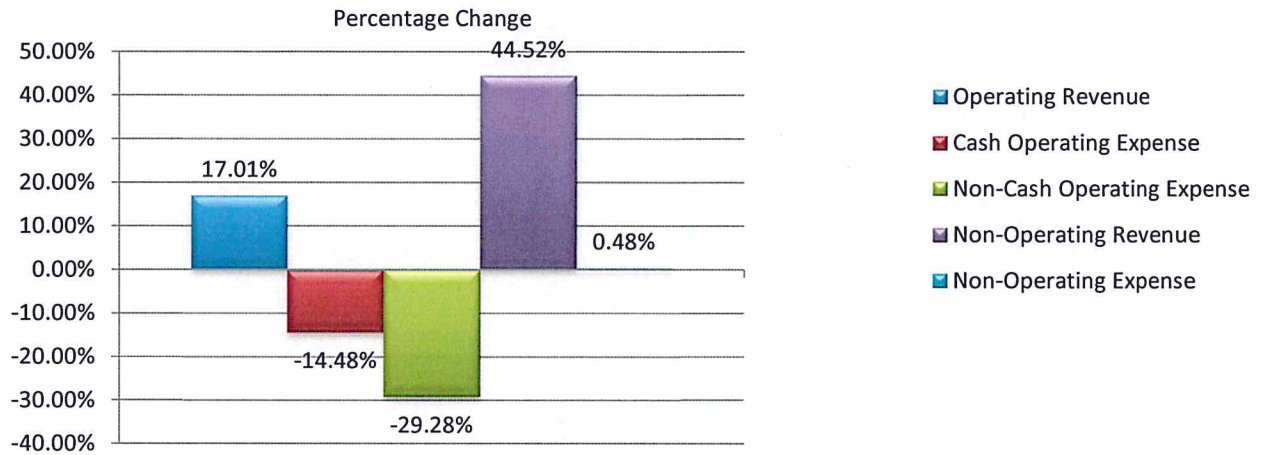
					Consumption Comparison		
	2015 July	2016 July	Change	%	Units Billed	2015	2016
Operating Revenue:							
Wholesale Water	\$ -	\$ 1,953	\$ 1,953		Active	26,518	26,592
Water Sales	628,351	882,839	254,488	40.50%	Vacant	859	813
Meter Fees	972,174	1,016,145	43,971	4.52%			
Water Quality Fees	94,615	108,103	13,488	14.26%			
Elevation Fees	40,529	45,709	5,180	12.78%	Rev/unit	\$ 2.92	\$ 2.79
Other	102,185	63,435	(38,750)	-37.92%	Rev/con	\$ 65.45	\$ 77.27
Drought Surcharge	146,366	203,554	57,188	39.07%	Unit/con	25.63	31.27
Total Operating Revenue	\$ 1,984,220	\$ 2,321,738	\$ 337,518	17.01%			
Cash Operating Expenses:							
Directors	\$ 10,260	\$ 6,196	\$ (4,063)	-39.60%			
Administration-Services	149,756	166,240	31,748	21.20%			
Administration-District	-	15,264					
Engineering	172,447	107,998	(64,449)	-37.37%			
Facilities	638,102	533,481	(104,621)	-16.40%			
Operations	277,077	298,304	21,227	7.66%			
Finance	153,138	108,476	(44,661)	-29.16%			
Water Conservation	32,140	17,841	(14,299)	-44.49%			
Human Resources	39,445	23,632	(15,813)	-40.09%			
Information Technology	147,018	75,992	(71,026)	-48.31%			
Customer Care	166,857	114,427	(52,430)	-31.42%			
Source of Supply-Purchased Water	11,509	11,776	267	2.32%			
Plant Expenditures	(10,742)	48,656	59,399	-552.94%			
GAC Filter Media Replacement	-	-	-				
Total Cash Operating Expenses	\$ 1,787,005	\$ 1,528,284	\$ (258,722)	-14.48%			
Non-Cash Operating Expenses:							
Depreciation	\$ 535,911	\$ 456,107	\$ (79,804)	-14.89%			
OPEB Accrual Expense	183,580	-	(183,580)	-100.00%			
Bad Debts	3,166	14,334	11,168	352.79%			
Service Costs Construction	1,489	34,572	33,084	2222.15%			
Capitalized Construction	(52,698)	(30,136)	22,561	-42.81%			
Total Non-Cash Operating Expenses	\$ 671,448	\$ 474,877	\$ (196,571)	-29.28%			
Net Operating Profit/(Loss)	\$ (474,233)	\$ 318,577	\$ 792,810	-167.18%			
Non-Operating Revenues:							
Assessments (Debt Service)	\$ 443,333	\$ 440,417	\$ (2,917)	-0.66%			
Assessments (1%)	140,000	142,917	2,917	2.08%			
DWR Fixed Charge Recovery	-	(926)	(926)				
Interest	(739)	3,178	3,917	-529.77%			
Capital Improvement Fees	-	234,459	234,459				
Grants - State and Federal	-	-	-				
Other	32	21,977	21,944				
Total Non-Operating Revenues	\$ 582,626	\$ 842,021	\$ 259,395	44.52%			
Non-Operating Expenses:							
Interest on Long-Term Debt	\$ 189,248	\$ 184,638	\$ (4,610)	-2.44%			
Amortization of SWP	172,877	196,900	24,023	13.90%			
Change in Investments in PRWA	-	-	-				
Water Conservation Programs	27,117	9,590	(17,527)	-64.63%			
Total Non-Operating Expenses	\$ 389,242	\$ 391,128	\$ 1,886	0.48%			
Net Earnings	\$ (280,849)	\$ 769,471	\$ 1,050,320	-373.98%			

Palmdale Water District
Profit and Loss Statement
Year-To-Year Comparison-2 Years - July

	2014	2016	Change	% Change	Consumption Comparison		
	July	July			2014	2016	Units Billed
Operating Revenue:							
Wholesale Water	\$ 43,402	\$ 1,953	\$ (41,450)	-95.50%	Active	938,344	831,559
Water Sales	974,152	882,839	(91,312)	-9.37%	Vacant	26,455	26,592
Meter Fees	947,584	1,016,145	68,561	7.24%		914	813
Water Quality Fees	185,525	108,103	(77,422)	-41.73%	Rev/unit	\$ 2.47	\$ 2.79
Elevation Fees	59,200	45,709	(13,491)	-22.79%	Rev/con	\$ 83.53	\$ 77.27
Other	105,068	63,435	(41,633)	-39.62%	Unit/con	35.47	31.27
Drought Surcharge	-	203,554	203,554				
Total Operating Revenue	\$ 2,314,930	\$ 2,321,738	\$ 6,807	0.29%			
Cash Operating Expenses:							
Directors	\$ 15,532	\$ 6,196	\$ (9,336)	-60.11%			
Administration-Services	243,191	166,240	(61,687)	-25.37%			
Administration-District	-	15,264					
Engineering	126,181	107,998	(18,184)	-14.41%			
Facilities	346,414	533,481	187,067	54.00%			
Operations	557,331	298,304	(259,027)	-46.48%			
Finance	290,520	108,476	(182,044)	-62.66%			
Water Conservation	11,237	17,841	6,604	58.77%			
Human Resources	27,850	23,632	(4,218)	-15.14%			
Information Technology	62,346	75,992	13,647	21.89%			
Customer Care	-	114,427	114,427				
Source of Supply-Purchased Water	(267,839)	11,776	279,615	-104.40%			
Plant Expenditures	58,223	48,656	(9,567)	-16.43%			
GAC Filter Media Replacement	-	-	-				
Total Cash Operating Expenses	\$ 1,470,988	\$ 1,528,284	\$ 57,296	3.90%			
Non-Cash Operating Expenses:							
Depreciation	\$ 1,006,510	\$ 456,107	\$ (550,403)	-54.68%			
OPEB Accrual Expense	166,875	-	(166,875)	-100.00%			
Bad Debts	172	14,334	14,161	8219.03%			
Service Costs Construction	(137,158)	34,572	171,731	-125.21%			
Capitalized Construction	(225,819)	(30,136)	195,683	-86.65%			
Total Non-Cash Operating Expenses	\$ 810,580	\$ 474,877	\$ (335,704)	-41.42%			
Net Operating Profit/(Loss)	\$ 33,362	\$ 318,577	\$ 285,215	854.90%			
Non-Operating Revenues:							
Assessments (Debt Service)	\$ 63,234	\$ 440,417	\$ 377,183	596.49%			
Assessments (1%)	16,971	142,917	125,945	742.10%			
DWR Fixed Charge Recovery	-	(926)	(926)				
Interest	2,543	3,178	635	24.99%			
Capital Improvement Fees	-	234,459	234,459				
Grants - State and Federal	-	-	-				
Other	14,145	21,977	7,832	55.37%			
Total Non-Operating Revenues	\$ 96,893	\$ 842,021	\$ 745,129	769.03%			
Non-Operating Expenses:							
Interest on Long-Term Debt	\$ 194,872	\$ 184,638	\$ (10,235)	-5.25%			
Amortization of SWP	159,510	196,900	37,390	23.44%			
Change in Investments in PRWA	-	-	-				
Water Conservation Programs	11,274	9,590	(1,684)	-14.94%			
Total Non-Operating Expenses	\$ 365,656	\$ 391,128	\$ 25,472	6.97%			
Net Earnings	\$ (235,401)	\$ 769,471	\$ 1,004,873	-426.88%			

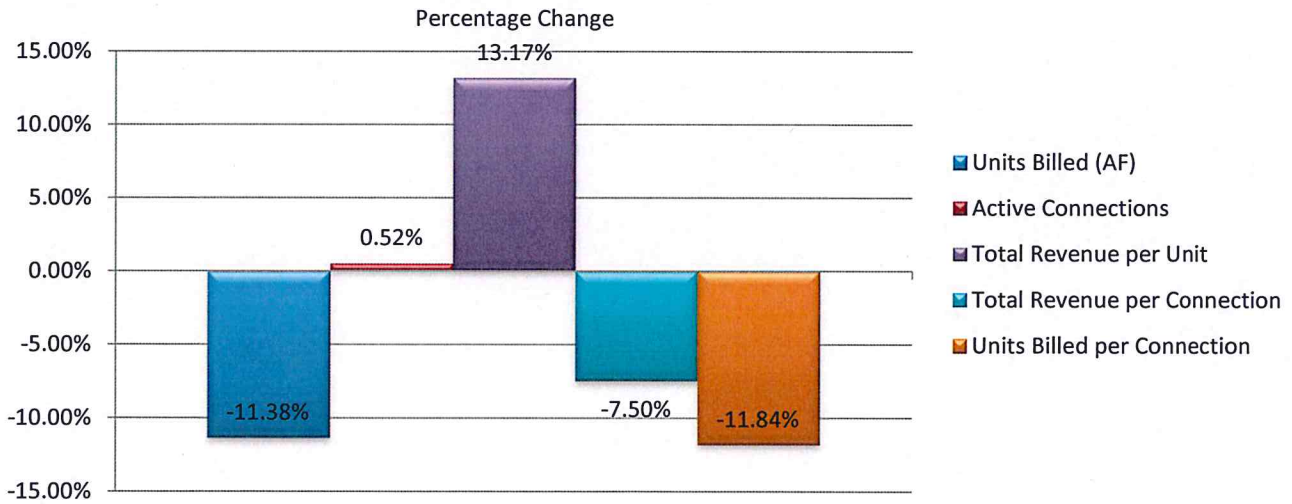
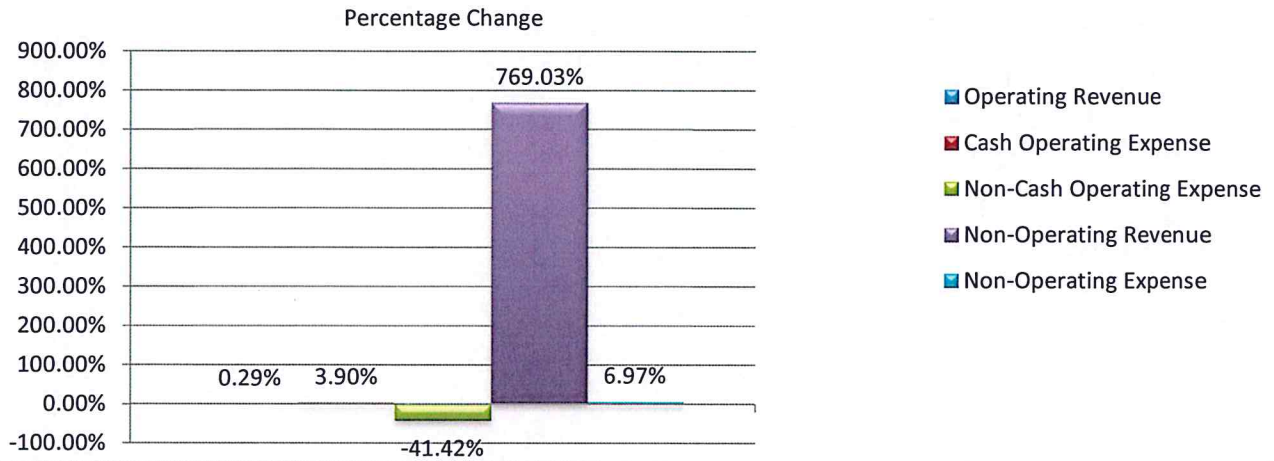
YEAR-TO-YEAR COMPARISON

July 2015 -To - July 2016



	2015	2016	Change	
Units Billed (AF)	1,561	1,909	348	22.33%
Active Connections	26,518	26,592	74	0.28%
Non-Active	859	813	-46	-5.36%
Total Revenue per Unit	\$2.92	\$2.79	-\$0.13	-4.35%
Total Revenue per Connection	\$65.45	\$77.27	\$11.82	18.05%
Units Billed per Connection	25.63	31.27	5.64	21.99%

YEAR-TO-YEAR COMPARISON July 2014 -To - July 2016



	2014	2016	Change	
Units Billed (AF)	2,154	1,909	-245	-11.38%
Active Connections	26,455	26,592	137	0.52%
Non-Active	914	813	-101	-11.05%
Total Revenue per Unit	\$2.47	\$2.79	\$0.32	13.17%
Total Revenue per Connection	\$83.53	\$77.27	-\$6.26	-7.50%
Units Billed per Connection	35.47	31.27	-4.20	-11.84%

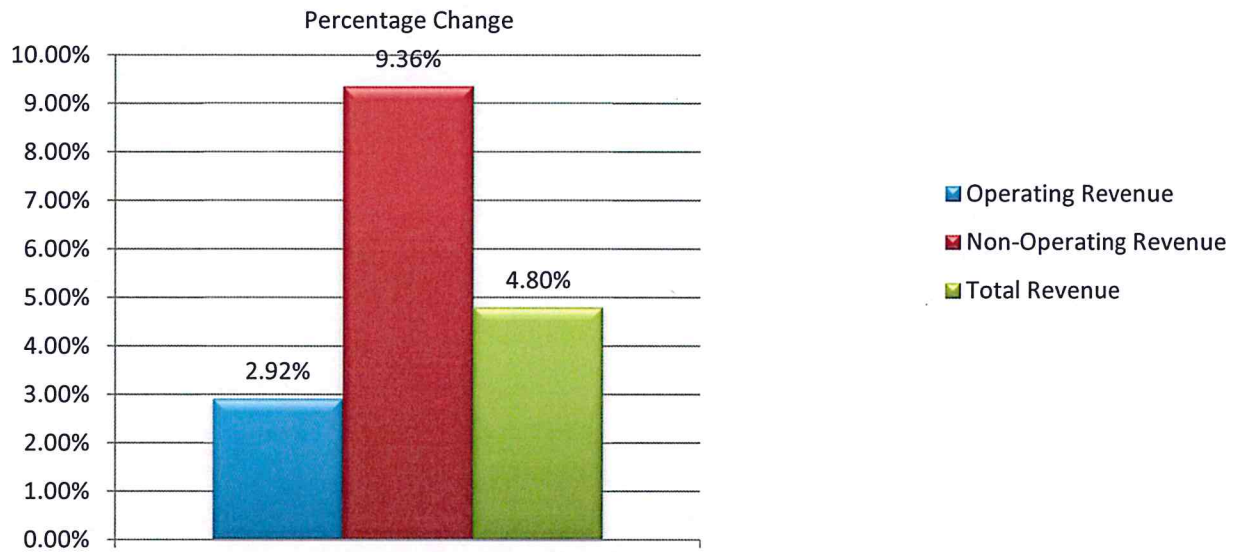
Palmdale Water District
Revenue Analysis
For the Seven Months Ending 7/31/2016

	2016					2015 to 2016 Comparison			
	Thru June	July	Year-to-Date	Adjusted Budget	% of Budget	Thru June	July	Year-to-Date	% Change
Operating Revenue:									
Wholesale Water	\$ 56,156	\$ 1,953	\$ 58,108	\$ 160,000	36.32%	\$ 45,435	\$ 1,953	\$ 47,388	442.04%
Water Sales	2,486,348	882,839	3,369,187	7,242,000	46.52%	(356,037)	254,488	(101,549)	-2.93%
Meter Fees	6,082,948	1,016,145	7,099,093	12,079,000	58.77%	256,127	43,971	300,098	4.41%
Water Quality Fees	339,735	108,103	447,838	934,500	47.92%	(67,329)	13,488	(53,841)	-10.73%
Elevation Fees	131,004	45,709	176,713	400,000	44.18%	(34,351)	5,180	(29,171)	-14.17%
Other	359,422	63,435	422,857	860,000	49.17%	(216,668)	(38,750)	(255,417)	-37.66%
Drought Surcharge	380,311	203,554	583,865	-		380,311	57,188	437,499	
Total Water Sales	\$ 9,835,925	\$ 2,321,738	\$ 12,157,662	\$ 21,675,500	56.09%	\$ 7,489	\$ 337,518	\$ 345,007	2.92%
Non-Operating Revenues:									
Assessments (Debt Service)	\$ 2,680,250	\$ 440,417	\$ 3,120,667	\$ 4,670,000	66.82%	\$ 1,250	\$ (2,917)	\$ (1,667)	-0.05%
Assessments (1%)	1,177,601	142,917	1,320,518	2,025,000	65.21%	401	2,917	3,317	0.25%
DWR Fixed Charge Recovery	135,765	(926)	134,839	200,000	67.42%	(117,967)	(926)	(118,893)	-46.86%
Interest	57,934	3,178	61,112	35,000	174.61%	31,016	3,917	34,933	133.44%
Capital Improvement Fees	-	234,459	234,459	50,000	468.92%	(138,702)	234,459	95,757	69.04%
Grants - State and Federal	306,915	-	306,915	485,000	63.28%	306,915	-	306,915	
Other	124,595	21,977	146,571	120,000	122.14%	113,403	21,944	135,347	1205.88%
Total Non-Operating Revenues	\$ 4,483,059	\$ 842,021	\$ 5,325,081	\$ 7,585,000	70.21%	\$ 196,315	\$ 259,395	\$ 455,710	9.36%
Total Revenue	\$ 14,318,984	\$ 3,163,759	\$ 17,482,743	\$ 29,260,500	59.75%	\$ 203,804	\$ 596,913	\$ 800,717	4.80%

	2015				
	Thru June	July	Year-to-Date	Adjusted Budget	% of Budget
Operating Revenue:					
Wholesale Water	\$ 10,720	\$ -	\$ 10,720	\$ 225,000	4.76%
Water Sales	2,842,386	628,351	3,470,737	8,550,500	40.59%
Meter Fees	5,826,821	972,174	6,798,995	11,506,000	59.09%
Water Quality Fees	407,064	94,615	501,679	1,146,500	43.76%
Elevation Fees	165,355	40,529	205,884	525,000	39.22%
Other	576,090	102,185	678,275	1,450,000	46.78%
Drought Surcharge	-	146,366	146,366	-	
Total Water Sales	\$ 9,817,715	\$ 1,984,220	\$ 11,801,935	\$ 23,178,000	50.92%
Non-Operating Revenues:					
Assessments (Debt Service)	\$ 2,679,000	\$ 443,333	\$ 3,122,333	\$ 5,100,000	61.22%
Assessments (1%)	1,177,200	140,000	1,317,200	1,950,000	67.55%
DWR Fixed Charge Recovery	253,732	-	253,732	100,000	253.73%
Interest	26,918	(739)	26,179	35,000	74.80%
Capital Improvement Fees	138,702	-	138,702	50,000	277.40%
Grants - State and Federal	-	-	-	-	
Other	11,192	32	11,224	5,000	224.48%
Total Non-Operating Revenues	\$ 4,286,745	\$ 582,626	\$ 4,869,371	\$ 7,240,000	67.26%
Total Revenue	\$ 14,104,460	\$ 2,566,846	\$ 16,671,306	\$ 30,418,000	54.81%

REVENUE COMPARISON YEAR-TO-DATE

July 2015-To-July 2016



**Palmdale Water District
Operating Expense Analysis
For the Seven Months Ending 7/31/2016**

2016

2015 to 2016 Comparison

	2016					2015 to 2016 Comparison			
	Thru June	July	Year-to-Date	Adjusted Budget	% of Budget	Thru June	July	Year-to-Date	% Change
Cash Operating Expenses:									
Directors	\$ 83,131	\$ 6,196	\$ 89,328	\$ 145,750	61.29%	\$ 14,813	\$ (4,063)	\$ 10,750	13.68%
Administration-Services	783,253	166,240	949,494	1,588,750	59.76%	115,352	31,748	147,100	9.17%
Administration-District	785,830	15,264	801,094	1,612,750	49.67%				
Engineering	609,286	107,998	717,284	1,279,250	56.07%	15,583	(64,449)	(48,866)	-6.38%
Facilities	3,355,102	533,481	3,888,583	6,513,750	59.70%	649,548	(104,621)	544,927	16.30%
Operations	1,277,619	298,304	1,575,923	2,449,250	64.34%	139,897	21,227	161,124	11.39%
Finance	613,924	108,476	722,400	1,168,250	61.84%	(320,500)	(44,661)	(365,161)	-33.58%
Water Conservation	121,826	17,841	139,667	239,250	58.38%	(10,083)	(14,299)	(24,382)	-14.86%
Human Resources	203,626	23,632	227,258	420,350	54.06%	(8,827)	(15,813)	(24,640)	-9.78%
Information Technology	362,899	75,992	438,891	867,750	50.58%	21,141	(71,026)	(49,885)	-10.21%
Customer Care	719,479	114,427	833,906	1,386,750	60.13%	287,193	(52,430)	234,763	39.18%
Source of Supply-Purchased Water	898,781	11,776	910,557	1,725,000	52.79%	177,123	267	177,390	16.03%
Plant Expenditures	231,509	48,656	280,165	-		(171,773)	59,399	(112,375)	-28.63%
GAC Filter Media Replacement	521,064	-	521,064	934,500	55.76%	(74,980)	-	(74,980)	-12.58%
Total Cash Operating Expenses	\$ 10,567,330	\$ 1,528,284	\$ 12,095,614	\$ 20,331,350	59.49%	\$ 834,487	\$ (258,722)	\$ 575,766	4.76%
Non-Cash Operating Expenses:									
Depreciation	\$ 2,868,543	\$ 456,107	\$ 3,324,650	\$ 7,200,000	46.18%	\$ (338,014)	\$ (79,804)	\$ (417,818)	-11.16%
OPEB Accrual Expense	1,371,021	-	1,371,021	2,250,000	60.93%	269,541	(183,580)	85,961	6.69%
Bad Debts	55,014	14,334	69,347	50,000	138.69%	51,599	11,168	62,767	953.91%
Service Costs Construction	46,795	34,572	81,367	125,000	65.09%	20,801	33,084	53,885	196.07%
Capitalized Construction	(347,924)	(30,136)	(378,060)	(1,000,000)	37.81%	212,656	22,561	235,218	-38.35%
Total Non-Cash Operating Expenses	\$ 3,993,449	\$ 474,877	\$ 4,468,326	\$ 8,625,000	51.81%	\$ 216,585	\$ (196,571)	\$ 20,013	0.45%
Non-Operating Expenses:									
Interest on Long-Term Debt	\$ 1,116,601	\$ 184,638	\$ 1,301,239	\$ 2,228,000	58.40%	\$ (23,950)	\$ (4,610)	\$ (28,560)	-2.15%
Amortization of SWP	1,181,379	196,900	1,378,280	2,238,000	61.59%	144,118	24,023	168,141	13.89%
Change in Investments in PRWA	105,316	-	105,316	-		91,311	-	91,311	
Water Conservation Programs	11,243	9,590	20,833	126,500	16.47%	(103,288)	(17,527)	(120,815)	-85.29%
Total Non-Operating Expenses	\$ 2,414,540	\$ 391,128	\$ 2,805,668	\$ 4,592,500	61.09%	\$ 108,191	\$ 1,886	\$ 110,077	4.08%
Total Expenses	\$ 16,975,319	\$ 2,394,288	\$ 19,369,607	\$ 33,548,850	57.74%	\$ 1,159,263	\$ (453,407)	\$ 705,856	3.78%

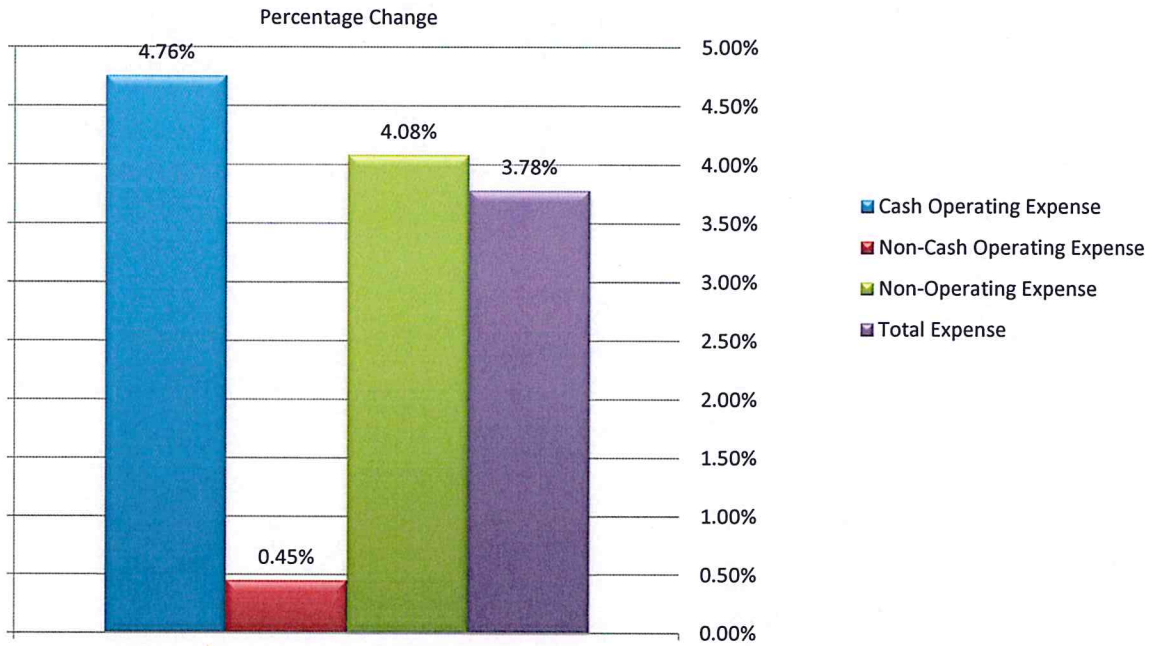
**Palmdale Water District
Operating Expense Analysis
For the Seven Months Ending 7/31/2016**

2015 to 2016 Comparison

	2015				
	Thru June	July	Year-to-Date	Adjusted Budget	% of Budget
Cash Operating Expenses:					
Directors	\$ 68,318	\$ 10,260	\$ 78,578	\$ 118,500	66.31%
Administration-Services	1,453,731	149,756	1,603,487	2,667,250	60.12%
Administration-District	-	-	-	-	-
Engineering	593,703	172,447	766,150	1,252,750	61.16%
Facilities	2,705,554	638,102	3,343,656	5,998,000	55.75%
Operations	1,137,722	277,077	1,414,798	2,624,000	53.92%
Finance	934,424	153,138	1,087,561	2,950,750	36.86%
Water Conservation	131,909	32,140	164,049	284,000	57.76%
Human Resources	212,453	39,445	251,898	326,100	77.25%
Information Technology	341,758	147,018	488,776	782,750	62.44%
Customer Care	432,286	166,857	599,143	-	-
Source of Supply-Purchased Water	1,094,780	11,509	1,106,289	2,400,000	46.10%
Water Purchases-Prior Year OAP	(36,045)	-	(36,045)	250,000	-14.42%
Water Recovery	(337,077)	-	(337,077)	(100,000)	337.08%
Plant Expenditures	403,283	(10,742)	392,540	1,146,500	34.24%
GAC Filter Media Replacement	596,045	-	596,045	1,896,000	31.44%
Total Cash Operating Expenses	\$ 9,732,843	\$ 1,787,005	\$ 11,519,848	\$ 22,596,600	50.98%
Non-Cash Operating Expenses:					
Depreciation	\$ 3,206,557	\$ 535,911	\$ 3,742,468	\$ 6,450,000	58.02%
OPEB Accrual Expense	1,101,480	183,580	1,285,060	2,000,000	64.25%
Bad Debts	3,414	3,166	6,580	100,000	6.58%
Service Costs Construction	25,993	1,489	27,482	125,000	21.99%
Capitalized Construction	(560,580)	(52,698)	(613,278)	(1,000,000)	61.33%
Total Non-Cash Operating Expenses	\$ 3,776,864	\$ 671,448	\$ 4,448,312	\$ 7,675,000	57.96%
Non-Operating Expenses:					
Interest on Long-Term Debt	\$ 1,140,551	\$ 189,248	\$ 1,329,799	\$ 2,111,000	62.99%
Amortization of SWP	1,037,262	172,877	1,210,139	1,679,000	72.07%
Change in Investments in PRWA	14,005	-	14,005	-	-
Water Conservation Programs	114,531	27,117	141,648	200,000	70.82%
Total Non-Operating Expenses	\$ 2,306,349	\$ 389,242	\$ 2,695,591	\$ 3,990,000	67.56%
Total Expenses	\$ 15,816,056	\$ 2,847,695	\$ 18,663,751	\$ 34,261,600	54.47%

EXPENSE COMPARISON YEAR-TO-DATE

July 2015-To-July 2016



Palmdale Water District
2016 Directors Budget
For the Seven Months Ending Sunday, July 31, 2016

	YTD ACTUAL 2016	ORIGINAL BUDGET 2016	ADJUSTMENTS 2016	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-01-4000-000 Directors Pay	\$ 31,800	\$ 50,000	\$ -	\$ 18,200	63.60%
Employee Benefits					
1-01-4005-000 Payroll Taxes	2,433	5,500		3,067	44.23%
1-01-4010-000 Health Insurance	44,922	76,250		31,328	58.91%
Subtotal (Benefits)	47,355	81,750	-	31,328	57.93%
Total Personnel Expenses	<u>\$ 79,155</u>	<u>\$ 131,750</u>	<u>\$ -</u>	<u>\$ 49,528</u>	<u>60.08%</u>
OPERATING EXPENSES:					
1-01-4050-000 Directors Travel, Seminars & Meetings	10,173	14,000		3,827	72.66%
Subtotal Operating Expenses	10,173	14,000	-	3,827	72.66%
Total O & M Expenses	<u>\$ 89,328</u>	<u>\$ 145,750</u>	<u>\$ -</u>	<u>\$ 53,355</u>	<u>61.29%</u>

Palmdale Water District
2016 Administration Services Budget
For the Seven Months Ending Sunday, July 31, 2016

	YTD ACTUAL 2016	ORIGINAL BUDGET 2016	ADJUSTMENTS 2016	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-02-4000-000 Salaries	\$ 578,837	\$ 982,000		\$ 403,163	58.94%
1-02-4000-100 Overtime	3,429	8,250		4,821	41.57%
Subtotal (Salaries)	<u>\$ 582,266</u>	<u>\$ 990,250</u>	\$ -	<u>\$ 407,984</u>	<u>58.80%</u>
Employee Benefits					
1-02-4005-000 Payroll Taxes	\$ 43,006	\$ 74,000		30,994	58.12%
1-02-4010-000 Health Insurance	78,400	135,000		56,600	58.07%
1-02-4015-000 PERS	63,942	117,500		53,558	54.42%
Subtotal (Benefits)	<u>\$ 185,349</u>	<u>\$ 326,500</u>	\$ -	<u>\$ 141,151</u>	<u>56.77%</u>
Total Personnel Expenses	<u><u>\$ 767,615</u></u>	<u><u>\$ 1,316,750</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 549,135</u></u>	<u><u>58.30%</u></u>
OPERATING EXPENSES:					
1-02-4050-100 General Manager Travel	\$ 4,382	\$ 5,000		618	87.65%
1-02-4060-100 General Manager Conferences & Seminars	1,455	4,000		2,545	36.38%
1-02-4130-000 Bank Charges	90,218	140,000		49,782	64.44%
1-02-4150-000 Accounting Services	21,151	27,500		6,349	76.91%
1-02-4175-000 Permits	10,150	10,000		(150)	101.50%
1-02-4180-000 Postage	7,203	27,500		20,297	26.19%
1-02-4190-100 Public Relations - Publications	29,642	35,000		5,358	84.69%
1-02-4190-900 Public Relations - Other	851	1,000		149	85.12%
1-02-4200-000 Advertising	1,478	4,000		2,522	36.95%
1-02-4205-000 Office Supplies	10,015	18,000		7,985	55.64%
1-02-4210-000 Office Furniture	5,333	-		(5,333)	0.00%
Subtotal Operating Expenses	<u>\$ 181,879</u>	<u>\$ 272,000</u>	\$ -	<u>\$ 90,121</u>	<u>66.87%</u>
Total Departmental Expenses	<u><u>\$ 949,494</u></u>	<u><u>\$ 1,588,750</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 639,256</u></u>	<u><u>59.76%</u></u>

Palmdale Water District
2016 Administration District Wide Budget
For the Seven Months Ending Sunday, July 31, 2016

	YTD ACTUAL 2016	ORIGINAL BUDGET 2016	ADJUSTMENTS 2016	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-02-5070-001 On-Call	\$ 48,800	\$ 95,000		\$ 46,200	51.37%
Subtotal (Salaries)	\$ 48,800	\$ 95,000	\$ -	\$ 46,200	51.37%
Employee Benefits					
1-02-5070-002 PERS-Unfunded Liability	\$ 225,436	\$ 404,750		179,314	55.70%
1-02-5070-003 Workers Compensation	60,474	125,000		64,526	48.38%
1-02-5070-004 Vacation Benefit Expense	(38,856)	35,000		73,856	-111.02%
1-02-5070-005 Life Insurance	3,766	8,000		4,234	47.08%
Subtotal (Benefits)	\$ 250,820	\$ 572,750	\$ -	\$ 321,930	43.79%
Total Personnel Expenses	\$ 299,620	\$ 667,750	\$ -	\$ 368,130	44.87%
OPERATING EXPENSES:					
1-02-5070-006 Other Operating	\$ 15,402	\$ 20,000		4,598	77.01%
1-02-5070-007 Consultants	46,924	160,000		113,076	29.33%
1-02-5070-008 Insurance	172,425	300,000		127,575	57.47%
1-02-5070-009 Groundwater Adjudication	25,899	80,000		54,101	32.37%
1-02-5070-010 Legal Services	70,009	160,000		89,991	43.76%
1-02-5070-011 Memberships/Subscriptions	65,932	150,000		84,068	43.95%
1-02-5070-012 Elections	104,882	75,000		(29,882)	139.84%
Subtotal Operating Expenses	\$ 501,474	\$ 945,000	\$ -	\$ 443,526	53.07%
Total Departmental Expenses	\$ 801,094	\$ 1,612,750	\$ -	\$ 811,656	49.67%

Palmdale Water District
2016 Engineering Budget
For the Seven Months Ending Sunday, July 31, 2016

	YTD ACTUAL 2016	ORIGINAL BUDGET 2016	ADJUSTMENTS 2016	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-03-4000-000 Salaries	\$ 501,598	\$ 852,000		\$ 350,402	58.87%
1-03-4000-100 Overtime	3,515	6,750		3,235	52.08%
Subtotal (Salaries)	<u>\$ 505,113</u>	<u>\$ 858,750</u>		<u>\$ 353,637</u>	<u>58.82%</u>
Employee Benefits					
1-03-4005-000 Payroll Taxes	38,417	64,000		25,583	60.03%
1-03-4010-000 Health Insurance	95,596	155,000		59,404	61.67%
1-03-4015-000 PERS	56,169	101,000		44,831	55.61%
Subtotal (Benefits)	<u>\$ 190,181</u>	<u>\$ 320,000</u>	<u>\$ -</u>	<u>\$ 129,819</u>	<u>59.43%</u>
Total Personnel Expenses	<u><u>\$ 695,295</u></u>	<u><u>\$ 1,178,750</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 483,455</u></u>	<u><u>58.99%</u></u>
OPERATING EXPENSES:					
1-03-4155-000 Contracted Services	12,900	64,000		51,100	20.16%
1-03-4165-000 Memberships/Subscriptions	1,534	2,500		967	61.34%
1-03-4250-000 General Materials & Supplies	2,385	3,000		615	79.51%
1-03-8100-100 Computer Software - Maint. & Support	5,170	31,000		25,830	16.68%
Subtotal Operating Expenses	<u>\$ 21,989</u>	<u>\$ 100,500</u>	<u>\$ -</u>	<u>\$ 78,511</u>	<u>21.88%</u>
Total Departmental Expenses	<u><u>\$ 717,284</u></u>	<u><u>\$ 1,279,250</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 561,966</u></u>	<u><u>56.07%</u></u>

Palmdale Water District
2016 Facilities Budget
For the Seven Months Ending Sunday, July 31, 2016

	YTD ACTUAL 2016	ORIGINAL BUDGET 2016	ADJUSTMENTS 2016	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-04-4000-000 Salaries	\$ 1,184,642	\$ 2,083,750		\$ 899,108	56.85%
1-04-4000-100 Overtime	60,098	90,000		29,902	66.78%
Subtotal (Salaries)	\$ 1,244,739	\$ 2,173,750	\$ -	\$ 929,011	57.26%
Employee Benefits					
1-04-4005-000 Payroll Taxes	96,744	166,500		69,756	58.10%
1-04-4010-000 Health Insurance	266,824	444,500		177,676	60.03%
1-04-4015-000 PERS	129,045	257,500		128,455	50.11%
Subtotal (Benefits)	\$ 492,612	\$ 868,500	\$ -	\$ 375,888	56.72%
Total Personnel Expenses	\$ 1,737,352	\$ 3,042,250	\$ -	\$ 1,304,898	57.11%
OPERATING EXPENSES:					
1-04-4155-000 Contracted Services	\$ 421,454	\$ 488,000		\$ 66,546	86.36%
1-04-4175-000 Permits-Dams	10,985	50,000		39,015	21.97%
1-04-4215-100 Natural Gas - Wells & Boosters	107,425	225,000		117,575	47.74%
1-04-4215-200 Natural Gas - Buildings	31,733	9,000		(22,733)	352.58%
1-04-4220-100 Electricity - Wells & Boosters	704,783	1,480,000		775,217	47.62%
1-04-4220-200 Electricity - Buildings	39,344	88,000		48,656	44.71%
1-04-4225-000 Maint. & Repair - Vehicles	23,620	35,000		11,380	67.48%
1-04-4230-100 Maint. & Rep. Office Building	24,567	15,000		(9,567)	163.78%
1-04-4230-110 Maint. & Rep. Office Equipment	65	-		(65)	
1-04-4235-110 Maint. & Rep. Equipment	871	6,500		5,629	13.40%
1-04-4235-400 Maint. & Rep. Operations - Wells	65,899	75,000		9,101	87.86%
1-04-4235-405 Maint. & Rep. Operations - Boosters	43,800	50,000		6,200	87.60%
1-04-4235-410 Maint. & Rep. Operations - Shop Bldgs	4,990	10,000		5,010	49.90%
1-04-4235-415 Maint. & Rep. Operations - Facilities	21,191	15,000		(6,191)	141.27%
1-04-4235-420 Maint. & Rep. Operations - Water Lines	180,381	225,000		44,619	80.17%
1-04-4235-425 Maint. & Rep. Operations - Littlerock Dam	23,134	15,000		(8,134)	154.23%
1-04-4235-430 Maint. & Rep. Operations - Palmdale Dam	795	7,500		6,705	10.60%
1-04-4235-435 Maint. & Rep. Operations - Palmdale Canal	-	10,000		10,000	0.00%
1-04-4235-440 Maint. & Rep. Operations - Large Meters	22,340	10,000		(12,340)	223.40%
1-04-4235-445 Maint. & Rep. Operations - Telemetry	1,038	4,000		2,962	25.95%
1-04-4235-450 Maint. & Rep. Operations - Hypo Generators	-	10,000		10,000	0.00%
1-04-4235-455 Maint. & Rep. Operations - Heavy Equipment	23,596	45,000		21,404	52.44%
1-04-4235-460 Maint. & Rep. Operations - Storage Reservoirs	2,308	5,000		2,692	46.16%
1-04-4235-470 Maint. & Rep. Operations - Meters Exchanges	202,085	225,000		22,915	89.82%
1-04-4270-300 Telecommunication - Other	4,167	4,000		(167)	104.18%
1-04-4300-200 Testing - Large Meters	12,322	12,500		178	98.57%
1-04-4300-300 Testing - Edison Testing	-	30,000		30,000	0.00%
1-04-6000-000 Waste Disposal	8,847	20,000		11,153	44.23%
1-04-6100-100 Fuel and Lube - Vehicle	38,220	105,000		66,780	36.40%
1-04-6100-200 Fuel and Lube - Machinery	11,222	40,000		28,778	28.06%
1-04-6200-000 Uniforms	16,452	22,500		6,048	73.12%
1-04-6300-100 Supplies - General	33,232	47,500		14,268	69.96%
1-04-6300-200 Supplies - Hypo Generators	6,094	6,500		406	93.75%
1-04-6300-300 Supplies - Electrical	836	3,000		2,164	27.86%
1-04-6300-400 Supplies - Telemetry	203	5,000		4,797	4.07%
1-04-6300-800 Supplies - Construction Materials	37,547	35,000		(2,547)	107.28%
1-04-6400-000 Tools	15,470	25,000		9,530	61.88%
1-04-7000-100 Leases -Equipment	10,216	12,500		2,284	81.73%
Subtotal Operating Expenses	\$ 2,151,231	\$ 3,471,500	\$ -	\$ 1,320,269	61.97%
Total Departmental Expenses	\$ 3,888,583	\$ 6,513,750	\$ -	\$ 2,625,167	59.70%

Palmdale Water District
2016 Operation Budget
For the Seven Months Ending Sunday, July 31, 2016

	YTD ACTUAL 2016	ORIGINAL BUDGET 2016	ADJUSTMENTS 2016	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-05-4000-000 Salaries	\$ 619,446	\$ 1,012,500		\$ 393,054	61.18%
1-05-4000-100 Overtime	33,746	56,000		22,254	60.26%
Subtotal (Salaries)	<u>\$ 653,192</u>	<u>\$ 1,068,500</u>	<u>\$ -</u>	<u>\$ 415,308</u>	<u>61.13%</u>
Employee Benefits					
1-05-4005-000 Payroll Taxes	50,136	84,500		34,364	59.33%
1-05-4010-000 Health Insurance	114,006	183,500		69,494	62.13%
1-05-4015-000 PERS	71,423	137,750		66,327	51.85%
Subtotal (Benefits)	<u>\$ 235,565</u>	<u>\$ 405,750</u>	<u>\$ -</u>	<u>\$ 170,185</u>	<u>58.06%</u>
Total Personnel Expenses	<u><u>\$ 888,757</u></u>	<u><u>\$ 1,474,250</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 585,493</u></u>	<u><u>60.29%</u></u>
OPERATING EXPENSES:					
1-05-4155-000 Contracted Services	\$ 45,200	\$ 93,500		\$ 48,300	48.34%
1-05-4175-000 Permits	14,015	40,000		25,985	35.04%
1-05-4215-200 Natural Gas - WTP	664	3,000		2,336	22.15%
1-05-4220-200 Electricity - WTP	62,318	125,000		62,682	49.85%
1-05-4230-110 Maint. & Rep. - Office Equipment	126	500		374	25.17%
1-05-4235-110 Maint. & Rep. Operations - Equipment	11,427	11,500		73	99.37%
1-05-4235-410 Maint. & Rep. Operations - Shop Bldgs	6,622	6,000		(622)	110.37%
1-05-4235-415 Maint. & Rep. Operations - Facilities	46,901	45,000		(1,901)	104.22%
1-05-4235-450 Maint. & Rep. Operations - Hypo Generator	64,014	18,000		(46,014)	355.63%
1-05-4235-500 Maint. & Rep. Operations - Wind Turbine	8,722	10,000		1,278	87.22%
1-05-6000-000 Waste Disposal	2,896	20,000		17,104	14.48%
1-05-6200-000 Uniforms	8,549	16,000		7,451	53.43%
1-05-6300-100 Supplies - General	7,175	15,000		7,825	47.83%
1-05-6300-600 Supplies - Lab	36,520	40,000		3,480	91.30%
1-05-6300-700 Outside Lab Work	48,730	92,000		43,270	52.97%
1-05-6400-000 Tools	1,775	6,500		4,725	27.31%
1-05-6500-000 Chemicals	321,512	400,000		78,488	80.38%
1-05-7000-100 Leases -Equipment	-	3,000		3,000	0.00%
3-05-4300-100 Filter Media Testing/Inspection	-	30,000		30,000	0.00%
Subtotal Operating Expenses	<u>\$ 687,166</u>	<u>\$ 975,000</u>	<u>\$ -</u>	<u>\$ 257,834</u>	<u>70.48%</u>
Total Departmental Expenses	<u><u>\$ 1,575,923</u></u>	<u><u>\$ 2,449,250</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 843,327</u></u>	<u><u>64.34%</u></u>

Palmdale Water District
2016 Finance Budget
For the Seven Months Ending Sunday, July 31, 2016

	YTD ACTUAL 2016	ORIGINAL BUDGET 2016	ADJUSTMENTS 2016	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-06-4000-000 Salaries	\$ 399,184	\$ 670,250		\$ 271,066	59.56%
1-06-4000-100 Overtime	236	3,000		2,764	7.88%
Subtotal (Salaries)	\$ 399,421	\$ 673,250	\$ -	\$ 273,829	59.33%
Employee Benefits					
1-06-4005-000 Payroll Taxes	30,093	49,000		18,907	61.41%
1-06-4010-000 Health Insurance	54,998	83,000		28,002	66.26%
1-06-4015-000 PERS	47,654	87,000		39,346	54.77%
Subtotal (Benefits)	\$ 132,745	\$ 219,000	\$ -	\$ 86,255	60.61%
Total Personnel Expenses	\$ 532,166	\$ 892,250	\$ -	\$ 360,084	59.64%
OPERATING EXPENSES:					
1-06-4155-000 Contracted Services	\$ 1,700	\$ 6,000		\$ 4,300	28.33%
1-06-4155-100 Contracted Services - Infosend	158,317	225,000		66,683	70.36%
1-06-4165-000 Memberships/Subscriptions	220	500		280	44.00%
1-06-4230-110 Maintenance & Repair - Office Equipment	-	500		500	0.00%
1-06-4250-000 General Material & Supplies	321	3,000		2,679	10.69%
1-06-4260-000 Business Forms	2,842	7,500		4,658	37.90%
1-06-4270-100 Telecommunication - Office	13,045	12,000		(1,045)	108.71%
1-06-4270-200 Telecommunication - Cellular Stipend	11,920	18,500		6,580	64.43%
1-06-7000-100 Leases - Equipment	1,869	3,000		1,131	62.31%
Subtotal Operating Expenses	\$ 190,234	\$ 276,000	\$ -	\$ 85,766	68.93%
Total Departmental Expenses	\$ 722,400	\$ 1,168,250	\$ -	\$ 445,850	61.84%

Palmdale Water District
2016 Water Conservation Budget
For the Seven Months Ending Sunday, July 31, 2016

	YTD ACTUAL 2016	ORIGINAL BUDGET 2016	ADJUSTMENTS 2016	ADJUSTED BUDGET REMAINING	PERCENT USED
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Personnel Budget:

1-07-4000-000 Salaries	\$ 66,461	\$ 129,000		\$ 62,539	51.52%
1-07-4000-100 Overtime	142	1,000		858	14.18%
Subtotal (Salaries)	\$ 66,603	\$ 130,000		\$ 63,397	51.23%

Employee Benefits

1-07-4005-000 Payroll Taxes	7,419	10,000		2,581	74.19%
1-07-4010-000 Health Insurance	23,673	38,000		14,327	62.30%
1-07-4015-000 PERS	6,082	17,250		11,168	35.26%
Subtotal (Benefits)	\$ 37,174	\$ 65,250	\$ -	\$ 28,076	56.97%

Total Personnel Expenses

	\$ 103,777	\$ 195,250	\$ -	\$ 90,615	53.15%
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OPERATING EXPENSES:

1-07-4190-300 Public Relations - Landscape Workshop/Training	\$ 5,135	\$ 1,000		\$ (4,135)	513.54%
1-07-4190-400 Public Relations - Contests	-	1,000		1,000	0.00%
1-07-4190-500 Public Relations - Education Programs	299	2,500		2,201	11.96%
1-07-4190-700 Public Relations -General Media	25,206	25,000		(206)	100.82%
1-07-4190-900 Public Relations - Other	3,207	2,000		(1,207)	160.36%
1-07-4500-000 Drought Enforcement	-	7,500		7,500	0.00%
1-07-6300-100 Supplies - Misc.	2,043	5,000		2,957	40.86%
Subtotal Operating Expenses	\$ 35,890	\$ 44,000	\$ -	\$ 8,110	81.57%

Total Departmental Expenses

	\$ 139,667	\$ 239,250	\$ -	\$ 98,725	58.38%
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Palmdale Water District
2016 Human Resources Budget
For the Seven Months Ending Sunday, July 31, 2016

	YTD ACTUAL 2016	ORIGINAL BUDGET 2016	ADJUSTMENTS 2016	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-08-4000-000 Salaries	\$ 67,194	\$ 116,000		48,806	57.93%
1-08-4000-100 Salaries - Overtime	4				
1-08-4000-200 Salaries - Intern Program	26,350	40,000		13,650	65.88%
Subtotal (Salaries)	\$ 93,548	\$ 156,000		\$ 62,456	59.97%
Employee Benefits					
1-08-4005-000 Payroll Taxes	7,191	15,250		8,059	47.16%
1-08-4010-000 Health Insurance	11,796	18,250		6,454	64.64%
1-08-4015-000 PERS	4,363	7,250		2,887	60.18%
Subtotal (Benefits)	\$ 23,350	\$ 40,750	\$ -	\$ 17,400	57.30%
Total Personnel Expenses	\$ 116,899	\$ 196,750	\$ -	\$ 79,856	59.41%
OPERATING EXPENSES:					
1-08-4050-000 Staff Travel	\$ 26,117	\$ 27,500		\$ 1,383	94.97%
1-08-4060-000 Staff Conferences & Seminars	11,377	25,000		13,623	45.51%
1-08-4070-000 Employee Expense	36,849	60,000		23,151	61.41%
1-08-4095-000 Employee Recruitment	909	3,000		2,092	30.28%
1-08-4100-000 Employee Retention	3,184	20,000		16,816	15.92%
1-08-4105-000 Employee Relations	1,661	3,500		1,839	47.46%
1-08-4110-000 Consultants	3,797	1,000		(2,797)	379.68%
1-08-4120-100 Training-Safety	12,008	35,000		22,992	34.31%
1-08-4120-200 Training-Speciality	4,323	25,000		20,677	17.29%
1-08-4121-000 Safety Program	307	1,000		693	30.65%
1-08-4165-000 Membership/Subscriptions	589	1,600		1,011	36.81%
1-08-4165-100 HR/Safety Publications	-	1,000		1,000	0.00%
1-08-6300-500 Supplies - Safety	9,239	20,000		10,761	46.19%
Subtotal Operating Expenses	\$ 110,359	\$ 223,600	\$ -	\$ 113,241	49.36%
Total Departmental Expenses	\$ 227,258	\$ 420,350	\$ -	\$ 193,096	54.06%

Palmdale Water District
2016 Information Technology Budget
For the Seven Months Ending Sunday, July 31, 2016

	YTD ACTUAL 2016	ORIGINAL BUDGET 2016	ADJUSTMENTS 2016	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-09-4000-000 Salaries	\$ 133,485	\$ 225,500		\$ 92,015	59.20%
1-09-4000-100 Overtime	1,761	2,500		739	70.45%
Subtotal (Salaries)	<u>\$ 135,246</u>	<u>\$ 228,000</u>		<u>\$ 92,754</u>	<u>59.32%</u>
Employee Benefits					
1-09-4005-000 Payroll Taxes	10,287	16,000		5,713	64.29%
1-09-4010-000 Health Insurance	23,302	38,000		14,698	61.32%
1-09-4015-000 PERS	16,550	29,500		12,950	56.10%
Subtotal (Benefits)	<u>\$ 50,139</u>	<u>\$ 83,500</u>	<u>\$ -</u>	<u>\$ 33,361</u>	<u>60.05%</u>
Total Personnel Expenses	<u><u>\$ 185,385</u></u>	<u><u>\$ 311,500</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 125,376</u></u>	<u><u>59.51%</u></u>
OPERATING EXPENSES:					
1-09-4155-000 Contracted Services	\$ 52,254	\$ 121,500		\$ 69,246	43.01%
1-09-4165-000 Memberships/Subscriptions	310	2,000		1,690	15.50%
1-09-4270-000 Telecommunications	46,479	79,250		32,771	58.65%
1-09-8000-100 Computer Equipment - Computers	15,183	20,000		4,817	75.91%
1-09-8000-200 Computer Equipment - Laptops	14,278	16,000		1,722	89.24%
1-09-8000-300 Computer Equipment - Monitors	-	2,000		2,000	0.00%
1-09-8000-500 Computer Equipment - Toner Cartridges	71	3,000		2,929	2.37%
1-09-8000-550 Computer Equipment - Telephony	-	2,500		2,500	0.00%
1-09-8000-600 Computer Equipment - Other	14,376	40,000		25,624	35.94%
1-09-8100-100 Computer Software - Maint. and Support	24,131	60,000		35,869	40.22%
1-09-8100-140 Computer Software - Starnik	55,300	130,000		74,700	42.54%
1-09-8100-150 Computer Software - Dynamics GP Support	29,660	60,000		30,340	49.43%
1-09-8100-200 Computer Software - Software and Upgrades	1,464	20,000		18,536	7.32%
Subtotal Operating Expenses	<u>\$ 253,506</u>	<u>\$ 556,250</u>	<u>\$ -</u>	<u>\$ 302,744</u>	<u>45.57%</u>
Total Departmental Expenses	<u><u>\$ 438,891</u></u>	<u><u>\$ 867,750</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 428,120</u></u>	<u><u>50.58%</u></u>

Palmdale Water District
2016 Customer Care Budget
For the Seven Months Ending Sunday, July 31, 2016

	YTD ACTUAL 2016	ORIGINAL BUDGET 2016	ADJUSTMENTS 2016	ADJUSTED BUDGET REMAINING	PERCENT USED
Personnel Budget:					
1-10-4000-000 Salaries	\$ 553,138	\$ 929,250		\$ 376,112	59.53%
1-10-4000-100 Overtime	4,930	10,000		5,070	49.30%
Subtotal (Salaries)	<u>\$ 558,068</u>	<u>\$ 939,250</u>	\$ -	<u>\$ 381,182</u>	<u>59.42%</u>
Employee Benefits					
1-10-4005-000 Payroll Taxes	44,102	71,500		27,398	61.68%
1-10-4010-000 Health Insurance	145,470	217,000		71,530	67.04%
1-10-4015-000 PERS	69,023	119,000		49,977	58.00%
Subtotal (Benefits)	<u>\$ 258,595</u>	<u>\$ 407,500</u>	\$ -	<u>\$ 148,905</u>	<u>63.46%</u>
Total Personnel Expenses	<u><u>\$ 816,663</u></u>	<u><u>\$ 1,346,750</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 530,087</u></u>	<u><u>60.64%</u></u>
OPERATING EXPENSES:					
1-10-4155-000 Contracted Services	\$ 11,752	\$ 22,000		\$ 10,248	53.42%
1-10-4230-110 Maintenance & Repair-Office Equipment	499	500		1	99.84%
1-10-4250-000 General Material & Supplies	4,993	7,500		2,507	66.57%
1-10-4260-000 Business Forms	-	10,000		10,000	0.00%
Subtotal Operating Expenses	<u>\$ 17,243</u>	<u>\$ 40,000</u>	\$ -	<u>\$ 22,757</u>	<u>43.11%</u>
Total Departmental Expenses	<u><u>\$ 833,906</u></u>	<u><u>\$ 1,386,750</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 552,844</u></u>	<u><u>60.13%</u></u>

Palmdale Water District
2016 Capital Project Expenses
Updated: September 8, 2016

AGENDA ITEM NO. 7.3

Committed Contracts (Actual / Projected Expenses)																			
Project Title	Project Type	Contract	Vendor/Contractor/Consultant	Jan - Nov, 2015	Dec, 2015	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2016 Total	2017 Total
Upper Amargosa Recharge Project - WRB Fund Carry-over	Water Supply and Groundwater Management	1,250,000	City of Palmdale / AVEK / WW40	-	-												347,629	347,629	773,155
Recharge and Recovery Project Pilot	Water Supply Project / Planning	97,000	Kennedy/Jenks Consultants														97,000	97,000	
Littlerock Sediment Removal Project - WRB Fund Carry-over	Water Supply Project / Planning	32,805	Aspen																32,805
PRGRRP - Financial Model	Water Supply Project / Planning	29,000	PFM, Inc.	-	-					14,465					14,535			29,000	
2015 Urban Water Management Plan	Planning / Regulatory	64,380	Kennedy/Jenks Consultants	-	4,186	10,456	9,089	7,105	4,007	11,370	8,886	5,744	2,375	1,162				60,194	
Water System Master Plan Update	Water System Infrastructure Planning	196,043	MWH	141,860	-	20,904				18,071				11,023				49,998	
Hydrologic and Energy Database	Water Supply and Demand Management	67,000	DCSE	65,970	-				1,030									1,030	
Security Improvements Project	Asset Management - Equipment Replacement	301,799	Siemens	205,283	-	36,716							45,096	18,769				100,581	
Security Improvements Project - Eng.	Asset Management - Equipment Replacement	58,730	Exante360	31,938	-													-	
Dredging & Lake Outlet Repairs	Asset Management - Equipment Replacement	40,639	Parker / Layne	-	-		40,639											40,639	
Well No. 15 - Rehabilitation	Asset Management - Equipment Replacement	189,907	Layne / Amarillo	-	-	17,621	134,286		38,000									189,907	
Well No. 30 - Rehabilitation	Asset Management - Equipment Replacement	74,222	Layne	-	-		74,222											74,222	
Well No. 22 - Rehabilitation	Asset Management - Equipment Replacement	57,936	Layne	-	-				21,525	36,411								57,936	
Water Main Replacement - Tierra Subida Ave. (Paving)	Asset Management - Infrastructure Replacement	46,253	RBC	-	-		42,398											42,398	
Well No. 25 - Rehabilitation	Asset Management - Equipment Replacement	16,365	Rottman Drilling									16,365	24,508					40,873	
Well No. 26 - Rehabilitation	Asset Management - Equipment Replacement	14,433	Roadrunner Pump Service											24,697				24,697	
Well CT Study	Water Quality - Regulatory	9,700	Carollo Engineers											3,500	3,500	2,700		9,700	
Brine Tank at Water Treatment Plant	Asset Management - Water Quality	85,000	TBD													50,000	35,000	85,000	
Well No. 3A - Emergency Repair	Asset Management - Infrastructure Repairs	36,672	Reed Electric										36,672					36,672	
Clearwell Booster Station - 2800' Emergency Repair	Asset Management - Infrastructure Repairs	25,000	Reed Electric										12,937	12,063				25,000	
Clearwell Booster Station - 2950' Rebuild	Asset Management - Infrastructure Repairs	33,874	PWD											33,874				33,874	
Hi-Speed Scanners and Engineering Plotter	Asset Management - Equipment Replacement	44,015	Insight / Source Graphics								9,525	11,095		23,913				44,533	
Meter Replacement Program	Asset Management - Equipment Replacement	600,000	TBD											200,000	200,000	200,000		600,000	
Spec. 1503 - El Camino Water Main Replacement	Asset Management - Infrastructure Replacement	70,000	PWD											30,000	30,000	10,000		70,000	
Replacement Solar Inverter	Asset Management - Infrastructure Replacement	24,995	Princeton Power Systems											25,000				25,000	
Tire Machine	Asset Management - Equipment Replacement	4,434	CarQuest							4,434								4,434	
Emergency Repairs on Well 18/19 Tank	Asset Management - Infrastructure Repairs	57,850	Superior Tank Solutions	-	57,850													-	
Office Space Remodel for Customer Care	Assets Management - Ergonomics Improvements	12,010	Rothman Business Interiors				2,547	5,496		3,117								11,160	
Office Space for Electronic Tech.	Work Flow and Communication Improvements	25,863	Yourway Const. / Circulating Air	-	-					25,863								25,863	
Valve Exercising Truck	Equipment Replacement	122,277	Wondries / CTEC	-	-					122,277								122,277	
New Vehicle - Durango	Equipment Replacement	32,184	Victorville Motors	-	-			32,184										32,184	
Surveying / GIS Equipment	Equipment Replacement	17,799	Allen Associates, Inc.	-	-				17,799									17,799	
Fleet Lighting Improvements	Safety	10,000	PWD	1,500	-													-	
Generator/Engine Emissions - 25th and 45th Booster Sta.	Regulatory	20,000	Emission Complaint Controls									4,526						4,526	
ARC Flash	Safety	137,500	Carollo	-	-	6,020												6,020	
AC Pipe Disposal	Safety / Regulatory Compliance	26,875	Alliance	-	26,875													-	
Lobby Design	Customer Service Improvement / Feasibility Design	56,600	ITZEN	49,344	-	4,650												4,650	
Subtotal		2,580,355		495,895	88,911	96,367	303,181	44,785	82,361	236,008	22,937	33,204	121,588	384,001	248,035	262,700	479,629	2,314,796	805,960

Water Quality Fee Funded Projects																			
Project Title	Project Type	Contract	Vendor/Contractor/Consultant	Jan - Nov, 2015	Dec, 2015	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2016 Total	2017 Total
GAC Replacement - WTP	Water Quality Improvement / Regulatory	655,135	Calgon Carbon	573,109				275,135							190,000	190,000		655,135	
GAC Replacement - WTP AC1230CX Reactivated	Water Quality Improvement / Regulatory	183,200	Evoqua	298,286			183,200											183,200	
GAC Replacement - Underground Booster	Water Quality Improvement / Regulatory	62,730	Evoqua			62,730												62,730	
Subtotal		901,065		871,395	-	62,730	183,200	275,135	-	-	-	-	-	-	190,000	190,000	-	901,065	-

Budgeted - Not Committed (Projected Expenses)																			
Project Title	Project Type	Estimate	Vendor/Contractor/Consultant	Jan - Nov, 2015	Dec, 2015	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2016 Total	2017 Total
Water Main and Service Line Replacement Projects	Asset Management - Infrastructure Replacement	230,000	TBD												75,000	25,000	130,000	230,000	
Water System Master Plan - CEQA	Planning / Regulatory	75,000	TBD											15,000	25,000	10,000	25,000	75,000	
WTP Security - Feasibility and Phase 1	Asset Management - Equipment Replacement	25,000	TBD											10,000	15,000			25,000	
Drainage Improvements @ WTP	Asset Management - Site Improvements	50,000	TBD	-	-												50,000	50,000	
Recharge and Recovery Project Pilot	Water Supply Project / Planning	203,000	TBD												100,000	103,000		203,000	
Conference Room Projectors - Installation	Asset Management - Equipment Replacement	10,000	TBD												10,000			10,000	
Entry Way Building @ WTP	Safety	10,000	TBD												10,000			10,000	
Subtotal		603,000		-	-	-	-	-	-	-	-	-	-	25,000	235,000	138,000	205,000	603,000	-

Water Revenue Bond - Series 2013A

Updated: September 6, 2016

Project	Work Order	Description	Allocated Based on Bond	Contractual Commitment	Payout to Date	Grant Funds/Operating Budget	Uncommitted Bond \$
Spec. 1204	603-12	Ave. Q - Q-3, Division and Sumac	\$ 725,000	\$ 765,085	\$ 765,085	\$ -	\$ (40,085)
Spec. 1201	606-11	20th, Puerta, Sweetbriar, and 22nd St. E.	\$ 1,450,000	\$ 1,487,261	\$ 1,487,261	\$ -	\$ (37,261)
Spec. 1205	605-12	Frontier, 31st St. E., etc. between Ave. Q and Q-4	\$ 1,200,000	\$ 1,291,539	\$ 1,291,539	\$ 485,000	\$ (91,539)
Spec. 1207	607-12	10th St. E. between Ave. P and Palmdale Blvd.	\$ 1,400,000	\$ 1,327,806	\$ 1,327,806	\$ -	\$ 72,194
LRDSR	501-04	Littlerock Sediment Removal (EIR/EIS/Permits)	\$ 975,000	\$ 869,023	\$ 638,540	\$ -	\$ 105,977
LCGRRP	400-12	Littlerock Recharge and Recovery (Feasibility)	\$ 1,500,000	\$ 769,891	\$ 769,891	\$ -	\$ 730,109
UAR	TBD	Upper Amargosa Recharge (Project Capacity)	\$ 1,250,000	\$ 1,250,000	\$ 129,215	\$ 668,589	\$ -
Spec. 0905	601-09	15th St. E. between Ave. P and Ave. Q (Material)	\$ -	\$ 362,984	\$ 362,984	\$ -	\$ (362,984)
PRGRRP	501-04	Palmdale Regional Recharge and Recovery (Permits)	\$ -	\$ 1,530,000	\$ 1,245,426	\$ -	\$ (1,530,000)
Totals:			\$ 8,500,000	\$ 9,653,589	\$ 8,017,748	\$ 1,153,589	\$ (1,153,589)

Requisition No.	Payee	Date Approved	Invoice No.	Project	Payment Amount
2	Issuance Costs	Jul 8, 2013	N/A	WRB	\$ 24,815.84
3	BV Construction - Progress Payment #1	Jul 9, 2013	1	Spec. 1204	\$ 98,552.53
4	JT Eng. - Design Progress Payment	Jul 17, 2013	5187	Spec. 1207	\$ 9,108.00
5	BV Construction - Progress Payment #2	Aug 5, 2013	2	Spec. 1204	\$ 145,175.44
6	BV Construction - Progress Payment #3-4	Sep 4, 2013	3 and 4	Spec. 1204	\$ 167,790.43
7	Aspen - EIR/EIS Progress Payment	Sep 30, 2013	1116.002-01	LRDSR	\$ 18,499.60
8	BV Construction - Progress Payment #5	Sep 30, 2013	5	Spec. 1204	\$ 46,862.08
9	BV Construction - Progress Payment #6	Oct 24, 2013	6	Spec. 1204	\$ 51,052.05
10	Aspen - EIR/EIS Progress Payment	Oct 24, 2013	1116.002-02	LRDSR	\$ 8,410.32
11	BV Construction - Progress Payment #7	Nov 7, 2013	7	Spec. 1204	\$ 87,960.50
12	BV Construction - Progress Payment #8	Dec 4, 2013	8	Spec. 1204	\$ 70,650.08
13	Aspen - EIR/EIS Progress Payment	Dec 4, 2013	1116.002-03	LRDSR	\$ 11,054.97
14	Kennedy/Jenks - Progress Payment	Jan 2, 2014	78236	LCGRRP	\$ 24,066.25
14	BV Construction - Progress Payment #1	Jan 2, 2014	1	Spec. 1201	\$ 29,925.00
14	BV Construction - Progress Payment #9	Jan 2, 2014	9	Spec. 1204	\$ 58,787.84
14	Aspen - EIR/EIS Progress Payment	Jan 2, 2014	1116.002-04	LRDSR	\$ 36,178.95
14	JT Eng. - Design Progress Payment	Jan 2, 2014	5200	Spec. 1207	\$ 9,518.00
15	BV Construction - Progress Payment #2 & #3	Jan 21, 2014	2 & 3	Spec. 1201	\$ 114,095.00
16	Aspen - EIR/EIS Progress Payment	Feb 24, 2014	1116.002-05	LRDSR	\$ 4,917.47
16	BV Construction - Progress Payment #4 & #5	Feb 24, 2014	4 & 5	Spec. 1201	\$ 131,743.15
17	BV Construction - Retention Payment	Mar 3, 2014	10	Spec. 1204	\$ 38,254.26
17	Kennedy/Jenks - Progress Payment	Mar 3, 2014	79010 & 80391	LCGRRP	\$ 113,652.66
18	BV Construction - Progress Payment #6	Mar 31, 2014	6	Spec. 1201	\$ 126,834.50
18	Aspen - EIR/EIS Progress Payment	Mar 31, 2014	1116.002-06 and 07	LRDSR	\$ 17,080.04
19	Kennedy/Jenks - Progress Payment	Apr 16, 2014	78236	LCGRRP	\$ 28,228.60
19	BV Construction - Progress Payment #7	Apr 16, 2014	7	Spec. 1201	\$ 252,741.80
20	BV Construction - Progress Payment #8	May 15, 2014	8	Spec. 1201	\$ 69,825.00
20	Aspen - EIR/EIS Progress Payment	May 15, 2014	1116.002-08	LRDSR	\$ 33,388.96
20	Kennedy/Jenks - Progress Payment	May 15, 2014	82422 & 80900	LCGRRP	\$ 135,858.74
21	BV Construction - Progress Payment #9	Jun 4, 2014	9	Spec. 1201	\$ 67,260.00
21	Aspen - EIR/EIS Progress Payment	Jun 4, 2014	1116.002-09	LRDSR	\$ 31,845.93
22	BV Construction - Progress Payment #10	Jun 30, 2014	10	Spec. 1201	\$ 139,498.00
23	Kennedy/Jenks - Progress Payment	Jun 30, 2014	83735	LCGRRP	\$ 30,172.21
23	Aspen - EIR/EIS Progress Payment	Jun 30, 2014	1116.002-10	LRDSR	\$ 10,672.32
24	BV Construction - Progress Payment #11	Jul 21, 2014	11	Spec. 1201	\$ 141,217.50
24	Kennedy/Jenks - Progress Payment	Jul 21, 2014	84147	LCGRRP	\$ 26,431.83
24	Aspen - EIR/EIS Progress Payment	Jul 21, 2014	1116.002-11	LRDSR	\$ 6,274.20

25	BV Construction - Progress Payment #12	Aug 19, 2014	12	Spec. 1201	\$ 84,386.60
25	Aspen - EIR/EIS Progress Payment	Aug 19, 2014	1116.002-12	LRDSR	\$ 11,115.51
26	BV Construction - Progress Payment #13	Sept 10, 2014	13	Spec. 1201	\$ 47,654.85
26	Aspen - EIR/EIS Progress Payment	Sept 10, 2014	1116.002-13	LRDSR	\$ 37,715.30
27	BV Construction - Progress Payment #14	Sept 29, 2014	14	Spec. 1201	\$ 122,741.90
27	PWD - Reimbursement	Sept 29, 2014	N/A	Spec. 0905	\$ 260,611.31
28	Cedro Construction - Progress Payment #1	Oct 14, 2014	1	Spec. 1207	\$ 310,752.41
28	City of Palmdale - Recharge Project	Oct 14, 2014	PWD-2014	UAR	\$ 38,402.47
29	Aspen - EIR/EIS Progress Payment	Oct 23, 2014	1116.002-14	LRDSR	\$ 56,223.72
29	Kennedy/Jenks - Progress Payment	Oct 23, 2014	87036	LCGRRP	\$ 80,732.32
30	BV Construction - Progress Payment #15	Nov 12, 2014	15	Spec. 1201	\$ 84,974.65
30	Aspen - Bio and Cultural Report	Nov 12, 2014	3277.001-01	Spec. 1205	\$ 10,608.08
30	Cedro Construction - Progress Payment #2	Nov 12, 2014	2	Spec. 1207	\$ 195,802.84
31	ANM Construction - Paving	Nov 17, 2014	011115-1	Spec. 0905	\$ 102,373.00
32	Aspen - Bio and Cultural Report	Nov 26, 2014	3277.001-02	Spec. 1205	\$ 1,147.81
32	Aspen - EIR/EIS Progress Payment	Nov 26, 2014	1116.002-15	LRDSR	\$ 76,161.79
33	Kennedy/Jenks - Progress Payment	Dec 29, 2014	88741	LCGRRP	\$ 71,831.14
33	BV Construction - Progress Payment #16 (Retention)	Dec 29, 2014	16 - Retention	Spec. 1201	\$ 74,363.05
33	Aspen - EIR/EIS Progress Payment	Dec 29, 2014	1116.002-16	LRDSR	\$ 6,136.99
34	Cedro Construction - Progress Payment #3	Jan 7, 2015	3	Spec. 1207	\$ 294,189.21
35	BV Construction - Progress Payment #1	Jan 26, 2015	1	Spec. 1205	\$ 152,445.08
35	Aspen - EIR/EIS Progress Payment	Jan 26, 2015	1116.002-17	LRDSR	\$ 13,105.63
36	Kennedy/Jenks - Progress Payment	Feb 2, 2015	89538	LCGRRP	\$ 78,066.17
37	BV Construction - Progress Payments #2 and #3	Feb 19, 2015	2 and 3	Spec. 1205	\$ 195,962.20
37	Aspen - EIR/EIS Progress Payment	Feb 19, 2015	1116.002-18	LRDSR	\$ 8,814.60
38	BV Construction - Progress Payment #4	Mar 9, 2015	4	Spec. 1205	\$ 123,500.00
38	Cedro Construction - Progress Payment #4	Mar 9, 2015	4	Spec. 1207	\$ 70,371.25
39	BV Construction - Progress Payment #5	Mar 31, 2015	5	Spec. 1205	\$ 144,210.00
39	Aspen - EIR/EIS Progress Payment	Mar 31, 2015	1116.002-19	LRDSR	\$ 12,057.52
39	Kennedy/Jenks - Progress Payment	Mar 31, 2015	90983	LCGRRP	\$ 134,407.47
40	Cedro Construction - Progress Payment #5	Apr 13, 2015	5	Spec. 1207	\$ 116,680.99
41	BV Construction - Progress Payment #6	Apr 27, 2015	6	Spec. 1205	\$ 125,003.43
41	Aspen - EIR/EIS Progress Payment	Apr 27, 2015	1116.002-20	LRDSR	\$ 7,540.62
42	Cedro Construction - Progress Payment #6	May 19, 2015	6	Spec. 1207	\$ 103,592.13
43	BV Construction - Progress Payment #7	Jun 8, 2015	7	Spec. 1205	\$ 72,296.90
43	Aspen - Native American Monitoring	Jun 8, 2015	3277.001-03	Spec. 1205	\$ 7,702.52
43	Aspen - EIR/EIS Progress Payment	Jun 8, 2015	1116.002-21	LRDSR	\$ 44,109.14
44	Aspen - EIR/EIS Progress Payment	Jun 23, 2015	1116.002-22	LRDSR	\$ 34,285.59
44	Cedro Construction - Progress Payment #7	Jun 23, 2015	7	Spec. 1207	\$ 60,299.73
45	BV Construction - Progress Payment #8	Jul 15, 2015	8	Spec. 1205	\$ 111,492.00
45	Kennedy/Jenks - Progress Payment	Jul 15, 2015	93555	LCGRRP	\$ 46,443.99
45	Kennedy/Jenks - Progress Payment	Jul 15, 2015	93556	PRGRRP	\$ 251,714.21
46	Aspen - EIR/EIS Progress Payment	Jul 21, 2015	1116.002-23	LRDSR	\$ 16,484.80
46	Aspen - Native American Monitoring	Jul 21, 2015	3277.001-04	Spec. 1205	\$ 4,152.75
46	City of Palmdale - Recharge Project	Jul 21, 2015	PWD-2015	UAR	\$ 54,977.18
47	BV Construction - Progress Payment #9	Aug 11, 2015	9	Spec. 1205	\$ 107,542.76
47	Kennedy/Jenks - Progress Payment	Aug 11, 2015	94435	PRGRRP	\$ 238,422.35
48	Aspen - EIR/EIS Progress Payment	Sept 14, 2015	1116.002-24	LRDSR	\$ 9,024.21
48	Cedro Construction - Final Payment/Retention	Sept 14, 2015	Final Retention	Spec. 1207	\$ 157,491.76
49	Aspen - EIR/EIS Progress Payment	Sept 28, 2015	1116.002-25	LRDSR	\$ 1,034.50
49	Kennedy/Jenks - Progress Payment	Sept 28, 2015	95632	PRGRRP	\$ 190,705.91
50	Aspen - Native American Monitoring	Oct. 12, 2015	3277.001-05	Spec. 1205	\$ 5,581.50
50	BV Construction - Progress Payment #10	Oct. 12, 2015	10	Spec. 1205	\$ 92,241.20
51	Aspen - Native American Monitoring	Nov. 4, 2015	3277.001-06	Spec. 1205	\$ 4,707.50

51	Kennedy/Jenks - Progress Payment	Nov. 4, 2015	96460	PRGRRP	\$ 129,704.49
52	Aspen - Native American Monitoring	Dec. 28, 2015	96461	Spec. 1205	\$ 3,013.50
52	Kennedy/Jenks - Progress Payment	Dec. 28, 2015	97775	PRGRRP	\$ 159,241.36
53	Kennedy/Jenks - Progress Payment	Jan. 21, 2016	98545	PRGRRP	\$ 67,612.54
53	Aspen - EIR/EIS Progress Payment	Jan. 21, 2016	1116.002-25 & 27	LRDSR	\$ 3,751.40
54	BV Construction - Progress Payment #11	Feb. 3, 2016	11	Spec. 1205	\$ 67,200.17
55	BV Construction - Retention Payment	Feb. 23, 2016	Retention	Spec. 1205	\$ 62,731.78
55	Kennedy/Jenks - Progress Payment	Feb. 23, 2016	99318	PRGRRP	\$ 58,537.45
56	Aspen - EIR/EIS Progress Payment	Mar. 28, 2016	1116.003-01	LRDSR	\$ 33,898.64
56	Kennedy/Jenks - Progress Payment	Mar. 28, 2016	99918	PRGRRP	\$ 57,193.72
57	Kennedy/Jenks - Progress Payment	Apr. 19, 2016	100572	PRGRRP	\$ 7,364.72
58	Aspen - EIR/EIS Progress Payment	May 23, 2016	1116.003-02	LRDSR	\$ 5,535.88
58	Kennedy/Jenks - Progress Payment	May 23, 2016	101354	PRGRRP	\$ 26,258.21
59	Aspen - EIR/EIS Progress Payment	Jun 20, 2016	1116.003-03	LRDSR	\$ 37,001.22
59	Kennedy/Jenks - Progress Payment	Jun 20, 2016	102083	PRGRRP	\$ 5,389.60
60	Aspen - EIR/EIS Progress Payment	Jul 21, 2016	1116.003-05 & 05	LRDSR	\$ 43,122.23
60	Kennedy/Jenks - Progress Payment	Jul 21, 2016	103204	PRGRRP	\$ 21,078.38
61	City of Palmdale - Recharge Project	Jul 27, 2016	PWD-2016	UAR	\$ 35,834.85
62	Aspen - EIR/EIS Progress Payment	Sept 6, 2016	1116.003-06	LRDSR	\$ 3,097.87
62	Kennedy/Jenks - Progress Payment	Sept 6, 2016	104354	PRGRRP	\$ 32,202.76

**PALMDALE WATER DISTRICT
BOARD MEMORANDUM**

DATE: September 7, 2016 **September 14, 2016**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Michael Williams, Finance Manager/CFO
VIA: Mr. Dennis D. LaMoreaux, General Manager
RE: ***AGENDA ITEM NO. 7.5 – CONSIDERATION AND POSSIBLE ACTION ON RESOLUTION NO. 16-15 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 REFUNDING BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$20,000,000 AND APPROVING CERTAIN DOCUMENTS IN CONNECTION THEREWITH.***

Recommendation:

Staff recommends that the District Board adopt Resolution No. 16-15 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 Refunding Bonds in an Aggregate Principal Amount of Not to Exceed \$20,000,000 and Approving Certain Documents in Connection Therewith.

Background:

The Palmdale Water District ("PWD") has done major financings for its water system over the last 20 years. PWD refinanced all of the obligations in 2012 and 2013 and funded new improvements in 2013. All of the remaining 2012 debt, as well as the new money portion of the 2013 debt, may now be refinanced with significant savings to PWD. The refunding portion of the 2013 debt, which all matures by 2034, cannot be refinanced at present due to Federal tax law constraints. The District and its Public Financing Authority are seeking to refund both the 2012 and the new money portion of the 2013 obligation through a public offering of water revenue bonds. District staff, the Board's Financial Advisor, and the District financial consultant, NHA Advisors, believe that this is the best way securing the lowest cost refinancing of these debt obligations.

By adopting the attached resolutions (Resolution No. 16-15 for the Palmdale Water District and Resolution No. 2016-1 for the Palmdale Refinancing Authority), the District Board of Directors and Board of Authority are taking the following steps:

BOARD OF DIRECTORS
PALMDALE WATER DISTRICT

VIA: Mr. Dennis D. LaMoreaux, General Manager

September 7, 2016

1. Approval of an Installment Purchase Agreement, wherein the District makes installment purchase payments (debt service payments) that are secured by a pledge of net revenues (after operating expenses) of the District. This Agreement is between the District and the Palmdale Water District Public Financing Authority.
2. Approval of an Assignment Agreement, assigning the Installment Purchase Agreement from the Palmdale Water District Public Financing Authority to the trustee for the bond issue, US Bank.
3. Approval of the Purchase Contract wherein Piper Jaffray, the bond underwriter, sets forth their commitment to purchase the 2016A Bonds from the Public Financing Authority.
4. Approval of the Indenture of Trust, wherein Bank of New York, 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.

Analysis:

Table 1 below shows a summary of the outstanding debt of PWD that is eligible for refinancing now:

Table 1 - Summary of Existing PWD Debt Eligible for Refinancing				
Utility Debt Issue	2012 Installment Purchase Agreement	2013 Revenue Bonds (2038 and 2043 term bonds)	(1)	Total (4)
Issuance date	November, 2012	May, 2013		-
Original par value	12,765,208	8,810,000		21,575,208
Type of debt sale	Private placement with Bank of Nevada	Public offering		-
Current outstanding par value	8,577,741	8,810,000	(2)	17,387,741
Current interest rate	3.100%	4.00%		3.87%
Average annual debt service	1,373,000	352,400	(3)	1,725,400
Final Maturity	10/1/23	10/1/43		-
Debt service reserve fund	AGM surety bond	AGM surety bond		-
Call Features	Any date after 4/1/2016 at par, 15 days notice	Any day at par after 10/1/2018 at par, 45 days notice		-
(1) - The 2013 serial and term bonds maturing through 2034 are not refundable at this time				
(2) - Outstanding par of the 2038 and 2043 term bonds				
(3) - Interest only payments on 2038 and 2043 term bonds through 2034				
(4) - Does not include 2013 capital lease, which is not refundable at this time				

BOARD OF DIRECTORS
PALMDALE WATER DISTRICT

VIA: Mr. Dennis D. LaMoreaux, General Manager

September 7, 2016

Table 1 shows that the City has two outstanding debt obligations that are eligible for refinancing now: (1) all of the 2012 Installment Purchase Agreement ("2012 Agreement") and the 2038 and 2043 term bonds from the 2013 Water Revenue Bonds ("2013 Bonds"). Note that PWD has a third debt obligation, a 2013 capital lease. However, since this lease matures in 2017, we have not included it in the refunding analysis.

The 2012 Agreement is callable at any time now. The 2038 and 2043 term bonds from the 2013 Bonds are callable on any date after October 1, 2018, at par.

Since the issuance of all of these obligations, interest rates for the municipal bond market have declined significantly. Table 2 shows a summary of the potential benefits from a refinancing of the debt obligations shown in Table 1. Table 2 shows the benefits of a potential refinancing of the 2012 Agreement and the 2013 Bonds, including a comparison of the current interest rate with what we believe would be the interest rate under current market conditions on new debt.

Current interest rate	3.87%
Estimated new interest rate	2.87%
Average annual savings through 2023	30,000
Average annual savings from 2024 through 2034	65,000
Average annual savings from 2035 through 2043	21,000
Combined present value savings, net of all expenses	835,000
Combined present value savings, net of all expenses, as a % of bonds refunding	4.81%

Table 2 shows that the average interest rate on the debt refinanced would decline by 1%, from 3.87% to 2.77%. Since the 2012 Agreement matures in 2023 and principal maturities on the portion of the 2013 bonds being refunding do not begin until 2034, cash flow savings from the refinancing are uneven.

The core reason for structuring savings this way is to minimize the overall combined annual debt service obligations of PWD. This approach maximizes the ability of PWD to issue debt in the future to fund new projects with minimal impact on ratepayers. At present, PWD's highest annual debt service payments are in the period from 2024 through 2034. The proposed structure shown in Table 2 reduces debt service in this period by the greatest amount possible.

Another key policy issue is whether or not to refinance the 2038 and 2043 term bonds from the 2013 Bonds now. They are not callable for over two years. This means that the proceeds of the refinancing for these two term bonds must be escrowed from the closing date on the refinancing through the October, 2018 call date. The escrowed proceeds will earn a very low interest rate compared to the 4% interest rate on the bonds being refunded.

BOARD OF DIRECTORS
PALMDALE WATER DISTRICT

VIA: Mr. Dennis D. LaMoreaux, General Manager

September 7, 2016

This results in additional costs for the refinancing that could be avoided by waiting to refinance this debt until 2018. However, PWD would be taking market risk on interest rates going up between now and 2018. Current interest rates on municipal bonds are at historic lows that have not be seen since the 1950's. Nevertheless, the recommended criteria for any refinancing is whether or not it achieves at least 5% present value savings, net of all expenses, and measured as a percent of the debt being refinanced. The combined refunding of the 2012 Agreement and the 2013 Bonds achieves that goal. Consequently, unless there are non-financial public policy reason to not do the refinancing now, our advisors recommend that PWD proceed with it, conditional upon the net present savings are at least equal to 5% of the amount of debt being refinanced.

Note that current projected savings are slightly less than the 5% target. However, since the 5% target is built into the authorizing resolution, staff recommends going ahead with the refinancing now. It would take a bond market improvement of less than 5 basis points (0.05%) to achieve the target savings level.

The terms of the installment purchase agreement with respect to conditions for the issuance of future debt by the District and rate covenants are the same as those for the 2012 and 2013 Installment Purchase Agreements.

Note that for legal reasons, the District's joint powers authority, 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 assets that were originally financed with the 2004 COPs. 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 it assigns all of its rights (other than to indemnification and notice) under the Installment Purchase Agreement to Bank of New York, the trustee for the bond issue.

Strategic Plan Element:

This work is part of Initiative number 4, Financial Health and Stability.

Budget:

Net operating expenses of the District after payment of debt service will be decreased by approximately \$21,000 to \$63,000 per year in interest expense, net of all financing costs, as a result of the proposed refunding.

Supporting Documents:

- Resolutions (District & Authority)
- Preliminary Official Statement
- Installment Purchase Agreement
- Amendment to 2013 Installment Purchase Agreement
- Bond Purchase Contract
- Assignment Agreement
- Indenture of Trust
- Bond Counsel Agreement
- 2012 & 2013 Escrow Agreements

RESOLUTION NO. 16-15

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 REFUNDING BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$20,000,000 AND APPROVING CERTAIN DOCUMENTS IN CONNECTION THEREWITH

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

WHEREAS, the District proposes to undertake the prepayment of that certain Installment Purchase Agreement dated as of November 1, 2012 by and between the District and the Palmdale Water District Public Facilities Corporation and the redemption of the Palmdale Water District Public Financing Authority’s (the “Authority”) Water Revenue Bonds, Series 2013A, maturing on October 1, 2038 and October 1, 2043 (collectively the “Prior Obligations”);

WHEREAS, the Board of Directors of the District has held a duly noticed public hearing on the refinancing of the Prior Obligations in accordance with Section 6586.5 of the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the California Government Code (the “Act”) and now desires to adopt this resolution approving the refinancing and making a finding of significant public benefit in accordance with the Act

WHEREAS, the Authority has agreed to assist the District in prepaying and redeeming all or a portion of the Prior Obligations;

WHEREAS, the District has determined to request that the Authority issue Water Revenue Refunding Bonds (the “Bonds”) for the purpose of prepaying and redeeming all or a portion of the Prior Obligations and paying costs of issuance in connection therewith;

WHEREAS, the Bonds will be issued pursuant to the Act;

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 refinance the acquisition of 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 effective interest rate to the District.

SECTION 2. The issuance by the Authority of the Bonds in the principal amount not to exceed \$20,000,000 to prepay and redeem all or a portion of the Prior Obligations, 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 6 below.

SECTION 3. The Installment Purchase Agreement by and between the District and the Authority, in substantially the form on file with the Secretary of the Board, is hereby approved, subject to final approval as to form by the District's legal counsel and the law firm of Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel"). Each of the President of the Board of Directors, the General Manager of the District (the "General Manager") and the Director of Financial Services of the District (the "Director of Financial Services"), or their designees (collectively, the "Authorized Officers"), acting alone, is hereby authorized and directed to execute and deliver such Installment Purchase Agreement with such changes, insertions and omissions as may be approved by the District's legal counsel and Bond Counsel, with the execution thereof by an Authorized Officer being conclusive evidence of such approval.

SECTION 4. The Continuing Disclosure Certificate, executed by the District in connection with the issuance of the Bonds, in substantially the form on file with the Secretary of the Board, is hereby approved, subject to final approval as to form by the District's legal counsel and Bond Counsel. Each of the Authorized Officers, acting alone, is hereby authorized and directed to execute and deliver the Continuing Disclosure Certificate with such changes, insertions and omissions as may be approved

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

SECTION 5. The 2012 Escrow Agreement by and between the District and The Bank of New York Mellon Trust Company, N.A., as escrow agent, in substantially the form on file with the Secretary of the Board, is hereby approved, subject to final approval as to form by the District's legal counsel and Bond Counsel. Each of the Authorized Officers, acting alone, is hereby authorized and directed to execute and deliver the 2012 Escrow Agreement with such changes, insertions and omissions as may be approved by the District's legal counsel and Bond Counsel, with the execution thereof by an Authorized Officer being conclusive evidence of such approval. The Bank of New York Mellon Trust Company, N.A., is hereby appointed as escrow agent under the 2012 Escrow Agreement.

SECTION 6. The Purchase Contract by and between the Authority and Piper Jaffray & Co. (the "Underwriter"), in substantially the form on file with the Secretary of the Board, is hereby approved. Each of the Authorized Officers, acting alone, is hereby authorized and directed to execute and deliver the Letter of Representations of the District in substantially the form attached to the Purchase Contract, with such changes, insertions and omissions as may be approved by the District's legal counsel and Bond Counsel, with the execution thereof by an Authorized Officer being conclusive evidence of such approval; provided, however, that in no event shall the principal amount of the Bonds exceed \$20,000,000, nor shall the underwriter's discount exceed 0.8% of the principal amount of the Bonds, and provided further that the Bonds shall be issued only if the net present value savings from the refunding are not less than 5% of the principal amount of the Prior Obligations being refunded, as certified by the District's Financial Advisor.

SECTION 7. 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 Director of Financial Services 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 8. The First Amendment to Installment Purchase Agreement, by and between the District and the Authority, in substantially the form on file with the Secretary of the Board, is hereby approved, subject to final approval as to form by the District's legal counsel and Bond Counsel. Each of the Authorized Officers, acting alone, is hereby authorized and directed to execute and deliver the First Amendment to Installment Purchase Agreement with such changes, insertions and omissions as may be approved by the District's legal counsel and Bond Counsel, with the execution thereof by an Authorized Officer being conclusive evidence of such approval

SECTION 9. 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 Escrow Agreement, the Continuing Disclosure Certificate and the Official Statement.

SECTION 10. Each of the General Manager, the Director of Financial Services and their designees, 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, which contract shall be in substantially the form on file with the Secretary of the Board, together with such changes as may be approved by the General Manager or the Director of Financial Services, the District's legal counsel, or their designee, which changes shall be conclusively evidenced by the execution and delivery of such contract by any one of such officers.

SECTION 11. Each of the General Manager, the Director of Financial Services and their designees, acting alone, is hereby authorized to (i) execute a commitment for municipal bond insurance and/or a reserve surety policy from a municipal bond insurer (the “Insurer”), (ii) to finalize the form of such policy or policies with the Insurer, and (iii) if it is determined that the policy or policies will result in interest rate savings for the District, to pay the insurance premium of such policy 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 2012 Escrow Agreement, the Installment Purchase Agreement and the Purchase Contract as are necessary to reflect the selection of an Insurer and the applicable provisions required by the Insurer as a condition of its commitment to insure.

SECTION 12. 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, the prepayment and redemption of all or a portion of the Prior Obligations, and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution, the Bonds, the 2012 Escrow Agreement, the Installment Purchase Agreement, the Continuing Disclosure Certificate, the First Amendment to Installment Purchase Agreement, the Preliminary Official Statement, and the Official Statement. Such actions heretofore taken by such officers or designees are hereby ratified, confirmed and approved.

SECTION 13. 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 14. 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 September, 2016, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

President

ATTEST:

Secretary

RESOLUTION NO. 2016-1

RESOLUTION OF THE PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$20,000,000 WATER REVENUE REFUNDING BONDS, SERIES 2016A, 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 refinancing 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 prepaying that certain Installment Purchase Agreement dated as of November 1, 2012 by and between the District and the Palmdale Water District Public Facilities Corporation and refunding the Authority’s Water Revenue Bonds, Series 2013A, maturing on October 1, 2038 and October 1, 2043 (collectively, the “Prior Obligations”); and

WHEREAS, the Board of Directors of the Authority has determined to assist the District with the prepayment and redemption of all or a portion of the Prior Obligations, and to approve certain documents in connection therewith;

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 Refunding Bonds, Series 2016A (the “2016A Bonds”) in the principal amount not to exceed \$20,000,000 in order to prepay or redeem all or a portion of the Prior Obligations, to fund a reserve fund, if necessary, and to pay the cost of issuance for the 2016A Bonds, is hereby approved; provided, however, that the 2016A 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 Chairman, Vice Chairman, Executive Director, Treasurer and Secretary of the Authority, or the Chairman'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, said execution being conclusive evidence of such approval.

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, said execution being conclusive evidence of such approval.

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, said execution being conclusive evidence of such approval.

SECTION 5. The Purchase Contract by and between the Authority and Piper Jaffray & Co. (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, said execution being conclusive evidence of such approval; provided, however, that in no event shall the principal amount of the 2016A Bonds exceed \$20,000,000, nor shall the Underwriter's discount exceed 0.8% of the principal amount of the 2016A Bonds, and provided further

that the 2016A Bonds shall be issued only if the net present value savings from the refunding are not less than 5% of the principal amount of the Prior Obligations being refunded, as certified by the District's Financial Advisor.

SECTION 6. The preparation and distribution of the Preliminary Official Statement, in substantially the form on file with the Secretary of the Board, is hereby approved, subject to final approval as to form by the District's legal counsel and the law firm of Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel"). Each of the Authorized Officers, acting alone, is hereby authorized to sign a certificate pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 relating to the Preliminary Official Statement, and 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 such approval. 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 2016A Bonds and is directed to deliver copies of any final Official Statement to all actual initial purchasers of the 2016A Bonds.

SECTION 7. The 2013 Escrow Agreement, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as escrow agent, 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 2013 Escrow Agreement with such changes, insertions and omissions as may be approved by the person executing the same, said execution being conclusive evidence of such approval.

SECTION 8. The First Amendment to Installment Purchase Agreement, by and between the Authority and the District, 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 First Amendment to Installment Purchase Agreement with such changes, insertions and omissions as may be approved by the person executing the same, said execution being conclusive evidence of such approval.

SECTION 9. 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 that the policy or policies will result in interest rate savings for the Authority, 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 Installment Purchase Agreement, the Indenture of Trust and the Purchase Contract as are necessary to reflect the selection of an Insurer and the applicable provisions required by the Insurer as a condition of its commitment to insure.

SECTION 10. Each of the Authorized Officers 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 First Amendment to Installment Purchase Agreement, the Purchase Contract, the Preliminary Official Statement, the 2013 Escrow Agreement and this Resolution.

SECTION 11. The Bank of New York Mellon Trust Company, N.A. is hereby appointed to act as trustee under the Indenture of Trust and as escrow agent under the 2013 Escrow Agreement.

SECTION 12. 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 13. 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 September, 2016, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

President

ATTEST:

Secretary

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2016

NEW ISSUE—BOOK-ENTRY ONLY

RATINGS: S&P: “___” (Insured); “___” (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 2016A 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 and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2016A Bonds is exempt from State of California personal income tax. See the caption “TAX MATTERS” herein.

\$ _____*
PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY
WATER REVENUE REFUNDING BONDS, SERIES 2016A

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 Refunding Bonds, Series 2016A (the “2016A Bonds”), are being issued by the Authority pursuant to an Indenture of Trust, dated as of _____ 1, 2016 (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 2016A Bonds are being issued: (i) to prepay all or a portion of an Installment Purchase Agreement dated as of November 1, 2012, by and between the Palmdale Water District (the “District”) and the Palmdale Water District Public Facilities Corporation, (ii) to redeem all or a portion of the Authority’s Water Revenue Bonds, Series 2013A maturing on October 1, 2038 and October 1, 2043; (iii) to purchase a municipal bond insurance policy to guarantee payment of the principal of and interest on the 2016A Bonds; (iv) to purchase a municipal bond debt service reserve insurance policy for deposit in the Reserve Fund; and (v) to pay the costs of issuing the 2016A Bonds.

Interest due on the 2016A Bonds is payable semiannually on April 1 and October 1 of each year, commencing April 1, 2017. The 2016A 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. Purchasers will not receive certificates representing their interest in the 2016A Bonds. Individual purchases will be in principal amounts of \$5,000 and integral multiples thereof. Payments of principal of and interest on the 2016A Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the 2016A Bonds.

The 2016A Bonds are subject to redemption prior to maturity as described in this Official Statement. See “THE 2016A BONDS—Redemption of 2016A Bonds.”

The 2016A Bonds are limited obligations of the Authority. The 2016A 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 2016A Installment Payments received by the Authority from the District pursuant to an Installment Purchase Agreement, dated as of _____ 1, 2016 (the “Installment Purchase Agreement”), by and between the District and the Authority. The obligation of the District to make the Series 2016A Installment Payments is a special obligation of the District payable solely from Net Water Revenues on a parity with the obligation of the District to make payments due under that Installment Purchase Agreement, dated as of May 1, 2013, by and between the District and the Authority (the “2013 Installment Payments”).

The District will covenant not to incur additional obligations payable from Net Water Revenues senior to the Series 2016A Installment Payments. The District may incur additional obligations payable from Net Water Revenues on a parity with the Series 2016A Installment Payments and the 2013 Installment 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 2016A BONDS. THE AUTHORITY HAS NO TAXING POWERS. THE 2016A 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 2016A 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 2016A 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 2016A Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the issuance of the 2016A Bonds by _____ (“_____” or the “Insurer”).

[Insurer Logo]

This cover page contains certain information for quick reference only. It is not a complete summary of the 2016A Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2016A 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 2016A 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 Nossaman LLP, and for the Trustee by its counsel. It is anticipated that the 2016A Bonds will be available for delivery through the facilities of the Depository Trust Company on or about _____, 2016.

[PIPER LOGO]

* Preliminary, subject to change.

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.

Dated: _____, 2016

\$ _____^{*}
PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY
WATER REVENUE REFUNDING BONDS, SERIES 2016A

MATURITY SCHEDULE

<i>Maturity (October 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP[†]</i>
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\$ _____ % Term Bonds due October 1, 20__; Price _____; CUSIP[†] _____

^{*} Preliminary, subject to change.

[†] 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 Capital IQ. Copyright © 2016 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by Standard & Poor's CUSIP Service Bureau. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. None of the Authority, the District nor the Underwriter takes any responsibility for the accuracy of such numbers.

**PALMDALE WATER DISTRICT
LOS ANGELES COUNTY, CALIFORNIA**

BOARD OF DIRECTORS

Robert E. Alvarado, *President*
Vincent Dino, *Vice President*
Joe Estes, *Secretary*
Marco Henriquez, *Treasurer*
Kathy Mac Laren, *Director*

PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY

BOARD OF DIRECTORS

Robert E. Alvarado, *President*
Vincent Dino, *Vice President*
Joe Estes, *Secretary*
Marco Henriquez, *Director*
Kathy Mac Laren, *Director*

DISTRICT STAFF

Dennis D. LaMoreaux, *General Manager/Chief Executive Officer*
Matthew Knudson, *Assistant General Manager/Chief Operating Officer*
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

MUNICIPAL ADVISOR

NHA Advisors LLC
San Rafael, California

TRUSTEE

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

VERIFICATION AGENT

Causey Demgen & Moore, P.C.
Denver, Colorado

TABLE OF CONTENTS

<p>INTRODUCTION 1</p> <p>THE REFUNDING PLAN 3</p> <p>ESTIMATED SOURCES AND USES OF FUNDS 4</p> <p>THE 2016A BONDS 4</p> <p style="padding-left: 20px;">Terms of the 2016A Bonds4</p> <p style="padding-left: 20px;">Redemption of 2016A Bonds.....4</p> <p style="padding-left: 20px;">Notice of Redemption5</p> <p style="padding-left: 20px;">Selection of 2016A Bonds for Redemption6</p> <p style="padding-left: 20px;">Partial Redemption of 2016A Bonds6</p> <p style="padding-left: 20px;">Effect of Redemption of 2016A Bonds.....6</p> <p style="padding-left: 20px;">Reserve Fund7</p> <p style="padding-left: 20px;">Book-Entry Only System.....7</p> <p style="padding-left: 20px;">Transfers and Exchanges Upon Termination of Book-Entry Only System.....7</p> <p style="padding-left: 20px;">Debt Service Schedule9</p> <p>SECURITY FOR THE 2016A BONDS 11</p> <p style="padding-left: 20px;">General.....11</p> <p style="padding-left: 20px;">Pledge of Water Revenues12</p> <p style="padding-left: 20px;">Allocation of Water Revenues14</p> <p style="padding-left: 20px;">Rate Covenant.....15</p> <p style="padding-left: 20px;">Reserve Fund15</p> <p style="padding-left: 20px;">Rate Stabilization Fund.....15</p> <p style="padding-left: 20px;">Additional Bonds and Contracts16</p> <p>BOND INSURANCE 17</p> <p>PALMDALE WATER DISTRICT 17</p> <p style="padding-left: 20px;">General.....17</p> <p style="padding-left: 20px;">Land and Land Use18</p> <p style="padding-left: 20px;">Local Economy18</p> <p style="padding-left: 20px;">Governance and Management.....19</p> <p style="padding-left: 20px;">Powers.....20</p> <p style="padding-left: 20px;">Employees.....20</p> <p style="padding-left: 20px;">Pension Benefits20</p> <p style="padding-left: 20px;">Budget Process.....25</p> <p style="padding-left: 20px;">Insurance.....25</p> <p style="padding-left: 20px;">Seismic Consideration25</p> <p style="padding-left: 20px;">Outstanding Indebtedness26</p> <p style="padding-left: 20px;">District’s Investment Policy27</p> <p>THE WATER SYSTEM 28</p> <p style="padding-left: 20px;">Local Groundwater29</p> <p style="padding-left: 20px;">Surface Water30</p> <p style="padding-left: 20px;">State Water Project31</p> <p style="padding-left: 20px;">Factors Affecting Delivery of State Water</p> <p style="padding-left: 40px;">Project Supply32</p> <p style="padding-left: 40px;">District Water Facilities33</p> <p style="padding-left: 40px;">Quality of District’s Water.....34</p> <p style="padding-left: 40px;">Future Capital Projects.....34</p> <p style="padding-left: 40px;">Future Water Sources.....36</p> <p style="padding-left: 40px;">Antelope Valley Groundwater Basin37</p> <p style="padding-left: 40px;">California Drought and Response37</p> <p style="padding-left: 40px;">Water Supply Limitations39</p> <p>SYSTEM FINANCIAL INFORMATION 40</p> <p style="padding-left: 20px;">Rates and Charges.....40</p> <p style="padding-left: 20px;">Operating Revenues40</p> <p style="padding-left: 20px;">Principal Water Users45</p> <p style="padding-left: 20px;">Customer Base46</p>	<p style="padding-left: 20px;">New Meter Connections, Consumption and Sales47</p> <p style="padding-left: 20px;">Financial Statements47</p> <p style="padding-left: 20px;">Historical Operating Results and Debt Service Coverage48</p> <p style="padding-left: 20px;">Projected Earnings and Debt Service Coverage...51</p> <p>CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES 53</p> <p style="padding-left: 20px;">Proposition 21853</p> <p style="padding-left: 20px;">Proposition 26.....54</p> <p style="padding-left: 20px;">Article XIII A.....54</p> <p style="padding-left: 20px;">Article XIII B.....55</p> <p style="padding-left: 20px;">Proposition 1A55</p> <p style="padding-left: 20px;">Future Initiatives56</p> <p>THE AUTHORITY 56</p> <p>RISK FACTORS 56</p> <p style="padding-left: 20px;">Limited Obligations56</p> <p style="padding-left: 20px;">Increased Operation and Maintenance Costs56</p> <p style="padding-left: 20px;">Property Tax Collections56</p> <p style="padding-left: 20px;">Shortage of Imported Water.....57</p> <p style="padding-left: 20px;">Seismic Considerations.....57</p> <p style="padding-left: 20px;">Water System Demand and Possible Increase in Unpaid Water Bills57</p> <p style="padding-left: 20px;">Limited Recourse on Default; Insurer Right to Control Remedies57</p> <p style="padding-left: 20px;">Effect of Bankruptcy57</p> <p style="padding-left: 20px;">Loss of Tax Exemption58</p> <p>TAX MATTERS 58</p> <p>CERTAIN LEGAL MATTERS 60</p> <p>LITIGATION 60</p> <p style="padding-left: 20px;">The Authority.....60</p> <p style="padding-left: 20px;">The District60</p> <p>RATINGS 60</p> <p>UNDERWRITING 61</p> <p>CONTINUING DISCLOSURE</p> <p>UNDERTAKING 61</p> <p>MISCELLANEOUS 62</p> <p>APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR YEAR ENDING DECEMBER 31, 2015 A-1</p> <p>APPENDIX B—DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS B-1</p> <p>APPENDIX C—FORM OF BOND COUNSEL’S OPINION C-1</p> <p>APPENDIX D—DTC AND BOOK-ENTRY ONLY SYSTEM D-1</p> <p>APPENDIX E—FORM OF CONTINUING DISCLOSURE CERTIFICATE E-1</p> <p>APPENDIX F—SPECIMEN MUNICIPAL BOND INSURANCE POLICY F-1</p> <p>APPENDIX G—FACTORS AFFECTING DELIVERY OF WATER BY STATE WATER PROJECT G-1</p> <p>APPENDIX H—SUPPLEMENTAL INFORMATION CONCERNING THE CITY OF PALMDALE H-1</p>
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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 2016A 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 2016A 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 2016A 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, 2015" 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 2016A 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 2016A Bonds, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the 2016A 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 2016A 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.

_____ ("_____") makes no representation regarding the 2016A Bonds or the advisability of investing in the 2016A Bonds. In addition, _____ 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 _____ supplied by _____ and presented under the heading "Bond Insurance" and APPENDIX F—"SPECIMEN MUNICIPAL BOND INSURANCE POLICY".

THE 2016A 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 2016A 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 2016A Bonds.

\$ _____ *

**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY
WATER REVENUE REFUNDING BONDS, SERIES 2016A**

INTRODUCTION

General. This Official Statement provides information concerning the issuance of the Palmdale Water District Public Financing Authority Water Revenue Refunding Bonds, Series 2016A (the “2016A Bonds”) pursuant to an Indenture of Trust, dated as of _____ 1, 2016 (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 2016A BONDS.”

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 2016A Bonds. The 2016A Bonds are being issued by the Authority: (i) to prepay all or a portion of that certain Installment Purchase Agreement dated as of November 1, 2012 by and between the District and the Palmdale Water District Public Facilities Corporation (the “2012 Installment Purchase Agreement”), which currently has an aggregated principal amount of \$8,577,741 due thereunder; (ii) to refund all or a portion of the Authority’s Water Revenue Bonds, Series 2013A, maturing on October 1, 2038 and October 1, 2043 (the “Refunded 2013 Bonds”) currently outstanding in the aggregate principal amount of \$8,810,000; (iii) to purchase a municipal bond insurance policy to guarantee payment of the principal of and interest on the 2016A Bonds (the “Policy”); (iv) to purchase a municipal bond debt service reserve insurance policy for deposit in the Reserve Fund (the “Reserve Surety Policy”); and (v) to pay the costs of issuing the 2016A Bonds.

Authority for Issuance. The 2016A 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 2016A Bonds on _____, 2016, the Authority adopted Resolution No. ____ (the “Authorizing Resolution”) approving the 2016A Bonds and the execution and delivery of the Indenture and the District adopted Resolution No. ____ approving the execution and delivery of various documents related to the 2016A Bonds.

Sources of Payment for the 2016A Bonds. The 2016A Bonds are limited obligations of the Authority. The 2016A 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 2016A Installment Payments”) received from the District pursuant to an Installment Purchase Agreement, dated as of _____ 1, 2016 (the “Installment Purchase Agreement”), by and between the District and the Authority. See the caption “SECURITY FOR THE 2016A BONDS.”

The 2016A Bonds do not constitute a charge against the general credit of the Authority. The 2016A 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 2016A 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

* Preliminary, subject to change.

Authority, is pledged to the payment of the principal amount or redemption price of, or interest on, the 2016A Bonds. The Authority has no taxing power. The 2016A 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 2016A 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 2016A Installment Payments is a special obligation of the District payable solely from Net Water Revenues of the District's Water System (as such terms are defined in the Installment Purchase Agreement) 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 (as such terms are defined in the Installment Purchase Agreement). See the caption "SECURITY FOR THE 2016A BONDS."

The obligation of the District to make the Series 2016A Installment Payments from Net Water Revenues is on a parity with the obligation of the District to make payments of principal and interest under that certain Installment Purchase Agreement, dated as of May 1, 2013, by and between the District and the Authority (the "2013 Installment Payments"). See Table 2 for the payment schedule for the 2013 Installment Payments.

Reserve Fund. A Reserve Fund for the 2016A Bonds is established pursuant to the Indenture in an amount equal to the Reserve Requirement, which shall be initially: (i) \$_____ ; and thereafter (ii) the lesser of the amount set forth in clause (i) or [the maximum payments of principal of and interest on the 2016A Bonds payable in any year] (the "Reserve Requirement"). _____ ("_____") has committed to issue, simultaneously with the execution and delivery of the 2016A Bonds, the Reserve Surety Policy in an amount equal to the initial Reserve Requirement for deposit in the Reserve Fund.

Insurance. Payment of principal of and interest on the 2016A Bonds will be insured by the Policy to be issued by _____ concurrently with the issuance of the 2016A 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 2016A Installment Payments. The District may incur additional obligations on a parity with the Series 2016A Installment Payments and the 2013 Installment Payments, subject to the terms and conditions described under the caption "SECURITY FOR THE 2016A BONDS—Limitations on Parity and Superior Obligations; Subordinate Obligations."

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."

Prior Litigation and Settlement with the City. As discussed more fully herein (see the caption "SYSTEM FINANCIAL INFORMATION—Rates and Charges"), in 2009, the District's Board of Directors approved a new "water budget" rate structure and accompanying multi-year commodity rate and meter charge increases. The City challenged the District's actions, primarily alleging violations of Article XIID, Section 6 of the California Constitution. 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 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.

Professionals Involved in the Offering. The Bank of New York Mellon Trust Company, N.A. will act as Trustee with respect to the 2016A Bonds. The 2016A 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 2016A Bonds. NHA Advisors, LLC is serving as Municipal Advisor to the District with respect to the 2016A Bonds. Certain legal matters will be passed on for the Underwriter by its counsel, Nossaman LLP, for the District and the Authority by Aleshire & Wynder LLP, their general counsel, and for the Trustee by its counsel.

Other Information about this Official Statement. There follows in this Official Statement (and attached appendices) a brief description of the 2016A Bonds, the security for the 2016A Bonds, the District, the Authority and certain other information relevant to the issuance of the 2016A 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.

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 Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

THE REFUNDING PLAN

A portion of the proceeds from the sale of the 2016A Bonds will be deposited into two escrow funds (the "Escrow Funds") to prepay the 2012 Installment Purchase Agreement and to redeem the Refunded 2013 Bonds (collectively, the "Prior Obligations"), respectively. The Escrow Funds are to be created and maintained by The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent"), under two Escrow Agreements (the "Escrow Agreements").

Moneys in the Escrow Funds will be invested in cash and/or non-callable direct obligations of the United States Treasury or other non-callable obligations, the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America. Causey Demgen & Moore, P.C., independent certified public accountants, acting as verification agent (the "Verification Agent") with respect to the Escrow Funds, will certify, in writing, that: (i) the amounts deposited into the Escrow Fund relating to the 2012 Installment Purchase Agreement will be sufficient to prepay the principal amount remaining thereunder on _____, 2016, along with all accrued interest thereon; and (ii) the amounts deposited into the Escrow Fund relating to the Refunded 2013 Bonds, along with the interest earnings thereon, will be sufficient to make the payments of principal and interest due on the Refunded 2013 Bonds through and including October 1, 2018 and to redeem such bonds on October 1, 2018 at a redemption price equal to the outstanding principal amount on such date, along with all accrued interest to such date.

All moneys and/or non-callable direct obligations of the United States Treasury or other non-callable obligations deposited into each Escrow Fund will be irrevocably pledged to secure, when due, the payment of the principal and interest with respect to the applicable Prior Obligations and will not be available to pay debt service on the 2016A Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2016A Bonds are set forth below.

Table 1
PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY
Estimated Sources and Uses of Funds

<u>Sources</u>	
Principal Amount of 2016A Bonds	\$
[Plus/Less] Net Original Issue [Premium/Discount]	_____
TOTAL	\$ _____
 <u>Uses</u>	
Transfer to 2012 Escrow Fund ⁽¹⁾	\$
Transfer to 2013 Escrow Fund ⁽²⁾	_____
Costs of Delivery ⁽³⁾	_____
TOTAL	\$ _____

⁽¹⁾ To prepay the 2012 Installment Purchase Agreement.

⁽²⁾ To redeem the Refunded 2013 Bonds.

⁽³⁾ 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 2016A BONDS

Terms of the 2016A Bonds

The 2016A Bonds will be issued in the aggregate principal amount of \$_____ * and will be dated as of the date of issuance. Interest on the 2016A Bonds is payable on April 1 and October 1 of each year, commencing April 1, 2017 (each an “Interest Payment Date”). The principal of and premium, if any, and interest on the 2016A Bonds is payable in lawful money of the United States of America. Such amounts will 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 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 2016A 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 2016A 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 2016A 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 2016A Bonds

Optional Redemption. The 2016A Bonds maturing on October 1, 20__ are subject to optional redemption, in whole or in part, on any date on and after October 1, 20__, 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

* Preliminary, subject to change.

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 2016A 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__ shall be paid at maturity and are subject to mandatory sinking fund redemption, in part by lot, from Sinking Account payments set forth in the following schedule on October 1, 20__, and on October 1 each year thereafter, 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 maturing on October 1, 20__ 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 maturing on October 1, 20__ so redeemed by reducing each such future Sinking Account payment 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>Redemption Date</i> <i>(October 1)</i>	<i>Principal</i> <i>Amount</i>
*	\$

* 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 Term Bonds required to be redeemed on the succeeding October 1.

Extraordinary Redemption. The 2016A 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—Particular Covenants—Insurance” and “DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS—Particular Covenants—Eminent Domain Proceeds,” respectively, for a description of the circumstances under which the 2016A 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 2016A 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) to the respective Owners of any 2016A 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 2016A Bonds of such maturity to be redeemed by giving the individual number of each 2016A Bond or by stating that all 2016A Bonds between two stated numbers, both inclusive, have been called for redemption and, in the case of 2016A 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 2016A Bonds the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2016A 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 2016A Bond be then surrendered to the Trustee. Any failure to receive such notice or any defect in the notice or the mailing will not affect the validity of the redemption of any Bond.

With respect to any notice of optional redemption of 2016A 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 2016A 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 2016A 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 2016A Bonds for Redemption

Whenever provision is made in the Indenture for the redemption of less than all of the 2016A Bonds, (other than mandatory sinking fund redemption of Term Bonds) the Trustee will select the 2016A Bonds to be redeemed from all 2016A Bonds or such given portion of the 2016A 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 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 2016A Bond as consisting of separate \$5,000 portions and each such portion will be subject to redemption as if such portion were a separate 2016A Bond.

Partial Redemption of 2016A Bonds

Upon surrender of any 2016A 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 2016A Bond of Authorized Denominations, and of the same maturity date and interest rate, equal in aggregate principal amount to the unredeemed portion of the 2016A Bond surrendered.

Effect of Redemption of 2016A 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 2016A Bonds (or portions thereof) so called for redemption is held by the Trustee on the redemption date designated in such notice, the 2016A 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 2016A Bonds so called for redemption will cease to accrue, such 2016A Bonds (or portions thereof)

will cease to be entitled to any benefit or security under the Indenture, and the Owners of such 2016A 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 thereon will affect the sufficiency of the proceedings of redemption. All 2016A Bonds redeemed pursuant to the provisions of the Indenture will be cancelled upon surrender thereof and destroyed.

Reserve Fund

_____ has made a commitment to issue, simultaneously with the initial execution and delivery of the 2016A Bonds, the debt service reserve insurance policy in the amount of \$_____, which amount is sufficient to satisfy the initial Reserve Requirement, for deposit in the Reserve Fund, effective as of the date of issuance of the 2016A Bonds. Under the terms of the debt service reserve insurance policy, _____ will unconditionally and irrevocably guarantee to pay that portion of the scheduled payments of principal of and interest on the 2016A 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 2016A Bond for each maturity will be issued in the principal amount of such 2016A Bond. Such 2016A 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 2016A 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 2016A Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement. See Appendix D hereto for additional information concerning DTC.

Transfers and Exchanges Upon Termination of Book-Entry Only System

In the event that the 2016A Bonds are no longer held in book-entry form, the following transfer and exchange provisions will apply. Any 2016A 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 2016A 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 2016A Bond is surrendered for transfer, the Trustee will authenticate and deliver a new 2016A 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 2016A Bond authenticated and delivered upon any transfer. The Trustee may require the payment by any 2016A 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 2016A Bonds the Trustee will cancel and destroy the 2016A Bonds it has received.

2016A Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee, for a like aggregate principal amount of 2016A Bonds of other authorized denominations of the same series and maturity. The Trustee may charge a sum for each new 2016A Bond authenticated and delivered upon any exchange except in the case of any exchange of temporary 2016A Bonds for definitive 2016A 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 2016A Bonds, the Trustee will cancel and destroy the 2016A Bonds it has received.

The Trustee is not required to register the exchange or transfer pursuant to the Indenture, of any 2016A Bond: (i) within 15 days preceding selection of 2016A Bonds for redemption; or (ii) selected for redemption.

Debt Service Schedule

Set forth below is the debt service schedule for the 2016A Bonds assuming no optional or extraordinary redemption.

**PALMDALE WATER DISTRICT
Semi-Annual Debt Service Schedule**

<i>2016A Bond Payment Date</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
April 1, 2017			
October 1, 2017			
April 1, 2018			
October 1, 2018			
April 1, 2019			
October 1, 2019			
April 1, 2020			
October 1, 2020			
April 1, 2021			
October 1, 2021			
April 1, 2022			
October 1, 2022			
April 1, 2023			
October 1, 2023			
April 1, 2024			
October 1, 2024			
April 1, 2025			
October 1, 2025			
April 1, 2026			
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October 1, 2027			
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April 1, 2030			
October 1, 2030			
April 1, 2031			
October 1, 2031			
April 1, 2032			
October 1, 2032			
April 1, 2033			
October 1, 2033			
April 1, 2034			
October 1, 2034			
April 1, 2035			
October 1, 2035			
April 1, 2036			
October 1, 2036			
April 1, 2037			
October 1, 2037			
April 1, 2038			
October 1, 2038			
April 1, 2039			

<i>2016A Bond Payment Date</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
October 1, 2039			
April 1, 2040			
October 1, 2040			
April 1, 2041			
October 1, 2041			
April 1, 2042			
October 1, 2042			
April 1, 2043			
October 1, 2043			
TOTAL			

Table 2 below sets forth the annual scheduled Series 2016A Installment Payments and all current parity obligations payable from Net Water Revenues.

Table 2
PALMDALE WATER DISTRICT
Outstanding Parity Debt Schedule

<i>Period Ending (October 1)</i>	<i>Series 2016A* Installment Payments</i>	<i>Parity Obligations⁽¹⁾</i>	<i>Total*</i>
2017		\$ 1,998,575	
2018		1,998,725	
2019		1,993,425	
2020		1,992,825	
2021		1,996,075	
2022		1,997,825	
2023		1,993,075	
2024		3,498,975	
2025		3,498,625	
2026		3,503,125	
2027		3,496,875	
2028		3,500,125	
2029		3,502,125	
2030		3,502,975	
2031		3,500,500	
2032		3,496,500	
2033		3,500,500	
2034		3,501,750	
2035		--	
2036		--	
2037		--	
2038		--	
2039		--	
2040		--	
2041		--	
2042		--	
2043		--	
TOTAL		<u>\$52,472,600</u>	

* Preliminary, subject to change.

(1) Reflects scheduled 2013 Installment Payments assuming the redemption of all of the Refunded 2013 Bonds. See the caption "INTRODUCTION—Sources of Payments for the 2016A Bonds."

Source: The District and the Underwriter.

SECURITY FOR THE 2016A 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 2016A Bonds, for the purpose of securing: (a) the payment of all sums due and owing to the Owners of the 2016A 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 2016A Bonds are limited obligations of the Authority. The 2016A 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 2016A Installment Payments received from the District pursuant to the Installment Purchase Agreement.

The 2016A Bonds do not constitute a charge against the general credit of the Authority. The 2016A 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 2016A 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 2016A Bonds. The Authority has no taxing power. The 2016A 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 2016A 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 2016A 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 2013 Installment 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 hereof. 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 2016A Installment Payments and which are secured by a pledge of and lien on the Water Revenues, including the unrefunded portion of the 2013 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 2016A Installment Payments and which are secured by a pledge and lien on the Water Revenues. 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 2016A 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 2016A Installment Payments from Net Water Revenues is absolute and unconditional, and until such time as all of the Series 2016A 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 2016A 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; Rules of Construction; Contents of Certificates and Opinions."

The obligation of the District to make the Series 2016A Installment Payments from Net Water Revenues is payable on a parity with the obligation of the District to make payments of principal and interest with respect to the 2013 Installment Payments from Net Water Revenues. See the caption "INTRODUCTION—Sources of Payments for the 2016A Bonds."

THE OBLIGATION OF THE DISTRICT TO MAKE THE SERIES 2016A 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 2016A 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 2016A Installment Payments or the 2013 Installment Payments, the Trustee has the right to accelerate the entire principal amount of the unpaid Series 2016A Installment Payments and the accrued interest thereon or the entire principal amount of the unpaid 2013 Installment Payments and the accrued interest thereon, respectively. However, in the event of a default and such acceleration of either the Series 2016A Installment Payments or the 2013 Installment Payments there can be no assurance that the District will have sufficient Net Water Revenues to pay the accelerated Series 2016A Installment Payments or the accelerated 2013 Installment Payments.

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 2016A 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 2016A Installment Payments and any payments on a parity therewith, including the 2013 Installment 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 2016A 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 2016A Installment Payment coming due on such Series 2016A 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 2013 Installment 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 2016A Installment Payment if the amount in the Bond Payment Fund is at least equal to the amount of the Series 2016A Installment Payment due and payable on the next succeeding Series 2016A 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 2016A 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

_____ has made a commitment to issue, simultaneously with the initial execution and delivery of the 2016A Bonds, the Reserve Surety Policy in the amount of \$_____ for deposit in the Reserve Fund, effective as of the date of issuance of the 2016A Bonds. Under the terms of the Reserve Surety Policy, _____ will unconditionally and irrevocably guarantee to pay that portion of the scheduled payments of principal of and interest on the 2016A 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 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 2016A 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.

Upon the defeasance of the 2013 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 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 2016A 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 2016A Installment Payments in accordance with the Installment Purchase Agreement. The District may also use moneys in the Rate Stabilization Fund to make 2013 Installment Payments. The District currently has approximately \$480,000 on deposit in the Rate Stabilization Fund.

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 2016A Installment 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 2016A Installment Payments.

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 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 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 2016A Installment Payments.

BOND INSURANCE

The information under this caption has been prepared by _____ 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 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 115,000 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 97% 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 160,000 people reside in the City, and approximately 10,200,000 people reside in the County of Los Angeles. The County of Los Angeles is California’s most populous County with approximately 26.1% 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 3
POPULATION ESTIMATES
2012-2016**

<i>Year</i>	<i>City of Palmdale⁽¹⁾</i>	<i>Annual Change</i>	<i>Los Angeles County</i>	<i>Annual Change</i>	<i>State of California</i>	<i>Annual Change</i>
2012	155,414	N/A	9,956,722	N/A	37,881,357	N/A
2013	156,877	0.9%	10,023,753	0.7%	37,239,207	0.9%
2014	157,928	0.7	10,093,053	0.7	38,567,459	0.9
2015	159,112	0.7	10,155,069	0.6	38,907,642	0.9
2016	160,072	0.6	10,241,335	0.8	39,255,883	0.9

⁽¹⁾ The number of persons located within the District’s boundaries is less than the population of the City. Approximately 115,000 people lived within the District’s boundaries in 2016.

Source: California State Department of Finance, Demographic Research Unit.

Local Economy

The most recent national recession adversely affected economic conditions in the Antelope Valley, including the District. Home prices within the District declined significantly during the recession, though home prices stabilized in 2013 and have been increasing since. Foreclosure rates and unemployment levels

greatly increased during the recession, though such rates and levels have since returned to pre-recession levels. See APPENDIX H—“SUPPLEMENT INFORMATION CONCERNING THE CITY OF PALMDALE.”

The adverse economic conditions during the recession had a negative impact on the District, including increased delinquent accounts from 2006 levels, a reduction in water accounts due to service terminations at properties in foreclosure, a decrease in property tax collections due to reduced property values, increased tax delinquencies and a decline in capital improvement fees paid to the District given the lack of new development in the District. However, the economic condition of the Antelope Valley population stabilized in 2013 and the District expects the economy in the Antelope Valley to return to pre-recession levels in the near future.

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>
Robert E. Alvarado, President	2019	Teacher
Vincent Dino, Vice President	2017	Retired
Joe Estes, Secretary	2017	Retired
Marco Henriquez, Treasurer	2019	Real Estate Broker
Kathy Mac Laren, Director	2019	Business Development

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.

Matthew R. Knudson, Assistant General Manager/Chief Operating Officer. Mr. Knudson began his employment with the District in July 1991. He was originally hired as a Drafter in the Engineering Department where he maintained District maps and helped design water infrastructure and improvement projects. He then worked as a Water Treatment Plant Operator in the Operations Department for several years where he gained valuable experience operating the District’s Water Treatment Plant. He was promoted to Engineering Manager in 1999 and was promoted to Assistant General Manager in 2014 where he currently oversees the Engineering, Facilities, Operations, Customer Care, and Information Technology Departments. He has his Engineer-in-Training Certificate in California and obtained his B.A. in Public Administration from Southern New Hampshire University.

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 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 86 persons, of whom 52 work in the Facilities, Operations and Engineering departments and 34 work in the Administration or Finance departments. Currently, the District's labor force is not represented by a union. The employees and management enjoy a stable, cooperative relationship, regularly working together to resolve problems of mutual concern. The District has never experienced a strike, slow down or work stoppage.

Pension Benefits

This caption contains certain information relating to the California Public Employees Retirement System ("CalPERS"). The information is primarily derived from information produced by CalPERS, its independent accountants and its actuaries. The District and the Underwriter have not independently verified the information provided by CalPERS and make no representations nor express any opinion as to the accuracy of the information provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning 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. The District cannot 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.

CalPERS Plan. The District contributes to CalPERS, an 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. 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. Participants in the District's CalPERS plan contribute the full amount of the required employee contribution, which is up to 8% of their annual covered salary, depending on benefit level.

The District is required to contribute at an actuarially determined rate applied to annual covered payroll. The District's contribution for the Fiscal Years ended December 31 ("Fiscal Year"), 2014 and 2015

were \$1,136,018 and \$1,124,203, respectively. The District’s contribution for Fiscal Year 2016 is projected to be \$1,216,803. The District’s projected contribution for Fiscal Year 2017 is projected to be \$1,305,941.

For Fiscal Years 2014 and 2015, the District’s annual pension contribution (the “ARC”), as determined by an actuarial valuation, was \$842,108 and \$918,104, respectively. The District currently projects its annual required contribution in Fiscal Year 2016 to be approximately \$904,453 (assuming that the District elects the lump sum payment option).

In June 2012, the Governmental Accounting Standards Board (“GASB”) approved new standards (GASB Statement No. 68, or “GASB 68”) with respect to pension accounting and financial reporting for state and local governments and pension plans. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (i) the inclusion of unfunded pension liabilities on the government’s balance sheet (previously, such unfunded liabilities were typically included as notes to the government’s financial statements); (ii) more components of full pension costs will be shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates will be required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities will be 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. The reporting requirements for pension plans for government employers took effect in Fiscal Year 2015. Based on the adoption of the new accounting standard, beginning with the Fiscal Year 2015 actuarial valuation, the ARC and the annual pension expense will be different. GASB 68 is a change in accounting reporting standards, but it does not change the District’s CalPERS plan funding obligations. For additional information relating to the District’s plan, see Note 10 to the District’s audited financial statements for Fiscal Year 2015 attached to the Official Statement as Appendix A.

A summary of principal assumptions and methods used to determine the total pension liability as of June 30, 2015 is shown below.

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry age and service
Investment Rate of Return	7.50% net of pension plan investment and administrative expenses; includes projected inflation rate of 2.75%
Mortality Rate Table ⁽¹⁾	Derived using CalPERS’ membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies

⁽¹⁾ 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: The District.

Funding of CalPERS Plan. The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded accrued liability to payroll.

TABLE 4
PALMDALE WATER DISTRICT
Schedule of Funding Progress
(In Thousands)

<i>Valuation Date</i>	<i>Accrued Liability</i>	<i>Market Value of Assets</i>	<i>Unfunded Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>
06/30/11	\$24,831,715	\$19,334,935	\$5,496,780	77.9%	\$5,967,838
06/30/12	26,605,702	19,632,558	6,973,144	73.8	6,154,498
06/30/13	28,645,821	22,203,797	6,442,024	77.5	5,651,206
06/30/14	31,808,701	25,990,381	5,818,320	81.7	5,600,973
06/30/15	34,199,589	26,923,797	7,275,792	78.7	5,805,337

Source: The District.

In the Statement of Net Position as of December 31, 2015, the District has a net pension liability of approximately \$6.8 million, computed in accordance with GASB 68. The District's net pension liability, computed in accordance with GASB 68 (as further discussed below), for the year ended December 31, 2015, was as follows (in millions):

Net Pension Liability (Asset) (Beginning of Year)	\$5.818
Increase (Decrease) in Net Pension Liability	\$0.910
Net Pension Liability (Asset) (End of Year)	\$6.728

Source: The District.

The following table summarizes the District’s pension contributions for the last five Fiscal Years:

TABLE 5
PALMDALE WATER DISTRICT
Annual Pension Cost (Employer Contributions)
(In Thousands)

<i>Fiscal Year</i>	<i>Employer Contribution</i>	<i>District-Funded Employee Contribution</i>	<i>Employee Contribution</i>	<i>Annual Pension Cost</i>	<i>Percentage of Annual Pension Cost Contributed</i>	<i>Net Pension Asset</i>
2012	\$749,864	\$430,928	\$ 299	\$1,181,091	100%	\$19,632,558
2013	722,206	398,586	2,262	1,123,054	100	22,203,797
2014	748,566	387,452	18,347	1,154,365	100	26,027,538
2015 ⁽¹⁾	829,309	294,894	143,052	1,267,255	100	27,043,912
2016 ^(2,3)	530,684	253,831	184,052	968,567	100	N/A

⁽¹⁾ Differences from prior years reflect new GASB standards described above.

⁽²⁾ Projected through year end.

⁽³⁾ Fiscal Year 2016 has the unfunded accrued liability paid separate from prior years when it was part of the employer contribution.

Source: The District.

Other Post-Employment Benefits

Other Post-Employment Benefits. During the year ended December 31, 2008, the District implemented GASB Statement No. 45, which changed the accounting and financial reporting used by local government employers for post-employment benefits. Previously, the costs of such benefits were generally recognized as expenses of local government employers on a pay-as-you-go basis. The new reporting requirements for these benefit programs as they pertain to the District are set forth below.

Plan Description – Eligibility. The District administers its post-employment benefits plan, a single-employer defined benefit plan (“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:

	<i>2015</i>	<i>2014</i>	<i>2013</i>
Active plan members	85	81	81
Retirees and beneficiaries receiving benefits	<u>15</u>	<u>15</u>	<u>15</u>
Total plan membership	<u>100</u>	<u>96</u>	<u>96</u>

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 Plan members and the District are established and may be amended by the Board of Directors.

Funding Policy. The District is required to contribute the Annual Required Contribution (“ARC”) of the Employer, an amount actuarially determined in accordance with the parameters of GASB Statement

No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of not to exceed thirty years. The current ARC rate is 13.60% for 2016 and was 14.35% for 2015 of the annual covered payroll.

The District currently pays 100% of the cost of the post-employment benefit plan on a pay-as-you-go basis and expects to continue to do so.

Annual Cost. For the years ended December 31, 2015 and 2014, the District's adjusted ARC cost was \$2,221,132 and \$2,202,960, respectively. The District's net OPEB payable obligation amounted to \$11,235,300 and \$9,332,862 for the years ended December 31, 2015 and 2014, respectively. The District contributed \$318,694 and \$349,723 in age adjusted contributions for current retiree OPEB premiums for the years ended December 31, 2015 and 2014, respectively. Information for 2013 is also set forth in the table below.

	<i>2015</i>	<i>2014</i>	<i>2013</i>
Annual OPEB expense:			
Annual required contribution (ARC)	\$ 2,350,322	\$ 2,306,498	\$ 2,002,499
Interest on net OPEB obligation	186,657	149,593	122,950
Adjustment to annual required contribution	<u>(315,847)</u>	<u>(253,131)</u>	<u>(232,943)</u>
Total annual OPEB expense	2,221,132	2,202,960	1,892,506
Change in net OPEB payable obligation:			
Age adjusted contribution made	<u>(318,694)</u>	<u>(349,723)</u>	<u>(381,323)</u>
Total change in net OPEB payable obligation	1,902,438	1,853,237	1,511,183
OPEB payable – beginning of year	<u>9,332,862</u>	<u>7,479,625</u>	<u>5,968,442</u>
OPEB payable – end of year	<u>\$ 11,235,300</u>	<u>\$ 9,332,862</u>	<u>\$ 7,479,625</u>
Percentage of Annual OPEB Cost Contributed	14.3%	15.9%	20.1%

Funded Status and Funding Progress of the Plan.

The most recent valuation (dated December 31, 2014) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$25,778,850. There are no plan assets because the District funds on a pay-as-you-go basis and maintains net assets equal to the remaining net post-employment benefits payable obligation. The covered payroll (annual payroll of active employees covered by the plan) for the years ended December 31, 2014, was \$7,206,856. The ratio of the unfunded actuarial accrued liability to annual covered payroll was and 357.70% as of December 31, 2014.

Actuarial Methods and Assumptions. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

The following is a summary of the actuarial assumptions and methods:

Valuation date	December 31, 2014
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Asset valuation method	30 year smoothed market
Actuarial assumptions:	

Projected salary increase	1.90%
Discount rate	2.00%

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 2016 calendar year on January 19, 2016.

The District’s budget is prepared on the accrual basis. For budgeting purposes, the District generally sets user charges to cover operating expenses of the District, including certain transportation charges assessed by the State of California’s Department of Water Resources (“DWR”), and sets ad valorem assessments to pay for other expenses arising from the contract between the District and DWR relating to the State Water Project. In addition, the District sets its capital improvement fee amounts to finance capital projects. See “SYSTEM FINANCIAL INFORMATION” herein for a detailed description of the District’s various rates, assessments and fees. For a discussion of current and potential limitations on the District’s ability to maintain or increase taxes, fees and other charges, including such fees and other charges as may be limited by the terms of Proposition 218, See “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218” herein. See also APPENDIX A—“AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR YEAR ENDING DECEMBER 31, 2015.”

Insurance

The District maintains general liability and automotive liability and public officials liability (errors and omissions) insurance through the Association of California Water Agencies - Joint Powers Insurance Authority (“ACWA-JPIA”) with limits of \$60,000,000. The District’s self-insured retention amount for the general and auto liability coverage is \$25,000. The District maintains employee dishonesty coverage of up to \$100,000 per loss, which includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage. The District maintains replacement property insurance coverage through ACWA-JPIA with a \$2,500 deductible per occurrence, with \$100,000,000 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 \$4,000,000. 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. In addition, 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.

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 May 2013, the Authority issued its Water Revenue Bonds, Series 2013A (the “2013 Bonds”), which are secured by the 2013 Installment Payments. The Refunded 2013 Bonds comprise a portion of the 2013 Bonds and the 2013 Installment Payments will be reduced going forward to account for the refunding of the Refunded 2013 Bonds. Assuming the redemption of the Refunded 2013 Bonds, the 2013 Installment Payments will be outstanding in the amount of \$33,400,000. The 2013 Installment Payments due under the 2013 Installment Purchase Agreement and the Series 2016A Installment Payments are secured on a parity and payable from Net Water Revenues.

Upon the issuance of the 2016A Bonds, the 2013 Installment Payments will be the only outstanding indebtedness payable from Net Water Revenues on a parity with the Series 2016A Installment Payments. The District is obligated to make payments through March 2017 of \$15,868 monthly pursuant to an equipment lease; however, these payments are subordinate to the District’s obligation to make the Series 2013A Installment Payments. With the exception of the Palmdale Regional Groundwater Recharge and Recovery Project and the Capital Projects Loan 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 Series 2016A Installment Payments.

The direct and overlapping debt table of the District as of August 1, 2016 is set forth in Table 6 below.

**Table 6
PALMDALE WATER DISTRICT
DIRECT AND OVERLAPPING BONDED DEBT**

As of August 1, 2016

2015-16 Land Only Assessed Valuation: \$1,659,359,685

OVERLAPPING TAX AND ASSESSMENT DEBT: (Based on all property valuation of \$5,679,674,593)

	<u>% Applicable</u>	<u>Debt 8/1/16</u>
Los Angeles County Flood Control District	0.140%	\$ 17,682
Antelope Valley Joint Community College District	18.888	25,881,977
Pasadena Area Community College District	0.002	1,645
Acton-Agua Dulce Unified School District	0.961	116,768
La Canada Unified School District	0.025	5,657
Antelope Valley Union High School District	21.391	13,538,337
Palmdale School District	65.277	35,735,781
Westside Union School District	0.878	554,235
Palmdale School District Community Facilities District No. 90-1	79.147	34,325,111
Los Angeles County Regional Park and Open Space Assessment District	0.446	<u>225,721</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$110,402,914

OVERLAPPING GENERAL FUND DEBT:

Los Angeles County General Fund Obligations	0.446%	\$ 8,942,816
Los Angeles County Superintendent of Schools Certificates of Participation	0.446	32,134
Antelope Valley Joint Community College District	18.888	3,905,094
Acton-Agua Dulce Unified School District Certificates of Participation	0.961	25,322
Palmdale School District Certificates of Participation	65.277	11,880,449
City of Palmdale Certificates of Participation	47.148	21,589,069
Los Angeles County Sanitation District No. 14 Authority	0.114	2,634
Los Angeles County Sanitation District No. 20 Authority	63.690	<u>1,225,897</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$47,603,415

OVERLAPPING TAX INCREMENT DEBT (Successor Agency):

\$34,292,260

COMBINED TOTAL DEBT

\$192,298,589 (1)

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2015-16 All Property Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.94%
Combined Total Debt.....	3.39%

Ratios to Redevelopment Incremental Valuation (\$423,836,647):

Total Overlapping Tax Increment Debt.....	8.09%
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Source: California Municipal Statistics, Inc.

District's Investment Policy

On December 9, 2015, 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 30% of all money invested by the

District pursuant to the Investment Policy; bonds, certificates, 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, 2015 and June 30, 2016 are set forth in the table below. For additional information relating to the District’s investments, see APPENDIX A—“AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR YEAR ENDING DECEMBER 31, 2015,” note 2.

**Table 7
PALMDALE WATER DISTRICT
SUMMARY OF INVESTMENTS**

<i>Investment Category</i>	<i>Market Value</i>	
	<i>12/31/15</i>	<i>6/30/16</i>
Federal Agency Obligations	\$ 998,840	\$ 4,595,660
Negotiable Certificates-of-Deposit	3,397,379	3,424,958
Local Agency Investment Fund (LAIF)	11,766	11,790
TOTAL	<u>\$ 4,408,985</u>	<u>\$ 8,021,788</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.

THE WATER SYSTEM

The District is the sole provider of potable water service to water users within its boundaries. 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 24 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 District operates 24 active water wells which extract groundwater from the Antelope Valley Groundwater Basin (the “Antelope 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 currently serves a population of approximately 115,000 people (through 27,405 connections), approximately 96% 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. In 2015, the District received 62.0% or 11,227 acre-feet of its water from local groundwater, 3.2% or 572 acre-feet from local surface water and 34.8% or 6,305 acre-feet from the State Water Project. 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 100 percent of total capacity during the months of May through October and at 75 percent of capacity from November through April. 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 table below sets forth the history of sources and use of water for the District. 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 8
PALMDALE WATER DISTRICT
WATER SOURCE AND USE SUMMARY TABLE**

Calendar Year	Raw Surface Water Sources				Treated Surface Water Production		Total Water Production (ac.-ft.) (a+e)	Total Water Metered (ac.-ft.) ⁽³⁾	Unaccounted for Water	
	Groundwater Production (ac.-ft.) (a)	Littlerock Reservoir (ac.-ft.) (b)	State Water Project (ac.-ft.) (c)	Total (ac.-ft.) (d) ⁽¹⁾	Yearly Total (ac.-ft.) (e)	Yearly Average ⁽²⁾ (MGD) (f)			(ac.-ft.)	(%)
2011	7,025	2,570	10,032	19,627	12,612	11.6	19,637	17,574	2,063	10.5
2012	7,543	0	16,751	24,294	13,916	12.8	21,459	19,210	2,249	10.5
2013	9,378	1,600	11,265	22,243	12,221	11.2	21,599	19,635	1,964	9.1
2014	12,397	700	9,048	22,145	8,323	9.3	20,720	18,746	1,974	9.5
2015 ⁽⁴⁾	11,227	572	6,305	18,104	5,788	7.1	17,015	15,207	1,808	10.6

(1) Difference between the annual Total Raw Surface Water Sources in column “(d)” and the Total Water Production column is primarily the result of water storage, reservoir replenishment, water transfers to other water agencies 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 the Antelope Valley East Kern Water Agency (“AVEK”) pass-through water and water supplied to Little Creek Irrigation District.

(4) Due to continued dry conditions throughout the State, the Governor enacted mandatory water restrictions for all water agencies, including the District. See “—California Drought and Response.”

Source: The District.

Local Groundwater

Over the last five years, the District received an average of approximately 44.7% of its water supply from local groundwater. Historically, the District's primary service area was supplied with groundwater pumped from deep wells. Natural recharge of the Antelope Valley Groundwater Basin (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 recent 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 will receive 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 is required to reduce its groundwater production annually until 2023 when it can thereafter pump 2,769.63 acre feet per year. See “—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 purchased from the SWP in the prior year either for direct use via the Leslie O. Carter Water Treatment Plant or for recharge at the Recharge Project (the “Return Flow Credit”). See “—Future Capital Projects—Palmdale Regional Groundwater Recharge and Recovery Project” for a discussion of the Recharge Project (as defined below). The District projects that the Return Flow Credit will provide approximately 5,000 acre feet per year upon completion of the Recharge Project.

In addition to the groundwater allocation and the Return Flow Credit, the District is further entitled under the Judgment to a share of the unused reserve right of the Federal Government, which is projected to be approximately 1,370 acre feet per year through at least 2025.

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 24 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 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. In 2015, the District recovered 11,227 acre-feet of water from its wells.

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 6.0% of its water supply from local surface water. The amount of local surface supply varies annually and has ranged from 0% to

13.0% 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 3,500 acre-feet of water. Construction of Littlerock Dam and Reservoir was completed in 1924 by the Palmdale Irrigation District, predecessor of 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 percent 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. Conveyance losses reduce this yield to approximately 3,500 acre-feet per year. In 2015, the District received 572 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 50.0% of its water supply from the State Water Project ("SWP"). The SWP is one of the largest water supply projects undertaken in the history of water development. It 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 Sacramento-San Joaquin Delta (the "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 2015, the District received 6,305 acre-feet of water, which includes its 2015 allocation, additional water supplied pursuant to a contract with Butte County, and a carryover allocation of water from 2014. The allocation of water made by DWR in 2015 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 allocation. The District has a long term lease agreement with Butte County for up to 10,000 acre-feet per year of their SWP Table A Quantity (the "Butte County Agreement"). The amount available through this Butte County Agreement varies primarily on the final annual allotment from DWR to the State Water Contractors and can be roughly calculated by multiplying the final allotment percentage by 10,000 acre-feet. This Butte County Agreement runs through 2019 and has 5 year renewal options through 2035. The District's State Water Supply Contract, the Butte County Agreement and any other agreements to which the District is a party for SWP water and for which the District levies or will levy an assessment are collectively referred to herein as the "State Water Supply Contract." The amount of water which DWR supplies to the District under the State Water Supply Contract may be reduced in any year in which there is a shortage or interruption, due to drought or other temporary cause, in the supply of water available for delivery to the District and other SWP contractors. DWR reduces allotments where the available water supply is less than the total of the annual project allotments of all project participants in the SWP facilities for that year.

In the event that the State is unable to construct sufficient additional conservation facilities to prevent a reduction in the minimum SWP yield, or if for any other reason there is a reduction in the minimum SWP yield, which, notwithstanding preventative or remedial measures taken or to be taken by the State, threatens a permanent shortage in the supply of SWP water to be made available to the District under the State Water Supply Contract, the District's SWP allotment will be reduced in accordance with the State Water Supply Contract.

Pursuant to the District’s State Water Supply Contract, the District is obligated to pay its allocable share of a capital cost component and a minimum operation, maintenance, power and replacement component (together, the “SWP Fixed Costs”) of the SWP. In addition to the SWP Fixed Costs, the District pays a variable amount to the SWP from Net Water Revenues based on the amount of water that is purchased for delivery to the District each year. Such costs have averaged approximately \$1,726,000 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 9
PALMDALE WATER DISTRICT
HISTORY OF SWP FIXED COSTS**

<i>Year</i>	<i>Capital Cost Component</i>	<i>Minimum Component</i>	<i>Total SWP Fixed Costs</i>
2011	\$2,225,748	\$905,047	\$3,130,795
2012	3,333,293	914,810	4,248,103
2013	3,835,620	731,260	4,566,880
2014	3,386,115	561,410	3,947,525
2015	4,575,111	434,208	5,009,319

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 Revenues of the District pledged to secure the Series 2016A Installment Payments. Any 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.

Factors Affecting Delivery of State Water Project Supply

There are many factors that affect the amount of water that the SWP is able to deliver to its contractors such as the District including overall demand from contractors, weather, environmental controls, operational constraints and litigation regarding the SWP. DWR has stated to contractors that, under its long-term forecast, absent the addition of new facilities, it will be able to deliver an average of approximately 58% of the existing allocations to contractors in the SWP. For a more detailed discussion see APPENDIX G—“FACTORS AFFECTING DELIVERY OF WATER BY STATE WATER PROJECT.”

The District’s allocation from SWP for calendar year 2015 was 20% of its contracted-for amount, or 4,260 acre-feet. This allocation took into account the normal conditions in the northern Sierra Mountains and projected impacts of court-ordered and other restrictions (described below), which have reduced water deliveries from SWP.

The District's allocation from SWP for calendar year 2016 is expected to be 60% of its contracted-for amount, or 12,780 acre-feet. This allocation took into account the normal conditions in the northern Sierra Mountains and projected impacts of court-ordered and other restrictions (described below), which have reduced water deliveries from SWP. See "—California Drought and Response."

A description of challenges to the water supply as well as a variety of other operating information with respect to SWP is included in certain disclosure documents prepared by DWR. DWR has entered into a number of continuing disclosure agreements pursuant to which DWR is contractually obligated for the benefit of owners of certain of its outstanding obligations to file annual reports, notices of certain material events as defined under Rule 15c2-12 of the Exchange Act ("Rule 15c2-12") and annual audited financial statements (the "SWP Information") with the Securities and Exchange Commission's electronic filing system for municipal securities known as EMMA. **DWR HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE 2016A BONDS TO PROVIDE SWP INFORMATION TO THE DISTRICT, THE TRUSTEE OR THE OWNERS OF THE 2016A BONDS.**

DWR HAS NOT REVIEWED THIS OFFICIAL STATEMENT INCLUDING APPENDIX G HERETO, 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 SWP INFORMATION, FOR THE BENEFIT OF THE DISTRICT OR THE OWNERS OF THE 2016A BONDS UNDER RULE 15C2-12.

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 2011 through 2015, the District replaced 70,554 lineal feet of pipelines, representing 3.3% 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 8.9% in 2013 to a high of 12.6% in 2015. The District considers losses of water in its distribution system to be within acceptable industry standards.

Elevation within the District varies from 2,600 to 3,800 feet, and 7 pressure zones have been created within the District to provide water service at acceptable minimum and maximum pressures. The District attempts to maintain zone pressures between 40 and 120 pounds per square inch. Each pressure zone requires pumping plants or other sources of supply for providing water at the desired pressure. Most pressure zones also have storage facilities for providing water during peak demand, and under emergency and fire flow conditions. There are 43 booster pumps located within the District which vary in size from 10 to 150 hp to boost water in four of the seven primary pressure zones.

Quality of District's Water

Water quality requirements for potable water are developed by the U.S. Environmental Protection Agency and the California Department of Health Services, pursuant to mandates contained in the Safe Drinking Water Act. On August 2, 1996 Congress passed the Safe Drinking Water Act Amendments of 1996, and President Clinton signed them into law on August 6, 1996. Stored water at Palmdale Lake is conveyed through a 42-inch pipeline to the District's Water Treatment Plant. The treatment process includes chemical addition, flocculation, sedimentation, filtration, GAC, and disinfection. Treated water at the District satisfies all current requirements of the Federal Safe Drinking Water Act and regulations of the California Department of Public Health. However, future legislation and/or regulations could impose additional requirements necessitating modifications to the water treatment process and procedure currently used by the District, which could have the effect of increasing the cost of treating such water.

Future Capital Projects

The District conducts capital improvement planning on an ongoing basis for the rehabilitation, upgrade, and expansion of facilities, equipment, and improvements necessary to meet current and future needs for water treatment, storage, and conveyance within the existing service area. The table below sets forth a summary of estimated project costs for the capital projects which the District may undertake over the next 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. The capital projects, in the amount of up to \$67,025,000, are expected to be financed through water sales, connection fees and loans/grants from the State or other indebtedness incurred by the District.

**Table 10
PALMDALE WATER DISTRICT
FIVE YEAR CAPITAL PROJECT PLAN**

<i>Category</i>	<i>2016-2020</i>
Water Main Replacement Projects	\$ 1,500,000
Well Maintenance and Rehabilitation Projects	1,250,000
Storage Tank Maintenance Projects	1,875,000
Booster Pump Maintenance Projects	500,000
Water Meter Replacement Projects	2,400,000
Littlerock Reservoir Sediment Removal Project	3,500,000
Palmdale Regional Groundwater Recharge & Recovery Project	55,000,000
Miscellaneous	<u>1,000,000</u>
TOTAL:	\$ 67,025,000

Source: The District.

Palmdale Regional Groundwater Recharge and Recovery Project. The District is in the process of developing the Palmdale Regional Groundwater Recharge and Recovery Project (the "Recharge Project"). The District has certified the environmental impact report and is currently working through permitting approval as

well as funding strategies for the Recharge Project. The Recharge Project includes construction of new facilities to deliver SWP water from the California Aqueduct along with recycled water from the Palmdale Water Reclamation Plant to an 80-acre surface spreading basin on a 160-acre undeveloped site in the northeast portion of the City in order to recharge the Basin. The recharged water would percolate through soil and infiltrate through the Basin, mixing with native groundwater, until it is eventually extracted via recovery wells as potable water and delivered to District customers. The Recharge Project is intended to assist the District in meeting its long-term water needs by developing a groundwater banking, storage and extraction program. The Recharge Project would also provide recycled water to augment the District's existing water supplies. The estimated capital cost to construct the facilities needed for Recharge Project is approximately \$55,000,000. The overall funding is expected to come from a combination of grants and loans (the "Recharge Project Loan") with the repayment coming from Net Water Revenues consisting primarily of water supply fees from new development and water revenue from existing customers. Payments on the Recharge Project Loan are expected to be made from Net Water Revenues on a parity with the Series 2016A Installment Payments and the 2013 Installment Payments. The District has an approved water supply fee that is calculated based on estimated Recharge Project costs necessary to support new service connection/water demands. The District collects these fees from new development based on the District's estimate of the water supplies needed for the new development. The District has submitted the required application and technical reports to the State Water Resource Control Board (the "SWRCB") and has requested that the SWRCB fund the Recharge Project 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 Recharge Project Loan. If SWRCB funding is not available to cover any or all of the projected cost of the Recharge Project, the District may seek other financing through a direct loan or the sale of bonds by the Authority secured by Net Water Revenues on a parity with the Series 2016A Installment Payments and the 2013 Installment Payments. Once the financing structure is determined, the District expects to raise rates within the District in order to make the payments due on the Recharge Project Loan and comply with its rate covenants under the Installment Purchase Agreement and the 2013 Installment Purchase Agreement. The District does not expect to enter into the Recharge Project Loan until such rate increases have been approved.

Capital Projects Loan. The District is also considering obtaining a bank loan to provide financing for a grade control structure associated with a sediment removal project, initial design costs in connection with the Recharge Project and miscellaneous capital replacement projects throughout the District's water system (the "Capital Projects Loan"). If obtained, the Capital Projects Loan would be in the amount of approximately \$8,000,000 and be payable over ten years. Similar to the Recharge Project Loan, the District would expect to raise rates within the District if necessary in order to make the payments on the Capital Projects Loan and remain in compliance with its rate covenants under the Installment Purchase Agreement and the 2013 Installment Purchase Agreement.

The following table sets forth the history of amounts deposited into the Capital Improvement Fee Fund. See also “SYSTEM FINANCIAL INFORMATION—Operating Revenues—Capital Improvement Fees” herein.

Table 11
PALMDALE WATER DISTRICT
HISTORY OF COLLECTED CAPITAL IMPROVEMENT FEES

<i>Year</i>	<i>CIF Amount</i>
2011 ⁽¹⁾	\$ 1,225,519
2012 ⁽¹⁾	1,257,818
2013	244,949
2014 ⁽²⁾	13,547
2015	367,480
2016 ⁽³⁾	234,459

⁽¹⁾ The capital improvement fees collected in 2011 and 2012 were primarily the result of payments of \$686,848 in 2011 and in 2012 made by AVEK for a new interconnection with the District’s Water System. Additionally, there was a large commercial project/shopping center that paid capital improvement fees in 2011 in the amount of \$479,064 and a new apartment complex that paid capital improvement fees in 2012 in the amount of \$520,172.

⁽²⁾ Decrease is the result of a reduced number of new connections in 2014.

⁽³⁾ Through June 2016.

Source: The District.

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.

The District currently strives to maintain the capacity to receive approximately 40 percent of its supply from groundwater. Once the adjudication of the Basin is completed, increased groundwater extraction will need to take place in accordance with the judgment entered in the case, and likely will include higher production costs. 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, water transfers and 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, are being pursued. PRWA is in the process of preparing a consolidated Recycled Water Facilities Master Plan that will address potential recycled water use within the District including direct non-potable use (irrigation), agricultural deliveries, and possible groundwater recharge with recycled water.

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 “—Local Groundwater.”

California Drought and Response

State Water Project Allocations. Hydrological conditions in California can vary widely from year to year. In 2013, much of California experienced one of the driest years on record and such dry conditions continued through 2014.

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. On March 2, 2015, DWR increased the contractor’s Table A allocations to 20 percent. The District’s actual SWP Table A allocation for 2015 was approximately 4,260 acre-feet. Based on a March 17, 2016 announcement by DWR, the District’s SWP contractors’ Table A allocations for 2016 is currently expected to be 60 percent, which is approximately 12,780 acre-feet. The allocation for 2016 is subject to revision by DWR.

Governor’s Executive Order. As a result of the ongoing drought, on January 17, 2014, Governor Edmund G. Brown proclaimed a drought emergency. On April 1, 2015, Governor Brown issued an executive

order (the “2015 Executive Order”) mandating, among other provisions, a 25% reduction in potable urban water usage in California (as compared to potable water usage in 2013) through February 28, 2016. The 2015 Executive Order provides that the actual mandatory reduction required of each water supplier by the State Water Resources Control Board (SWRCB) vary based on per capita water usage, with those areas with high per capita water usage being required to achieve proportionately higher reductions than those areas with lower per capita water usage.

On May 5, 2015, following a formal rulemaking process and public comment period, the SWRCB adopted an emergency regulation to implement the 2015 Executive Order. The regulation became effective immediately upon approval by the Office of Administrative Law on May 15, 2015, remained in effect until February 11, 2016. Under the regulation, 411 urban water providers in the State were classified into nine tiers and assigned a required conservation standard which was imposed on each tier. The tier classifications were based upon a water supplier’s per capita water usage in the three month period from July to September 2014. The conservation standard applied to the tiers ranges from a 4% reduction in total potable water production (although no water providers were proposed to be classified in such tier absent the demonstration by a water provider of satisfaction of certain specified criteria) to a 36% reduction in total potable water production from 2013 levels. As adopted, the regulation required areas with high per capita water usage to achieve proportionately greater reductions in water use than those with low use. The regulation provided that the 2,600 “small water suppliers” in the State that serve fewer than 3,000 customers or deliver less than 3,000 acre-feet of water annually were required to either achieve a 25% conservation standard or restrict outdoor irrigation to no more than two days per week. Commercial, industrial and institutional properties that are not served by a water supplier (or are self-supplied) were similarly required to either achieve a 25% conservation standard or restrict outdoor irrigation to no more than two days per week. Under the regulation, compliance by the 411 urban water suppliers was assessed for the period of June 2015 through February 2016 as compared to water usage in the corresponding prior timespan of June 2013 through February 2014. In addition to the total monthly water production and specific reporting on residential use and enforcement action previously adopted by the SWRCB, the regulation adopted May 5, 2015 also included new reporting requirements for urban water suppliers to include information on water use in the commercial, industrial and institutional sectors. In order to enforce compliance by water suppliers, the regulation authorized the SWRCB to issue informational orders, conservation orders or cease and desist orders requiring additional specific actions by a water supplier not meeting its conservation standard. Failure to provide information requested pursuant to an informational order within the required timeframe would be subject to civil liability of up to \$500 per day for each day out of compliance. Water agencies that violate cease and desist orders may be subject to a civil liability of up to \$10,000 a day.

On November 15, 2015, Governor Brown extended these conservation measures until October 31, 2016. On February 2, 2016, the SWRCB adopted an extended and revised emergency regulation to ensure that urban water conservation continues in 2016. The regulation extends restrictions on urban water use through October 2016 while providing urban water suppliers more flexibility in meeting their conservation requirements. In connection with such extension, the general framework of the regulations implementing the 2015 Executive Order were left intact; however, urban water suppliers are now provided credits and adjustments based on climate and recognition of significant investments made to create local, drought-resilient sources of potable water.

On May 9, 2016 the Governor issued an executive order directing the SWRCB to adjust and extend the SWRCB’s emergency water conservation regulations through the end of January 2017 (the “2016 Executive Order”). On May 18, 2016, and in accordance with the 2016 Executive Order, the SWRCB adopted an emergency water conservation regulation (the “2016 SWRCB Regulation”) that replaces its February 2, 2016 emergency regulation and extends through January 31, 2017.

The 2016 SWRCB Regulation requires urban water suppliers such as the District to develop conservation standards based upon each urban water supplier’s specific circumstances and replaces the prior percentage reduction-based standard described above. Pursuant to the 2016 SWRCB Regulation, the District filed a conservation standard with the SWRCB on June 22, 2016, which included data and underlying analyses

used by the District to determine the conservation standard and to demonstrate compliance with certain substantive requirements of the 2016 SWRCB Regulation. The conservation standard is zero, based on a finding of adequate supplies per the terms of the 2016 SWRCB Regulation.

While reductions in water usage resulting from implementation of the 2016 Executive Order may adversely affect the District's projected operating results set forth under the caption "SYSTEM FINANCIAL INFORMATION—Projected Earnings and Debt Service Coverage," the effect of any such reduction would likely be minimized by the current rate structure. The District does not currently believe that such reduction, if achieved by the District, will have a material adverse effect on the District's ability to pay the Series 2016A Installment Payments. The District is obligated under the Installment Purchase Agreement to set rates and charges sufficient to provide Net Revenues equal to 110% of Debt Service due in each Fiscal Year as more particularly described under the caption "SECURITY FOR THE 2016 BONDS—Rate Covenant.

District Drought Response Actions and Impact. The District projects that it will be able to meet existing demands for imported water in Fiscal Years 2016 and 2017 even if dry conditions continue. The 60% SWP Table A allocation in combination with the 6,000 acre-feet of leased Butte County Table A water 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.

Water Supply Limitations

Factors beyond the control of the District could impair the ability of the District to supply water to its customers in an amount sufficient to yield Net Water Revenues sufficient to pay the Series 2016A 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 2013), DWR assessed the possible impacts of climate changes on the State's future water supplies and the State Water Project. The District, as a State Water Project contractor, will receive updated information from DWR on any impacts to its State Water Project 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. A description of the challenges DWR faces in continuing to supply imported water as well as a variety of other operating information with respect to DWR is included in detail under the caption "STATE WATER PROJECT WATER SUPPLY" in DWR'S Official Statement dated August 25, 2015, relating to its Central Valley Project Water System Revenue Bonds Series AU (Index Floating Rate Bonds) ("DWR's Water Supply Disclosure"). The District incorporates DWR's Water Supply Disclosure by specific reference in this Official Statement. DWR's Water Supply Disclosure is the disclosure of DWR and, accordingly, the District does not make any representations as to the accuracy or completeness of DWR's Water Supply Disclosure or as to the absence of material adverse changes in DWR's Water Supply Disclosure after the date hereof.

SYSTEM FINANCIAL INFORMATION

Rates and Charges

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 September 7, 2014, the Board conducted a hearing in accordance with Proposition 218 and adopted a resolution approving a new multi-year tiered increase in rates for 2015 followed by increases of up to 5.5% annually through 2019. The new rate structure included a typical fixed meter charge and commodity rates that are billed to customers based on the amount of water they use. However, under the water budget 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 12 below. Customers are allotted water equally regardless of customer class. Despite having authority to increase rates by up to 5.5% annually, the District Board elected to increase rates by 2.5% and 4.0% in 2015 and 2016, respectively. The District projects an increase in rates of 4.25% annually through 2019.

Of the 27,405 meter connections within the District, the District currently serves approximately 26,564 active customers. The District is on a monthly billing cycle for water usage. Payment is due upon receipt of the bill by the customer and is considered delinquent if not paid by the 25th day after the billed date (the “Due Date”). In the event of failure to pay by the Due Date, the District imposes a late charge of 10% of amount due and an additional 1.5% every thirty days. In addition to imposing the late charge, non-payment of a water bill will also cause the District to initiate its Delinquent Final Notice procedure. The District’s policy is to discontinue water service within an average of 48 calendar days from the date of the Delinquent Final Notice. After an additional 30-45 days, accounts which continue to be delinquent are turned over to a collection agency. Customer accounts not paid by the Due Date have ranged from 10 to 13% in the past five years, but such delinquency has never resulted in a net reduction in connections because all disconnected water customers generally re-connect their water service within a week of disconnection. Furthermore, delinquencies as a whole have little to no current impact on the District because delinquency rates have been very low. See “PALMDALE WATER DISTRICT—Local Economy.” In addition, the District requires that all account holders provide an initial deposit to the District prior to connection from which the District can draw upon in the event of a delinquency.

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.

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. In 2015, the District received 72.4% of its revenue from water sales and water services, 23.3% from *ad valorem* taxes and

assessments and 1.2% from capital improvement fees, with the remainder coming from other sources. 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 September 17, 2014. The rates adopted in 2014 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, 2016 are stated in the table below.

**Table 12
PALMDALE WATER DISTRICT
COMMODITY RATES FOR 2016**

<u>Tier</u>	<u>All Classes</u> ⁽¹⁾
Tier 1 (\$0.78/unit)	0-100% Essential Allocation
Tier 2 (\$0.89/unit)	100% Essential Allocation – 100% Efficient Allocation
Tier 3 (\$2.53/unit)	101-130% Efficient Allocation
Tier 4 (\$3.81/unit)	131-160% Efficient Allocation
Tier 5 (\$4.92/unit)	161-190% Efficient Allocation
Tier 6 (\$6.32/unit)	Above 191% Efficient Allocation

⁽¹⁾ The District conducted a new water rate study in 2014. Final approval of the 2014 Water Rate Study was passed on September 17, 2014 with the first year’s rates taking effect on January 1, 2015. Commodity rates may increase at a rate of up to 5.5% annually through 2019; commodity rates increased in 2015 and 2016 by 2.5% and 4.0%, respectively. Such rates are projected to increase by 4.25% annually through 2019.

Source: The District.

Certain other fees and charges of the District are set forth below:

Water quality fees (\$/ccf)
\$ 0.13

Elevation booster surcharge (\$/ccf)

<u>Zone</u>	
B	\$ -
A 1	5 year moving average of actual pumping costs
A 2	5 year moving average of actual pumping costs
A 3	5 year moving average of actual pumping costs

Drought surcharge (\$/ccf)⁽¹⁾

<u>Stage No.</u>	<u>Policy</u>	<u>% Shortage</u>	<u>Surcharge per ccf</u>
1	Water Rationing	20% reduction in water deliveries	\$0.47
2	Water Rationing	30% reduction in water deliveries	\$0.80
3	Water Rationing	40% reduction in water deliveries	\$1.24

⁽¹⁾ The District makes the determination of whether drought conditions warrant imposition of the drought surcharge. The specific stage of the drought surcharge is determined in the District’s sole discretion and is based on the severity of the drought conditions.

Source: The District.

The current fixed meter charges, which went into effect on January 1, 2015 for calendar year 2016 are listed in the table below.

**Table 13
PALMDALE WATER DISTRICT
FIXED METER CHARGES FOR 2016**

<u>Meter Size</u>	<u>Monthly Service Charge</u>
1" and smaller	\$ 33.33
1-1/2"	100.00
2"	153.35
3"	277.83
4"	455.66
6"	900.23
8"	1,433.72
10"	2,056.14

Source: The District.

As discussed above, on September 17, 2014, the District’s Board of Directors adopted a new “water budget” structure which took effect on January 1, 2015. The Board’s action also included increases of up to 5.5% in the District’s commodity rate and meter charges which are to be effective on January 1 of each subsequent year through 2019, though such rates were only increased by 2.5% and 4.0% in 2015 and 2016, respectively. The District projects rate increases of 4.25% annually through 2019.

Water Services. Revenue is 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 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.

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 October 23, 2013, are set forth in Table 14 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 14
PALMDALE WATER DISTRICT
2016 CAPITAL IMPROVEMENT FEES
Capital Improvement Fees for Single Family Residential Connection

<u>Service/Benefit Zones</u>	<u>2800' and 2850' Zones</u>	<u>2950' and 3000' Zones</u>	<u>3200' and 3250' Zones</u>	<u>3400' and Higher Zones</u>
Infrastructure	\$ 1,441	\$ 1,161	\$ 9,089	\$ 12,274
Water Supply	<u>8,665</u>	<u>8,665</u>	<u>8,665</u>	<u>8,665</u>
	<u>\$ 10,106</u>	<u>\$ 9,826</u>	<u>\$ 17,754</u>	<u>\$ 20,939</u>

Source: The District.

Ad Valorem Property Taxation. Beginning in fiscal year 1978-79, Article XIII A and its implementing legislation permitted each county to levy and collect all property taxes (except for levies to support prior voter approved indebtedness) and prescribed how levies on county wide property values were to be shared with local taxing entities within each county. All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law, however, provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

For purposes of allocating a county's 1% base property tax levy, future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, up to 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" sources from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in the tax bases in such entities may be affected by the existence of redevelopment agencies which, under certain circumstances, may be entitled to sources resulting from the increase in certain property values. State law exempts \$7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is made up by the State.

Taxes are levied for each fiscal year on taxable real and personal property which is situated in a county as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the county assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and February 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) ringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

District Assessed Valuation. The general 1% *ad valorem* property tax levy is based upon the assessed valuation of the parcels of taxable property in the District. Property taxes allocated to the District are collected by the County at the same time and on the same tax rolls as are county, city and special district taxes. The assessed valuation of each parcel of property is the same for both District and county taxing purposes. The valuation of secured property by the County is established as of January 1, and is subsequently equalized in September of each year, when tax bills are mailed to property owners.

Appeals and Adjustments of Assessed Valuations. Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

The District does not have information regarding pending appeals of assessed valuation of property within the District. No assurance can be given that property tax appeals currently pending or in the future will not significantly reduce the assessed valuation of property within the District.

Taxation of State-Assessed Utility Property. A portion of property tax revenue of the District is derived from utility property subject to assessment by the State Board of Equalization ("SBE"). State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions that are assessed as part of a "going concern" rather than as individual pieces of real or personal property. The assessed value of unitary and certain other State-assessed property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Recent 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 years. In 2015, the District received approximately 5.6% of its revenues from *ad valorem* taxes.

**Table 15
PALMDALE WATER DISTRICT
ASSESSED VALUATIONS (LAND ONLY)
FOR FISCAL YEARS 2011-12 TO 2015-16**

<i>Year</i>	<i>Total</i>
2011-12	\$1,528,534,611
2012-13	1,476,805,945
2013-14	1,414,494,581
2014-15	1,573,991,888
2015-16	1,659,359,685

Source: California Municipal Statistics, Inc.

**Table 16
PALMDALE WATER DISTRICT
ASSESSED VALUATIONS (ALL PROPERTY)
FOR FISCAL YEARS 2011-12 TO 2015-16**

<i>Year</i>	<i>Total</i>
2011-12	\$4,782,423,457
2012-13	4,685,613,423
2013-14	5,237,243,481
2014-15	5,594,278,064
2015-16	5,679,674,593

Source: California Municipal Statistics, Inc.

Principal Water Users

In 2015, the District’s ten largest water customers constituted 9.95% of total District operating revenues. The City, which is the District’s largest customer, was charged for an amount representing 4.03% of the District’s total operating revenues. The largest water customers in the District are as follows:

**Table 17
PALMDALE WATER DISTRICT
PRINCIPAL WATER USERS (2015 SALES)**

<u>Customer Name</u>	<u>Amount Charged</u>	<u>% of Total</u>
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		<u>Operating Revenues</u>
City of Palmdale	\$856,255	4.03%
Palmdale School District	490,346	2.31
Antelope Valley Union High School District	214,984	1.01
The Vineyards at Palmdale	108,403	0.51
Lockheed Martin Skunkwork	103,362	0.49
HK Realty, Inc.	101,186	0.48
CMIF Fountains LP	67,824	0.32
J K Properties	62,893	0.30
F.A.A. AWE 26	53,903	0.25
U.S. Air Force – Plant 42	<u>53,830</u>	<u>0.25</u>
TOTAL:	<u>\$ 2,112,986</u>	<u>9.95%⁽¹⁾</u>

⁽¹⁾ 2015 operating revenues totaled \$21,248,419.
Source: The District.

Customer Base

The table below shows the District's water consumption by customer class in 2015.

Table 18
PALMDALE WATER DISTRICT
WATER CONSUMPTION BY CUSTOMER CLASS (2015)

<i>Type of Customer</i>	<i>Number of Accounts</i>	<i>Total Consumption (ccf)</i>	<i>Total Charges</i>
Single Family	26,584	4,465,425	\$15,339,859.61
Multi-Family	582	555,742	1,179,836.14
Commercial	813	1,050,283	2,576,886.17
Irrigation	226	324,471	759,562.18
Construction	29	3,971	60,288.03
Other	<u>20</u>	<u>13,785</u>	<u>53,811.68</u>
TOTAL:	<u>28,254</u>	<u>6,413,677</u>	<u>\$19,970,243.81</u>

Source: The District.

New Meter Connections, Consumption and Sales

The table below indicates total meter connections, water consumption and sales for the District from 2011 through 2016. With 27,405 meter connections, the District expects to serve approximately 26,564 active customers during calendar year 2016. Of such active customers, approximately 96% were residential customers and 4% were non-residential customers.

Table 19
PALMDALE WATER DISTRICT
TOTAL METER CONNECTIONS, WATER CONSUMPTION AND SALES
FOR CALENDAR YEARS 2011-2016

<i>Calendar Year</i>	<i>Total Meters</i>	<i>Water Consumption (in acre-feet)</i>	<i>Total Water Sales Revenues⁽¹⁾</i>
2011	27,642	17,948	\$20,218,754
2012	27,643	19,040	21,322,403
2013	27,353	18,995	22,401,581
2014	27,373	18,048	21,771,565
2015 ⁽²⁾	27,394	14,781	19,948,297
2016 ⁽³⁾	27,405	7,908	11,610,896

⁽¹⁾ Accounts for net revenues derived from sales related to water, meter, elevation, water quality charges.

⁽²⁾ Water sales for 2015 include revenues derived from Stage-1 drought surcharge charges.

⁽³⁾ Through June 2016.

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 Revenues of the District and could provide increased Net Water Revenues available to make payments on the 2016A Bonds. An increase in Net Water Revenues would generate debt service coverage greater than that set forth in the table under the caption “—Projected Earnings and Debt Service Coverage” below.

Financial Statements

A copy of the most recent audited financial statements of the District prepared by the Pun Group, LLP (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, 2015 and the changes in net assets and cash flows for the year then ended are in conformity with generally accepted accounting principles. The Audited Financial Statements of the District should be read in their entirety. The Audited Financial Statements were received by the District’s Board on April 27, 2016.

The summary operating results contained under the caption “—Historic Operating Results” below are based on the audited financial statements of the District for calendar years 2011 through 2015 (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 2011 through 2015. The historical information in the table for the years 2011 through 2015 is based on the District's audited financial statements for each of these years with certain adjustments to operating expenses and non-operating revenues described below.

The District collects *ad valorem* 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 amounts reflected in the audited financial statements to exclude certain revenues and 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 from *ad valorem* assessments collected to pay for amounts due under the State Water Supply Contract and to exclude capitalized labor and overhead costs. In addition, the non-operating revenues of the District have been reduced in the table below to exclude the *ad valorem* assessments collected to pay for amounts due under the State Water Supply Contract. The non-operating revenues of the District have been further adjusted below to exclude amounts paid to the District by DWR pursuant to the State Water Supply Contract. See APPENDIX A—"AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR YEAR ENDING DECEMBER 31, 2015" hereto.

Table 20
PALMDALE WATER DISTRICT
HISTORICAL OPERATING RESULTS AND DEBT SERVICE COVERAGE
FOR YEAR ENDED DECEMBER 31
(Dollars in Thousands)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Operating Revenues					
Operating Revenues ⁽¹⁾	\$ 21,660	\$ 22,597	\$ 24,125	\$ 23,342	\$ 21,248
Rate Stabilization Transfers	<u>--</u>	<u>--</u>	<u>(480)</u>	<u>--</u>	<u>--</u>
Total Operating Revenues	\$ 21,660	\$ 22,597	\$ 23,645	\$ 23,342	\$ 21,248
Operating Expenses					
Gross Operating Expenses ⁽¹⁾	\$ 20,481	\$ 22,216	\$ 20,665	\$ 22,405	\$ 20,974
Overhead Adjustment ⁽¹⁾⁽²⁾	(477)	(43)	(217)	(509)	(26)
SWP Fixed Operation and Maintenance Expenses ⁽³⁾	(1,211)	(915)	(720)	(363)	(126)
Non-cash Related OPEB Expense ⁽⁴⁾	<u>(1,517)</u>	<u>(1,565)</u>	<u>(1,455)</u>	<u>(1,786)</u>	<u>(1,828)</u>
Total Operating Expenses	\$ 17,276	\$ 19,693	\$ 18,273	\$ 19,748	\$ 18,994
Net Operating Revenues	\$ 4,384	\$ 2,904	\$ 5,372	\$ 3,594	\$ 2,254
Non-Operating Revenues					
Ad Valorem Property Taxes ⁽⁵⁾	\$ 1,965	\$ 1,704	\$ 2,573	\$ 2,132	\$ 2,146
Interest Income ⁽¹⁾	79	25	35	45	43
Capital Improvement Fees ⁽¹⁾	1,302 ⁽⁷⁾	1,258 ⁽⁷⁾	245	14	367
Other ⁽¹⁾⁽⁶⁾	<u>608</u>	<u>843</u>	<u>668</u>	<u>301</u>	<u>768</u>
Total Non-Operating Revenues	\$ 3,953	\$ 3,830	\$ 3,521	\$ 2,49	\$ 3,324
Net Water Revenue Available for Debt Service	\$ 8,337	\$ 6,734	\$ 8,893	\$ 6,086	\$ 5,578
Debt Service					
1998 Installment Purchase Agreement	\$ 1,505	\$ 1,507	\$ --	\$ --	\$ --
2004 Installment Purchase Agreement	2,130	2,127	867	--	--
2012 Installment Purchase Agreement	--	--	1,373	1,373	1,372
2013 Bonds	--	--	1,380	2,344	2,350
Capital Leases	<u>--</u>	<u>--</u>	<u>190</u>	<u>190</u>	<u>190</u>
Total Debt Service	<u>\$ 3,635</u>	<u>\$ 3,634</u>	<u>\$ 3,810</u>	<u>\$ 3,908</u>	<u>\$ 3,912</u>
Debt Service Coverage ⁽⁸⁾	2.29	1.85	2.33	1.56	1.43
Debt Service Coverage if all Amounts in the Rate Stabilization Fund are used ⁽⁹⁾	2.29	1.85	2.46	1.68	1.55
Net Water Revenues Available after Payment of Debt Service ⁽⁸⁾	<u>\$ 4,702</u>	<u>\$ 3,100</u>	<u>\$ 5,083</u>	<u>\$ 2,178</u>	<u>\$ 1,665</u>

(Footnotes on Next Page)

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- (1) From the District's Audited Financial Statements.
 - (2) Adjustment made to exclude overhead absorption which represents capital costs and does not constitute Operation and Maintenance Costs under the Installment Purchase Agreement.
 - (3) 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.
 - (4) The District has decided to remove the non-cash related portion of the Other Post-Employment Benefits (OPEB) expense from the Gross Operating Expenses. This portion constitutes expenses to place the annual OPEB liability required by GASB 45.
 - (5) Represents total property taxes received by the District minus the amount of assessments collected to pay the SWP Fixed Costs.
 - (6) Represents rental income, legal/insurance refunds, DWR credits for overpayment of fixed expenses, energy refunds and other net miscellaneous items.
 - (7) The capital improvement fees collected in 2011 and 2012 were primarily the result of payments of \$686,848 in 2011 and in 2012 made by AVEK for a new interconnection with the Water System. Additionally, there was a large commercial project/shopping center that paid capital improvement fees in 2011 in the amount of \$479,064 and a new apartment complex that paid capital improvement fees in 2012 in the amount of \$520,172. See "THE WATER SYSTEM—Table 11."
 - (8) All Debt Service Coverage and Net Water Revenues Available after Payment of Debt Service for 2011 - 2015 have been re-calculated based on changes made for OPEB accommodation.
 - (9) Approximately \$480,000 was on deposit in the Rate Stabilization Fund as of August 1, 2016.

Note: Totals may not add due to rounding.

Source: The District.

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Projected Earnings and Debt Service Coverage

The following table sets forth projected debt service coverage for the District for the years 2016 through 2020. These projections are based upon the District's current rates, current circumstances and available information that the District believes to be reasonable. The assumptions may be affected by numerous factors and there can be no assurance that such projections will be achieved. The projections in Table 21 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, changes in water demand and related conservation levels, raw materials, rate of technological changes, employee costs, pension costs and actuarial assumptions, debt service payments, interest rates respecting interest income of the Water System, changes in legislation, legal claims and changes in tax rates, among other factors. As a result, future results of the Water System may differ materially from the plans, goals and expectations set forth in such forward-looking statements. For a discussion of other factors that could cause future results to differ from such forward-looking statements, see also "RISK FACTORS" and APPENDIX G—FACTORS AFFECTING DELIVERY OF WATER BY STATE WATER PROJECT.

The table below computes projected operating results and debt service coverage based on current projections for revenues and expenses but does not include projections of debt service on any future debt to be incurred to finance future capital projects. While the District expects to incur some amount of debt to finance the Recharge Project and possibly other capital improvements within the next five years, because the timing, amount, interest rates and amortization schedules for such debt are unknown, the impact of such debt on the projections can not be forecasted accurately at this time. See "THE WATER SYSTEM—Future Capital Projects." Given that the amount of the potential debt to be incurred could be as much as \$67 million, no assurance can be given that the debt service coverage ratios projected below will be maintained in the future. 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, and it is possible that future debt service coverage ratios could approach this minimum threshold.

Table 21
PALMDALE WATER DISTRICT
PROJECTED OPERATING RESULTS AND DEBT SERVICE COVERAGE
2016 THROUGH 2020
(Dollars in Thousands)

	<i>2016⁽¹⁾</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>
Operating Revenues					
Operating Revenues ⁽⁷⁾	\$ 22,032	\$ 22,968	\$ 23,945	\$ 24,962	\$ 24,962
Rate Stabilization Transfers	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
Total Operating Revenues	\$ 22,032	\$ 22,968	\$ 23,945	\$ 24,962	\$ 24,962
Operating Expenses					
Gross Operating Expenses ⁽⁸⁾	\$ 21,500	\$ 22,145	\$ 22,809	\$ 23,494	\$ 24,198
Overhead Adjustment ⁽²⁾⁽⁹⁾	(75)	(100)	(100)	(100)	(100)
SWP Fixed Operation and Maintenance Expenses ⁽³⁾⁽¹⁰⁾	(127)	(125)	(125)	(125)	(125)
Non-Cash Related OPEB Expense ⁽⁴⁾	<u>(1,897)</u>	<u>(1,954)</u>	<u>(2,013)</u>	<u>(2,073)</u>	<u>(2,135)</u>
Total Operating Expenses	\$ 19,401	\$ 19,966	\$ 20,572	\$ 21,196	\$ 21,838
Net Operating Revenues	\$ 2,631	\$ 3,002	\$ 3,373	\$ 3,766	\$ 3,124
Non-Operating Revenues					
Ad Valorem Property Taxes ⁽⁵⁾⁽¹¹⁾	\$ 2,150	\$ 2,150	\$ 2,150	\$ 2,150	\$ 2,150
Interest Income ⁽⁹⁾	62	60	60	60	60
Capital Improvement Fees	235	100	100	100	100
Other ⁽⁶⁾⁽⁹⁾	<u>250</u>	<u>250</u>	<u>250</u>	<u>250</u>	<u>250</u>
Total Non-Operating Revenues	\$ 2,697	\$ 2,560	\$ 2,560	\$ 2,560	\$ 2,560
Net Water Revenue Available for Debt Service	\$ 5,328	\$ 5,507	\$ 5,818	\$ 6,147	\$ 5,505
Debt Service					
2012 Installment Purchase Agreement ⁽¹²⁾	\$ 1,374	--	--	--	--
2013 Installment Purchase Agreement ⁽¹³⁾	2,345	\$ 1,999	\$ 1,999	\$ 1,993	\$ 1,993
2016 Installment Purchase Agreement	--	1,687	1,693	1,695	1,698
Capital Leases	<u>190</u>	<u>48</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Debt Service ⁽¹⁴⁾	\$ 3,909	\$ 3,733	\$ 3,692	\$ 3,688	\$ 3,691
Debt Service Coverage	1.36	1.49	1.61	1.72	1.54
Debt Service Coverage if all Amounts in the Rate Stabilization Fund are used ⁽¹⁵⁾	1.49	1.62	1.74	1.85	1.67
Net Water Revenues Available after Payment of Debt Service	\$ 1,418	\$ 1,829	\$ 2,241	\$ 2,639	\$ 1,993

⁽¹⁾ Projection based on the District's 2016 budget.

⁽²⁾ Adjustment made to exclude overhead absorption which represents capital costs and does not constitute Operation and Maintenance Costs under the Installment Purchase Agreement.

⁽³⁾ 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.

⁽⁴⁾ The District has decided to remove the non-cash related portion of the Other Post-Employment Benefits (OPEB) expense from the Gross Operating Expenses. This portion constitutes expenses to place the annual OPEB liability required by GASB 45.

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- (5) Represents total property taxes projected to be received by the District minus the amount of assessments projected to be collected to pay the SWP Fixed Costs.
- (6) Represents rental income, legal/insurance refunds, DWR credits for overpayment of fixed expenses, energy refunds and other net miscellaneous items.
- (7) Projected to increase 4.00% in 2016 and 4.25% annually thereafter through 2019, then remain level in 2020.
- (8) Projected to increase 2.5% in 2016 and 3.0% annually thereafter.
- (9) Projected to remain at 2016 budgeted levels.
- (10) Projected to increase 3% annually from 2016 budgeted amounts.
- (11) Projected to increase 0.2% in 2016 and remain level thereafter.
- (12) Expected to be prepaid from a portion of the proceeds of the 2016A Bonds.
- (13) The expected defeasance and redemption of the Refunded 2013 Bonds will result in lower payments annually.
- (14) Projected debt service does not include any debt service to finance future capital projects. The District has not yet secured financing for any 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..
- (15) Approximately \$480,000 was on deposit in the Rate Stabilization Fund as of August 1, 2016.

Note: Totals may not add due to rounding.

Source: The District.

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Proposition 218

General. An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIC and Article XIID 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 XIID. Article XIID 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 a user fee or charge for a property related service.” A “property-related service” is defined as “a public service having a direct relationship to property ownership.” Article XIID 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 XIID 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.

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 XIIC applies to any local taxes, assessments, fees and charges as defined in Articles XIIC and XIID. Article XIID 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 XIID and section 3 of Article XIIC. In accordance with Article XIID and the decision in *Bighorn*, the District has conducted notice and hearing proceedings to comply with requirements of Article XIID with respect to proposed increases of rates and charges since Fiscal Year 2007. See the captions “THE WATER SYSTEM—Water System Rates and Charges” and “THE SEWER SYSTEM—Sewer System Rates and Charges.”

On April 20, 2015, the California Court of Appeal, Fourth District, issued an opinion in *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano*, 235 Cal. App. 4th 1493 (2015) (“*SJC*”) upholding tiered water rates under Proposition 218 provided that the rates correspond to the actual cost of furnishing

service at a given level of usage. The opinion was specific to the facts of the case, including a finding that the City of San Juan Capistrano did not attempt to calculate the actual costs of providing water at various tier levels. The District's tiered water rates are described under the caption "THE WATER SYSTEM—Water System Rates and Charges." The District does not currently expect the *SJC* ruling to affect its water rate structure or have a material adverse effect on its financial condition.

Article XIII C. Article XIII C provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIII C does not define the terms "local tax," "assessment," "fee" or "charge." In light of *Bighorn* and as discussed above under the caption "—Article XIII D," the terms "fee" and "charge" as used in Article XIII C include, at a minimum, all of the fees and charges within the "property related" qualification set forth in Article XIII D. Moreover, the provisions of Article XIII C are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. Therefore, in the absence of other limitations, provisions of Article XIII C could be applicable to the water and sewer rates charged by the District. The District and its general counsel do not believe that Article XIII C grants to the voters within the District the power to repeal or reduce rates and charges in a manner which would be inconsistent with the contractual obligations of the District. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the Certificates. Remedies available to beneficial owners of the Certificates 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.

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, recycled water or sewer service.

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

An initiative to amend the California Constitution entitled “Limitation of Government Appropriations” was approved on November 6, 1979 thereby adding Article XIII B to the California Constitution (“Article XIII B”). Under Article XIII B state and local governmental entities have an annual “appropriations limit” and are not permitted to spend certain moneys that are called “appropriations subject to limitation” (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the “appropriations limit.” Article XIII B does not affect the appropriations of moneys that are excluded from the definition of “appropriations subject to limitation,” including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the “appropriations limit” is to be based on certain 1978-79 expenditures and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities’ 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.

The District is of the opinion that its rates and charges for water, sewer and recycled water services do not exceed the costs it reasonably bears in providing such services and therefore are not subject to the limits of Article XIII B, and that tax revenues and other revenues received by the District which may constitute the “proceeds of taxes” are appropriated for debt service or qualified capital outlay projects and are not subject to the limits of Article XIII B.

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 caption “THE IRVINE RANCH WATER DISTRICT—1% Property Tax Revenues” above.

Future Initiatives

Article XIII A, Article XIII B, Proposition 218, Proposition 1A and Proposition 26 were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting ability of the District to collect or expend 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.

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the 2016A Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the 2016A Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Limited Obligations

The obligations of the District to make the Series 2016A 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 2016A 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.

Increased Operation and Maintenance Costs

There can be no assurance that expenses of the District with respect to the Water System will be consistent with the levels projected in this Official Statement. Changes in technology, increases in the cost of operation or other expenses could require increases in rates or charges in order to comply with the District's rate covenant, could increase the possibility of nonpayment, could decrease demand and could reduce the Net Water Revenues available to make Series 2016A Installment Payments.

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. Although the housing market is slowly recovering from its recent severe downturn, it is possible that the District will experience higher delinquency rates and reduced property tax collections in the current and 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 "PALMDALE WATER DISTRICT—Operating Revenues—Property Taxes and Assessed Valuation."

Shortage of Imported Water

The ability of the District to service its customers is dependent upon its receipt of imported water from the SWP. As described above under the caption “PALMDALE WATER DISTRICT—State Water Project.”

No assurance can be made that DWR as the operator of the SWP will continue to supply water to the District in the amounts sufficient to meet the needs of the District. Operating and other financial information with respect to DWR is included in certain publicly available disclosure documents prepared by DWR as described under the caption “THE WATER SYSTEM—Factors Affecting Delivery of State Water Project Supply.”

Seismic Considerations

The geographic area constituting the District, like all California communities, may be subject to unpredictable seismic activity. There is significant potential for destructive ground-shaking during the occurrence of a major seismic event. In addition, land susceptible to seismic activity 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 in the District, including the Water System. Such an event could result in disruptions in the services provided by the District, a loss or contamination of groundwater supplies and significant reductions in Net Water Revenues of the District. 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. The District has no earthquake insurance on the Water System.

Water System Demand and Possible Increase in Unpaid Water Bills

There can be no assurance that the local demand for water service provided by the Water System will be maintained at levels described in this Official Statement under the heading “PALMDALE WATER DISTRICT.” Reduction in the level of demand could require an increase in rates or charges in order to produce Net Water Revenues sufficient to continue all District operations. Such rate increases could increase the likelihood of nonpayment and could also further decrease demand. Furthermore, there can be no assurance that any other entity with regulatory authority over the Water System will not adopt further restrictions on operation of the Water System.

Limited Recourse on Default; Insurer Right to Control Remedies

Failure by the District to pay the Series 2016A 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 2016A Installment Payments. There is no assurance that the District will have sufficient funds to pay the Series 2016A 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 2016A 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.

Effect of Bankruptcy

In addition to the limitations on remedies contained in the Indenture, the rights and remedies provided in the Indenture may be limited by and are subject to provisions of federal bankruptcy laws, as now or

hereafter enacted, and to other laws or equitable principles that may affect creditors' rights. In the event of the bankruptcy of the District, the obligations of the District under the Installment Purchase Agreement may be set aside.

Loss of Tax Exemption

The District will covenant in the Installment Purchase Agreement and the Authority will covenant in the Indenture that each will take all actions necessary to assure the exclusion of interest on the 2016A Bonds from the gross income of the Owners of the 2016A Bonds for federal income tax purposes. In the event the District or the Authority fail to comply with the foregoing tax covenant, interest on the 2016A Bonds may be includable in the gross income of the Owners thereof for federal tax purposes retroactive to the date of issuance of the 2016A Bonds. Legislative changes have been proposed in Congress, which, if enacted, would result in additional federal income tax being imposed on certain owners of tax-exempt state or local obligations, such as the 2016A Bonds. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the 2016A Bonds. Should such an event of taxability occur, the 2016A Bonds are not subject to early redemption and will remain outstanding to maturity or until redeemed under the redemption provisions of the Indenture. See "TAX MATTERS."

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, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 2016A 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 and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2016A Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest (and original issue discount) on the 2016A Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of corporations.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the 2016A 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 2016A Bonds to assure that interest (and original issue discount) on the 2016A Bonds 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 2016A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2016A Bonds. The Authority and the District will covenant to comply with all such requirements.

The difference between the issue price of a 2016A Bond (the first price at which a substantial amount of the 2016A Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such 2016A Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a 2016A Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a 2016A Bond Owner will increase the 2016A Bond Owner's basis in the applicable 2016A Bond. Original issue discount that accrues for the 2016A 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 or corporations and is exempt from State of California personal income tax.

The amount by which a 2016A Bond Owner's original basis for determining loss on sale or exchange in the applicable 2016A 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 2016A Bond Owner's basis in the applicable 2016A Bond (and the amount of tax-exempt interest received with respect to the 2016A Bonds), 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 2016A Bond Owner realizing a taxable gain when a 2016A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2016A Bond to the Owner. Purchasers of the 2016A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

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 2016A Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2016A Bonds might be affected as a result of such an audit of the 2016A Bonds (or by an audit of similar municipal obligations). 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 2016A Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the 2016A Bonds or their market value.

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 2016A Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any 2016A Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

SUBSEQUENT TO THE ISSUANCE OF THE 2016A BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF INTEREST ON THE 2016A BONDS OR THE MARKET VALUE OF THE 2016A BONDS. LEGISLATIVE CHANGES HAVE BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2016A BONDS. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2016A BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE ISSUANCE OF THE 2016A BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE 2016A 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 2016A BONDS.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the 2016A Bonds is excluded from gross income for federal income tax purposes provided that the District and the Authority continue to comply with certain requirements of the Code, the ownership of the 2016A Bonds and the accrual or receipt of interest (and original issue discount) on the 2016A 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 2016A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2016A 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 2016A 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 2016A Bond.

Stradling Yocca Carlson & Rauth, a Professional Corporation, is serving as Disclosure Counsel to the District with respect to the 2016A 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 & Wyndor LLP, their general counsel, and for the Trustee by its counsel. Payment of the fees of Bond Counsel and Underwriter’s Counsel is contingent upon issuance of the 2016A 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 2016A 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 2016A 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 2016A Bonds, the Indenture, the Installment Purchase Agreement, or any other document relating to the 2016A 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 2016A Installment Payments.

RATINGS

The District expects that Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, a part of McGraw Hill Financial (“S&P”), will assign the 2016A Bonds the rating of “___” based upon the delivery of the Policy by _____ at the time of issuance of the 2016A Bonds. S&P has

assigned the 2016A Bonds the rating of “___”without regard to the delivery of the Policy. There is no assurance that any credit rating given to the 2016A 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 2016A 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.

UNDERWRITING

The 2016A Bonds are being purchased for reoffering by Piper Jaffray & Co. (the “Underwriter”). The Underwriter has agreed to purchase the 2016A Bonds pursuant to a Bond Purchase Contract with the Authority (the “Contract of Purchase”) at the initial purchase price of \$_____ (being equal to the aggregate principal amount of the 2016A Bonds, less an Underwriter’s discount of \$_____, [plus/less] a net original issue [premium/discount] of \$_____). The Contract of Purchase provides that the Underwriter will purchase all of the 2016A Bonds if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Contract of Purchase. The Underwriter may offer and sell the 2016A Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

The Underwriter has entered into a distribution agreement (“Distribution Agreement”) with Charles Schwab & Co., Inc. (“CS&Co”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Distribution Agreement, CS&Co will purchase 2016A Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any 2016A Bonds that CS&Co sells.

CONTINUING DISCLOSURE UNDERTAKING

The District will covenant in a Continuing Disclosure Certificate to be executed by the District upon the issuance of the 2016A Bonds for the benefit of the Underwriter and the beneficial owners of the 2016A Bonds to provide certain financial information and operating data relating to the District by not later than 270 days 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, 2016, 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 have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934.

In the last five years, the District has failed to comply with certain of its continuing disclosure undertakings by failing to timely file notices of certain ratings changes. The District has since brought itself current with respect to these notices. In addition, 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.

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 2016A 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

Executive Director

PALMDALE WATER DISTRICT

Director of Financial Services

APPENDIX A
AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR YEAR ENDING DECEMBER 31, 2015

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.

[TO COME]

APPENDIX C

FORM OF BOND COUNSEL OPINION

Upon issuance of the 2016A 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 Refunding Bonds, Series 2016A

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 Refunding Bonds, Series 2016A (the "Bonds"). The Bonds have been issued by the Authority pursuant to the terms of the Indenture of Trust, dated as of _____ 1, 2016 (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 2016A 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, 2016 (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 2016A 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, interest 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 and corporations. It should be

noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

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 is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds 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 the Bond Owner will increase the Bond Owner's basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of a Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, 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 herein as to the exclusion from gross income of interest 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 on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest 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 and the Bonds 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 2016A Bonds, payment of principal, premium, if any, accreted value and interest with respect to the 2016A Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2016A 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 2016A Bonds. The 2016A 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 2016A 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.

Purchases of 2016A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2016A 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 2016A 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 2016A Bonds, except in the event that use of the book-entry system for the 2016A Bonds is discontinued.

To facilitate subsequent transfers, all 2016A 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 2016A 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 2016A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016A 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 2016A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2016A Bonds, such as prepayments, tenders, defaults, and proposed amendments to the 2016A Bonds documents. For example, Beneficial Owners of 2016A Bonds may wish to ascertain that the nominee holding the 2016A 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 2016A 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 2016A 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 2016A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Prepayment proceeds, distributions, and dividend payments on the 2016A 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 2016A Bond Owner shall give notice to elect to have its 2016A 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 2016A Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of 2016A Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2016A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2016A Bonds to the Trustee's DTC account. DTC may discontinue providing its services as depository with respect to the 2016A 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 2016A 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 2016A BONDS CALLED FOR PREPAYMENT OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”), dated _____, 2016, is executed and delivered by the Palmdale Water District (the “District”) in connection with the issuance of \$_____ of the Palmdale Water District Public Financing Authority (the “Authority”) Water Revenue Refunding Bonds, Series 2016A (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust (the “Indenture”), dated as of _____ 1, 2016, by and between The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”) and 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 Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

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 purposes.

“Disclosure Representative” shall mean the General Manager of the District, or either of their designees, or such other officer or employee as the District shall designate in writing from time to time.

“Dissemination Agent” shall mean, initially, NHA Advisors, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designed 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 Electronic Municipal Market Access system of the MSRB.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule

“Official Statement” shall mean the Official Statement for the Bonds dated _____, 2016.

“Participating Underwriter” shall mean Piper Jaffray & Co. as the original underwriter 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.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent upon written direction to, not later than 270 days after the end of the District’s fiscal year, commencing with the report for the fiscal year ending

December 31, 2016, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report shall be provided to the MSRB in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by 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 and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

The Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The District's fiscal year is currently effective from January 1 to the immediately succeeding December 31 of the following year. The District will promptly notify the MSRB and the Dissemination Agent, if other than the District, of a change in the fiscal year dates. The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent, if other than the District, to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report.

(b) If the Dissemination Agent is other than the District, not later than fifteen (15) days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the District shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) days prior to such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice in a timely manner to the MSRB, in the form required by the MSRB.

(d) The Dissemination Agent shall:

(i) confirm the electronic filing requirements of the MSRB for the Annual Reports; and

(ii) promptly after receipt of the Annual Report, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided the MSRB. The Dissemination Agent's duties under this clause (ii) shall exist only if the District provides the Annual Report to the Dissemination Agent for filing.

(e) Notwithstanding any other provision of this Disclosure Certificate, all filings shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

SECTION 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the District for the most recent fiscal year of the District then ended. If the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the District in a format similar to the financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements, if any, of the District shall be audited by such auditor as shall then be required or permitted by State law or the Indenture. Audited financial statements shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the District may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the District shall modify the basis upon which its financial statements are prepared,

the District shall provide a notice of such modification to the MSRB, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

(b) To the extent not contained in the audited financial statements filed pursuant to the preceding subsection (a) by the date required by Section 3 hereof, updates to the following information with respect to the Fiscal Year ending on the preceding December 31:

- (i) Tables [9, 12-18 and 20] of the Official Statement;
 - (ii) the outstanding principal amount of the Bonds and additional Bonds or Contracts;
- and
- (iii) amount on deposit in the Reserve Fund established under the Indenture.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included 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 or issuance by the Internal Revenue Service of proposed or final determinations of taxability or of the Notice of Proposed Issue (IRS Form 5701-TEB);
- (6) tender offers;
- (7) defeasances;
- (8) ratings changes; and
- (9) bankruptcy, insolvency, receivership or similar proceedings.

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.

(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 paragraph 5(a)(5), notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(2) the consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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;

(3) appointment of a successor or additional trustee or the change of the name of a trustee;

(4) nonpayment related defaults;

(5) modifications to the rights of Owners of the Bonds;

(6) bond calls; and

(7) release, substitution or sale of property securing repayment of the Bonds.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event described in subsection (b), the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) 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.

(e) The District hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the District and that the Dissemination Agent shall not be responsible for determining whether the District's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

(f) If the Dissemination Agent has been instructed by the District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(7) and (b)(6) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Indenture. In each case of the Listed Event, the Dissemination Agent shall not be obligated to file a notice as required in this subsection (f) prior to the occurrence of such Listed Event.

(g) Any of the filings required to be made under this Section 5 shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

SECTION 6. Termination of Reporting Obligation. The obligation of the District and the Dissemination Agent under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of 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.

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 the NHA Advisors. The Dissemination Agent may resign by providing thirty days written notice to the District and the Paying Agent. 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.

(a) This Disclosure Certificate may be amended, in writing, without the consent of the Owners, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the District or the type of business conducted thereby, (2) this Disclosure Certificate as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) there shall have been delivered to the District an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the same effect as set forth in clause (2) above, (4) the District shall have delivered to the Dissemination Agent (if other than the District) an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the effect that the amendment does not materially impair the interests of the Owners, and (5) the District shall have delivered copies of such opinion and amendment to the MSRB.

(b) This Disclosure Certificate may be amended in writing with respect to the Bonds, upon obtaining consent of Owners at least 25% in aggregate principal of the Bonds then outstanding; provided that the conditions set forth in Section 8(a)(1), (2) and (3) have been satisfied; and provided, further, that the Dissemination Agent shall be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder.

(c) To the extent any amendment to this Disclosure Certificate results in a change in the type of financial information or operating data provided pursuant to this Disclosure Certificate, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

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 if occurrence of a Listed Event.

The District acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the District, and that under some circumstances compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the District under such laws.

SECTION 10. Default. In the event the District fails to comply with any provision in this Disclosure Certificate, the Dissemination Agent may (or shall upon direction of the Owners of 25% in aggregate principal of the Bonds then outstanding or the Underwriter) take all action necessary to cause the District to comply with this Disclosure Certificate. In the event of a failure of the Dissemination Agent to comply with any provision of this Disclosure Certificate, any Owner 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 comply with its obligations under this Disclosure Certificate. 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.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. (a) In the event that the Dissemination Agent is other than the District, than the provisions of this Section 11(a) shall apply. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the District, the Bond Owner's, or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent hereunder, seeking any remedy other than to compel specific performance of this Disclosure Certificate.

(a) The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Certificate.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter, the Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Notices. Notices should be sent in writing to the following address. The following information may be conclusively relied upon until changed in writing.

Disclosure Representative: General Manager
 Palmdale Water District
 2029 E. Avenue Q
 Palmdale, California 93550

PALMDALE WATER DISTRICT

By: _____
General Manager

APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

APPENDIX G

FACTORS AFFECTING DELIVERY OF WATER BY STATE WATER PROJECT

The information and expressions of opinion set forth in this Appendix G have been obtained from sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness. Statements contained herein which involve estimates, forecasts, or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale thereafter of the securities offered hereby shall under any circumstances create any implication that there has been no change in the affairs of the District or the Authority or in any other information contained herein since the date of the Official Statement.

State Water Project

General. One of the District's major sources of water is the State Water Project, which is owned by the State and operated by the California Department of Water Resources ("DWR"). This project transports Feather River water stored in and released from Oroville Dam and unregulated flows diverted directly from the San Francisco Bay/Sacramento-San Joaquin River Delta ("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.

The State Water Project was designed to meet demands of 4.2 million acre-feet per year. Initial State Water Project 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-State Water Project demands for limited water supplies, combined to delay the construction of additional facilities. At the same time, contractors' demands for State Water Project entitlement water have been increasing.

The quantity of State Water Project water available for delivery each year is controlled by both hydrology and operational considerations. The State Water Project has been unable to meet contractors' requests for entitlement water in drought periods. DWR has projected that future State Water Project supplies in normal weather years will be insufficient to meet demands unless additional facilities are constructed. DWR's planning efforts are currently focused on the CALFED effort to develop a long-term Bay-Delta solution discussed below.

Endangered Species Act Considerations

The District's imported and local supplies are subject to regulatory restrictions due to implementation of the federal Endangered Species Act ("ESA"). The listing of winter-run Chinook salmon in 1989 and delta smelt in 1993 resulted in pumping restrictions imposed on the state and federal water projects to protect these species. These pumping restrictions resulted in reduced deliveries from the SWP and CVP, compounding the shortages created by the on-going 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 Accord laid the groundwork for the establishment of the CALFED Bay-Delta Program, which has been succeeded by a number of efforts, including the California Water Action Plan, the Delta Plan and the California Water Fix (See the below caption "—California Water Policy Framework") to develop a long-term solution for conflicts in the Bay-Delta.

Delta Litigation. Various legal challenges have been filed impacting the conveyance of water through the Delta by the California Department of Water Resources (“DWR”) via the SWP and by the United States Bureau of Reclamation (“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 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 Services 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 salmon 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 salmon BO was flawed, and that some but not all of the project restrictions in the Salmon 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 salmon BO to the National Marine Fisheries Service (“NMFS”), and directs that a new draft salmon BO be issued by October 1, 2014, and that a final BO be issued by February 1, 2016, 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 salmon 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 Salmon BO. The remand order related to the 2009 Salmon 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.

California Water Policy Framework

The District's water supply under its contracts with the SWP is imported through the San Francisco Bay/Sacramento San Joaquin River Delta Estuary ("Bay-Delta" or "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 State Water Resources Control Board (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.

On July 25, 2012, Governor Jerry Brown and Secretary of the Interior Ken Salazar announced key proposed elements to advance the Bay Delta Conservation Plan ("BDCP") planning process, including north Bay-Delta water diversion facilities with a total capacity of 9,000 cubic-feet per second ("cfs"), two tunnels sized to minimize energy use during operations and a "decision tree" process for unresolved operation criteria such as fall and spring outflows. The Draft BDCP and associated Draft Environmental Impact Report/Environmental Impact Statement ("EIR/EIS") were completed on December 13, 2013. Preliminary cost estimates for the BDCP were approximately \$25.0 billion.

Earlier this year, the State separated the focus of the BDCP into two efforts: the California Eco Restore ("EcoRestore") Project and the California Water Fix. California EcoRestore aims to accelerate and implement a comprehensive suite of habitat restoration actions to support the long-term health of the Bay-Delta's native fish and wildlife. California Water Fix focuses on protecting the State's water supplies from climate change through water system upgrades that protect against the impacts of sea level rise and earthquakes while improving river flows and reducing entrainment for threatened fish species. The Bay-Delta diversion facilities previously proposed in the BDCP are now captured within the California Water Fix effort. The State released the Recirculated Draft Environmental Impact Report ("RDEIR")/Supplemental Draft Environmental Impact Statement ("SDEIS") on July 10, 2015, with comments due by August 31, 2015. On July 22, 2015, the comment period was extended to October 30, 2015. The RDEIR/SDEIS addresses the environmental impacts of the diversion facilities. The current estimated cost of the California Water Fix is approximately \$15.8 billion. There can be no assurance that such projected costs will not increase as a result of revisions to the project, increases in construction or other costs related thereto. Any changes could be material and impact the costs of the District's state and federal water supplies. The final Environmental Impact Report/Environmental Impact Statement for California Water Fix is expected to be available in mid-2016.

DWR and United States Bureau of Reclamation have filed a petition with the SWRCB to change certain of their water rights as a result of the proposed California Water Fix project. On October 30, 2015, the SWRCB issued public notices on such petition and a public hearing with respect thereto. The SWRCB began the public hearing process in April 2016.

APPENDIX H

SUPPLEMENTAL INFORMATION CONCERNING THE CITY OF PALMDALE

The information and expressions of opinion set forth in this Appendix H have been obtained from sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness. Statements contained herein which involve estimates, forecasts, or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale thereafter of the securities offered hereby shall under any circumstances create any implication that there has been no change in the affairs of the District or the Authority or in any other information contained herein since the date of the Official Statement.

THE FOLLOWING INFORMATION AND EXPRESSIONS OF OPINION HAVE BEEN PROVIDED AS GENERAL BACKGROUND INFORMATION ONLY. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE 2016A BONDS.

Employment and Industry

The following table summarizes the civilian labor force, civilian employment and civilian unemployment figures over the period from 2011 through 2015 in the City, the County, the State of California and the United States.

TABLE NO. H-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⁽¹⁾</i>	<i>Civilian Unemployment⁽²⁾</i>	<i>Civilian Unemployment Rate⁽³⁾</i>
2011				
Palmdale	64,300	54,000	10,300	16.0%
Los Angeles County	4,928,500	4,327,900	600,500	12.2
California	18,415,100	16,258,100	2,157,000	11.7
United States ⁽⁴⁾	153,617,000	139,869,000	13,747,000	8.9
2012				
Palmdale	64,000	54,800	9,200	14.4%
Los Angeles County	4,921,800	4,385,300	536,500	10.9
California	18,551,400	16,627,800	1,923,600	10.4
United States	154,975,000	142,469,000	12,506,000	8.1
2013				
Palmdale	64,800	56,400	8,400	12.9%
Los Angeles County	4,979,000	4,494,400	484,600	9.7
California	18,670,100	17,001,000	1,669,000	8.9
United States	155,389,000	143,929,000	11,460,000	7.4
2014				
Palmdale	64,900	57,700	7,100	11.0%
Los Angeles County	5,025,900	4,611,500	414,300	8.2
California	18,827,900	17,418,000	1,409,900	7.5
United States	155,922,000	146,305,000	9,617,000	6.2
2015				
Palmdale	64,300	58,500	5,800	9.0%
Los Angeles County	5,011,700	4,674,800	336,900	6.7
California	18,981,800	17,798,600	1,183,200	6.2
United States	157,130,000	148,834,000	8,296,000	5.3

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 2011 through 2015 for the Los Angeles Long Beach Glendale MD. Annual industry employment information is not compiled by sector for the City.

TABLE H-2
LOS ANGELES-LONG BEACH-GLENDALE MD
INDUSTRY EMPLOYMENT & LABOR FORCE - BY ANNUAL AVERAGE
2011 through 2015

	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
Civilian Labor Force	4,928,500	4,921,800	4,979,000	5,025,900	5,011,700
Civilian Employment	4,327,900	4,385,300	4,494,400	4,611,500	4,674,800
Civilian Unemployment	600,500	536,500	484,600	414,300	336,900
Civilian Unemployment Rate	12.2%	10.9%	9.7%	8.2%	6.7%
Total Farm	5,600	5,400	5,500	5,200	5,000
Total Nonfarm	3,945,700	4,036,000	4,112,700	4,189,000	4,274,200
Total Private	3,380,200	3,479,100	3,561,400	3,632,800	3,707,800
Goods Producing	476,000	480,800	488,800	488,000	490,800
Mining and Logging	109,100	113,400	120,600	123,900	130,000
Construction	105,100	109,200	116,200	119,600	126,100
Manufacturing	366,900	367,400	368,200	364,100	360,800
Service Providing	3,469,700	3,555,200	3,623,900	3,701,000	3,783,400
Trade, Transportation & Utilities	750,600	767,400	781,800	798,800	817,800
Wholesale Trade	205,800	211,900	218,700	222,500	227,000
Retail Trade	393,000	400,900	405,600	413,000	420,500
Transportation, Warehousing & Utilities	151,800	154,500	157,500	163,400	170,400
Information	192,000	191,500	196,400	198,000	202,700
Financial Activities	210,100	212,400	213,000	211,100	214,200
Professional & Business Services	542,500	570,100	593,200	599,100	600,300
Educational & Health Services	677,300	699,500	702,100	720,700	742,200
Leisure and Hospitality	394,700	415,800	440,500	466,600	488,100
Other Services	137,000	141,700	145,700	150,500	151,700
Government	<u>565,500</u>	<u>556,800</u>	<u>551,200</u>	<u>556,200</u>	<u>566,400</u>
Total, All Industries	<u>3,951,300</u>	<u>4,041,400</u>	<u>4,118,100</u>	<u>4,194,200</u>	<u>4,279,200</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 H.

Source: State of California, Employment Development Department, Los Angeles-Long Beach-Glendale MD Industry Employment & Labor Force - by Annual Average, March 2015 Benchmark.

The major employers operating within the City and their respective number of employees as of June 30, 2015 are as follows:

**TABLE H-3
TOP 10 EMPLOYERS IN THE CITY
AS OF JUNE 30, 2015**

<i>Name of Company</i>	<i>Employment</i>	<i>Type of Business/Product</i>
Edwards Air Force Base	10,647	Aerospace/Military
China Lake NWC	6,690	Aerospace/Military
County of Los Angeles	3,743	County Services
Lockheed Martin	3,700	Aerospace/Military
Mojave Air & Spaceport	2,500	Aerospace/Military
Antelope Valley Hospital Medical Center	2,300	Medical/Hospital
Northrop-Grumman	2,100	Aerospace
Wal-Mart Stores	1,922	Retail
CA State Prison-Tehachapi	1,915	Corrections
Antelope Valley Mall (All Stores)	1,800	Retail

Source: City of Palmdale.

Income

The following table summarizes per capita personal income for Los Angeles County, California and the United States for 2010 through 2014.

**TABLE NO. H-4
PER CAPITA PERSONAL INCOME
2010 through 2014**

<i>Year</i>	<i>Los Angeles County</i>	<i>State of California</i>	<i>United States</i>
2010	42,540	42,411	40,277
2011	44,627	44,852	42,453
2012	47,713	47,614	44,266
2013	47,580	48,125	44,438
2014	49,400	49,985	46,049

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Commercial Activity

The following table summarizes the volume of retail sales and taxable transactions for Palmdale for 2010 through 2014.

**TABLE NO. H-5
CITY OF PALMDALE
TOTAL TAXABLE TRANSACTIONS
(in Thousands)
2010 – 2014**

<u>Year</u>	<u>Retail Sales</u> <u>\$(000's)</u>	<u>Retail Sales</u> <u>Permits</u>	<u>Total</u> <u>Taxable</u> <u>Transactions</u> <u>\$(000's)</u>	<u>Issued Sales</u> <u>Permits</u>
2010	\$1,165,498	1,678	\$1,294,151	2,282
2011	1,218,977	1,623	1,332,216	2,202
2012	1,286,802	1,602	1,409,735	2,184
2013	1,312,551	1,605	1,435,609	2,168
2014	1,337,007	1,713	1,469,492	2,269

Source: California State Board of Equalization, *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 2011 through 2015.

**TABLE NO. H-6
CITY OF PALMDALE
BUILDING ACTIVITY VALUATIONS
(Dollars expressed in Thousands)
2011 – 2015**

	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
<u>Residential</u>					
Single Family	\$ 21,362	\$ 26,974	\$ 4,593	\$ 7,899	\$ 21,357
Multi-Family	0	15,612	0	0	0
Alteration/Additions	<u>2,231</u>	<u>2,162</u>	<u>4,126</u>	<u>3,215</u>	<u>4,014</u>
Total ⁽³⁾	\$ 23,593	\$ 44,748	\$ 8,719	\$ 11,114	\$ 25,371
<u>Non-Residential</u>					
New Commercial	\$ 8,367	\$ 593	\$ 4,114	\$ 7,179	\$ 2,799
New Industry	0	620	0	0	30
Other ⁽¹⁾	2,780	5,509	4,142	3,989	4,590
Alteration/Additions	<u>12,747</u>	<u>7,791</u>	<u>10,216</u>	<u>19,125</u>	<u>15,388</u>
Total ⁽³⁾	\$ 23,894	\$ 14,513	\$ 18,472	\$ 30,293	\$ 22,807
<u>Total⁽³⁾</u>	<u>\$ 47,487</u>	<u>\$ 59,261</u>	<u>\$ 27,191</u>	<u>\$ 41,407</u>	<u>\$ 48,178</u>
Single Family Units ⁽²⁾	107	58	30	42	99
Multi-Family Units ⁽²⁾	<u>0</u>	<u>324</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	107	382	30	42	99

⁽¹⁾ 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.

⁽²⁾ Number of units rather than dollars. Not in thousands.

⁽³⁾ Total may not add up due to rounding.

Source: Construction Industry Research Board.

INSTALLMENT PURCHASE AGREEMENT

by and between

PALMDALE WATER DISTRICT

and

PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY

Dated as of _____ 1, 2016

Relating to

\$ _____

**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY
WATER REVENUE BONDS, SERIES 2016A**

INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT, made and entered into and dated as of _____ 1, 2016, 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”).

W I T N E S S E T H:

WHEREAS, the District proposes to undertake the prepayment of that certain Installment Purchase Agreement dated as of November 1, 2012 by and between the District and the Palmdale Water District Public Facilities Corporation and the refunding of the Authority’s Water Revenue Bonds, Series 2013A, maturing on October 1, 2038 and October 1, 2043 (collectively the “Prior Obligations”);

WHEREAS, the Authority has agreed to assist the District in prepaying and refunding the Prior Obligations 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 refinance the acquisition of property for its Water System (as defined herein);

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 terms “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 2016A Installment Payments and which are secured by a pledge of and lien on the Water Revenues, including the unrefunded portion of the Authority’s Water Revenue Bonds, Series 2013A. 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.

Continuing Disclosure Certificate

The term “Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate dated _____, 2016 and executed by the District in connection with the 2016A 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 2016A Installment Payments and which are secured by a pledge and lien on the Water Revenues. 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, 2016, 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 2016A 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 2016A Installment Payment Date” means the tenth day preceding each Interest Payment Date pursuant to the Indenture of Trust.

Installment Payments; Series 2016A 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 2016A Installment Payments. The term “Series 2016A 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, 2016, 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 2016A Bonds when due.

Insurer

The term “Insurer” means _____.

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 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.

Prior Obligations

The term “Prior Obligations” means collectively, that certain Installment Purchase Agreement dated as of November 1, 2012 by and between the District and the Palmdale Water District Public Facilities Corporation and the Authority’s Water Revenue Bonds, Series 2013A, maturing on October 1, 2038 and October 1, 2043.

Project

The term “Project” means the improvements to the District’s Water System that were financed or refinanced by the Prior Obligations, as 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 established pursuant to Section 5.5 hereunder.

Reserve Fund

The term “Reserve Fund” means the account 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.

2013 Installment Payments

The term “2013 Installment Payments” means those payments to be made by the District to the Authority under that certain Installment Purchase Agreement dated as of May 1, 2013.

2016A Bonds

The term “2016A Bonds” means the Palmdale Water District Public Financing Authority Water Revenue Refunding Bonds, Series 2016A 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 2013 Installment Payments, 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.

(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 refinance 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

REFINANCE OF THE PROJECT

Section 3.1. [Reserved.]

Section 3.2. Sale and Purchase of the Project. In consideration for the Authority's assistance in refinancing 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.

ARTICLE IV

SERIES 2016A 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 2016A 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 2016A Installment Payment Dates as set forth in Exhibit B hereto.

Each Series 2016A 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 2016A Installment Payments if paid in accordance with their terms.

The obligation of the District to make the Series 2016A Installment Payments is absolute and unconditional, and until such time as all of the Series 2016A 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 2016A 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 2016A 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 2016A Installment Payments as provided herein, and the Water Revenues shall not be used for any other purpose while any of the Series 2016A 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 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 2016A 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 2016A Installment Payment coming due on such Series 2016A 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 2016A Installment Payments if the amount in the Bond Payment Fund is at least equal to the amount of the Series 2016A Installment Payment due and payable on the next succeeding Series 2016A 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 2016A 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 Indenture.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Water Revenue Fund for application in accordance with Section 5.1 hereof or, in the event that all or a portion of the Series 2016A 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 11.18 of the Indenture to the extent that the Authority fails to pay any such costs. The payment of such amounts shall be treated as Operation and Maintenance Costs.

ARTICLE VI

COVENANTS OF THE DISTRICT

Section 6.1. Compliance with Installment Purchase Agreement and Ancillary Agreements. The District will punctually pay the Series 2016A 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 2016A 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 2016A 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 2016A 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 2016A 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 2016A Bonds or of any other moneys or property which would cause the 2016A 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 2016A Bonds or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the 2016A 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 2016A Bonds or take or omit to take any action that would cause the 2016A 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 2016A 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 2016A 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 2016A 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 2016A 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 2016A 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 2016A Installment Payments or to the Owners prior or superior to the lien of the Series 2016A Installment Payments or which might impair the security of the Series 2016A 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 2016A 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 2016A 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 2016A 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 2016A 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, 2016) 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 2016A 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 2016A 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 2016A 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 2016A 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 2016A 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 2016A 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 2016A 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 2016A 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 2016A

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 2016A 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 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 2016A 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 or any other act by any Person, the entire principal amount of the unpaid Series 2016A Installment Payments and the accrued interest thereon shall be immediately due and payable and for any other Event of Default the Authority may, by notice in writing to the District declare the entire principal amount of the unpaid Series 2016A 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 2016A 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 2016A 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 2016A 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 2016A 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 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 2016A 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 2016A 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 2016A 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 2016A 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 2016A 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 2016A 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 2016A 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 2016A Installment Payments to their respective Series 2016A 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 2016A 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 2016A 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 2016A 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 2016A Installment Payments, which Defeasance Securities shall continue to be held by the Trustee in trust for the payment of the Series 2016A Installment Payments and shall be applied by the Trustee to the payment of the Series 2016A Installment Payments of the District.

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 2016A 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 2016A 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 2016A 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 2016A 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 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 400
Los Angeles, California 90071
Attention: Corporate Trust Department

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 2016A 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 2016A 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, 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 2016A 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 2016A Bond so affected; or (2) reduce the aforesaid percentage of Owners of 2016A 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 2016A Bonds may also be modified or amended but only 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 2016A 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 2016A Bonds;

(3) to make such other amendments or modifications as may be in the best interests of the Owners of the 2016A Bonds; and

(4) to make any amendments or supplements necessary or appropriate to preserve or protect the exclusion of interest on the 2016A 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.

IN WITNESS WHEREOF, the parties hereto have executed and attested 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

(SEAL)

Attest:

Secretary

PALMDALE WATER DISTRICT PUBLIC
FINANCING AUTHORITY

By: _____
Executive Director

Attest:

Secretary

EXHIBIT A

DESCRIPTION OF PROJECT

Proceeds from the Prior Obligations were used to:

- (i) refinance the [to come].
- (ii) finance certain improvements to the District's existing Water System, including the replacement of various water mains, funding a feasibility study for the Littlerock Creek Recharge and Recovery Project, funding environmental designs and permits related to the Littlerock Reservoir Sediment Removal Project, and funding the District's share of the Upper Amargosa Recharge Project.

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 2016A Installment Payment Dates as follows:

<u>Series 2016A Installment Payment Date</u>	<u>Amount Attributable to Principal</u>	<u>Amount Attributable to Interest</u>	<u>Total</u>
<i>Tenth Day Prior To:</i>			

TOTAL

Table of Contents

Page

ARTICLE I

DEFINITIONS

Section 1.1. Definitions..... 1

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations by the District 12
Section 2.2. Representations and Warranties by the Authority 12

ARTICLE III

REFINANCE OF THE PROJECT

Section 3.1. [Reserved.] 13
Section 3.2. Sale and Purchase of the Project 13
Section 3.3. Purchase and Sale of the Project 13
Section 3.4. Title 13

ARTICLE IV

SERIES 2016A INSTALLMENT PAYMENTS

Section 4.1. Purchase Price 13
Section 4.2. Series 2016A Installment Payments 13
Section 4.3. Additional Payments 14

ARTICLE V

SECURITY

Section 5.1. Pledge of Water Revenues 14
Section 5.2. Allocation of Water Revenues 14
Section 5.3. Additional Contracts and Bonds 15
Section 5.4. Investments 17
Section 5.5. Rate Stabilization Fund 17
Section 5.6. Payment of Insurer Costs 17

ARTICLE VI

COVENANTS OF THE DISTRICT

Section 6.1. Compliance with Installment Purchase Agreement and Ancillary Agreements 17

Table of Contents
(continued)

	<i>Page</i>
Section 6.2. Against Encumbrances.....	18
Section 6.3. Against Sale or Other Disposition of Property	18
Section 6.4. Against Competitive Facilities.....	19
Section 6.5. Tax Covenants	19
Section 6.6. Maintenance and Operation of the Water System	20
Section 6.7. Payment of Claims	20
Section 6.8. Compliance with Contracts.....	20
Section 6.9. Insurance.....	20
Section 6.10. Accounting Records; Financial Statements and Other Reports	21
Section 6.11. Protection of Security and Rights of the Authority.....	21
Section 6.12. Payment of Taxes and Compliance with Governmental Regulations.....	21
Section 6.13. Amount of Rates and Charges	22
Section 6.14. Collection of Rates and Charges.....	22
Section 6.15. Eminent Domain Proceeds.....	22
Section 6.16. Further Assurances.....	22
Section 6.17. Enforcement of Contracts	22
Section 6.18. Superior Additional Obligations	23
Section 6.19. Continuing Disclosure	23
Section 6.20. Payments in Connection with the State Water Supply Contract.....	23
Section 6.21. Provision of Information to the Insurer.....	23

ARTICLE VII

PREPAYMENT OF SERIES 2016A INSTALLMENT PAYMENTS

Section 7.1. Prepayment	23
Section 7.2. Method of Prepayment.....	24

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

Section 8.1. Events of Default and Acceleration of Maturities	24
Section 8.2. Application of Funds Upon Acceleration	25
Section 8.3. Other Remedies of the Authority	25
Section 8.4. Non-Waiver.....	26
Section 8.5. Remedies Not Exclusive	26

ARTICLE IX

DISCHARGE OF OBLIGATIONS

Section 9.1. Discharge of Obligations	27
---	----

Table of Contents
(continued)

Page

ARTICLE X

MISCELLANEOUS

Section 10.1.	Liability of District Limited.....	27
Section 10.2.	Benefits of Installment Purchase Agreement Limited to Parties	28
Section 10.3.	Successor Is Deemed Included in all References to Predecessor	28
Section 10.4.	Waiver of Personal Liability	28
Section 10.5.	Article and Section Headings, Gender and References	28
Section 10.6.	Partial Invalidity.....	28
Section 10.7.	Assignment	28
Section 10.8.	Net Contract.....	29
Section 10.9.	California Law	29
Section 10.10.	Notices	29
Section 10.11.	Effective Date	29
Section 10.12.	Execution in Counterparts.....	29
Section 10.13.	Indemnification of Authority and the Trustee.....	29
Section 10.14.	Insurer as Third Party Beneficiary	29
Section 10.15.	No Impairment of Insurer’s Rights	30
Section 10.16.	Insurer Considerations	30
Section 10.17.	Amendments Permitted.....	30
Signatures	S-1
Exhibit A-1	Description of Project	A-1
Exhibit B	Purchase Price	B-1

**FIRST AMENDMENT TO
INSTALLMENT PURCHASE AGREEMENT**

Dated as of _____ 1, 2016

by and between

PALMDALE WATER DISTRICT

and

PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY

Relating to

\$44,350,000

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

FIRST AMENDMENT TO INSTALLMENT PURCHASE AGREEMENT

This FIRST AMENDMENT TO INSTALLMENT PURCHASE AGREEMENT (this “First Amendment”) made and entered into as of _____ 1, 2016, 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”), amends, in part, the Installment Purchase Agreement dated as of May 1, 2013 (the “Original Installment Purchase Agreement” and, together with this First Amendment, the “Installment Purchase Agreement”);

WITNESSETH:

WHEREAS, the Authority and the District previously entered into the Original Installment Purchase Agreement in connection with the issuance by the Authority of its Water Revenue Bonds, Series 2013A; and

WHEREAS, the definition of “State Water Supply Contract” in the Original Installment Purchase Agreement inadvertently excluded various contracts and agreements pursuant to which the District receives water from the State Water Project and is entitled to levy assessments to pay costs associated therewith; and

WHEREAS, the Authority and the District desire to amend the definition of “State Water Supply Contract” for the purpose of correcting this inadvertent exclusion;

WHEREAS, the Board of Directors of the District and the Board of Directors of the Authority have authorized the execution and delivery of this First Amendment;

NOW, THEREFORE, in consideration of the promises and mutual agreements herein contained, the parties hereto do hereby agree as follows:

Section 1. Definition of “State Water Supply Contract”. The definition of “State Water Supply Contract” in hereby struck and the following substituted therefor:

“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.”

Section 2. Execution in Counterparts. This First Amendment may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 3. Governing Law. This First Amendment shall be construed and governed in accordance with the laws of the State of California.

Section 4. No Other Amendments. Except as amended by Section 1 above, all other provisions of the Original Installment Purchase Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this First Amendment as of the date and year first above written.

PALMDALE WATER DISTRICT

By: _____
General Manager

(SEAL)

Attest:

Secretary

PALMDALE WATER DISTRICT PUBLIC
FINANCING AUTHORITY

By: _____
Executive Director

Attest:

Secretary

\$ _____
**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY
WATER REVENUE REFUNDING BONDS, SERIES 2016A**

PURCHASE AGREEMENT

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 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 prepay an 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) to redeem the Authority’s Water Revenue Bonds, Series 2013A maturing on October 1, 2038 and October 1, 2043 (the “2013 Bonds,” and together with the 2012 Installment Purchase Agreement, the “Prior Obligations”); (iii) to purchase a municipal bond insurance policy (the “Insurance Policy”) to guarantee payment of the principal of and interest on the Bonds; (iv) to purchase a municipal bond debt service reserve insurance policy (the “Reserve Surety Policy”) for deposit in the Reserve Fund; and (v) 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 (defined below).

The District and the Authority acknowledge and agree that: (i) the purchase and sale of the Bonds pursuant to this Purchase Contract 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 Contract 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 Contract are expressly set forth in this Purchase Contract; 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 Refunding Bonds, Series 2016A (the "Bonds") to be dated the Closing Date (and more fully described in the Official Statement), 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, dated as of _____ 1, 2016 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 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, 2016 (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 (the "State") 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 _____, 2016 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 (the "Rule"), and substantially in the form of Appendix E to the Official Statement (the "Continuing Disclosure Certificate"), two Escrow Agreements (collectively, the "Escrow Agreements"), each dated as of _____ 1, 2016, between the District and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent") 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 _____, 2016 (the “Official Statement”, 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. 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.

4. At 8:30 a.m., Pacific Time, on _____, 2016, 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 section 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. 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 Contract and to take any action under this Purchase Contract 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.

6. 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 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 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 6(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 Authority 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 an 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 date of Closing, 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.

7. The District represents, warrants and covenants to the Underwriter that:

(a) The District is a water district duly organized 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, the Escrow Agreements 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 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 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 District, the Bonds and the Water System 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 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, the Tax Certificate of the District and this Purchase Agreement.

(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 and refinance 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 date of Closing, 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) No consent of Pun Group, LLP, certified public accountants is required for inclusion of their letter with respect to the audited financial statements of the District as Appendix A to the Preliminary Official Statement and Official Statement.

(v) 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. A form of the Continuing Disclosure Certificate is set forth as Appendix E to the Official Statement.

8. 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 Escrow Agreements 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 Legal Documents 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 date of Closing, addressed to the Authority, the District and the Underwriter (or a reliance letter to the Underwriter), in substantially the form attached as APPENDIX C to the Official Statement;

(2) A supplemental opinion or opinions of Bond Counsel, dated as of the date of Closing 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 2016A BONDS," "SECURITY FOR THE 2016A 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 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 date of Closing 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 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 Official Statement as of its 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, 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 date of Closing 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 a water 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 date of Closing 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 and Escrow Agent, dated the date of Closing 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, the Escrow Agreements and the Continuing Disclosure Certificate (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) Acceptance by the Bank of the duties and obligations under the Bank Documents and compliance with provisions thereof will not conflict with or constitute a breach of or default under any law or administrative regulation to which the Bank is subject.

(v) All approvals, consents and orders of any governmental authority or agency having jurisdiction in the matter which would constitute a condition precedent to the performance by the Bank of its duties and obligations under the Bank Documents have been obtained and are in full force and effect.

(7) An opinion, dated the date of the Closing and addressed to the Underwriter, of Nossaman LLP, counsel to the Underwriter, in such form as may be acceptable to the Underwriter.

(8) A certificate, dated the date of Closing, 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 date of Closing, 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 2014 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 installment payments securing the Parity Obligations (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) One counterpart original or copy certified by a duly authorized officer of the District of a complete transcript of all proceedings of the District relating to the approval of the District Documents and the authorization, issuance, sale and delivery of the Bonds.

(14) One counterpart original or copy certified by a duly authorized officer of the Authority of a complete transcript of all proceedings of the Authority relating to the approval of the Authority Documents and the authorization, issuance, sale and delivery of the Bonds.

(15) Two executed copies of the Official Statement.

(16) 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.

(17) 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.

(18) 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.

(19) Tax certifications by the Authority and the District in form and substance acceptable to Bond Counsel.

(20) 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 Escrow Agreements; and

(iii) The Bank has duly authorized and executed the Bank Documents.

(21) 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.

(22) The Insurance Policy, duly executed by the Insurer.

(23) The Reserve Surety Policy, duly executed by the Insurer.

(24) The debt service reserve fund agreement related to the Reserve Surety Policy, executed by the Authority, the District and the Insurer.

(25) 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.

(26) 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.

(27) Evidence that a federal tax information form 8038-G has been prepared for filing with respect to the Bonds.

(28) 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.

(29) A defeasance opinion of Bond Counsel, dated the date of Closing, and addressed to Authority, the District, the Escrow Agent and the Underwriter with respect to the Prior Obligations.

(30) Such additional legal opinions, certificates, proceedings, instruments and other documents as Bond Counsel, the Underwriter and Underwriter 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.

9. 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) Any event shall occur which causes any statement contained in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading; or

(ii) 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

(iii) 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 amend, 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

(iv) 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

(v) A general banking moratorium shall have been established by federal, New York or California authorities; 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) The occurrence of an adverse event in the affairs of the District or the Authority which, in the opinion of the Underwriter, materially impairs the investment quality of the Bonds; or

(viii) 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

(ix) 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

(x) There shall have occurred since the date of this Purchase Contract 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

(xi) Any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material respect any 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

(xii) An event described in Section 6(j) or 7(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

(xiii) [Any rating of the Bonds or other obligations of the Insurer by a national rating agency shall have been withdrawn or downgraded; 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.

10. 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.

11. 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 object in writing or which shall be 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.

12. (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 Contract, 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.

13. Any notice or other communication to be given to the Underwriter may be given by delivering the same to Piper Jaffray & Co. 2321 Rosecrans Avenue, Suite 3200, El Segundo, California 90245; Attention: Russell Reyes. 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 Piper Jaffray & Co., and delivered to you.

14. 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.

15. 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.

16. The representations and warranties of the District and the Authority set forth in or made pursuant to this Purchase Contract shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of this Purchase Contract 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.

17. 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, as underwriter, has financial and other interests that differ from those of the District and the Authority.

18. This Purchase Contract 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.

19. This Purchase Contract shall be governed by the laws of the State of California. This Purchase Contract shall not be assigned by either party hereto.

20. This Purchase Contract 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.

21. Any provision of this Purchase Contract 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 Contract or affecting the validity or enforceability of such provision in any other jurisdiction.

22. This Purchase Agreement shall be governed by the laws of the State of California.

PIPER JAFFRAY & CO.

By: _____

Title: _____

Accepted:

PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY

By: _____
Authorized Officer

Date of Execution: _____, 2016

Time of Execution: ____:____ p.m.

PALMDALE WATER DISTRICT

By: _____
Authorized Officer

Date of Execution: _____, 2016

Time of Execution: ____:____ p.m.

EXHIBIT A

\$ _____

**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY
WATER REVENUE REFUNDING BONDS, SERIES 2016A**

<u>Maturity Date (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Yield</u>
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				

† = Term Bond.

^C = Priced to optional call on October 1, 20____ at par.

** = Insured Bond.

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, 2016

Relating To

\$ _____
PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY
WATER REVENUE REFUNDING BONDS, SERIES 2016A

ASSIGNMENT AGREEMENT

This Assignment Agreement is made and entered into as of _____ 1, 2016 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, 2016, 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, 2016, 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.

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

ATTEST:

Secretary

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

By:_____
Authorized Officer

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 REFUNDING BONDS, SERIES 2016A**

Dated as of _____ 1, 2016

INDENTURE OF TRUST

This INDENTURE OF TRUST (the “Indenture”), dated as of _____ 1, 2016, 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:

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.

Bonds. The term “Bonds” means the Palmdale Water District Public Financing Authority Water Revenue Refunding Bonds, Series 2016A 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.

Defeasance Securities. The term “Defeasance Securities” means: (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (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), pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, and (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), 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.

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.

Depository. The term “Depository” means DTC or another recognized securities depository selected by the Issuer which maintains a book-entry system for the Bonds.

Escrow Agent. The term “Escrow Agent” means The Bank of New York Mellon Trust Company, N.A., as escrow agent pursuant to the 2012 Escrow Agreement and the 2013 Escrow Agreement.

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, 2016 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, 2016, 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 _____.

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 _____.

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, the Escrow Agent 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 2043.

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 so authorized under the laws of the State of California).

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

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

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

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

- (c) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: Export-Import Bank; Rural Economic Community Development Administration; Federal Farm Credit Bureau; U.S. Maritime Administration; Small Business Administration; U.S. Department of Housing & Urban Development (PHAs); and Federal Housing Administration and Federal Financing Bank;
- (d) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC); Obligations of the Resolution Funding Corporation (REFCORP); Senior debt obligations of the Federal Home Loan Bank System; and Senior debt obligations of other Government Sponsored Agencies;

- (e) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which may include the Trustee and its affiliates which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);
- (f) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's or "A-1" by S&P and which matures not more than 270 calendar days after the date of purchase;
- (g) Investments in a money market fund rated "AAm", "AAAm" or "AAAm-G" or better by S&P, including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (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.

Principal Account. The term "Principal Account" means the account by that name established pursuant to Section 3.02 hereof.

Principal Corporate Trust Office. The term "Principal Corporate Trust Office" means the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as the Trustee may from time to time designate in writing to the District, the Issuer and the Owners, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

Project. The term "Project" shall have the meaning set forth in the Installment Purchase Agreement.

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.

Refunded 2013 Bonds. The term "Refunded 2013 Bonds" means the Authority's Water Revenue Bonds, Series 2013A, maturing on October 1, 2038 and October 1, 2043.

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 initially: (i) \$_____ ; and thereafter (ii) the lesser of the amount set forth in clause (i) or the maximum payments of principal of and interest on the Bonds payable in any year.

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 Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., 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, ____, and October 1, ____ which are subject to mandatory sinking fund redemption.

2012 Escrow Agreement. The term “2012 Escrow Agreement” means the escrow agreement dated as of _____ 1, 2016 by and between the Issuer and the Escrow Agent relating to the prepayment of the 2012 Installment Purchase Agreement.

2012 Escrow Fund. The term “2012 Escrow Fund” means the fund established and held by the Escrow Agent pursuant to the 2012 Escrow Agreement.

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

2013 Escrow Agreement. The term “2013 Escrow Agreement” means the escrow agreement dated as of _____ 1, 2016 by and between the Issuer and the Escrow Agent relating to the redemption of the Refunded 2013 Bonds.

2013 Escrow Fund. The term “2013 Escrow Fund” means the fund established and held by the Escrow Agent pursuant to the 2013 Escrow Agreement.

Trustee. The term “Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association, duly organized and existing under 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 Water Revenue Refunding Bonds, Series 2016A” 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>Maturity Date (October 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</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 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.

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 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;

(ii) transfer to the Escrow Agent \$_____ for deposit in the 2012 Escrow Fund; and

(iii) transfer to the Escrow Agent \$_____ for deposit in the 2013 Escrow Fund.

(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.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. Redemption of Bonds.

(a) Optional Redemption. The Bonds maturing on 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 set forth in the following schedule on October 1, ____ and on October 1 each year thereafter, 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 maturing on October 1, ____ 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 maturing on October 1, ____ 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>Redemption Date</i> <i>(October 1)</i>	<i>Principal</i> <i>Amount</i>
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*

* Final Maturity.

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 set forth in the following schedule on October 1, ____, and on October 1 each year thereafter, 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 maturing on October 1, ____ 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 maturing on October 1, ____ 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>Redemption Date</i> <i>(October 1)</i>	<i>Principal</i> <i>Amount</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 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 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 thirty (30) nor more than sixty (60) days prior to the redemption date, (i) 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 mailing 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. Any defect as failure to receive notice 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 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, ____), 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 Rebatale 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 Rebatale 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 Rebatale 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 Rebatale Arbitrage calculated as of the date of such payment and any income attributable to the Rebatale 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 JP Morgan Chase Bank 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 change is announced by JP Morgan Chase Bank) 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. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event that JP Morgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the Insurer shall specify.

(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 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.

If, on the third Business Day prior to the related scheduled interest payment date or principal payment date (“Payment Date”) there is not on deposit with the Trustee, after making all transfers and deposits required under this Indenture, moneys sufficient to pay the principal of and interest on the Bonds due on such Payment Date, the Trustee shall give notice to the Insurer and to its designated agent (if any) (the “Insurer’s Fiscal Agent”) by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Bonds due on such Payment Date, the Trustee shall make a claim under the Insurance Policy and give notice to the Insurer and the Insurer’s Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Bonds and the amount required to pay principal of the Bonds, confirmed in writing to the Insurer and the Insurer’s Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

The Trustee shall designate any portion of payment of principal on the Bonds paid by the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of the Bonds registered to the then current Owner, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Insurer, registered in the name of [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 rights of the Insurer.

The Trustee shall keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Bond. The Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Owners referred to herein as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Insurance Policy in trust on behalf of Owners and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Owners in the same manner as principal and interest payments are to be made with respect to the Bonds under the sections hereof regarding payment of the Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay the principal of and interest on the Bonds with other funds available to make such payments. 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 (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by the Insurer until payment thereof in full, payable to the Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JP Morgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JP Morgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The Issuer hereby covenants and agrees that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the Revenues and payable from such Revenues on a parity with the payments of principal of and interest on the Bonds.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following an Interest Payment Date shall promptly be remitted to the Insurer.

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.

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 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 notice or other communication to the Insurer refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel and shall be marked to indicate “URGENT MATERIAL ENCLOSED.”

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 at any time, 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 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 seventy-five million dollars (\$75,000,000), 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.

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 7.04 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, depositary 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 agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a

person is to be added or deleted from the listing. If the District elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

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.

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.

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. 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 to the 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.

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 shall specify in a Certificate of the Issuer 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 Trustee 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 Trustee shall so determine, new Bonds so modified as in the opinion of the Trustee 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 five business days prior to the funding of the Escrow.

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 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 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; provided, however, that in the case of an investment pursuant to clause (g) of the definition of Permitted Investments, such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a Written Request of the Issuer or the District specifying a specific money market fund and, if no such written direction is so received, the Trustee shall hold such moneys uninvested; and provided further that 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 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. Covenant to Preserve Priority. Each of the Issuer and Trustee covenant and agree to take such action (including, as applicable, filing of Uniform Commercial Code financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Revenues set forth in Section 5.01 under applicable law.

Section 11.17. Subrogation and Survival of Obligations. The Insurer shall, to the extent it makes any payment of principal of or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy. Each obligation of the Issuer to the Insurer under this Indenture or any supplement thereto or amendment thereof shall survive discharge or termination of this Indenture or any supplement thereto or amendment thereof.

Section 11.18. Reimbursement of Fees. The Issuer shall pay or reimburse the Insurer any and all charges, fees, costs and expenses that the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in this Indenture and the Installment Purchase Agreement, or any supplement or amendment hereto or thereto; (ii) the pursuit of any remedies under this Indenture or the Installment Purchase Agreement, or any supplement or amendment hereto or thereto or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, this Indenture or the Installment Purchase Agreement, or any supplement or amendment hereto or thereto whether or not executed or completed, or (iv) any litigation or other dispute in connection with this Indenture or the Installment Purchase Agreement, or any supplement or amendment hereto or thereto or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy or the Reserve Surety Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of this Indenture or the Installment Purchase Agreement, or any supplement or amendment hereto or thereto.

Section 11.19. Provision of Information. 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 Issuer or Trustee, with respect to items (a) through (d), as the case may be:

(a) Notice of any draw upon the Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Reserve Requirement and (ii) withdrawals in connection with a refunding of the Bonds;

(b) Notice of any default known to the Trustee or the Issuer within five Business Days after knowledge thereof;

(c) Prior notice of the advance refunding or redemption of any of the Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(d) Notice of the resignation or removal of the Trustee and the appointment of, and acceptance of duties by, any successor thereto;

(e) Notice of the commencement of any proceeding by or against the Issuer commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an “Insolvency Proceeding”);

(f) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Bonds;

(g) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to this Indenture or any supplement thereto or amendment thereof; and

(h) All reports, notices and correspondence to be delivered to Owners under the terms of this Indenture and any supplement thereto or amendment thereof.

Section 11.20. Additional Information. The Insurer shall have the right to receive such additional information as it may reasonably request.

Section 11.21. Discussion of and Access to Information. The Issuer will permit the Insurer to discuss the affairs, finances and accounts of the Issuer or any information the Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the Issuer and will use commercially reasonable efforts to enable the Insurer to have access to the facilities, books and records of the Issuer on any business day upon reasonable prior notice.

Section 11.22. 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 400
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 11.23. 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 11.24. 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

ATTEST:

Secretary

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 REFUNDING BONDS, SERIES 2016A**

Interest Rate	Maturity Date	Dated Date	CUSIP
_____%	October 1, 20__	_____, 2016	_____

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 (as hereinafter defined) 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 _____, 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, 2016 (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 New York, New York, 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 Refunding Bonds, Series 2016A” (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 refinance the acquisition and construction of certain facilities which are a part of the District’s Water System, and to prepay certain of the District’s outstanding obligations.

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 shall be subject to redemption prior to maturity as follows:

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 before October 1, ____ are not subject to optional redemption prior to their stated maturities. 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 set forth in the following schedule on October 1, ____, and on October 1 each year thereafter, 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 maturing on October 1, ____ 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 maturing on October 1, ____ 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>Redemption Date</i> <i>(October 1)</i>	<i>Principal</i> <i>Amount</i>
--	-----------------------------------

*

* Final Maturity.

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 set forth in the following schedule on October 1, ____, and on October 1 each year thereafter, 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 maturing on October 1, ____ 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 maturing on October 1, ____ 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>Redemption Date (October 1)</i>	<i>Principal Amount</i>
--	-----------------------------

*

* 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 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 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 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 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:

(a) to add to the agreements, conditions, covenants and terms contained therein 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 therein to or conferred therein 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 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 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 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 authorized denomination or 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 _____, 2016.

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: _____

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.

Table of Contents

Page

ARTICLE I

DEFINITIONS; EQUAL SECURITY

Section 1.01.	Definitions	1
Section 1.02.	Equal Security	9

ARTICLE II

CONDITIONS AND TERMS OF BONDS

Section 2.01.	Preparation of Bonds	9
Section 2.02.	Denominations; Dating	10
Section 2.03.	Payment of Principal and Interest with Respect to Bonds	10
Section 2.04.	Form of Bonds	11
Section 2.05.	Execution of Bonds	11
Section 2.06.	Transfer of Bonds	11
Section 2.07.	Exchange of Bonds	12
Section 2.08.	Bond Registration Books	12
Section 2.09.	Bonds Mutilated, Lost, Destroyed or Stolen	12
Section 2.10.	Book-Entry System	13

ARTICLE III

PROCEEDS OF BONDS

Section 3.01.	Delivery of Bonds	15
Section 3.02.	Establishment of Funds and Accounts and Deposit and Use of Proceeds of Bonds	15

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01.	Redemption of Bonds	16
Section 4.02.	Selection of Bonds To Be Redeemed	18
Section 4.03.	Notice of Redemption	18
Section 4.04.	Partial Redemption of Bonds	18
Section 4.05.	Effect of Redemption of Bonds	19

ARTICLE V

ASSIGNMENT AND APPLICATION OF REVENUES

Section 5.01.	Assignment of Revenues	19
Section 5.02.	Deposit of Revenues	19
Section 5.03.	Rebate Fund	20
Section 5.04.	Reserve Fund	22

Table of Contents
(continued)

	<u>Page</u>
Section 5.05. Claims Upon the Insurance Policy and Payments by and to the Insurer	23
Section 5.06. Payments by the Insurer as a Result of Nonpayment	24

ARTICLE VI

COVENANTS

Section 6.01. Compliance With Indenture and Installment Purchase Agreement	25
Section 6.02. Tax Covenants	25
Section 6.03. Prosecution and Defense of Suits	26
Section 6.04. Accounting Records and Statements	26
Section 6.05. Further Assurances	26

ARTICLE VII

DEFAULT AND LIMITATIONS OF LIABILITY

Section 7.01. Events of Default	26
Section 7.02. Remedies Upon Event of Default	27
Section 7.03. Application of Revenues and Other Funds After Default.....	27
Section 7.04. Trustee to Represent Bond Owners	28
Section 7.05. Bond Owners' Direction of Proceedings	29
Section 7.06. Limitation on Bond Owners' Right to Sue	29
Section 7.07. Absolute Obligation of Issuer	29
Section 7.08. Termination of Proceedings.....	30
Section 7.09. Right of Mandamus; Remedies Not Exclusive.....	30
Section 7.10. No Waiver of Default	30
Section 7.11. Insurer Rights.....	30

ARTICLE VIII

THE TRUSTEE

Section 8.01. Employment and Duties of the Trustee	30
Section 8.02. Removal and Resignation of the Trustee.....	31
Section 8.03. Compensation and Indemnification of the Trustee.....	31
Section 8.04. Protection of the Trustee.....	32
Section 8.05. Notice to Insurer by Trustee	34

ARTICLE IX

AMENDMENT OF OR SUPPLEMENT TO THE INDENTURE

Section 9.01. Amendment or Supplement by Consent of Owners	34
Section 9.02. Disqualified Bonds	35
Section 9.03. Endorsement or Replacement of Bonds After Amendment or Supplement.....	36
Section 9.04. Amendment or Supplement by Mutual Consent.....	36
Section 9.05. Effect of Insurance Policy.....	36

Table of Contents
(continued)

Page

ARTICLE X

DEFEASANCE

Section 10.01.	Discharge of Bonds and Indenture.....	36
Section 10.02.	Unclaimed Money.....	39

ARTICLE XI

MISCELLANEOUS

Section 11.01.	Benefits of the Indenture Limited to Parties.....	39
Section 11.02.	Successor Deemed Included in All References to Predecessor.....	39
Section 11.03.	Execution of Documents by Owners.....	39
Section 11.04.	Waiver of Personal Liability.....	40
Section 11.05.	Content of Certificates.....	40
Section 11.06.	Notice by Mail.....	40
Section 11.07.	Funds.....	40
Section 11.08.	Deposits and Investments.....	41
Section 11.09.	Article and Section Headings, Gender and References.....	42
Section 11.10.	Partial Invalidity.....	42
Section 11.11.	California Law.....	42
Section 11.12.	Insurer as Third Party Beneficiary.....	42
Section 11.13.	No Impairment of Insurer's Rights.....	42
Section 11.14.	Insurer Consideration.....	42
Section 11.15.	Amounts Paid by Insurer.....	42
Section 11.16.	Covenant to Preserve Priority.....	43
Section 11.17.	Subrogation and Survival of Obligations.....	43
Section 11.18.	Reimbursement of Fees.....	43
Section 11.19.	Provision of Information.....	43
Section 11.20.	Additional Information.....	44
Section 11.21.	Discussion of and Access to Information.....	44
Section 11.22.	Notices.....	44
Section 11.23.	Execution in Counterparts.....	45
Section 11.24.	Effective Date.....	45
Signatures	S-1
EXHIBIT A	FORM OF BOND.....	A-1

BOND COUNSEL AGREEMENT

PALMDALE WATER DISTRICT

WATER REVENUE REFUNDING BONDS, SERIES 2016A

THIS AGREEMENT, made as of this ___ day of September, 2016, by and between the PALMDALE WATER DISTRICT, an irrigation district organized and existing under the laws of the State of California (herein "District") and STRADLING YOCCA CARLSON & RAUTH, a Professional Corporation (herein "Bond Counsel"):

RECITALS:

A. The District desires to cause the Palmdale Water District Public Financing Authority (the "Authority") to issue bonds (the "Bonds") to: (i) prepay all or a portion of that certain Installment Purchase Agreement dated as of November 1, 2012 by and between the District and the Palmdale Water District Public Facilities Corporation; and (ii) refund a portion of the Authority's Water Revenue Bonds, Series 2013A; and

B. Bond Counsel represents that it is ready, willing and able to perform the remaining legal work necessary to issue the Bonds and any special services as requested by the District;

NOW, THEREFORE, in consideration of the premises, and the mutual covenants, terms and conditions herein contained, the parties agree as follows:

1. SCOPE OF SERVICES

A. **BOND COUNSEL SERVICES**

The District retains Bond Counsel to provide, and Bond Counsel agrees to provide, legal services in connection with the issuance of the Bonds. Such services shall include the rendering of legal opinions (hereinafter called the "opinions") pertaining to the Bonds to the effect that:

1. The Bonds have been properly issued and are valid and binding obligations; and
2. The essential sources of security for the Bonds have been legally provided; and
3. Interest on the Bonds is exempt from California personal income taxation and is excluded from gross income for purposes of federal income taxes.

Bond Counsel's services will also include:

- i. Researching applicable laws and ordinances relating to the proposed Bonds;

- ii. Attending conferences and consulting with District staff and counsel regarding such laws, and the need for amendments thereto, or additional legislation;
- iii. Participating in meetings, conferences or discussions with any financial advisors, underwriters or other experts retained by the District with respect to the issuance of the Bonds;
- iv. Drafting all documents, resolutions and notices necessary to establish the Authority;
- v. Supervising and preparing documentation of the steps to be taken through the issuance of the Bonds, including:
 - a. Drafting all resolutions, notices, rules and regulations and other legal documents required for the issuance of the Bonds, and all other documents relating to the security of the Bonds, in consultation with the District, the District's Counsel, the District's financial advisor, underwriter and other experts;
 - b. Preparing the record of proceedings for the authorization, sale and issuance of the Bonds;
 - c. Assisting in the preparation of the portions of the official statement which relate to the terms of the Bonds and the firm's legal opinion delivered with respect to the Bonds;
 - d. Reviewing the purchase contract or the bidding documents relating to the sale of the Bonds and participating in the related negotiations;
 - e. Participating in meetings and other conferences scheduled by the District, the District's financial advisor or the underwriter;
 - f. Consulting with prospective purchasers, their legal counsel and rating agencies;
 - g. Consulting with counsel to the District concerning any legislation or litigation which may affect the Bonds, the security for the Bonds, or any other matter related to the issuance of the Bonds;
 - h. Consulting with any trustee or fiscal agent for the Bonds and their counsel;
 - i. Preparing the form of the Bonds, and supervising their production or printing, signing, authentication and delivery;
 - j. Rendering the final approving opinion as to the validity of the Bonds for use and distribution upon their issuance; and

- k. Rendering a legal opinion to the underwriter or purchaser of the Bonds as to the applicability of the registration requirements of federal securities laws and a statement as to the fair and accurate nature of those portions of the Official Statement described in (c) above.

B. DISCLOSURE COUNSEL SERVICES

In addition to the services set forth in Section A above, Bond Counsel agrees to assist the District and the Authority in the preparation of the Official Statement to be delivered at the time of pricing of the Bonds and will provide a letter addressed to the underwriter or purchaser of the Bonds to the effect that, to the best knowledge of Bond Counsel, subject to the limitations set forth therein, the Official Statement does not misstate a material fact or omit a material fact required to be stated therein.

C. SPECIAL SERVICES

“Special Services” are defined for purposes of this Agreement as services in addition to the services outlined in Sections A and B above. Special Services will include, but not be limited to, any work after the closing of the Bonds related to amendments to the financing documents or agreements and special studies or analyses. Special Services must be authorized in writing by the General Manager, or his designee.

2. COMPENSATION

The District agrees to pay Bond Counsel the following amounts as compensation for services rendered by Bond Counsel under this Agreement:

A. For the services to be rendered under Section 1.A and 1.B above, Bond Counsel will be paid a fee of \$75,000 which shall be payable solely from Bond proceeds, and payment is contingent upon the issuance of the Bonds.

The fees referenced in this Section 2.A assume that the Bonds will be issued within one year from the date of this Agreement. In the event the Bonds are not issued within that time, Bond Counsel reserves the right to make such modifications to the foregoing fees as the District and Bond Counsel agree, as justified by reason of increased cost to Bond Counsel and the then prevailing fees for disclosure counsel and bond counsel services for bonds such as the Bonds.

B. In the event Bond Counsel is requested to perform Special Services as set forth in Section 1.C above, Bond Counsel will be paid fees at the hourly rates set forth in Exhibit A, or in such other manner as is mutually acceptable to the District and Bond Counsel. Such fees will be billed monthly and shall be payable within thirty (30) days following the receipt of each invoice. Bond Counsel shall not be paid fees for traveling time.

C. In addition to the fees set forth in paragraphs A and B above, Bond Counsel shall be reimbursed for the actual cost of any out-of-pocket expenses reasonably incurred by Bond Counsel in the course of its employment, such as document reproduction, telecommunications charges, printing costs, filing fees, long-distance telephone calls, messenger services, overnight delivery services, travel and similar items of expense. All expenses incurred in connection with the

issuance of the Bonds may include an estimate of costs to be incurred subsequent to the issuance date and be paid on the date of issuance of the Bonds.

3. PERSONNEL AND CONTRACT ADMINISTRATION

District agrees to accept and Bond Counsel agrees to provide the aforementioned services primarily through Robert J. Whalen, Carol L. Lew and Reed T.C. Glycer. If any one of the above attorneys is unable to provide such services due to death, disability or similar event, Bond Counsel reserves the right to substitute another of its attorneys, upon approval by the General Manager, or his designee, to provide such services; and such substitution shall not alter or affect in any way Bond Counsel's or the District's other obligations under this Agreement.

This Agreement will be administered by the General Manager, or his designee.

4. CONFLICTS OF INTEREST

Bond Counsel represents many of the underwriting firms active in the issuance of bonds and other municipal financings, including Piper Jaffray & Co., the proposed underwriter for the Bonds. The District hereby provides its informed written consent to Bond Counsel's representation of such underwriting firms, including Piper Jaffray & Co., on matters unrelated to the Bonds.

5. TERMINATION

A. This Agreement may be terminated without cause by the District or Bond Counsel upon thirty (30) days' advance written notice to the other party. Such notification shall state the effective date of the termination of this Agreement.

B. Bond Counsel reserves the absolute right to withdraw from representing the District if, among other things, the District fails to honor the terms of this Agreement, the District fails to cooperate fully or follow Bond Counsel's advice on a material matter, or any fact or circumstance occurs that would, in Bond Counsel's view, render its continuing representation unlawful or unethical. If Bond Counsel elects to withdraw, the District will take all steps necessary to free Bond Counsel of any obligation to perform further services, including the execution of any documents necessary to complete such withdrawal, and Bond Counsel will be entitled to be paid at the time of withdrawal for all services rendered and costs and expenses paid or incurred on the District's behalf in accordance with the payment terms set forth in Section 2 above. If necessary in connection with litigation, Bond Counsel would request leave of court to withdraw.

C. Bond Counsel's representation of the District will be considered terminated at the earlier of (i) the District's termination of its representation, (ii) Bond Counsel's withdrawal from its representation of the District, or (iii) the substantial completion by Bond Counsel of its substantive work for the District. Unless Bond Counsel has been specifically engaged to perform Special Services related to the Bonds after their issuance, Bond Counsel's representation of District shall terminate on the date of issuance of the Bonds.

6. ARBITRATION

IN THE EVENT OF A DISPUTE REGARDING FEES, COSTS, OR ANY OTHER MATTER ARISING OUT OF OR RELATED IN ANY WAY WHATSOEVER TO BOND

COUNSEL'S RELATIONSHIP WITH THE DISTRICT, OR BOND COUNSEL'S OR THE DISTRICT'S PERFORMANCE OF THIS AGREEMENT, INCLUDING THE QUALITY OF THE SERVICES WHICH BOND COUNSEL RENDERS, THE DISPUTE SHALL BE DETERMINED, SETTLED AND RESOLVED BY CONFIDENTIAL ARBITRATION IN THE COUNTY OF LOS ANGELES, CALIFORNIA. ANY AWARD SHALL BE FINAL, BINDING AND CONCLUSIVE UPON THE PARTIES, AND A JUDGMENT RENDERED THEREON MAY BE ENTERED IN ANY COURT HAVING JURISDICTION THEREOF. SHOULD YOU ELECT TO HAVE ANY FEE DISPUTE ARBITRATED PURSUANT TO NONBINDING ARBITRATION UNDER STATUTORY OR CASE LAW, THEN SUCH NONBINDING ARBITRATION SHALL DETERMINE ONLY THE ISSUE OF THE AMOUNT OF FEES PROPERLY CHARGEABLE TO YOU. ANY OTHER CLAIMS OR DISPUTES BETWEEN US, INCLUDING CLAIMS FOR PROFESSIONAL NEGLIGENCE, SHALL REMAIN SUBJECT TO BINDING ARBITRATION PURSUANT TO THIS AGREEMENT.

Arbitration may be demanded by the sending of written notice to the other party. If arbitration is demanded, within 20 days of the demand the District shall present a list of five qualified individuals who would be willing to serve that the District would find acceptable to act as arbitrator. To serve as arbitrator, the individual must be a retired judge having served on any federal court or the California Superior Court or higher court in the State of California. Within 20 days of receiving the District's list, Bond Counsel may at its sole discretion (i) select any individual from that list and that individual shall serve as the arbitrator, or (ii) propose its own list of five individuals for arbitrator. If Bond Counsel chooses to present a separate list, the District may within 20 days select any individual from that list and that person shall serve as arbitrator. If no arbitrator can be agreed upon at the end of this process, the District and Bond Counsel each shall select one individual from its own list and those two persons shall jointly select the arbitrator. The arbitration shall be conducted pursuant to the procedures set forth in the California Code of Civil Procedure §§ 1280 et seq., and in that connection you and we agree that § 1283.05 thereof is applicable to any such arbitration. Nothing herein shall limit the right of the parties to stipulate and agree to conduct the arbitration pursuant to the then-current rules of the American Arbitration Association, the Judicial Arbitration & Mediation Services, or any other agreed-upon arbitration services provider.

7. MISCELLANEOUS

A. Bond Counsel and the employees of Bond Counsel, in performance of the Agreement, shall act in an independent capacity and not as officers or agents of the District.

B. Without the written consent of the District, this Agreement is not assignable by Bond Counsel in whole or in part.

C. No alteration or variation of the terms of this Agreement shall be valid unless in writing and signed by the parties hereto, and no oral understanding or agreement not incorporated herein shall be binding on any of the parties hereto.

D. Bond Counsel does not and cannot guarantee any outcome in a matter.

E. In the event of any dispute that relates to our entitlement to any payment hereunder, all undisputed amounts shall be paid by the District.

F. In accordance with the requirements of California Business and Professions Code § 6148, Bond Counsel advises you that the firm maintains professional errors and omissions insurance coverage applicable to the services to be rendered to the District.

PALMDALE WATER DISTRICT

By: _____
Director of Financial Services

STRADLING YOCCA CARLSON & RAUTH
a Professional Corporation

By: _____
Robert J. Whalen

EXHIBIT A

Shareholders	\$500
Associates	\$295
Paralegals	\$125

2012 ESCROW AGREEMENT

THIS 2012 ESCROW AGREEMENT (the "Agreement"), made and entered into as of _____ 1, 2016, is by and between the Palmdale Water District (the "District"), and The Bank of New York Mellon Trust Company, N.A. (the "Escrow Bank").

WITNESSETH:

WHEREAS, the District has previously executed and delivered an Installment Purchase Agreement with the Palmdale Water District Public Facilities Corporation (the "Corporation"), dated as of November 1, 2012 (the "Prior Agreement"), for the purpose of refinancing certain improvements to the District's water system; and

WHEREAS, the Corporation assigned most of its rights under the Prior Agreement, including its rights to receive payment thereunder, to the Bank of Nevada, a Nevada corporation (the "Bank"), pursuant to an Assignment Agreement dated as of November 1, 2012 by and between the Corporation and the Bank; and

WHEREAS, the District has determined that it is in its best interests and desirable that the installment payments due on and after October 1, 2016 under the Prior Agreement (the "Prepaid Installments") be defeased and be prepaid as provided in the Prior Agreement from amounts on deposit with the Escrow Bank (the "Escrow Fund"); and

WHEREAS, in order to accomplish such defeasance and prepayment the Palmdale Water District Public Financing Authority has issued its Water Revenue Refunding Bonds, Series 2016A (the "Refunding Bonds"); and

WHEREAS, from proceeds of the Refunding Bonds, the District has taken action to cause to be delivered to the Escrow Bank, for deposit in the Escrow Fund, moneys in an amount which will be sufficient to pay the interest on the Prepaid Installments through and including _____, 2016, and to prepay the Prepaid Installments coming due on and after October 1, 2016 on _____, 2016 at the prepayment price equal to the principal amount thereof, without premium (the "Prepayment Price");

NOW, THEREFORE, the District and the Escrow Bank hereby agree as follows:

Section 1. Establishment, Funding and Maintenance of Escrow Fund. The Escrow Bank agrees to establish and maintain the Escrow Fund until the Prepaid Installments have been paid in full and to hold the moneys therein at all times as a special and separate escrow fund (wholly segregated from all other securities, investments or moneys on deposit with the Escrow Bank). The District shall deposit with the Escrow Bank \$_____ of proceeds from the Refunding Bonds, which moneys are hereby irrevocably pledged to secure the payment of the Prepaid Installments. The Escrow Bank shall hold such moneys uninvested as cash.

Section 2. [Reserved.]

Section 3. Payment of the Prepaid Installments. The District hereby requests and irrevocably instructs the Escrow Bank, and the Escrow Bank hereby agrees, to pay the Prepaid Installments to the Bank at the places and in the manner stipulated in the Prior Agreement, along

with interest due thereon. In accordance with Section 308 of the Prior Agreement, the District hereby irrevocably instructs the Escrow Bank to prepay the Prepaid Installments coming due on and after October 1, 2016 on _____, 2016, along with interest due thereon. Upon payment in full of the Prepaid Installments, the Escrow Bank shall transfer any moneys remaining in the Escrow Fund to the District and this Agreement shall terminate.

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

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

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

Section 5. Fees and Costs.

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

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

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

Section 7. Indemnity. To the maximum extent permitted by law, the District hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Bank and its respective successors, assigns, directors, officers, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Bank at any time (whether or not also indemnified against the same by the District or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds deposited therein and any payment, transfer or other application of moneys by the Escrow Bank in accordance with the provisions of this Agreement; provided, however, that the District shall not be required to indemnify the Escrow Bank against the Escrow Bank's own negligence or willful misconduct or the negligent or willful misconduct of the Escrow Bank's

respective successors, assigns, agents and employees or the breach by the Escrow Bank of the terms of this Agreement. In no event shall the District or the Escrow Bank be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this section. The indemnities contained in this section shall survive the termination of this Agreement and the resignation or removal of the Escrow Bank.

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

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

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

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

Section 9. Amendments. This Agreement is made for the benefit of the District and the owners from time to time of the Prepaid Installments and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Bank and the District; provided, however, that if the District and the Escrow Bank receive an opinion of nationally recognized bond attorneys to the effect that the exclusion from gross income for federal income tax purposes of the interest on the Prepaid Installments and the Refunding Bonds will not be adversely affected thereby, they may, without the consent of, or notice to, such owners, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not materially adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Bank for the benefit of the owners of the Prepaid Installments any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Escrow Bank; and (iii) to include under this Agreement additional funds, securities or properties (but only if the sufficiency of the Escrow Fund for the purpose herein set forth is verified by a nationally recognized firm of independent certified public accountants) and shall hold funds received by it uninvested. The Escrow Bank shall be

entitled to rely conclusively upon an opinion of nationally recognized municipal bond attorneys with respect to compliance with this Section 9, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the Prepaid Installments or that any instrument executed hereunder complies with the conditions and provisions of this Section 9.

Section 10. Resignation or Removal of Escrow Bank.

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

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

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

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

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

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

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

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the Palmdale Water District and The Bank of New York Mellon Trust Company, N.A. have caused this Agreement to be executed each on its behalf as of the day and year first above written.

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

By: _____
Authorized Officer

PALMDALE WATER DISTRICT

By: _____
General Manager

2013 ESCROW AGREEMENT

This 2013 ESCROW AGREEMENT (the “Agreement”), dated as of _____ 1, 2016, is by and between the Palmdale Water District Public Financing Authority (the “Authority”), and The Bank of New York Mellon Trust Company, N.A., a national banking association having a corporate trust office in Los Angeles, California, and being qualified to accept and administer the escrow hereby created (the “Escrow Bank”).

WITNESSETH:

WHEREAS, pursuant to an Indenture of Trust (the “Prior Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Prior Trustee”), the Authority issued its Water Revenue Bonds, Series 2013A (the “Prior Bonds”); and

WHEREAS, pursuant to an Indenture of Trust dated as of _____ 1, 2016 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee, the Authority issued its Water Revenue Refunding Bonds, Series 2016A (the “Refunding Bonds”), for the purpose of providing moneys which, together with certain other amounts held under the Prior Indenture, will be sufficient make the payments of principal and interest due on the outstanding Prior Bonds set forth on Schedule A attached hereto (such refunded portion of the Prior Bonds, the “Refunded Bonds”) through and including October 1, 2018, and to redeem the Refunded Bonds on October 1, 2018 at a redemption price equal to the principal amount thereof, without premium (the “Redemption Price”); and

WHEREAS, a portion of the proceeds of the Refunding Bonds shall be set aside in order to provide for the payment of the Refunded Bonds and that such proceeds shall be deposited in a special escrow fund to be created hereunder and maintained by the Escrow Bank (the “Escrow Fund”); and

WHEREAS, the Authority has taken action to cause to be delivered to the Escrow Bank, for deposit in the Escrow Fund, proceeds of the Refunding Bonds for the purchase of certain securities and investments consisting of direct noncallable obligations of the United States of America as listed on Schedule B attached hereto and made a part hereof (the “Investment Securities”), in an amount which, together with the cash deposit described herein and the income to accrue on such Investment Securities, is intended by the Authority to be sufficient, upon the maturity of such Investment Securities, to pay the principal of and interest on the Refunded Bonds through and including October 1, 2018, and to redeem the Refunded Bonds on October 1, 2018 at the redemption price equal to the principal amount thereof (the “Redemption Price”);

NOW, THEREFORE, the Authority and the Escrow Bank hereby agree as follows:

Section 1. Establishment, Funding and Maintenance of Escrow Fund.

(a) The Escrow Bank agrees to establish and maintain the Escrow Fund until final payment of the Refunded Bonds has been paid in full and to hold the securities, investments and moneys therein at all times as a special and separate escrow fund (wholly segregated from all other securities, investments or moneys on deposit with the Escrow Bank). The Authority shall deposit with the Escrow Bank \$_____ of proceeds of the Bonds along with \$_____ from funds held under the Prior Indenture. All securities, investments and moneys in the Escrow Fund are

hereby irrevocably pledged, subject to the provisions of Section 2 hereof, to secure the payment of the Refunded Bonds. The Escrow Bank shall purchase Investment Securities as described in Schedule B at a cost of \$_____ and shall hold \$_____ uninvested in cash.

(b) The Escrow Bank hereby acknowledges receipt of the verification report of [Causey, Demgen & Moore, P.C.], dated _____, 2016 relating to the Investment Securities (the “Verification Report”) with respect to the Authority’s defeasance of the Refunded Bonds in the manner and to the extent provided by law and in Section 10.01 of the Prior Indenture.

Section 2. Investment of the Escrow Fund.

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

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

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

pledge or assignment securing the Refunded Bonds or otherwise existing hereunder or under the Prior Indenture.

Section 3. Payment of the Refunded Bonds. The Authority hereby requests and irrevocably instructs the Escrow Bank, and the Escrow Bank hereby agrees, to collect and deposit in the Escrow Fund the principal of and interest on the Investment Securities and Substitute Investment Securities held for the account of the Escrow Fund promptly as such principal and interest become due, and, subject to the provisions of Section 2 hereof, to pay such principal and interest, together with any other moneys and the principal of and interest on any other securities deposited in the Escrow Fund, to the Prior Trustee for the payment of the Refunded Bonds at the places and in the manner stipulated in the Refunded Bonds and in the Prior Indenture. The Authority hereby irrevocably instructs the Prior Trustee to provide the Notice of Redemption required pursuant to Section 4.03 of the Prior Indenture. The Authority hereby further irrevocably instructs the Escrow Bank to provide the Notice of Defeasance in substantially the form set forth in Schedule D hereto. In accordance with Sections 4.01 and 10.01 of the Prior Indenture, the Escrow Bank is irrevocably instructed to make all payments of principal and interest due on the Refunded Bonds on and prior to October 1, 2018 and to redeem the Refunded Bonds on October 1, 2018 at a redemption price equal to the principal amount thereof, without premium. Upon payment in full of the Refunded Bonds, the Escrow Bank shall transfer any moneys or securities remaining in the Escrow Fund to the Authority and this Agreement shall terminate. The Escrow Fund cash flow is set forth in Schedule C attached hereto.

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

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

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

Section 5. Fees and Costs.

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

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

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

the execution or filing of any paper or any further act, notwithstanding anything herein to the contrary.

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

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

financial liability by the performance or exercise of its rights or powers. Whenever the Escrow Bank shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the Authority.

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

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

The Escrow Bank agrees to accept and act upon instructions or directions pursuant to this Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Escrow Bank shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Authority elects to give the Escrow Bank e-mail or facsimile instructions (or instructions by a similar electronic method) and the Escrow Bank in its discretion elects to act upon such instructions, the Escrow Bank's understanding of such instructions shall be deemed controlling. The Escrow Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Bank's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Authority agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Escrow Bank, including without limitation the risk of the Escrow Bank acting on unauthorized instructions, and the risk of interception and misuse by third parties.

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

If the Escrow Bank learns that the Department of the Treasury or the Bureau of Public Debt will not, for any reason, accept a subscription of Investment Securities that is to be submitted pursuant to this Agreement, the Escrow Bank shall promptly request alternative written investment instructions from the Authority with respect to escrowed funds which were to be invested in

Investment Securities. The Escrow Bank shall follow such instructions and, upon the maturity of any such alternative investment, the Escrow Bank shall hold funds uninvested and without liability for interest until receipt of further written instructions from the Authority. In the absence of investment instructions from the Authority, the Escrow Bank shall not be responsible for the investment of such funds or interest thereon. The Escrow Bank may conclusively rely upon the Authority's selection of an alternative investment as a determination of the alternative investment's legality and suitability and shall not be liable for any losses related to the alternative investments or for compliance with any yield restriction applicable thereto.

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

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

Section 9. Amendments. This Agreement is made for the benefit of the Authority and the owners from time to time of the Refunded Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Bank and the Authority; provided, however, that if the Authority and the Escrow Bank receive an opinion of nationally recognized bond attorneys to the effect that the exclusion from gross income for federal income tax purposes of the interest on the Refunded Bonds and the Bonds will not be adversely affected thereby, they may, without the consent of, or notice to, such owners, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not materially adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Bank for the benefit of the owners of the Refunded Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Escrow Bank; (iii) to include under this Agreement additional funds, securities or properties (but only if the sufficiency of the Escrow Fund for the purpose herein set forth is verified by a nationally recognized firm of independent certified public accountants) and shall hold funds received by it uninvested. The Escrow Bank shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized municipal bond attorneys with respect to compliance with this Section 9, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the Refunded Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section 9.

Section 10. Resignation or Removal of Escrow Bank.

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

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

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

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

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

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

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

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the Palmdale Water District Public Financing Authority and The Bank of New York Mellon Trust Company, N.A. have caused this Agreement to be executed each on its behalf as of the day and year first above written.

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

By: _____
Authorized Officer

PALMDALE WATER DISTRICT PUBLIC
FINANCING AUTHORITY

By: _____
Executive Director

SCHEDULE A
REFUNDED BONDS

<i>Maturity Date (October 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Redemption Date</i>	<i>Redemption Price</i>	<i>CUSIP</i>
2038	\$ 3,530,000	4.00%	10/1/18	100%	
2043	5,280,000	4.00	10/1/18	100	

SCHEDULE B

INVESTMENT SECURITIES

United States Treasury Time Deposit Securities, State and Local Government Series

<i>Type</i>	<i>Coupon</i>	<i>Maturity Date</i>	<i>Par Amount</i>
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SCHEDULE C
ESCROW FUND CASH FLOW

SCHEDULE D

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

<i>Maturity Date (October 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Redemption Date</i>	<i>Redemption Price</i>	<i>CUSIP</i>
2038	\$ 3,530,000	4.00%	10/1/18	100%	
2043	5,280,000	4.00	10/1/18	100	

Notice is hereby given to the owners of the above-captioned and listed bonds (collectively, the “Refunded Bonds”) that:

(i) There has been deposited in an Escrow Fund with The Bank of New York Mellon Trust Company, N.A., as Escrow Bank, certain monies and investment securities as permitted by that Indenture of Trust dated as of May 1, 2013 (the “Indenture”), by and between The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”) and the Palmdale Water District Public Financing Authority (the “Authority”), pursuant to which the Refunded Bonds were issued, for the purpose of defeasing and redeeming the Refunded Bonds. The investment securities will mature at the proper times and in the proper amounts to produce funds which, along with the moneys deposited with the Escrow Bank, will be sufficient (a) to pay the principal of and interest on the Refunded Bonds through and including October 1, 2018, and (b) to redeem the Refunded Bonds on October 1, 2018 at redemption price equal to the principal amount thereof, without premium (the “Redemption Price”).

(ii) The Trustee has been irrevocably instructed by the Authority to mail a notice of redemption in accordance with the Indenture and to redeem the Refunded Bonds on October 1, 2018.

(iii) The Refunded Bonds are deemed to be paid in accordance with Section 10.01 of the Indenture and all liability of the Authority under the Indenture has ceased and been discharged except for the obligation of the Trustee to pay the owners of the Refunded Bonds the interest on and Redemption Price of the Refunded Bonds when due from amounts on deposit in the Escrow Fund in accordance with Section 10.01 of the Indenture.

Dated: _____, 2016

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

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: September 8, 2016 **September 14, 2016**
TO: BOARD OF DIRECTORS **Board Meeting**
FROM: Michael Williams, Finance Manager/CFO
VIA: Mr. Dennis D. LaMoreaux, General Manager
RE: ***AGENDA ITEM NO. 7.8 – CONSIDERATION AND POSSIBLE ACTION ON PROPOSAL RECEIVED FROM TRUEPOINT FOR REPLACING THE DISTRICT’S CURRENT CUSTOMER INFORMATION SYSTEM SOFTWARE.***

Recommendation:

Staff recommends approving the proposal from TruePoint for the purchase and implementation of their Customer Information System, Utility Billing Software, TrueBill. This item will be presented to the Finance Committee at their September 13, 2016 meeting.

Alternative Options:

Continue to look for a replacement software package through the Request For Proposal (RFP) process and continue using our current utility billing software.

Impact of Taking No Action:

Continue using the current utility billing software, Utility TrakR, from Starnik, Inc.

Background:

The current utility billing software used by the District was a temporary fix for a problem dating back to 2012. From 2005 through 2012 the District used a software package called Cogsdale CIS, Utility Billing Software. This software could never meet the demands or needs of the District, even after a virgin reinstall and complete reconfiguration in 2009, and as an alternative the District approved the switch to use of the current utility billing software, Utility TrakR.

In September 2012, the Board approved an agreement to use Starnik’s cloud based system as a means for meeting the necessary needs of the District as a temporary fix for the problems we were experiencing with Cogsdale as we completed a full RFP process for the purchase of a replacement utility billing software package.

PALMDALE WATER DISTRICT
BOARD OF DIRECTORS

VIA: Mr. Dennis D. LaMoreaux, General Manager

September 8, 2016

The cloud based system allowed for an immediate alternative to the system we were using at the time without having to expend a huge outlay of cash. We basically rent space on their servers for a monthly charge based on the number of accounts supported, however, we never own the software. This solution served the purpose, and in late 2014, we began to develop an RFP to purchase a software package that best addressed the needs and requirements of the District.

On August 3, 2015, we issued an RFP for a customer information system that was very detailed in nature, listing all the requirements of the District as well as a multitude of needs and wish list items. The District received a total of ten responses to the RFP; a review team consisting of Customer Finance Supervisor, Accounting Supervisor, and Finance Manager/CFO selected the top four from those proposals and began a review and interview process. The review team also conducted demos with the involvement of Customer Care Representatives to narrow the list down to the top two candidates. A final round of demos with request for items more specific to the District's operation were performed, and the final choice was made of TruePoint.

The total cost of the software and implementation is approximately \$475,000, which is made up of two components. The cost of the software is \$150,000. The estimated cost of professional services for the implementation is \$310,000. And there will be some out of pocket expense not to exceed \$15,000 for travel and such. After installation, there are annual maintenance costs of \$30,000 per year.

Comparatively, we are renting the current software at a cost of \$7,900 per month based on 30,000 customers. Additionally, we are charge for each customization that are specific to our needs, such as the new six tier water budget and all customized reporting requirements and data extraction.

Looking at the historical costs and projections over a five-year period, provided there are no new future modifications and customizations, it would become less expensive after a five-year period to purchase the software than to rent space.

COMPANY	2013	2014	2015	2016	2017	TOTAL
Starnik	\$126,400	\$159,000	\$115,500	\$94,800	\$94,800	\$590,500

COMPANY	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
TruePoint	\$475,000	\$30,000	\$30,000	\$30,000	\$30,000	\$595,000

There are a few advantages to purchasing and owning TruePoint software versus renting from Starnik.

1. Software and data is stored on site and not dependent on Internet access.
2. Greater data retrieval reporting capabilities using sequel server data base.

PALMDALE WATER DISTRICT
BOARD OF DIRECTORS

VIA: Mr. Dennis D. LaMoreaux, General Manager

September 8, 2016

3. Increased flexibility in modifications making software more end user friendly to Customer Care staff.
4. TruePoint runs on a Windows based platform.
5. TruePoint integrates with our Financial Software and GIS system, as well as an existing interface with Infosend, which is the company hosting our Electronic Bill Presentment and Payment platform.

There is one additional important advantage from TruePoint, the source codes for TruePoint software will be held in a trust account in case something happens to the company and they can no longer provide support or the company fails to adequately provide error corrections and bug fixes.

The conversion project to the new software, will take approximately nine months to implement with a go live target date of September 1, 2017. The current agreement with Starnik runs annually with an automatic annual renewal in September, unless a sixty-day notice to terminate is given.

Strategic Plan Initiative:

Strategic Plan Initiative No.6-Customer Care & Advocacy: *Improved customer account management tools.*

Budget:

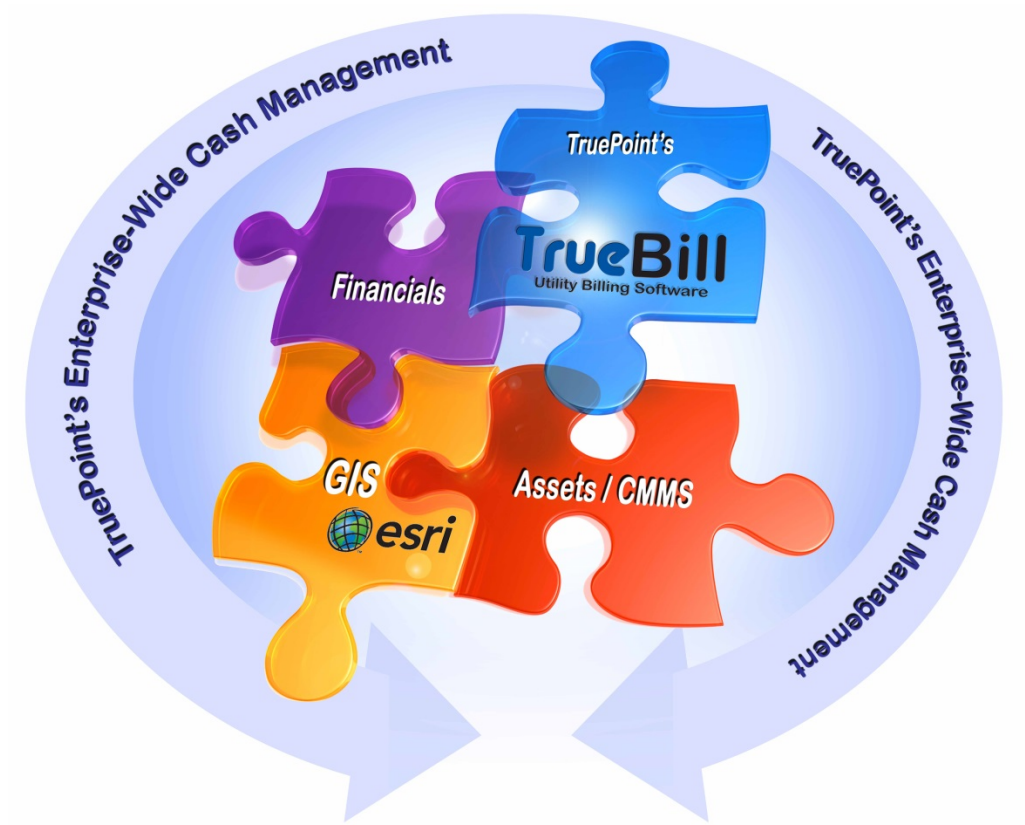
The effect on the budget will be an expense in 2016 of approximately \$180,000, with the balance of \$295,000 due in 2017. Included in the 2016 budget was an anticipated cost of \$675,000 for CIS software replacement.

Supporting Documents:

- Summary of RFP's received from vendors
- RFP from TruePoint

Companies	Annual Maintenance Cost									Service Size		Current Proposed Version Implementations										System DB		
	Installed Core Solution		Annual Maintenance Cost					Installed Core & 5 Yrs Maint		# of Users	Years in Business	Per telephone Conversation # of Connections Capacity	Information from RFP Doc's # of Connections	For System Solution Proposed # Installations					Total #		% of work force			
	Type of Solution	1	2	3	4	5	Total	Maint	2015					2014	2013	2012	2011	EMP	Dev	Supp	Supp			
1 NorthStar*	\$469,630	Software	\$34,705	\$35,746	\$36,819	\$37,923	\$39,031	\$184,224	\$653,854	40	38	Mrkt 30K-40K, Tested upto 250K However they have no upper limit	1,000 to 120,000	132	12	4	3	4	3	69	20	18	26%	SQL
2 Cogsdale*	664,685	Software	54,613	56,922	59,336	61,859	64,498	297,228	961,913		18	No upper limit	17,000 to 240,000	170	21	5	8	6	13	100	35	30	30%	Win
3 TruePoint	475,210	Software	30,000	30,000	30,000	30,000	30,000	150,000	625,210	unl	10	Mrkt 15 -75K, No upper limit	1,400 to 44, 000	28	6	4	5	3	3	49	7	3	6%	SQL
4 Accela	114,632	SAAS	115,829	62,068	65,171	68,430	71,851	383,349	497,981		30	No data	No data	No data given will provide if selected					616	122	80	13%	SaaS	
5 Data West*	293,150	Software	22,020	22,681	23,361	24,062	24,784	116,908	410,058	15	40	Mrkt 1 -100K, Can go over 100K but may need to re-config hardware to keep proc. Speeds	12,000 to 44,000	149	2	2	2	5	3	48	18	14	29%	SQL
6 CUSI	468,570	Software	39,200	39,200	39,200	39,200	39,200	196,000	664,570	25	30	Mrkt 20 -100K, 1 cust. has 500K.	9,000 - 120,000	81	25	7	18	10	6	46	12	11	24%	SQL (.NET)
	468,570	Hosted Offsite	75,200	75,200	75,200	75,200	75,200	376,000	844,570	25	↓	Have not tested upper limit.	↓	same as above					same as above					
	329,070	SAAS	108,000	108,000	108,000	108,000	108,000	540,000	869,070	25	↓		↓	same as above					same as above					
7 Advanced Utility Systems*	1,278,750	Software	48,875	51,319	53,885	56,579	59,408	270,066	1,548,816		18	Mrkt 12 - 180K, No upper Limit	12,000 to 180,000+	90	6	7	10	5	6	88	35	17	19%	SQL (.NET)
8 Caselle	124,473	Hosted (SAAS)	38,318	38,318	38,318	38,318	38,318	191,590	316,063		36	Mrkt 10 -30K, no limit on connections	4,000 to 13,500	402	16	25	26	21	16	76	23	20	26%	
	162,243	Software	23,856	23,856	23,856	23,856	23,856	119,280	281,523		↓		↓	same as above					same as above					
9 InHance*	362,938	Software	31,240	31,240	32,200	33,300	33,610	161,590	524,528	25	17	Mrkt 8 - 65K, Upper limit 100K Can go higher but due to other Harris Prod Offering.	8,000 to 65,000	100	13	25	42	16	0	30	7	14	47%	SQL / .net
10 Systems & Software *	1,409,304	Software	114,826	119,419	124,196	129,163	134,330	621,934	2,031,238		42	Upto 1 Million, Largest Cust 400K	12,500 -230,000	34	2	1	0	2	0	77	28	21	27%	SQL

Proposal Response to a
Palmdale Water District
RFP for a
Customer Information System (CIS)



Submitted by:

TruePoint
Solutions

3262 Penryn Rd.
Suite 100-B
Loomis, CA 95650

Submittal Date
September 8, 2015

September 8, 2015

Michael Williams
Chief Financial Officer
Palmdale Water District
2029 E. Avenue Q
Palmdale, CA 93550

RE: Palmdale Water District RFP for a Customer Information System

Dear Mr. Williams and Evaluation Committee:

TruePoint Solutions is proud to submit our response to a Palmdale Water District (PWD, the District) RFP for a Customer Information System. After a thorough review of your stated requirements, we feel we can provide you a system that will exceed your expectations.

Kent Johnson, TruePoint's Chief Executive Officer is the person authorized to contractually obligate TruePoint Solutions. Glenn Mathes is the Account Executive for this business relationship, and will be the primary contact person responsible for this response. Glenn can be reached at (541)-633-7357 office direct, (509) 930-6789 mobile, (916) 256-1975 fax. In the interests of satisfying all requirements set forth for transmittal letters, we also offer the following stipulations:


- TruePoint has reviewed and accepts the Terms and Conditions and takes no exceptions to the language contained therein;
- TruePoint acknowledges that our proposal is considered firm for one hundred and eighty (180) days after the due date for receipt of proposals or receipt of the last best and final offer submitted;
- We acknowledge completion of, and have included, under separate cover, the District's Pricing Worksheet;
- Our proposal has been signed by the person authorized to contractually obligate the organization.

Again, we appreciate your consideration. We are confident that our twenty plus years of experience in designing, implementing and supporting critical information systems for water and sewer billing as well as associated integrations will prove to be a major consideration in your decision making process. We are very proud of our offering and look forward to demonstrating our system capabilities to you. Please review the enclosed proposal and feel free to contact me with any questions.

Regards,



Glenn Mathes
Primary Contact, Account Executive
(541)-633-7357 office direct
(509) 930-6789 mobile
gmathes@truepointsolutions.com



Kent Johnson
Chief Executive Officer
(916) 259-1293 office
(916) 607-4490 mobile
kjohnson@truepointsolutions.com

COMPANY OVERVIEW

- TruePoint Solutions

Incorporated:

- 2004
- 49 employees

Professional Services:

- Business Analysis
- Configuration
- Data Conversion
- Report Development
- Event Scripting
- Interface Development
- Consulting
- Training

Industry:

- State and Local Government

Industry Focus:

- Land Management and Permitting
- Business and Trade Licensing
- Code Enforcement
- Asset Management
- Utility Billing
- IT Consulting

2. Executive Summary

TruePoint is uniquely qualified to deliver our high-performance, browser-based Utility Billing solutions as well as all required integrations and interfaces.

Our technology platform was designed with systems integration in mind. We offer unlimited user site licensing with no restrictions on the number of users, ever! Our system offers ease of access from remote devices via secure web browser. Internal IT staff maintenance is greatly reduced as all TruePoint software is located on the server with no client-side footprint.

The TrueBill system can be deployed as an on premise or cloud based application. And for the purposes of this proposal we have proposed an on premise implementation.

Our system can help you reduce costs with features like our e-bill paperless billing functionality, Enterprise-wide Cash Receipting as well as our TrueCIP customer inquiry and payment portal.

We understand CMMS and GIS Integration. TruePoint is authorized by Cityworks, Lucity, Accela and Infor. We are also an authorized ESRI developer/partner. We understand CMMS, GIS and how to integrate these systems with Utility Billing functionality to get the most out of your investment in these applications.

Virtually all of our clients have their TrueBill Utility Billing system integrated with CMMS and ESRI GIS systems. We have long-standing relationships with Cityworks, Lucity and Infor that date back to the early 90's. We offer an out-of-the-box integration between these systems. This integration is real time, standardized and supportable, not one-off custom code.

TruePoint Solutions – Water Management Experts

TruePoint Solutions is a software and services company, solely focused on Information Technology Solutions for local government agencies, water companies and special districts. As compared to most full-suite ERP vendors, we specialize in Utility Management applications and associated integrations (GIS, Asset Management and Financial Management). Our exclusive focus on Utility Operations has resulted in some of the most focused, powerful solutions in the industry. Established in 2004 TruePoint has enjoyed healthy, steady growth and an increasing number of happy customers. While still a relatively new company (10 years old), TruePoint staff has extensive knowledge and experience developing billing solutions. Many of the solutions that TruePoint staff has been involved with over the years are still successfully running in some of the largest cities and counties in the U.S. and abroad. Implementing solutions for water agencies in South Africa, England, Australia, New Zealand, Canada, and the US have given the TruePoint team members an incredible perspective on the industry.

There are four founding and active members and owners at TruePoint Solutions; Kent Johnson, Robert Strouse, Keith Hobday, and Don Hunsinger. TruePoint is headquartered in the Sacramento area suburb of Loomis with additional locations in Nevada and Arizona. All of the firm's employees report directly to the partners.

Managed Care

TruePoint Solutions provides a Managed Care approach to on-going support and upgrades. Instead of requiring our clients to implement upgrades, updates and patches on their own, TruePoint installs, tests and manages the aspects of TrueBill system upgrades and new releases as a standard part of our annual maintenance program.

We also support very tight version control. All of our clients are running the same version of the software which promotes supportability, modification sharing and assures that the product continues to evolve and improve over time.

3. Bidder Qualifications

Vendor Profile and Product History

TruePoint brings a substantial amount of valuable industry experience to the table. Our management team averages 25 years of Public Sector IT experience designing, developing, implementing, and supporting complex government related applications and services... Not only does our team offer significant industry experience, but that experience was garnered by working together as a team, at TruePoint and at our predecessor company. Our talented staff has an exceptional resume of specific industry expertise to help your agency achieve success. We want to do more than just suggest or recommend a solution; we want to provide the products and services that become a cornerstone of the foundation of your information systems solutions.

Minimum Qualifications:

TruePoint Solutions meets the District's minimum requirements as listed in Section 2.1 of the RFP. TruePoint's system has been installed and in production in well over the District's minimally required five organizations, in the United States, with utility and/or public sector experience, and over 15 implementations in the public sector. This includes five implementations of the solution in the previous five years and at least one installation on the version proposed within the past two years.

TruePoint's solution runs on a Microsoft SQL Server 2008 as its database management system.

TruePoint provides a Graphical User Interface (GUI) / Browser/Portal Based User Interface (BUI) for system use which allows for efficient data entry and high volume data access through keypads, hot keys, etc. without utilization of a mouse. Please see Section 6 – Presentation of System Overview – for examples of this.

TruePoint's primary vendor contact will be Jay Lum, our proposed project implementation consultant. TruePoint's single point of contact with overall responsibility for the successful installation of the solution will be Jason Reliford – Customer/Product Manager.

Experience

As compared to most full-suite ERP vendors, we specialize in Utility Management applications and associated integrations (GIS, Asset Management and Financial Management). Our exclusive focus on Utility Operations has resulted in some of the most focused, powerful solutions in the industry.

TruePoint billing products are designed to operate using the latest technology available. These billing products are focused on operational billing, CIS, and accounts receivable management for water agencies. While there are solutions that have been in the marketplace longer than the TruePoint solution, many of these are entombed in aging technologies.

Our solutions are not tired legacy applications with a new user interface bolted on top. They are built from the ground up using current generation tools, development platforms and techniques. We believe it is in the best interest of the District to select a solution that is based upon the most current 'proven' technologies.

TruePoint is a Microsoft partner and a member of the Microsoft Developer Network. We have made a commitment to the Microsoft platform and we believe SQL Server to be the best database option available. By leveraging Microsoft's other products like Office and SharePoint, TruePoint can provide a robust application while easily integrating to the District's other core IT platforms and systems.

References – Appendix 7.5

In addition to Appendix 7.5, we offer the table below for simplicity's sake, for a number of TruePoint's most relevant references. The City's reference form begins on the following page.

Agency Name	Street Address:	Contact Name, Title, Phone number, email	Project Scope and TruePoint's Role
Sacramento Suburban Water District	3701 Marconi Ave #100, Sacramento, CA 95821	Annette O'Leary, Administrative Services Manager 916.679.3975, aoleary@swwd.org 916-972-7171	TruePoint implemented the TrueBill, TrueCIP, Asset Management integration, Financials Integration. 48,000 accounts
City of Rochester Hills, MI	1000 Rochester Hills Dr. Rochester Hills, MI 48309	Keith Sawdon, Finance Director/Project Manager 248-841-2535 sawdonk@rochesterhills.org	TruePoint implemented the TrueBill, TrueCIP, GIS Integration, Financials Integration. 24,000 accounts.
City of Meridian	33 E. Broadway Ave. Meridian, ID 83642	Sheryl Bishop, UBS Project Senior Project Manager [Contractor] Experis IT PMP/MBA 208.489.0388 Office - Onsite Hours: 8A to 12P 208.866.6694 Mobile sbishop@meridiancity.org	Utility Billing Implementation Start 3/15 – Currently implementing 30,000 Customer Accounts Implementation of TrueBill, TrueCIP, Integration with Infor (Hansen) Asset management, GIS integration and Financials Integration
Laurens County Water and Sewer Commission	3850 Hwy 221 S. Laurens SC 29360	Angie Nelson, Director of Administration and Customer Service (864) 682-6527 (864) 200-1431 cell (864) 682-3260 fax anelson@lcwsc.com	Water Billing Implementation. Cloud Implementation of TrueBill, TrueCIP, Integration with Cityworks, GIS, IVR and Financials 23,000 customer accounts
Horseshoe Bay, TX	#1 Community Drive PO Box 7765 Horseshoe Bay, Texas 78657	Jeff Koska IT Services (830)-598-8741 jkoska@horseshoe-bay-tx.gov	TrueBill, TrueCIP, Hand Held Reader Interface, Cityworks Integration, Financials Integration 5,000 accounts

Table 1 - References

REFERENCES

The bidder must have the solution installed and in production in at least five organizations in the United States of similar size to PWD, with utility and/or public sector experience and 15 implementations overall in the public sector. At least 3 – 5 implementations of the solution over the past five years and at least one installation of the proposed version within the past two years.

REFERENCE NO. 1	
NAME OF FIRM	Sacramento Suburban Water Authority
CUSTOMER'S BUSINESS/OPERATIONS	Public Water Agency
ADDRESS	3701 Marconi Ave #100,
CITY, STATE, ZIP	Sacramento, CA 95821
CONTACT	Annette O'Leary, Administrative Services Manager
TELEPHONE NO.	916.679.3975, 916-972-7171
EMAIL	aoleary@sswd.org
PROJECT NAME	Customer Information System
COMPLETION DATE	Start 7/13 – Live 6/14
NO OF EMPLOYEES	Full-time users: 15 Casual users: 20
NO OF SYSTEM USERS	Number of accounts: 44,782
NO OF SERVICE CONNECTIONS	Number of accounts: 44,782 Number of Meter Reads per Month: 30,000 Average Services per account: 1.39 Billing Cycles per Month: 4 Billing Frequency: Monthly Cycle Bills – High: 18,000 Cycle Bills – Low: 6,000 Number years on-line history required: 5 Calls per Month: 4,300 Door Tags per Month: 1,200 Miscellaneous Invoices per Month: 1-5 Cash Receipts per Month: 38,000
MODULES IMPLEMENTED	TruePoint implemented the TrueBill, TrueCIP, Asset Management integration, Financials Integration.
REFERENCE NO. 2	

NAME OF FIRM	City of Rochester Hills, MI
CUSTOMER'S BUSINESS/OPERATIONS	City government
ADDRESS	1000 Rochester Hills Dr.
CITY, STATE, ZIP	Rochester Hills, MI. 48309
CONTACT	Keith Sawdon, Finance Director/Project Manager
TELEPHONE NO.	248-841-2535
EMAIL	sawdonk@rochesterhills.org
PROJECT NAME	Utility Billing Implementation
COMPLETION DATE	Currently implementing
NO OF EMPLOYEES	
NO OF SYSTEM USERS	
NO OF SERVICE CONNECTIONS	24,000 Customer Accounts
MODULES IMPLEMENTED	Implementation of TrueBill, TrueCIP, Lucity Integration, GIS integration, Financials Integration
REFERENCE NO. 3	
NAME OF FIRM	City of Meridian, ID
CUSTOMER'S BUSINESS/OPERATIONS	City government
ADDRESS	33 E. Broadway Ave.
CITY, STATE, ZIP	Meridian, ID 83642
CONTACT	Sheryl Bishop, UBS Project Senior Project Manager [Contractor] Experis IT PMP/MBA
TELEPHONE NO.	208.489.0388 Office - Onsite Hours: 8A to 12P 208.866.6694 Mobile
EMAIL	sbishop@meridiancity.org
PROJECT NAME	Utiltiy Billing Implementation
COMPLETION DATE	Start 3/15 – Currently implementing
NO OF EMPLOYEES	
NO OF SYSTEM USERS	

NO OF SERVICE CONNECTIONS	30,000 Customer Accounts
MODULES IMPLEMENTED	Implementation of TrueBill, TrueCIP, Integration with Infor (Hansen) Asset management, GIS integration and Financials Integration
REFERENCE NO. 4	
NAME OF FIRM	Laurens County Water and Sewer Commission
CUSTOMER'S BUSINESS/OPERATIONS	County Water Agency
ADDRESS	3850 Hwy 221 S Laurens SC 29360
CITY, STATE, ZIP	
CONTACT	Ms Angie Nelson, Director of Administration and Customer Service
TELEPHONE NO.	(864) 682-6527 (864) 200-1431 cell (864) 682-3260 fax
EMAIL	anelson@lcwsc.com
PROJECT NAME	Water Billing Implementation
COMPLETION DATE	May 2015
NO OF EMPLOYEES	
NO OF SYSTEM USERS	
NO OF SERVICE CONNECTIONS	15,000 customer accounts
MODULES IMPLEMENTED	Cloud Implementation of TrueBill, TrueCIP, Integration with Cityworks, GIS, IVR and Financials
REFERENCE NO. 5	
NAME OF FIRM	San Jacinto River Water Authority, TX
CUSTOMER'S BUSINESS/OPERATIONS	One of ten major river authorities in Texas. SJRA aims to develop, conserve, and protect the water resources of the San Jacinto River watershed.
ADDRESS	1577 Dam Site Rd.
CITY, STATE, ZIP	Conroe, TX. 77304
CONTACT	Diego Franco, Systems Analyst

TELEPHONE NO.	(936) 588-7179
EMAIL	dfranco@sjra.net
PROJECT NAME	Utility Billing Implementation
COMPLETION DATE	Start 1/15
NO OF EMPLOYEES	
NO OF SYSTEM USERS	
NO OF SERVICE CONNECTIONS	
MODULES IMPLEMENTED	Implementation of TrueBill, TrueCIP, Misc. Permits and Accounts Receivable. Financials Integration, GIS integration Managing retail and bulk water
	REFERENCE NO. 6
NAME OF FIRM	City of Horseshoe Bay
CUSTOMER'S BUSINESS/OPERATIONS	Water Utility/District
ADDRESS	#1 Community Drive PO Box 7765
CITY, STATE, ZIP	Horseshoe Bay, Texas 78657
CONTACT	Nancy Stuckert
TELEPHONE NO.	830-598-8741
EMAIL	nstuckert@horseshoe-bay-ta.gov
PROJECT NAME	TruePoint Software Implementation
COMPLETION DATE	December, 2011
NO OF EMPLOYEES	71
NO OF SYSTEM USERS	4
NO OF SERVICE CONNECTIONS	3,300 water accounts 3,300 sewer accounts 3,000 refuse accounts
MODULES IMPLEMENTED	TrueBill, TrueCIP, Hand Held Reader Interface, Cityworks Integration, Financials Integration

REFERENCE NO. 7	
NAME OF FIRM	Kennewick Irrigation District
CUSTOMER'S BUSINESS/OPERATIONS	Water Utility/District
ADDRESS	12 W. Kennewick Avenue
CITY, STATE, ZIP	Kennewick, WA
CONTACT	Colleen G. Storms, CPA, Treasurer
TELEPHONE NO.	(509)586-9111, Ext. 124
EMAIL	cstorms@kid.org
PROJECT NAME	TruePoint Software Implementation
COMPLETION DATE	Spring 2012
NO OF EMPLOYEES	50
NO OF SYSTEM USERS	15
NO OF SERVICE CONNECTIONS	22,000 billed accounts
MODULES IMPLEMENTED	TrueBill, TrueAIM implementation. KID is an active installation and Springbrook replacement.
REFERENCE NO. 8	
NAME OF FIRM	Solano Irrigation District
CUSTOMER'S BUSINESS/OPERATIONS	Water Utility/District
ADDRESS	810 Vaca Valley Parkway, Suite 201
CITY, STATE, ZIP	Vacaville, CA 95688
TELEPHONE NO.	(707) 455-4008, cmorin@SIDWater.org (707) 455-4042 cmueller@SIDWater.org
CONTACT	Cammie Morin, Finance Director or Charles Mueller, IT Director
PROJECT NAME	TruePoint Software Implementation
COMPLETION DATE	July 2011
NO OF EMPLOYEES	71
NO OF SYSTEM USERS	10

NO OF SERVICE CONNECTIONS	3100
MODULES IMPLEMENTED	TrueBill, TrueAIM
	REFERENCE NO. 9
NAME OF FIRM	Imperial Irrigation District
CUSTOMER'S BUSINESS/OPERATIONS	Water Utility/District
ADDRESS	333 East Barioni Blvd
CITY, STATE, ZIP	Imperial, CA 92251
TELEPHONE NO.	(760) 482-9600, czvillalon@iid.org
CONTACT	Carlos Villalon, General Superintendent of Water Operations
PROJECT NAME	TruePoint Software Implementation
COMPLETION DATE	November 2007–present. Project relationship is ongoing.
NO OF EMPLOYEES	1,300
NO OF SYSTEM USERS	400
NO OF SERVICE CONNECTIONS	21,000
MODULES IMPLEMENTED	Displaced SAP for Water Billing, TrueBill, TrueAIM, TrueCIP
	REFERENCE NO. 10
NAME OF FIRM	Merced Irrigation District
CUSTOMER'S BUSINESS/OPERATIONS	Water Utility/District
ADDRESS	744 W. 20th Street
CITY, STATE, ZIP	Merced, CA 95344
TELEPHONE NO.	(209) 722-5761, kramos@mercedid.org
CONTACT	Kandi Ramos
PROJECT NAME	TruePoint Software Implementation
COMPLETION DATE	March 2008
NO OF EMPLOYEES	Approx. 50

NO OF SYSTEM USERS	24
NO OF SERVICE CONNECTIONS	5,600 Water Accounts 6,800 Parcel Accounts
MODULES IMPLEMENTED	Displaced Harris Northstar for Water Billing - TrueBill, TrueAIM, TrueCIP, TrueIVR
	REFERENCE NO. 11
NAME OF FIRM	Elk Grove Water District
CUSTOMER'S BUSINESS/OPERATIONS	Water Utility/District
ADDRESS	9257 Elk Grove Blvd. #A
CITY, STATE, ZIP	Elk Grove, CA 95624
TELEPHONE NO.	(916) 685-3556 dmaxwell@egwd.com
CONTACT	Denise Maxwell Senior Utility Billing Specialist Florin Resource Conservation District
PROJECT NAME	TruePoint Software Implementation – This was a Harris inHance Replacement
COMPLETION DATE	July 2011
NO OF EMPLOYEES	32
NO OF SYSTEM USERS	5
NO OF SERVICE CONNECTIONS	12,000 water accounts
MODULES IMPLEMENTED	TrueBill
	REFERENCE NO. 12
NAME OF FIRM	Central California Irrigation District
CUSTOMER'S BUSINESS/OPERATIONS	Water Utility/District
ADDRESS	1335 West "I" Street
CITY, STATE, ZIP	Los Banos, CA 93635
TELEPHONE NO.	(209) 826-1421, ccidrice@sbcglobal.net

CONTACT	Gregg Rice, Secretary / Controller
PROJECT NAME	TruePoint Software Implementation
COMPLETION DATE	March 2006
NO OF EMPLOYEES	40
NO OF SYSTEM USERS	23
NO OF SERVICE CONNECTIONS	5250
MODULES IMPLEMENTED	TrueBill
	REFERENCE NO. 13
NAME OF FIRM	Modesto Irrigation District
CUSTOMER'S BUSINESS/OPERATIONS	Water Utility/District
ADDRESS	1231 11th Street
CITY, STATE, ZIP	P.O. Box 4060 Modesto, CA 95352-4060
TELEPHONE NO.	(209) 526-7580, brucer@mid.org
CONTACT	Bruce Rankin, Project Supervisor - IT Applications
PROJECT NAME	TruePoint Software Implementation
COMPLETION DATE	March 2010
NO OF EMPLOYEES	445
NO OF SYSTEM USERS	23
NO OF SERVICE CONNECTIONS	4500
MODULES IMPLEMENTED	TrueAIM, TrueBill
	REFERENCE NO. 14
NAME OF FIRM	Central Nebraska Water and Power District
CUSTOMER'S BUSINESS/OPERATIONS	Water Utility/District
ADDRESS	415 Lincoln Street
CITY, STATE, ZIP	Holdrege, NE 68949

TELEPHONE NO.	(308) 995-3573, jlaurer@cnppid.com
CONTACT	Jim Lauer, Senior Systems Analyst
PROJECT NAME	TruePoint Software Implementation
COMPLETION DATE	May 2011
NO OF EMPLOYEES	99
NO OF SYSTEM USERS	22 (6 office & 16 field staff)
NO OF SERVICE CONNECTIONS	2500
MODULES IMPLEMENTED	TrueAIM, TrueCanal, TrueCIP
REFERENCE NO. 15	
NAME OF FIRM	San Benito County Water District
CUSTOMER'S BUSINESS/OPERATIONS	Water Utility/District
ADDRESS	30 Mansfield Road
CITY, STATE, ZIP	Hollister, Ca 95024
TELEPHONE NO.	(831) 637-8218, ssingleton@sbcwd.com
CONTACT	Sara Singleton, Manager of Administration and Finance
PROJECT NAME	TruePoint Software Implementation
COMPLETION DATE	April 2009
NO OF EMPLOYEES	10-15 users
NO OF SYSTEM USERS	Approximately 10 (6 office & 4 meter readers)
NO OF SERVICE CONNECTIONS	2500
MODULES IMPLEMENTED	TrueBill, TrueAIM
REFERENCE NO. 16	
NAME OF FIRM	Lower Tule River Irrigation District
CUSTOMER'S BUSINESS/OPERATIONS	Water Utility/District
ADDRESS	357 E. Olive Avenue

CITY, STATE, ZIP	Tipton, CA 93272
TELEPHONE NO.	1-559-686-4716 rperez@LTRID.org
CONTACT	Raul Perez, Systems Analyst
PROJECT NAME	TruePoint Software Implementation
COMPLETION DATE	November 2008
NO OF EMPLOYEES	20
NO OF SYSTEM USERS	10
NO OF SERVICE CONNECTIONS	1,400 Water Accounts 2,800 Parcel Accounts
MODULES IMPLEMENTED	TrueBill: Project Scope included Water Billing, Assessments Billing, Accounts Receivable, and Customer Portal System
REFERENCE NO. 17	
NAME OF FIRM	Black Canyon Irrigation District
CUSTOMER'S BUSINESS/OPERATIONS	Water Utility/District
ADDRESS	474 Elgin St
CITY, STATE, ZIP	Notus, ID 83656
TELEPHONE NO.	(208) 459-4141, bcid@cableone.net
CONTACT	Dennis Heaps, Manager
PROJECT NAME	TruePoint Software Implementation
COMPLETION DATE	Implementation of TrueAIM and TrueBill applications September 2008-January 2009, TrueCIP: December 2009 – January 2010
NO OF EMPLOYEES	15
NO OF SYSTEM USERS	10
NO OF SERVICE CONNECTIONS	2600
MODULES IMPLEMENTED	TrueBill, TrueAIM, TrueCIP
REFERENCE NO. 18	

NAME OF FIRM	Owyhee Irrigation District
CUSTOMER'S BUSINESS/OPERATIONS	Water Utility/District
ADDRESS	17 S. First St
CITY, STATE, ZIP	Nyssa, OR 97913
TELEPHONE NO.	(541) 372-3540, oidh20@fmtc.com
CONTACT	Jay Chamberlin, General Manager
PROJECT NAME	TruePoint Software Implementation
COMPLETION DATE	March 2009 – June 2009
NO OF EMPLOYEES	12
NO OF SYSTEM USERS	8
NO OF SERVICE CONNECTIONS	2,000
MODULES IMPLEMENTED	TrueBill, TrueAIM
REFERENCE NO. 19	
NAME OF FIRM	Larimer Weld Irrigation Company
CUSTOMER'S BUSINESS/OPERATIONS	Water Utility/District
ADDRESS	108 Elm Avenue Eaton, CO 80615-3420
CITY, STATE, ZIP	Eaton, CO 80615
TELEPHONE NO.	(970) 454-3377
CONTACT	Kimberly Nelson
PROJECT NAME	TruePoint Software Implementation
COMPLETION DATE	May 1, 2010
NO OF EMPLOYEES	7
NO OF SYSTEM USERS	2
NO OF SERVICE CONNECTIONS	1200
MODULES IMPLEMENTED	TrueAIM, TrueBill
REFERENCE NO. 20	

NAME OF FIRM	Roosevelt Irrigation District
CUSTOMER'S BUSINESS/OPERATIONS	Water Utility/District
ADDRESS	103 West Baseline Road Buckeye
CITY, STATE, ZIP	AZ 85326-1115
TELEPHONE NO.	(623) 386-2046
CONTACT	Stan Ashby, General Manager
PROJECT NAME	TruePoint Software Implementation
COMPLETION DATE	July 1, 2008
NO OF EMPLOYEES	14
NO OF SYSTEM USERS	4
NO OF SERVICE CONNECTIONS	1389
MODULES IMPLEMENTED	TrueAIM, TrueBill

4. Presentation of System Overview

a. Software Modules, System Architecture & Development Tools

TrueBill – Utility Billing Solution

In TrueBill UB, TruePoint offers a customer service and billing solution which will enable your Agency to serve your customers more effectively by offering efficient access to account information, service orders, and service based assets. The browser-based software will allow personnel to view and maintain accounts from any terminal without the need for client based software, thus eliminating the burden of complicated communications and synchronization routines. TrueBill enables your agency to work more effectively with features such as:

System Components

- Utility Billing,
- Service Orders,
- Customer Payment/Inquiry Portal,
- Cash Receipting (POS), (with enterprise-wide capability)
- Misc. Accounts Receivable
- Full Meter Management
- Debt Management
- Backflow Prevention
- Routing
- Management Dashboard
- Financials Integration
- Work Order/CMMS Integration
- And much more...

The TrueBill solution will increase your staff productivity by giving them better tools that will allow them to provide a higher level of service to your customers.

Global Product Features

- Browser based
- Intuitive, user friendly interface
- Anywhere, anytime access via secure web browser
- User definable queries
- MS Office integration
- Built in notes and alerts functionality
- Embedded Document management, link driven,
- Customer managed forms
- Customizable Workflows

Microsoft-Centric

- SQL Database
- MS Sharepoint Integration
- MS ASP.Net
- MS Active Directory, single sign on
- MS SQL Reporting
- MS Office integration
- Easily extend applications to external/mobile devices such as laptop, phone, kiosk
- Ease of integration with 3rd party applications via Web Services.
- Standard interfaces to many 3rd party Financial systems and Asset Management systems

System Design

Customer Service – Account Inquiry and Maintenance

The TrueBill Account Inquiry screen is designed to give Customer Service Agents an overview of a customer's information to answer and take action on most of the customer calls on the first screen. For the calls that require more detailed information, the screen is designed with links and tabs to get the Customer Service Agent to the information as quickly as possible without lengthy lookups or the need to navigate through several screens.

The screenshot displays the TrueBill Account Inquiry interface for user Amanda Roper. The account number is 000131-00, a residential account. Key financial data includes an amount due of \$149.80, a delinquent amount of \$149.80, and a last payment of \$125.06 on 10/14/2014. The account is activated and has three NSF charges. The interface includes sections for Current Usage (Water and Sewer), Services (Water and Sewer), and a Log of recent events. A Quick Links sidebar on the right offers various actions like 'Owner', 'Suspend Account', and 'Create Invoice'.

Figure 1 – Account Inquiry Screen

Service Orders

The TrueBill Service Order Module is a highly customizable service orders system that can handle items from escalation of customer inquiries, to orders for the replacement of utility services.

Specialized Service orders can be set up with service order Request Types, Tasks and Activities. Within this structure the service orders can:

- Be assigned and reassigned
- Be scheduled and rescheduled
- Collect custom data
- Attach costs and budget information
- Track pertinent account history

Rather than forcing your Agency to “fit” business processes into predetermined and hard coded service orders or tasks, TrueBill’s strength is its ease in setting up and configuring service orders to meet your Agency’s specific business needs. Service orders can even be configured to trigger other system actions through the “workflow” feature.

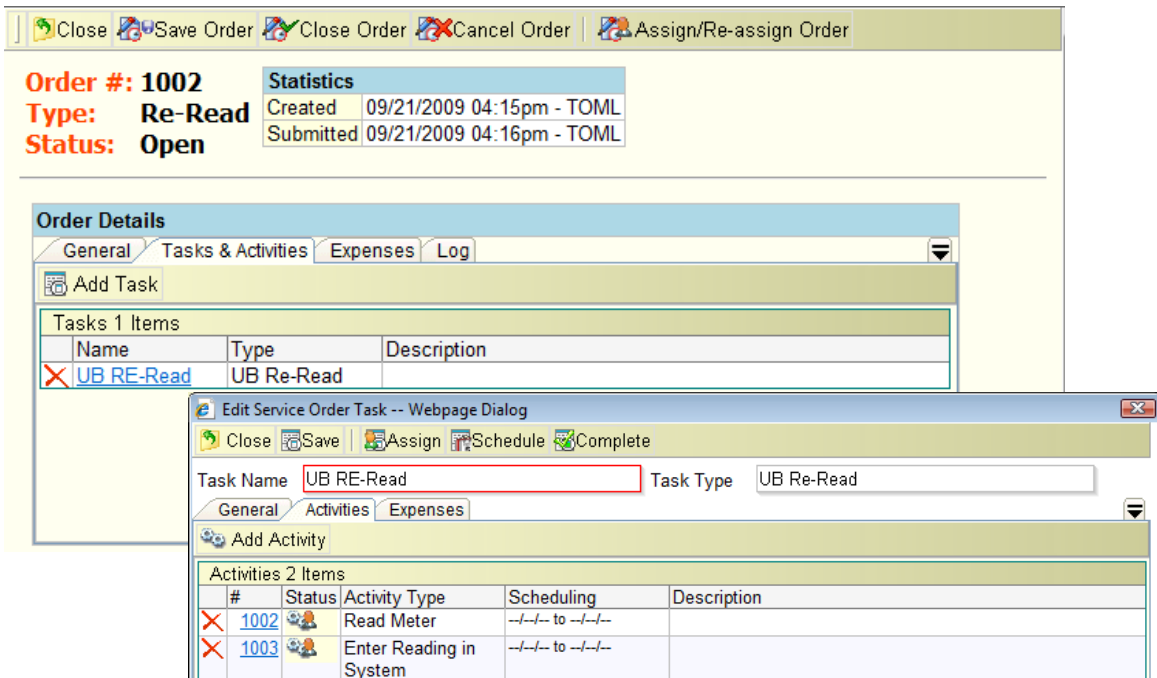


Figure 2 – Service Order Screens

Administration

TrueBill Administration functionality allows staff to easily configure, maintain and upgrade the software without lengthy processes or procedures. It also allows staff with proper security rights to establish access group permissions, create user accounts and assign users to access groups.

Configuration

It has been our experience that systems requiring complex formulas to be configured and run for account inquiry and billing calculation cause inefficient access times and lengthy billing batch runs. The TrueBill system has been designed to minimize the need for formulas by allowing built in Charge Basis types for billing calculations. This offers, among others, the advantages of reducing configuration time, reducing testing cycles, and shorter, more efficient billing calculation runs.

Maintenance

The configuration, maintenance and modification of the system, including security, rates, service order types, and the like can also be accomplished without the need for extensive technical training.¹ This allows the maintenance of the system to be accomplished by business expert personnel instead of limiting it to the Information Technology group.

Ad Hoc Queries

A powerful tool – one that is easily accessible by users throughout TrueBill – is the ability to look up specific information using customized search queries. Only the data columns that are applicable are returned, and specific filters to the data are defined so that you only get the information you require. Key features include:

- Choose columns to display
- Define the filter criteria for the data returned
- Sort the results
- Export the results to CSV, Excel, text or Word
- Define private or public queries or by user access roles

¹ With the appropriate credentials and access

- Define the number of rows to be returned for each page

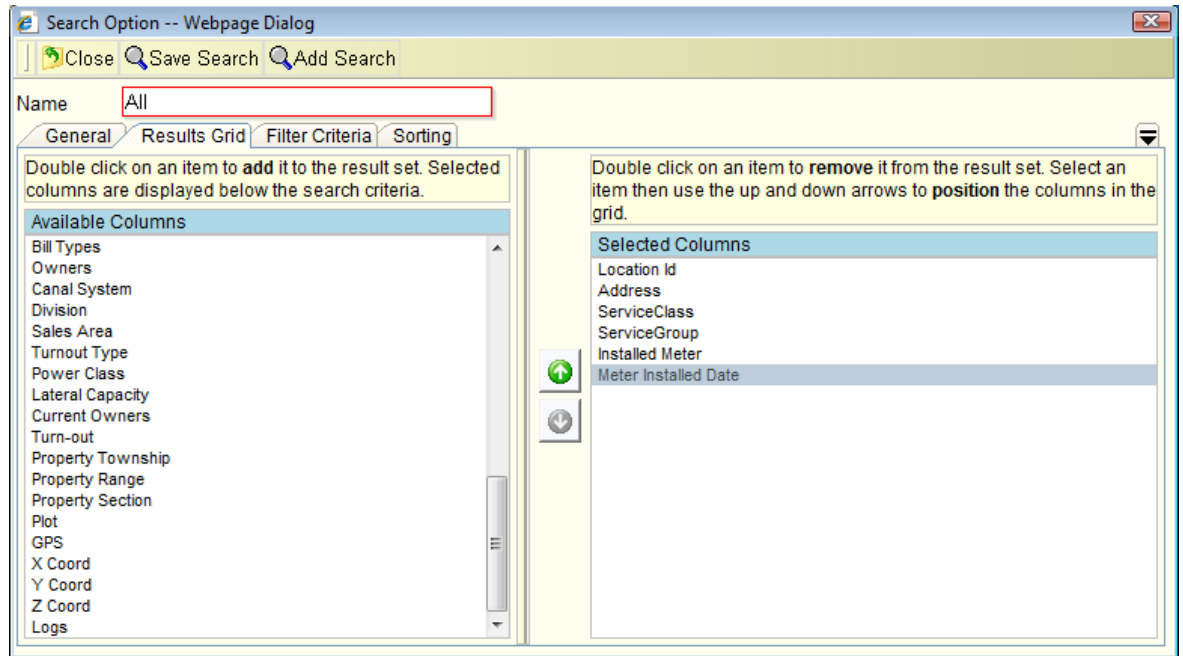


Figure 3 – Ad Hoc Query Search Engine

Customer Accounts

In the block diagram below the customer account structure has been provided to illustrate the relationships of the system.

It is this enhanced account structure that allows for multiple accounts and service locations to be linked to one customer. The customer accounts in TrueBill also provide enhanced customer service capabilities. Easy to read, easy to interpret account summaries provide quick overviews of outstanding invoices and historical information to account reps.

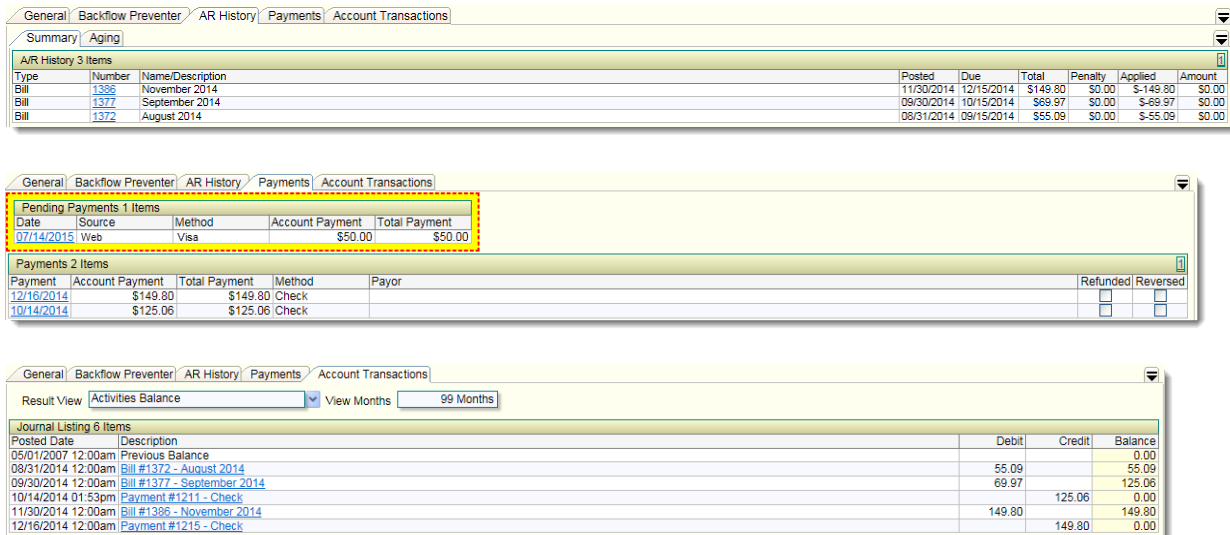


Figure 4 – Enhanced Customer Service Capabilities

TrueBill also accommodates multiple rate methods and structures that are easily configured and controlled. Customers are charged for services according to specified rate combinations that can be broken down by many factors including:

- Account class
- Bill type
- Meter size
- Agency
- Service type
- Many more

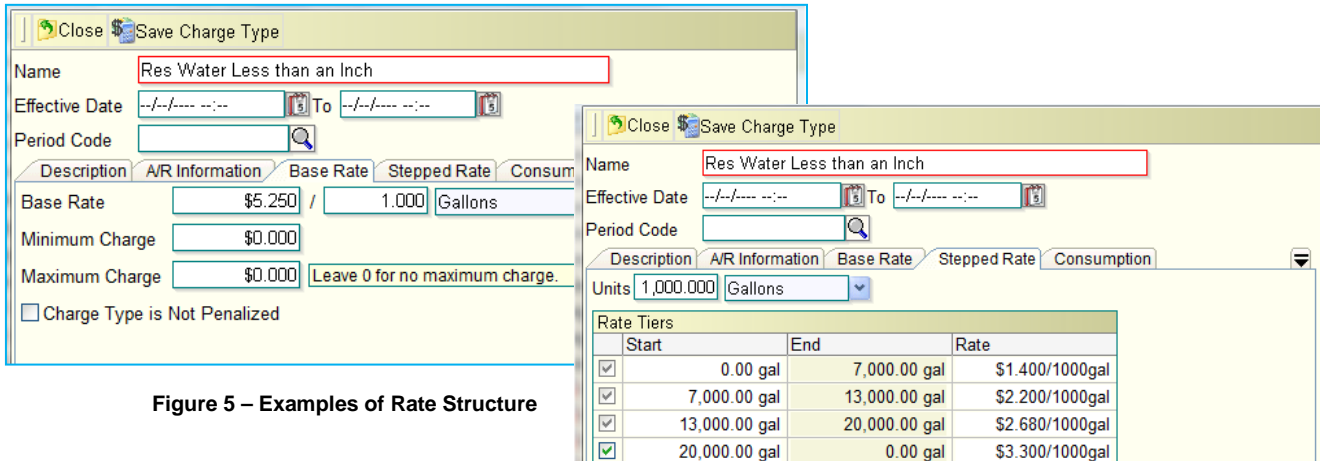


Figure 5 – Examples of Rate Structure

Bill Generation

Generating bills for a period takes only a few minutes on average allowing more time to ensure that billing is correct. Each bill is itemized to include run-times, consumption, and prior balances for your customers as well as customer specific information supplied to the Agency.

Home Bill Production Water District Production

Close

Batch: 1151

Batch # 1151

Billing Cycle 2015 Metered

Period March From 03/01/2015 To 03/31/2015

Main Selected Accounts Calculated Bills Charge Exceptions Reprint Bills Paperless Bills Generate ACH Recurring Payments

Bill Details

Bill Date	Due Date	Delinquent Date	Penalty Batch #	Penalty Group
04/01/2015	04/20/2015	04/21/2015	1040	Penalty

Batch Statistics

Statistic	Quantity
Accounts in Batch	7,476
Customers in Batch	6,720
Billed Accounts	7,438
Billed Customers	6,682
Total Bills	6,682
Total Charges	\$417,449.15
Posted Charges	\$418,149.09

Batch Processing

Batch Step	Start	End	Duration
Create Batch	04/01/2015 01:25pm		
Select Customers	04/01/2015 01:31pm	04/01/2015 01:32pm	0h:1m
Calculate Charges	04/01/2015 01:32pm	04/01/2015 01:47pm	0h:15m
Print Bills	04/01/2015 01:47pm	04/01/2015 02:31pm	0h:25m
Finalize Batch	04/01/2015 02:31pm	04/01/2015 02:36pm	0h:4m

Figure 6 – Generate Bills Screenshot

Billing can also be generated for “what-if” scenarios to determine the impacts of rate changes in the system. These scenarios can be based upon a distinct group of customers or on the entire Agency.

Accounts Receivable

TrueBill automatically routes payments, charges, credits, transfers, and deposits into the correct revenue, cash, and expense account structures. These structures are defined by your Agency to match the information in their chart of accounts. TrueBill automates this process for each receivable and payment applied to the system.

Maintenance agreements, construction projects, and time and materials invoices can be tracked, billed, and paid through the system. Standard labor rates, materials costs, and taxes can also be collected. For long running projects the invoices may be incrementally created and remain open until project milestones are met.

Invoice -- Webpage Dialog

Close Save Invoice Post Reset Print Not Posted

Invoice # 15993 Due Date 07/20/2015 Posted ---/---/---
 Invoice Date 08/04/2015 08:13pm Delinquent 07/21/2015 Sales Tax
 Type Name

Bill To
 Use Customer Account # 000201-00
 Name Gaylee S Lovelace
 Address 300 Camino Del Oeste
 City, State, ZIP Bakersfield CA 93309

Balance
 Sub Total: \$80.00
 Sales Tax (0.000): \$0.00
Invoice Total: \$80.00
 Amount Paid: \$0.00
Amount Due: \$80.00

Line Items Ship To Message Description Transactions Voiced

Item	Description	Quantity	Amount	Unit	Total	Tax
Tier 2 Hydrant	Hydrant fee per 3,750 gallons	1.0000	80.0000	3750Gal	\$80.00	<input type="checkbox"/>
		0.0000	0.0000		\$0.00	<input type="checkbox"/>

Figure 7 - Invoice Screen Shot

TrueBill allows an agency to quickly and easily report on sales for multiple categories for aging, collections, payments, and credits. This eases the challenge of identifying questionable receivables.

Reporting

All reporting for TrueBill is accomplished using Microsoft Reporting Services. Agencies can create their own reports or modify standard reports included in the software. This open reporting model allows reports to be created using a “what you see is what you get” report designer. To streamline the process, Reporting Services is fully integrated into TrueBill so users never leave the billing system to run, print and export report data.

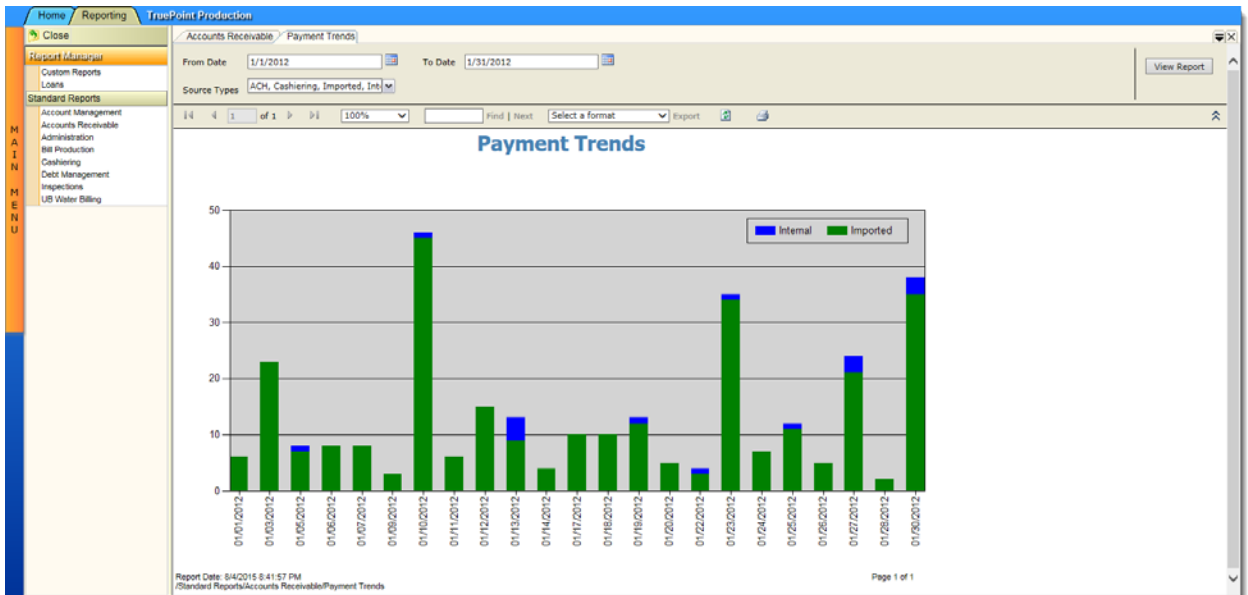


Figure 8 - Report Generation

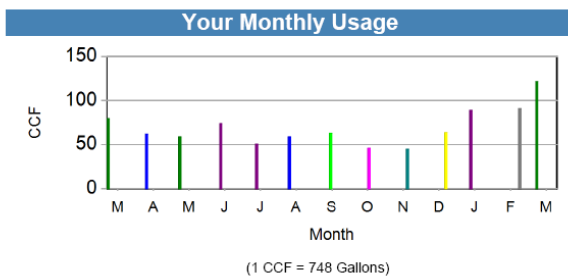
Statement/Invoice/Bill Presentment

Statements, invoices, and bills in TrueBill are customizable to provide the information that customers need to assist them in paying for services. Custom tear-offs, remittance slips, preprinted forms, and envelopes can be accommodated. Current and prior statements can be reprinted at any time to include current payments and amounts.

TruePoint Solutions
3262 Penryn Road #100
Loomis CA 95650

<http://www.truepointsolutions.com>

Account Information	
Account #	00119900-00
Bill #	10239
Statement Date	03/31/11
Service Location	555 TruePoint Ave
Service Dates	3/1 - 3/31
Current Charges - Due 04/26/11	



Amount Due	
Current Charges	\$265.93
Previous Balance	\$113.05
Adjustments	\$210.13
Payments	(\$323.18)
Total Amount Due	\$265.93

Figure 9 – Bill Statement Example

Route Management

TrueBill allows users to create, edit and maintain address routes through Route Management. This feature allows for defining route numbers, assigning service locations to routes, viewing and re-arranging the sequence order of service addresses within a route. It also allows the user to auto-sequence the route based on the order in which readings were ‘walked’ within the route.

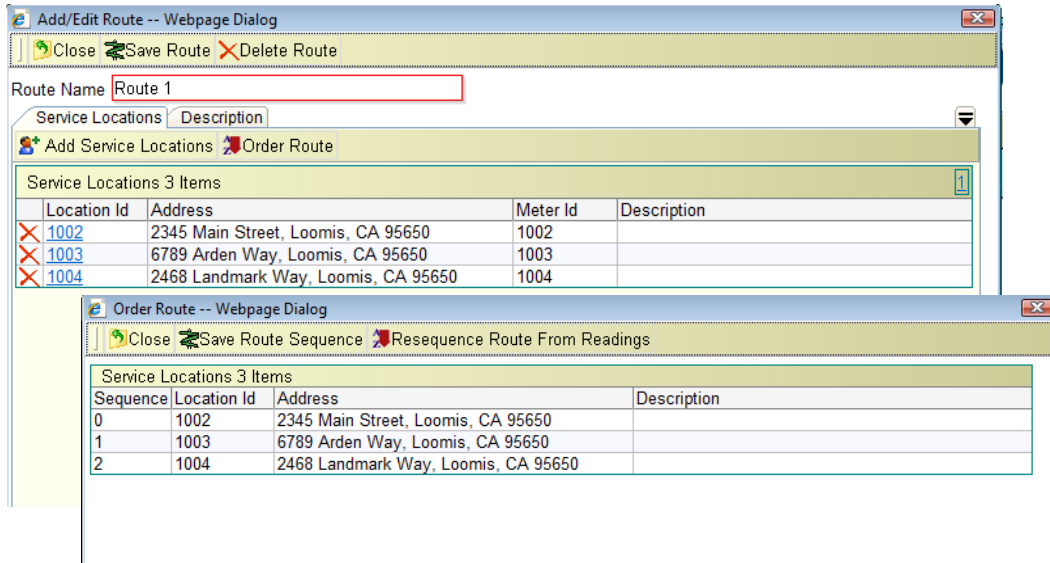


Figure 10 – Route Management Screen Shots

Reading Review

TrueBill allows the user to review meter readings imported from outside meter reading systems. With the Reading Review feature, the user can:

- Review usage statistics using one of several TrueBill algorithms to identify items such as High Usage, Low Usage, rollovers, missing or zero consumption, usage at inactive or suspended accounts, low side usage and many other statistical items
- Include Reader Code information from your readers system such as Tempers and Leak Detections
- Issue service orders such as re-reads or meter leak inspections upon reviewing exceptions
- Estimate consumption on readings that were not able to be gathered in the field
- Manually enter readings when necessary.

The Reading Review can be configured to automatically highlight many different exceptions based on your Agency rules and regulations for abnormal readings.

Select	Hold	Location	Meter Id	Reading Date	Reading	Usage/Normal	Prev Reading	Reading By	Reader Code	Estimate Code	Reading Type	Reader Method	Comments
<input type="checkbox"/>	<input type="checkbox"/>	000128 313 E Montgomery Ave 3/4" Vehicle 0.75in	000128	12/11/14 12:00am	28gal x 1,000 28.4 days 1 registers read	5gal x 1,000 5.1gal x 1,000	11/12/14 02:35 pm 23gal x 1,000	jreliford			Manual		
<input type="checkbox"/>	<input type="checkbox"/>	000128 313 E Montgomery Ave 3/4" Vehicle 0.75in	000128	12/15/14 12:00pm	29gal x 1,000 4.5 days 1 registers read	1gal x 1,000	12/11/14 12:00 am 28gal x 1,000	jreliford			NULL	Not Specified	
<input type="checkbox"/>	<input type="checkbox"/>	000129 2102 N Lark Pl 3/4" Vehicle 0.75in	000789	12/11/14 12:00am	31gal x 1,000 28.4 days 1 registers read	7gal x 1,000 5.94gal x 1,000	11/12/14 02:35 pm 24gal x 1,000	jreliford			Manual		
<input type="checkbox"/>	<input type="checkbox"/>	000129 2102 N Lark Pl 3/4" Vehicle 0.75in	000789	12/15/14 12:00pm	31gal x 1,000 4.5 days 1 registers read	0gal x 1,000	12/11/14 12:00 am 31gal x 1,000	jreliford			NULL	Not Specified	
<input type="checkbox"/>	<input type="checkbox"/>	000456 118 W Cherry Ave 3/4" Vehicle 0.75in	000456	12/11/14 12:00am	23gal x 1,000 30 days 1 registers read	5gal x 1,000 4.33gal x 1,000	11/11/14 12:00 am 16gal x 1,000	jreliford			Manual		
<input type="checkbox"/>	<input type="checkbox"/>	000456 118 W Cherry Ave 3/4" Vehicle 0.75in	000456	12/15/14 12:00pm	44gal x 1,000 4.5 days 1 registers read	21gal x 1,000 0.79gal x 1,000	12/11/14 12:00 pm 23gal x 1,000	jreliford	Tamper		NULL	Not Specified	
<input type="checkbox"/>	<input type="checkbox"/>	000130 201 E Walnut St 3/4" Vehicle 0.75in	000010	12/11/14 12:00am	30gal x 1,000 29.4 days 1 registers read	9gal x 1,000 5.78gal x 1,000	11/11/14 02:35 pm 21gal x 1,000	jreliford			Manual		
<input type="checkbox"/>	<input type="checkbox"/>	000130 201 E Walnut St 3/4" Vehicle 0.75in	000010	12/15/14 12:00pm	60gal x 1,000 4.5 days 1 registers read	30gal x 1,000	12/11/14 12:00 am 30gal x 1,000	jreliford			NULL	Not Specified	
<input type="checkbox"/>	<input type="checkbox"/>	000131 1497 Storey St 3/4" Vehicle 0.75in	000011	12/15/14 12:00pm	30gal x 1,000 32.9 days 1 registers read	6gal x 1,000 6.99gal x 1,000	11/12/14 02:35 pm 22gal x 1,000	jreliford			NULL	Not Specified	
<input type="checkbox"/>	<input type="checkbox"/>	1035432101 123 Main St 3/4" Manual 0.75in	M1135542	06/12/13 07:36pm	5,748cf x 100 117.3 days 1 registers read	328cf x 100 586cf x 100	02/15/13 12:00 pm 5,420cf x 100	jreliford	Leak		Manual		
<input type="checkbox"/>	<input type="checkbox"/>	2111532101 987 Fair Oaks Blvd 3/4" Vehicle Read 0.75in	V1725471	06/12/13 07:34pm	7,623cf x 100 117.3 days 1 registers read	101cf x 100 110cf x 100	Reading is 44.0% lower than normal Using statistics from Seasonal Average.				Manual		
<input checked="" type="checkbox"/>	<input type="checkbox"/>	2129574801 123 Main St 3/4" Vehicle Read 0.75in	V1123496	06/12/13 07:35pm	1,942cf x 100 28.3 days 1 registers read	186cf x 100 98cf x 100	1,753cf x 100				Manual		
<input checked="" type="checkbox"/>	<input type="checkbox"/>	2135632103 8555 Hidden Ave 5/8" Vehicle Read 0.63in	V8305732	06/12/13 07:36pm	24cf x 100 28.3 days 1 registers read	0cf x 100 0cf x 100	05/15/13 12:00 pm 24cf x 100	jreliford			Manual		
<input type="checkbox"/>	<input type="checkbox"/>	4049855201 1021 Zinfandel Way 1" Manual Read 1in	M1760976	06/12/13 07:33pm	3,520cf x 100 28.3 days 1 registers read	168cf x 100 152cf x 100	05/15/13 12:00 pm 3,352cf x 100	jreliford			Manual		

Figure 11 -Usage Reading Review Screen Shot

Cash Receipting

The TrueBill Cash Receipting /Point of Sale system allows distributed, secure real-time payment processing and receipt printing. Rapid keyboard input as well as optional BAR Code scanning, interfaces to cash drawers, receipt printers as well as automated remittance processing systems are standard. Tight security and full audit trail reporting assure compliance with your internal controls.

Lock Terminal Cashier: Brian Register: 1001 Cash Drop

Search		DUE:	\$1,492.11
Accept Payment		TENDERED:	\$0.00
Cancel Transaction		APPLIED:	\$0.00
		CHANGE:	\$0.00

Remove
 None
 All
 Add Charges: Deposit
 Create Charge
 Distribution: Custom

<input checked="" type="checkbox"/>	John Smith	1001	123 Main St		\$1,492.11
<input checked="" type="checkbox"/>	10170300003000-01		123 Main St		\$1,492.11
<input checked="" type="checkbox"/>	Bill #: 80514	2012 Assessments	Installment 1		\$244.20
<input checked="" type="checkbox"/>	Capital Project Assessment		Capital Project Assessment		\$26.54
<input checked="" type="checkbox"/>	USBR New Lands Loan		USBR New Lands Loan		\$10.16
<input checked="" type="checkbox"/>	Tier 9 Non-Pressurized		Tier 9 Non-Pressurized		\$207.50
<input checked="" type="checkbox"/>	Bill #: 45478	2013 Assessment Rates	Installment 1		\$501.85
<input checked="" type="checkbox"/>	Bill #: 80515	2012 Assessments	Installment 2		\$244.20
<input checked="" type="checkbox"/>	Bill #: 45479	2013 Assessment Rates	Installment 2		\$501.86

Figure 12 – Cash Receipting Screenshot

Debt Management

TrueBill will allow the user to manage delinquent accounts through the Debt Management module. With the Debt Management feature, users can:

- Create collection processes for multiple account types
- Mirror your collections process with our user defined steps
- Automatically generate service orders for accounts eligible for service shut off
- Automatically apply fees to accounts in the collections process

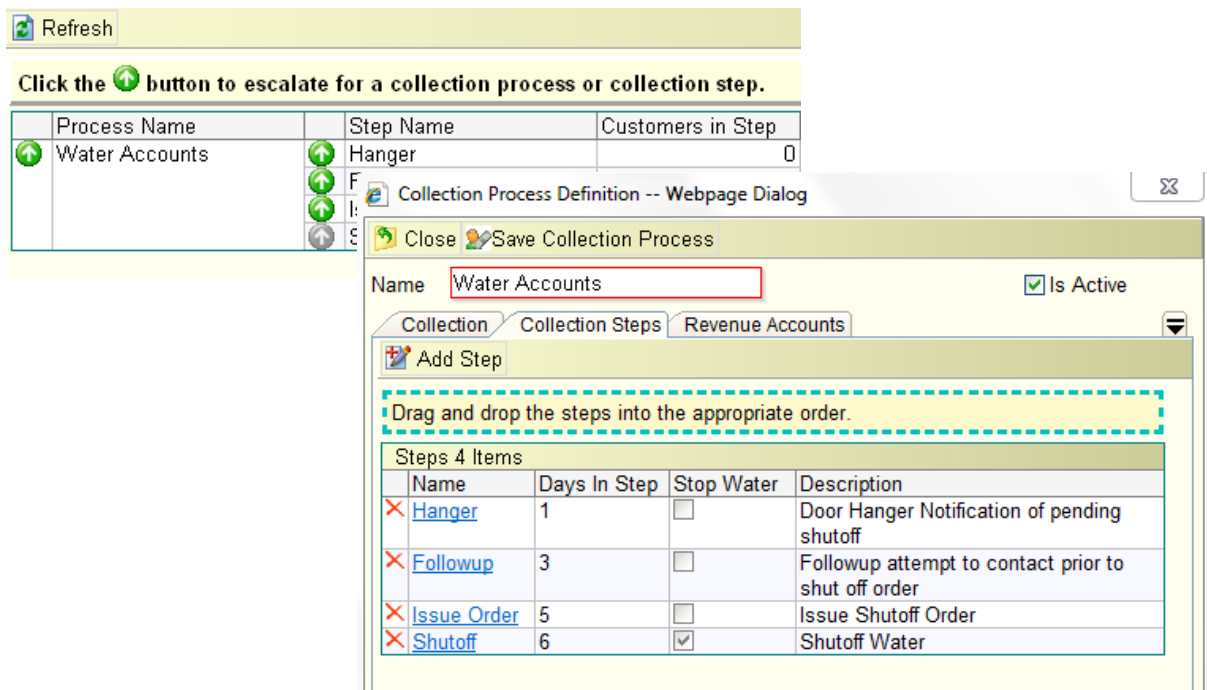


Figure 13 - Collection Process Screen Shots

Customize Workflows

TrueBill will allow users to customize areas of the system that need to be extended to incorporate specific agency requirements. This could range from messages that would be displayed to the user to more advanced automation features that increase productivity.

Key Features:

- Create an Unlimited number of Rules
- Show Customized Messages or Warnings
- Select the available Rule Event such as OnLoad, OnAdd, OnUpdate, etc.
- Select the predefined Rule Target that can send an email, execute stored procedures, etc.

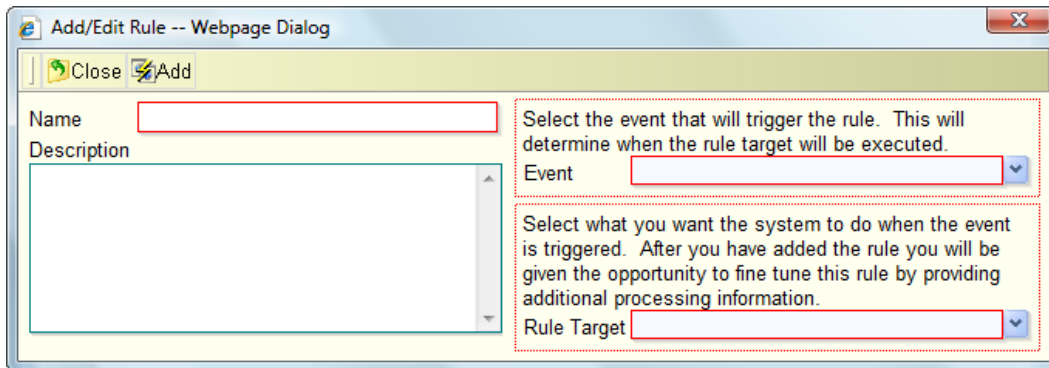


Figure 14 - Add/Edit Rule Dialog

Example of the available events from service orders:

Name	Description
OnAssign	Event to be processed when the assignment value changes during an update.
OnReassign	Fires when the request is about to be reassigned. This event fires if the request was previously assigned.
OnAfterAdd	Event that is processed after the service request is first created.
OnBeforeDelete	Fires when the request is about to be deleted. The transaction not open at this time.
OnBeforeUpdate	Fires when the request is about to be updated.
OnAfterDelete	Fires after the request has been deleted. The transaction is open at this time and can be rolled back.
OnAfterUpdate	Fires after the request has been updated. The transaction is open at this time and can be rolled back.
OnBeforeValidate	Fires before validation occurs on the object. This gives the opportunity to manipulate the data prior to the validation event.
OnAfterValidate	Fires after validation occurs on the object. If common validation fails then this event will not fire.
OnBeforeSave	Fires before an add or an update. A transaction will be open at this point that will roll back any changes if subsequent events fail.
OnAfterSave	Fires after an add or update has been processed.

Figure 15 - Service Orders Events Sample

TrueCIP – Customer Information Portal

TrueCIP is an online application that gives your customers immediate access to account and billing history. Features of TrueCIP include the ability to make payments, submit service orders, and check billing and usage history in up-to-the-minute customer account views.

The TrueCIP software breaks the limits of content based web strategies by interactively communicating with the TrueBill database. This provides online functional capabilities that go far beyond the typical Utility agency's current web capabilities.

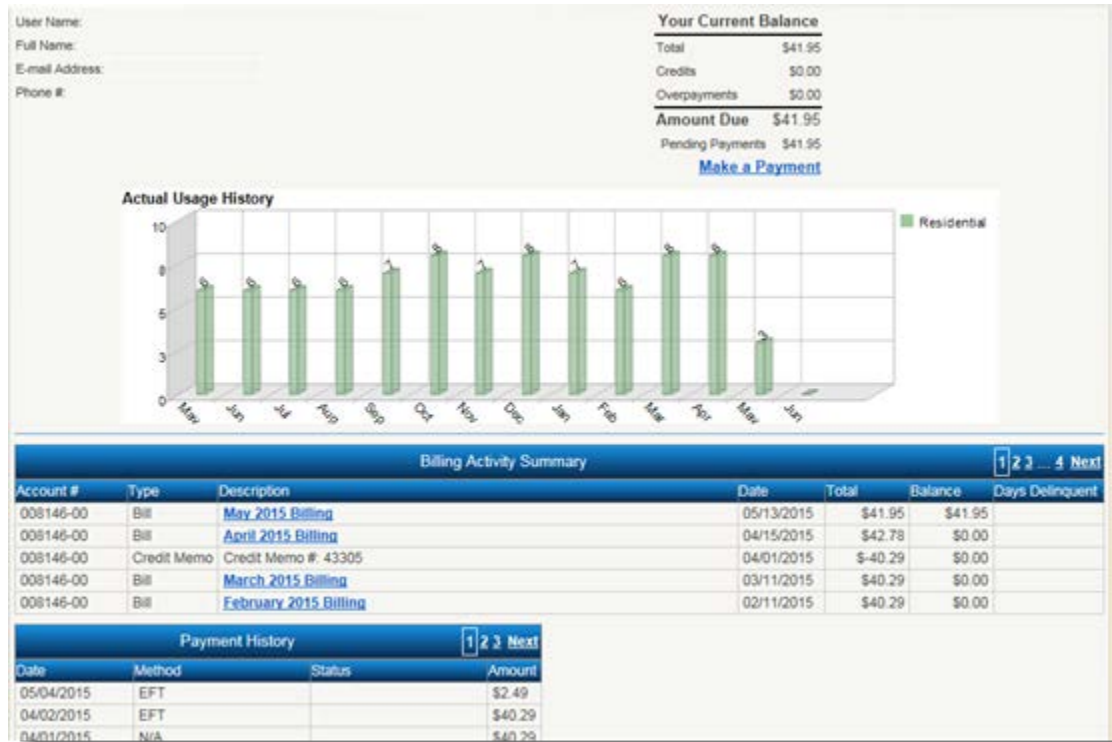


Figure 16 – Portal Billing History Diagram

Product Benefits and Features

24 hours a day, 7 days a week, 365 days a year, from anywhere that you have internet access.

- Make payments
- Check usage and billing status
- View Graphical Consumption Summaries
- Create and submit Service Orders
- Quickly see the status of all accounts
- Secure, PCI Compliant payment processing
- Reduced staff labor time

Detailed account history, including consumption history, billing and payment history and current bill amount can be displayed in the portal. Customers can securely interact with the Agency 24 hours a day/7 days a week to make payments and check account status while receiving answers to most of their questions online.

Online Payment Processing

TruePoint Solutions partners with several industry leaders in Payment Card Industry Data Security Standards (PCI DSS) compliant payment processing solutions. We offer our customers fully integrated, secure and cost-effective payment processing available through TruePoint Solutions' TrueBill Utility Billing Application.

Capture every sale with easy-to-use, reliable payment processing solutions that simplify card payment acceptance and reduce the risk associated with handling cardholder data. This state-of-the-art platform supports your credit processing needs allowing you to easily comply with PCI DSS requirements.

Simplified Payment Processing

- ▶ **SECURE TRANSACTIONS**
that protect sensitive customer information
- ▶ **PCI DSS COMPLIANT**
processing solutions
- ▶ **FAST PAYMENTS**
reasonable fees
- ▶ **EASY SETUP**
no third party software to maintain
- ▶ **COMPREHENSIVE**
Web-based transaction reports
- ▶ **SUPERIOR CUSTOMER SERVICE**



ProfitStars – Electronic Check Processing and Remittance Solution

RemitPlus is an automated electronic check processing solution that simplifies the remittance process by providing financial institutions and diverse corporate entities the ability to scan and capture images of checks and payment vouchers, stubs or coupons. This affordable, turnkey check scanning and imaging solution enables financial institutions to transfer processing of checks from their back office environment to their commercial customers' locations. Because of its scalable design, RemitPlus is ideal for a large merchant to the smallest nonprofit organization as well as the largest lockbox providers.

What It Does

- Offers high-speed scanning that captures both check
- sides and adds auto-endorsement as needed
- Complies fully with Check 21 regulations
- Creates a Check 21 compliant x9.37 cash
- letter or ACH file for electronic deposit
- Creates an image archive of checks and payment documents
- Archives easily to CD, hard drive, or remote storage
- Supports multiple users, scanning stations, and bank accounts
- Provides full reporting features and supports
- batch processing environment
- Offers next-day notification on NSF payments
- Provides extensible search features to research and review items
- Updates accounts receivable by auto-extracting an upload file

What It Does For Me

- Creates an ideal flow for electronic check
- processing and remittance
- Increases on-time collections for financial institutions
- Reduces float and increases cash flow
- Offers a more convenient, faster way to update internal billing software
- Simplifies submission of electronic files to banks
- Improves accuracy by eliminating the keying
- errors generated with manual check deposits
- Saves money by lowering check processing fees
- and reducing staffing resource needs
- Mitigates fraud exposure by reducing paper check handling

Selectron Interactive Voice Response

VoiceUtility is an IVR solution developed to meet the needs of utility companies. Offering customers instant access to utility account information, VoiceUtility reduces the number of telephone calls fielded by an agency's staff and increases the level of customer service offered to its citizens.

Instant Information Access

With VoiceUtility, customers using a touch-tone telephone need only their account or customer ID number to instantly access utility account information such as their current balance and the date of their last payment. This information can easily be retrieved at any time, from any location, without compromising security. Users may also request fax documents detailing the same account information that is available over the phone.

Flexibility and Scalability

VoiceUtility adapts to the unique needs of any community. Highly scalable, this full-featured, industry standard system can integrate with both commercial and custom application databases. Integrating the IVR system with multiple databases is also possible, thereby allowing operation of several departmental applications (such as business licensing, courts, elections, parking citation, taxation, and building inspections) on one system and increasing an agency's return on investment significantly

TruePoint offers consulting services that can assist your Agency in developing a functional and technical roadmap that will help your agency realize the benefits of true Operations-side integration.

Key Benefits

Handling the majority of an agency's phone and data entry work, **VoiceUtility:**

Improves customer satisfaction by making information available when customers need it

Reduces staff workload by giving users self-help capabilities

Increases efficiency by saving staff time

Heightens accuracy by reducing data entry errors



Cityworks[®]

Partner Network

TruePoint is an authorized partner of Lucity, Cityworks and Infor. Our partners provide industry leading Work management and Asset Management systems focused on the specific needs of Public Sector agencies. The TruePoint Utility Billing application is fully integrated with Lucity, Infor and Cityworks work management systems.

Lucity, Cityworks and Infor empower GIS to manage both physical infrastructure and land-focused asset management. Organizations allocate considerable resources toward developing and maintaining their GIS, Lucity capitalizes on this valuable resource. Lucity, Cityworks and Infor integrated with Esri ArcGIS combine to make the perfect platform for designing and creating GIS-centric public asset management solutions.

TruePoint has worked with the Lucity, Cityworks and Infor[®] team members professionally for almost twenty years. The combination of TruePoint and integrated Work/Asset management and GIS[®] can help you streamline the operations side of your agency.

Integrate your Utility Operations...

TruePoint Solutions

...with our Utility Billing Customer Information Hub

- Harness the power of integrated CIS/Asset Management and GIS systems
- Why settle for just a Utility Billing system when you have the opportunity to implement an overall Customer Information Management Strategy that includes integrated Utility Billing, Asset Management and GIS systems?

Meter ID: 32560376

Meter Type:	BA_2_5D
Size:	2.0000
Meter Units:	CF x 100.0000
Serial #:	32560376
Reader:	Badger
Manufacturer:	Badger

Location Id:	0000553
Meter Serial #:	32560376
Location:	5210 MONISON AVE
Meter Type:	BA_2_5D
Register Internal Id:	70838148
Installed:	Tue Jan 3 2006
Account Class:	Commercial

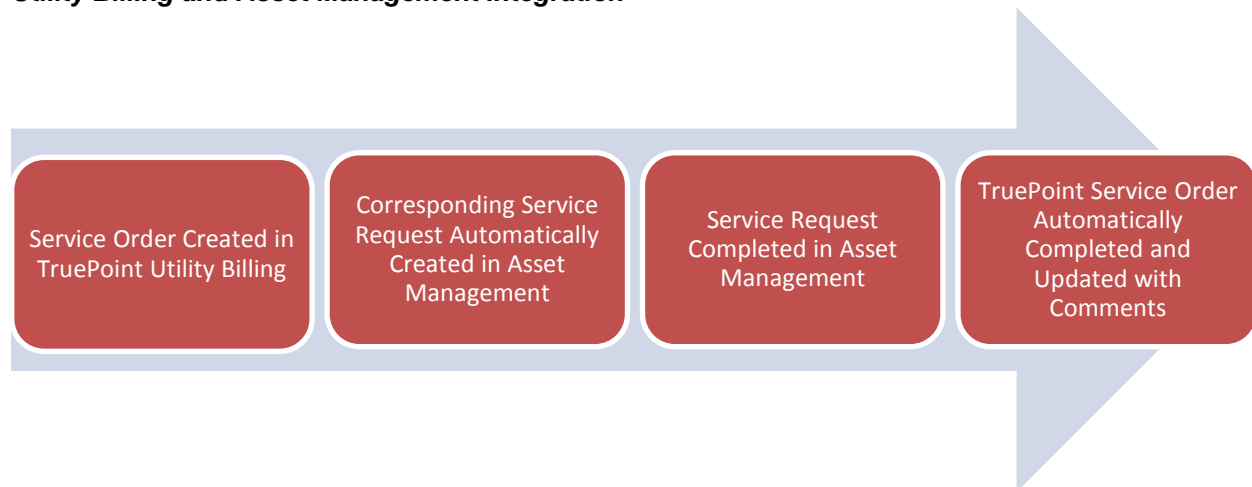
[Open Meter](#)
[Zoom to](#)

- Browser Based
- MS SQL
- Full Web Services Integration
- SRS Reporting
- Active Directory

www.truepointsolutions.com

3262 Penryn Rd., Suite 100-B, Loomis, CA 95650 tel: 916-259-1293

Utility Billing and Asset Management Integration



The TruePoint Asset Management interface works in near real time and without any end user intervention. When a service order is created within TruePoint and the request type matches the specific business rules, a corresponding service request is automatically created within your Asset Management system.

The service request and subsequent activities are all managed within your Asset Management system to completion. Once the service request is completed within your Asset Management system, the corresponding Service Order in TruePoint is automatically updated with the comments from the Asset Management system.

If there are no subsequent activities to be completed within TruePoint the service order will automatically be completed. If there are subsequent activities to complete within TruePoint (i.e.: update account, enter meter reading, etc.) a user will be able to see the subsequent activities and complete those activities within TruePoint.

The benefits of integrated Utility Billing/GIS/Asset Management systems include the following

- **Customer Service** — Customer Service Representatives are able to get a complete view of account activity from one system. Meter reading route analysis and auditing, zero meter reporting, identification of illegal connections, and call responses are all enhanced.
- **Engineering** — verification of service availability, planning and cost estimation, inspection assistance, and demographic and land use analysis for demand projections
- **Finance** — inventory and location of facility assets, depreciation analysis, determination/justification of customer connection fees, and “missing” customers (holes in database)
- **Operations** — facility locating and planning, facility management and planning, field map creation, and call response

b. Other Required Software

There is no further software required for our solution.

c. Recommended Hardware

The solution proposed in this document may require the purchase of additional hardware. If it is determined by PWD that new functional devices are to be used in the field, then laptop computers may become part of an upgrade migration strategy. If so, it is recommended that this hardware be acquired locally to enhance support and replacement. TruePoint will also evaluate the current office hardware to determine the compatibility with the proposed solutions.

Field Device Architecture

TruePoint software designers possess a breadth of experience, building field based solutions since the late 1980s. In our experience two of the most challenging aspects of maintaining an effective field application are the availability and support of devices, and configuring the software on those devices.

Office Server Architecture

TruePoint will use its Distributed Collaboration Architecture as the backbone for the office server functionality. This architecture is designed to provide rich end user experiences and high performance utilizing Microsoft ASP.NET technology.

Because the server architecture is based upon Web technologies it can be made accessible over common secured internet connections. This means that if desired the data in the server can be accessed over secure internet connections from the central office or any other authorized internet connection.

Data Storage

For data storage on the Server TruePoint will use Microsoft SQL Server as its storage platform.

d. Recommended Redundancy & Fault Tolerance Guidelines

There are two components that the District will depend on for running the TruePoint software. These components are:

1. SQL Server 2008 or greater
2. Windows Server 2008 (only specific versions have the feature)

Both of these allow our solution to be extended to handle failover and redundancy solutions if desired. This would be at the discretion of the District. Below, we have included links to the white paper from Microsoft, which has information on this prospect.

This article addresses the failover concept:

<http://www.practicalsql.com/2012/03/understanding-concept-of-sql-server.html>

MS link for SQL Server High Availability Solutions:

<http://msdn.microsoft.com/en-us/library/ms190202.aspx>

More about database mirroring with SQL Server:

<http://msdn.microsoft.com/en-us/library/ms189852.aspx>

This link provides information about failover with Windows Server 2008 R2 Enterprise and Windows Server R2 Datacenter:

[http://technet.microsoft.com/enus/library/ff182326\(v=ws.10\).aspx](http://technet.microsoft.com/enus/library/ff182326(v=ws.10).aspx)

e. Recommended Operating Environments

TruePoint applications utilize server based technologies that allow for the maximum scalability and security within your IT infrastructure. Utilizing server platforms from Microsoft, TruePoint applications are installed centrally within your network infrastructure. The software can then be accessed from anywhere a secure HTTP connection to the server can be made using Microsoft Internet Explorer.

Though all environments could be set up on a single physical or virtual server, it is best to isolate the production environment and then depending on costs, either install the additional environments on the same or separate servers. More detail is offered in our Implementation Methodology and Training Methodology sections.

f. Application Security Environment

There are many levels of security applied to the TruePoint software. These levels are based upon the user source. For instance, internal users are granted functional access based upon the rights assigned to them. While some users have the right to view records in the system, they may not have the right to modify, edit, or process records. This by definition is role based security that is based upon the LDAP or ActiveDirectory security supplied by user logins. TruePoint uses single-sign on functionality to supply all application security.

Only those users that have been granted access to a specially created User Group in Active Directory can access the administrative tools.

Access to reports is handled through Active Directory and Reporting Service's Role Assignments. The security profile is stored in concert with Active Directory and in the TruePoint database.

g. User Interface

Please see Section 2, subsection 1, "Modules/Architecture/Development Tools – TrueBill."

h. Future Direction and Plans for the Software

TruePoint Solutions is a Microsoft development partner and as such we have access to all the latest tools, applications, and platforms which Microsoft produces. We constantly review new technologies and appropriately incorporate those which can provide value to our customer base. All of our customers have opted to take an annual service and maintenance agreement which, among other services, provides continual upgrades and enhancements to the core products.

i. Process Logic

TrueBill provides a workflow manager that is configured and maintained within the application with appropriate access rights. The workflow manager is designed to fire on events for specified

forms. These events may fire on loading of form, before saving, after saving, etc. The workflow manager then may be configured to send an email, call a web service, or call a stored procedure.

The workflow manager may be used to enforce custom business rules that prevent a transaction from completing if the rules are not satisfied. The workflow manager may also be used to initiate an external process as required.

j. Pre-Existing Interface Points

TrueBill has two main interface points: Web services and import / export companion. TrueBill is fully designed using web services. All web services in TrueBill potentially may be used in creating an interface to or from the system. These web services may be called for asynchronous processes.

The import / export companion is integrated throughout the system. This tool is used to import or export text files using the existing business logic within the system. All configuration and file mapping is managed within the application without programming or SQL knowledge. Each location may have multiple file formats specified. There are several locations within the system that use this structure including payment import, meter reading import and export, and delinquency export. Additional portions of the system are being extended to use this tool. This list of interface points is not meant to be exhaustive.

k. Writing and Managing Interfaces

All interface development begins with a comprehensive analysis and documentation process for the specific interface. The analysis and documentation will be led by the TruePoint project manager. This process assists with determining the best approach to developing the interface. This also provides the basis for development of test cases.

The first and most preferred method for interface development is to call an API in the target system. The next method will be to generate or import a text file. The third method is to call a stored procedure. When an interface is developed using an API the TruePoint development team will use the existing web services available in the system to develop the integration. Using the TrueBill web services provides continuity of support through system upgrades.

In the scenario where a text file is imported into TrueBill, the development team will develop the import interface using the import / export companion. TrueBill has been designed with a robust import engine that allows for rapid mapping of text files to system values. This provides continuity of support through upgrades as no custom code is created and mapping is to business logic and not directly to the database. All system business rules are maintained through the import. The same process, when applicable, is applied to exported text files.

The process of importing or exporting (process) text files is managed completely within the application. A user with the appropriate access controls will be able to process text from a menu item. The process will display the results along with detailed errors if there are any. The process will be logged and a copy of the text file archived. These logs and archives are managed within the application and do not require a separate application.

l. Required Skills to Maintain and Enhance the System

Required skills needed to maintain and enhance the system are a basic knowledge of the Windows system. As a further benefit of the web based nature of TruePoint's software, we are frequently able to assist our customers with enhancements remotely.

m. Upgrade Policies, Frequencies and Costs

TruePoint rolls out two primary releases during a year, along with "as-needed" service upgrades. Service upgrades contain bug fixes and minor enhancements. This method of improving our product continues to give us the flexibility essential to producing consistent and quality software, while delivering enhancements or fixes in an appreciably expedited manner. Due to the nature of web based software, TruePoint will typically install software in a test environment for the customer remotely. When customer is assured the functionality is appropriate, the software will be applied to the production environment.

n. Software Licensing

TruePoint licenses our software differently than most of the other providers. We offer an enterprise license (meaning there won't be any additional 'seats' required as the number of users grows) and it's a perpetual use license. This means that once the license has been paid for, the District has the right to use the product forever (assuming no breach of contract issues arise). A Software Maintenance Agreement (SMA) is required for the first year, and highly recommended annually after that initial term.

o. Warranty and support

TruePoint software maintenance contracts are annual agreements that entitle the licensed user to a number of benefits. Some of these benefits include: software updates, technical support, error correction, and related application upgrades to support new platform technologies (operating system and database as examples). Contracts typically begin the first business day of the month in which the solution is placed into production and continue for 12 months.

Software maintenance contracts are renewable each year by prepayment of an annual fee. TruePoint will notify customers via invoice well in advance of the contract renewal date. If PWD does not want to continue the SMA then the District would provide TruePoint with written notification. Failure to pay the renewal fee promptly may result in a contract being suspended or terminated altogether.

Contract rates are calculated as a percentage of the total list price of TruePoint software installed at a site. The percentage to be applied is 20%. Additional software purchased in the mid-term of a contract cycle will be taken into account upon production use and its rate will be calculated on a pro-rata basis until the next contract renewal date, after which it will revert to the full rate.

A TruePoint software maintenance contract relates to TruePoint software only. It does not provide support coverage for any hardware (i.e. computers, sampling equipment etc.) or third-party software products.

TruePoint will ensure faults are fixed in the product in a timely fashion as to minimize any operational impact. Due to the nature of software, TruePoint cannot guarantee that the product will be entirely free of faults at all times but TruePoint will contractually obligate the company to provide corrections as promptly as possible.

Phone Support – Telephone hotline support is available from Monday to Friday, between the hours of 8am and 5pm (PST), and provides customers with assistance and information about the general use of the TruePoint software. A number of our customers also utilize email to submit questions or software concerns as this is also a viable support mechanism. All support calls will be dealt with as promptly as possible. As a courtesy to other callers, training cannot be handled over the phone. Phone support is not available during weekends and public holidays. TruePoint will work with PWD to provide coverage for pre-arranged mission critical tasks which may occur after normal business hours.

We will provide further specific details in the pricing section of our proposal for ongoing Configuration Support. We are confident that the District will be comfortable with the level of services and responsiveness you receive from TruePoint. Our goal is to exceed your expectations.

TruePoint intends to negotiate the final language of the SMA once we have been selected as the vendor of choice. We have attached a sample copy of our Maintenance Agreement in Section 11 (Legal Documents and Compliance Reports as Requested) of this proposal.

p. System Documentation

TruePoint has developed highly intuitive screens and wizards which are used to offset the need for more traditional documentation and paper manuals. We do have a series of ‘process documents’ which can be used as supporting information for a user with questions about a particular task. We would be willing to work with the District to develop PWD specific documentation and process workflows – but this has not been included in our proposed pricing.

Software updates are released twice a year and these new software releases would include updated information as indicated above.

We currently do not provide the standard hardcopy output documentation. Our documentation is an online solution, our goal is to have the system be intuitive and have “how to/what is” explanations as part of the screen. The online content could be extracted into Word or PDF format.

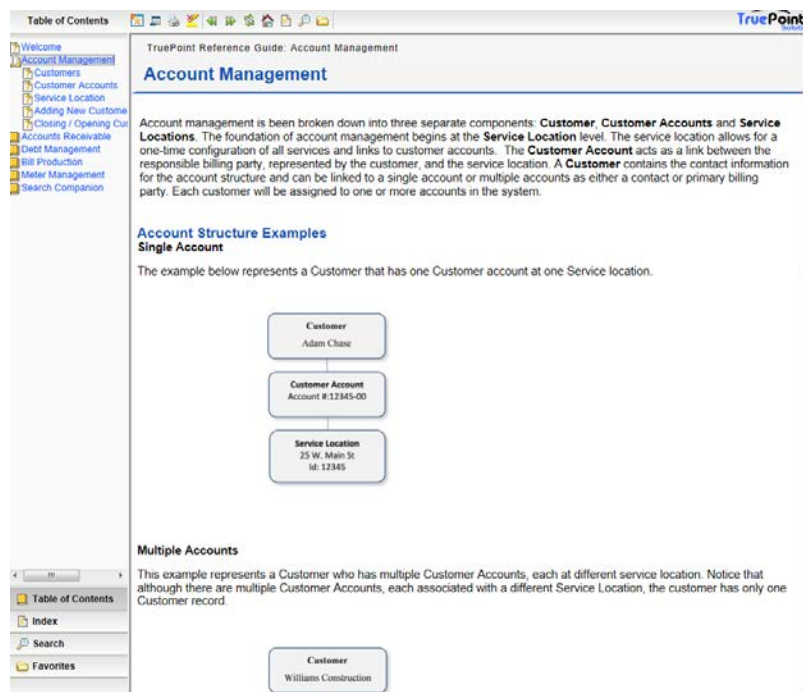


Figure 17 - Online Documentation

q. Report Families

Reports, data exports, and integration files can be created using many available off-the-shelf report writers including; Cognos, SQL Reporting Services, Crystal Reports and many others.

Data can be exported to Microsoft Office related products such as Excel and Word.

In the following table, we have included a list of TrueBill standard report families. It should be noted that this is not an exhaustive list. There are a MANY additional reports not included which have been created by both TruePoint and TruePoint customers.

- Account Management
- Debt Management
- Bill Production
- Accounts Receivable

5. Project Implementation Plan

TruePoint has provided in Appendix 7.3 which contains our Project Implementation Plan.

**CIS Software Implementation
Roles and Responsibilities**

Task Title	Client's Role	Vendor's Role	Staffing	Hours
Implementation				
<u>PROJECT INITIATION / KICKOFF MEETING</u>				
<p>This stage is defined as the Project Initiation and first on-site meeting to be held between TruePoint and PWD. Project initiation includes the development of Project Management documents such as the Project Plan and the related Project Management throughout the duration of the project. TruePoint has quoted 67 hours to this task.</p> <p>The Kickoff Meeting is a three to four day event that includes formal introductions between key resources of the parties.</p> <p>In order to minimize project costs, it is assumed that the Project Kickoff Meeting will be held the same week that the TruePoint project team is on site for the first time engaging in Analysis work sessions.</p>				
	<p align="center"><u>PWD's Role</u></p> <ul style="list-style-type: none"> • Provide timely and appropriate responses to TruePoint's request to schedule kickoff meetings • Make available the appropriate PWD key personnel to participate • Provide adequate meeting facilities 	<p align="center"><u>TruePoint's Role</u></p> <ul style="list-style-type: none"> • Provide timely and appropriate responses to PWD's request for information • Provide TruePoint Automation product demonstration • Present to PWD the TruePoint Implementation Methodology that will be used by TruePoint to deliver Services • Lead a discussion of estimated timeline for the Services 	<ul style="list-style-type: none"> • TruePoint Project Manager • PWD Staff 	180 Hours
<u>System Analysis</u>				
<p>During the System Analysis stage, TruePoint will conduct interviews with key representatives from the Agency to learn more about current business operation. This knowledge will then be incorporated into configuration analysis documents to be used for the configuration.</p> <p>Objectives</p> <ul style="list-style-type: none"> • Identify the detailed system requirements for all in-scope interfaces, conversions, and reports • Define and agree upon best methodologies for configuring the software 				

CIS Software Implementation Roles and Responsibilities

Task Title	Client's Role	Vendor's Role	Staffing	Hours
	<ul style="list-style-type: none"> • Provide timely and appropriate responses to TruePoint's request for information • Make available the appropriate PWD key users and content experts to participate in the configuration analysis and verify the accuracy of the documented workflows, input/output formats, and data elements • Provide the relevant, documented business processes and data requirements at the beginning of the workshops • Identify and make available staff members who will work with TruePoint through this process and take responsibility for providing information for and validating the configuration • Arrange the time for qualified decision makers and business experts for the design review/configuration analysis sessions that are critical to project success 	<ul style="list-style-type: none"> • Review all system requirements • Interview staff and review reporting requirements • Evaluate the Agency technology infrastructure 	<ul style="list-style-type: none"> • TruePoint Project Manager • PWD Staff 	120

**CIS Software Implementation
Roles and Responsibilities**

Task Title	Client's Role	Vendor's Role	Staffing	Hours
<u>CONFIGURATION</u>				
<p>TruePoint will provide professional services to install software and configure TrueBill in accordance with requirements established and agreed upon during the System Configuration Analysis effort. Once the system configuration is in place TruePoint will convert necessary data from the legacy system.</p>				
<p>Core TruePoint configuration is comprised of the following elements that provide the framework for the system:</p>				
<ul style="list-style-type: none"> • Successful installation of the TruePoint software in the Agency's environment <ul style="list-style-type: none"> • The following is a summary of the installation: • Database Server (Windows Server 2003/2008) <ul style="list-style-type: none"> • SQL Server 2005/2008 • Microsoft SQL Server Management Studio • Reporting Services Configuration • SQL Server Profiler • All the default tools that come with SQL Server 2005 • Microsoft Distributed Transaction Coordinator • .NET Framework 2.0 • Application Server (Windows Server 2003/2008) <ul style="list-style-type: none"> • .NET Framework 2.0 32 bit • J# 2.0+ • IIS 6/7 • Microsoft Distributed Transaction Coordinator • Reporting Services 2005/2008 • Domain user groups: TruePoint Security Admin, TruePoint Reports • Adobe Reader • Report Viewer Control • Extract the files from the new release of the TrueBill software into the appropriate folder and server. • Complete and test the configuration of the TruePoint suite of products to meet the requirements 				

CIS Software Implementation Roles and Responsibilities

Task Title	Client's Role	Vendor's Role	Staffing	Hours
	<p>PWD Responsibilities:</p> <ul style="list-style-type: none"> • Provide timely and appropriate responses to TruePoint's request for information • Make available the appropriate PWD key users and content experts to participate in the configuration analysis and verify the accuracy of the documented workflows, input/output formats, and data elements • Provide the relevant, documented business processes and data requirements at the beginning of the workshops • Identify and make available staff members who will work with TruePoint through this process and take responsibility for providing information for and validating the configuration • Arrange the time for qualified decision makers and business experts for the design review/configuration analysis sessions that are critical to project success • Unit testing and final system testing of the configuration 	<p>TruePoint Responsibilities:</p> <ul style="list-style-type: none"> • Provide timely and appropriate responses to PWD's requests for information • Lead the Analysis and Configuration Review workshops • Provide recommendations based on industry best practices • Work with PWD to define business processes • Work with PWD to configure the system • Assign and schedule appropriate TruePoint resources 	<ul style="list-style-type: none"> • TruePoint Project Manager • PWD Staff 	<p>240</p>

**CIS Software Implementation
Roles and Responsibilities**

Task Title	Client's Role	Vendor's Role	Staffing	Hours
<u>REPORT DEVELOPMENT</u>				
<p>This service consists of TruePoint Consultation for Report Development. This includes, but is not limited to the following type of activities:</p> <ul style="list-style-type: none"> • Creation of report documentation which includes identification and analysis of PWD specific reports (which include Financial reports) • Report development • Reviewing and auditing PWD developed reports • Quality Assurance <p>Reports are an integral part of the TruePoint solution. It is important to ensure that PWD develop internal resources that are competent and confident in the report development.</p> <p>Together, PWD and TruePoint Project Management will determine the best approach for the purpose of report development and training. TruePoint has quoted 80 hours to this task.</p>				
	<p><u>PWD Responsibilities:</u></p> <ul style="list-style-type: none"> • Allocate the time for qualified business experts for the report specifications • Allocate the time for qualified IT experts for the report development • Ensure that the reports are developed accurately and to specification 	<p><u>TruePoint Responsibilities:</u></p> <ul style="list-style-type: none"> • Provide timely and appropriate responses to PWD's request for information • Assign and schedule appropriate TruePoint resources 	<ul style="list-style-type: none"> • TruePoint Project Manager • PWD Staff 	<p>Included in our services total</p>
<u>IT SYSTEM GROUP TRAINING</u>				
<p>This deliverable focuses on preparing PWD Super Users (IT Support, Project Management, etc.) to support the implementation Project. This course will cover the basics of system and network configuration. TruePoint has quoted for 16 hours of Training, the actual distribution of Training hours between Administration/End Users has yet to be determined.</p>				

**CIS Software Implementation
Roles and Responsibilities**

Task Title	Client's Role	Vendor's Role	Staffing	Hours
	<p><u>PWD Responsibilities:</u></p> <ul style="list-style-type: none"> When appropriate, properly select and prepare the power-users and/or administrators who will be participating in the training and subsequently training other administrators Arrange the time and qualified people for the training who are critical to the project success Provide suitable PWD facilities to accommodate various training classes Users must be proficient in using PC's in a Windows environment Users must be familiar with use of standard Internet browsers 	<p><u>TruePoint Responsibilities:</u></p> <ul style="list-style-type: none"> Provide timely and appropriate responses to PWD's request for information Assign and schedule appropriate TruePoint resources Deliver current training documentation in a format that can be used to customize the documentation 	<ul style="list-style-type: none"> TruePoint Project Manager PWD Staff 	80 Hours
<u>APPLICATION USER TRAINING</u>				
<p>This deliverable focuses on preparing application users to use the software for daily operations. This course will cover the basics of Application Usage and key components of the software. TruePoint best practices have proven that class sizes no larger than 12 participants are more successful with students who meet the pre-requisites of the course.</p>				

**CIS Software Implementation
Roles and Responsibilities**

Task Title	Client's Role	Vendor's Role	Staffing	Hours
	<p>PWD Responsibilities:</p> <ul style="list-style-type: none"> When appropriate, properly select and prepare the power-users who will be participating in the training and subsequently training End Users Arrange the time and qualified people for the training who are critical to the project success Provide suitable PWD facilities to accommodate various training classes Users must be proficient in using PC's in a Windows environment Users must be familiar with use of standard Internet browsers 	<p>TruePoint Responsibilities:</p> <ul style="list-style-type: none"> Provide timely and appropriate responses to PWD's request for information Assign and schedule appropriate TruePoint resources Deliver current training documentation in a format that can be used to customize the documentation 	<ul style="list-style-type: none"> TruePoint Project Manager PWD Staff 	200 Hours
<p><u>TRUECIP WEB INTERFACE</u></p> <p>This deliverable includes the configuration and installation of TrueCIP online portal interface. TruePoint will work directly with PWD to help ensure that the online portal is communicating with the TrueAIM database and that online access is functioning properly.</p>				
	<p>PWD Responsibilities:</p> <ul style="list-style-type: none"> Provide network administrator access and support to help ensure TruePoint can install and configure the web portal interface Provide timely and appropriate responses to TruePoint's request for information Confirm web portal interface is installed and working correctly Provide adequate notification and access for customers that will be using the web portal 	<p>TruePoint Responsibilities:</p> <ul style="list-style-type: none"> Provide timely and appropriate responses to PWD's requests for information Assign and schedule appropriate TruePoint resources Install and configure TrueCIP online portal interface Conduct the initial unit testing of TrueCIP online portal interface 	<ul style="list-style-type: none"> TruePoint Project Manager PWD Staff 	Included in our services total.

CIS Software Implementation Roles and Responsibilities

Task Title	Client's Role	Vendor's Role	Staffing	Hours
<u>DATA CONVERSION</u>				
<p>This deliverable includes analysis, requirements documentation and conversion of the data from the Legacy systems data format into the TruePoint data format. TruePoint will work directly with PWD to determine what data will be converted in the analysis phase, which will result in a requirements document being created and approved by both parties. After that, TruePoint and PWD will work together to perform all the data mapping requirements for the conversion. This task will include building the scripts to execute the data conversion as defined by the agreed upon requirements document. TruePoint has quoted 240 hours to be dedicated to this task.</p>				
	<p>PWD Responsibilities:</p> <ul style="list-style-type: none"> • Oversee the functional testing of conversions • Provide timely and appropriate responses to TruePoint's request for information • Allocate the time for qualified business and technical experts for the testing sessions that are critical to the project success • Execute the Functional Test Plan and allocate the time for qualified personnel to test the conversion 	<p>TruePoint Responsibilities:</p> <ul style="list-style-type: none"> • Provide timely and appropriate responses to PWD's request for information • Assign and schedule appropriate TruePoint resources • Lead the development of the data mapping documents which includes scheduling appropriate meetings to define and document conversion requirements • Lead the development of the conversions • Assist PWD with troubleshooting any issues with the conversion 	<ul style="list-style-type: none"> • TruePoint Project Manager • PWD Staff 	540 Hours
<u>INTERFACES</u>				
<p>This deliverable includes the analysis, requirements documentation and development of the interfaces to PWD's financial and cash accounting systems. TruePoint will work directly with PWD in defining the specifications and requirements for these interfaces (which will be incorporated into the requirement documents) as well as designing and troubleshooting the interfaces. TruePoint has quoted 300 hours to be dedicated to this task.</p>				

**CIS Software Implementation
Roles and Responsibilities**

Task Title	Client's Role	Vendor's Role	Staffing	Hours
	<p><u>PWD Responsibilities:</u></p> <ul style="list-style-type: none"> • Provide timely and appropriate responses to TruePoint's request for information • Oversee the functional testing of the interfaces • Allocate the time for qualified personnel to test and verify the interfaces • Allocate the time for qualified business and technical experts for the interface requirements sessions that are critical to the project success 	<p><u>TruePoint Responsibilities:</u></p> <ul style="list-style-type: none"> • Provide timely and appropriate responses to PWD's request for information • Assign and schedule appropriate TruePoint resources • Lead the development of the interfaces • Assist PWD in troubleshooting any issues found in the functional testing of the interfaces 	<ul style="list-style-type: none"> • TruePoint Project Manager • PWD Staff 	<p>Included in our services total.</p>
<p><u>USER ACCEPTANCE TESTING</u></p> <p>This Deliverable is defined as the consultation and support provided by TruePoint during the User Acceptance Testing (UAT) Period. User Acceptance Testing will be conducted throughout the project lifecycle as configuration, conversion and interfaces are developed and implemented.</p>				
	<p><u>PWD Responsibilities:</u></p> <ul style="list-style-type: none"> • Make available the appropriate PWD key users and content experts to participate in user acceptance testing as defined and managed by PWD • Communicate any issues found in the acceptance testing to PWD management and TruePoint • Make sure that TruePoint has remote network access for reviewing and troubleshooting any issues found by PWD 	<p><u>TruePoint Responsibilities:</u></p> <ul style="list-style-type: none"> • Provide timely and appropriate responses to PWD's request for information • Assign and schedule appropriate TruePoint resources • Provide UAT support and oversight • Facilitate UAT completion 	<ul style="list-style-type: none"> • TruePoint Project Manager • PWD Staff 	<p>360 Hours</p>

CIS Software Implementation Roles and Responsibilities

Task Title	Client's Role	Vendor's Role	Staffing	Hours
<u>GO-LIVE SUPPORT</u>				
<p>This Deliverable is defined as the official date in which TruePoint's products Go Live for daily PWD usage and will involve both onsite and remote support. This date will be agreed to by both TruePoint and PWD and will be included in the Project Plan.</p>				
	<p><u>PWD Responsibilities:</u></p> <ul style="list-style-type: none"> • Make available the appropriate PWD key users and content experts to participate in Go-Live acceptance testing as defined and managed by PWD • Provide TruePoint onsite staff with reasonable access to its equipment, systems, personnel, and facilities to complete Go-Live • Make sure that TruePoint offsite staff have remote network access for reviewing and troubleshooting any issues that may arise during Go-Live 	<p><u>TruePoint Responsibilities:</u></p> <ul style="list-style-type: none"> • Provide timely and appropriate responses to PWD's request for information • Assign and schedule appropriate TruePoint resources • Provide support to end user functional questions • Assist with issues that may arise during the Go-Live • Performance monitoring of the system 	<ul style="list-style-type: none"> • TruePoint Project Manager • PWD Staff 	80 Hours
<u>POST DEPLOYMENT SUPPORT</u>				
<p>This Deliverable is defined as the TruePoint support immediately following Go-Live. During this Post Deployment Support period, a formal meeting will be scheduled with PWD and TruePoint team to set standards for ongoing phone support from TruePoint.</p> <p>TruePoint will work with PWD to identify and address issues identified during this period using the Post Production issues List. All issues identified that are within scope of this Project Charter will be added to the list.</p>				

**CIS Software Implementation
Roles and Responsibilities**

Task Title	Client's Role	Vendor's Role	Staffing	Hours
	<p><u>PWD Responsibilities:</u></p> <ul style="list-style-type: none"> • Make available the appropriate PWD key users and content experts to participate in Post Deployment support • Make sure that TruePoint staff has remote network access for reviewing and troubleshooting any issues that may arise following Go-Live 	<p><u>TruePoint Responsibilities:</u></p> <ul style="list-style-type: none"> • Provide timely and appropriate responses to PWD's request for information • Assign and schedule appropriate TruePoint resources • Provide support to End Users functional questions • Assist with issues that may arise during the specified period agreed upon by PWD and TruePoint following Go-Live • Continue performance monitoring of the system 		80 Hours

6. Description of Service Team Experience and Capabilities

a. Project Staffing Plan

As we have mentioned above, TruePoint's talented staff has an exceptional resume of specific industry expertise to help your agency achieve success. We want to do more than just suggest or recommend a solution; we want to provide the products and services that become a cornerstone of the foundation of your information systems solutions.

The following individuals will all play a part in the successful implementation of TruePoint's software at PWD. It should be noted that a number of these individuals will be playing advisory, non-billable, roles. We would like to make it unmistakably clear that the District will have the full support of the TruePoint Team – from Account Executive, Glenn Mathes, all the way up to our firm's Chief Executive Officer, Kent Johnson.

b. Team Member and Role

The following list comprises the individuals we expect to contribute to PWD's TruePoint implementation. We have included resumes for those individuals likely to play key roles in this engagement – Jay Lum and Jason Reliford:

- Jay Lum – Project Manager
- Jason Reliford – Implementation Consultant
- Kent Johnson , CEO – Executive Sponsor
- Robert Strouse, CTO – Project Director
- Glenn Mathes – PWD Account Executive

c. Resumes and Relevant Experience

TruePoint's resumes begin on the following page.

JAY LUM**Project Manager**

Profile

Jay is a dedicated Information Technology Professional with a combined 25 years' experience in project management, systems implementation, and support. Jay has repeatedly demonstrated his effectiveness by taking complete ownership of any project under his charge. The depth of Jay's knowledge and participation in his projects extends throughout all levels of project role and responsibility. His personal and professional skills have aided him in effectively communicating with clients and team members, easily interfacing between the technical and non-technical.

EXPERIENCE:**Senior Implementation Consultant, TruePoint Solutions****Loomis, CA****2008 – Current**

Managed and worked on TruePoint Solution's software Agricultural & Billing projects and Accela Asset Management implementations.

Notable Projects

- Elk Grove Water District, CA
- Black Canyon Irrigation District, ID
- San Benito County Water District, CA
- El Paso, TX
- Watertown, WI
- South San Joaquin Irrigation District, CA
- Modesto Irrigation District, CA
- Horseshoe Bay, TX
- Maryland Heights, MO
- Central Nebraska Public Power

Responsibilities included:

- Act as the project manager, business analyst, configuration specialist, report developer, data conversion specialist and/or quality assurance specialist in solo or team projects.
- Assisted on implementing TruePoint Solutions initial Water Utility Billing project.
- Develop, maintain and implement project timelines and deliverables
- Manage end user support procedures and productivity

Infor (formerly Hansen Information Technologies)**Rancho Cordova, CA****2007 – 2008**

Managed Public Works migration projects from Hansen V7 (client-server) to Hansen 8 (web-based)

Notable Projects

- City of Tempe, AZ
- City of Lincoln, NE
- City of Mississauga, Ontario Canada
- Loudoun County Sanitation Authority, VA
- City of Simi Valley, CA
- City of Calgary, Alberta Canada

Responsibilities included:

- Acted as the project manager, business analyst, configuration specialist, and quality assurance specialist in team projects.
- Developed, maintained and implemented project timelines and deliverables
- Maintained system life cycle procedures and documentation

Hansen Information Technologies**Sacramento, CA****1987- 2007****Senior Project Manager 2000 - 2007**

Managed small to middle size projects implementations

Notable Projects

- City of Las Vegas, NV
- City of Portland, OR
- City of Austin, TX
- Sacramento County, CA
- City of Virginia Beach, VA
- City of Boca Raton, FL
- Henrico County, VA
- City of Atlanta, GA

Responsibilities included:

- Developed and maintained project timelines
- Analyzed and streamlined client business processes
- Created business requirement, conversion and interface specification documentation
- Developed system configuration and conversion, interface and trigger program code
- Supported Production "go lives"

Developer, Conversion Specialist & Systems Consultant 1987 - 2000

Programmer for legacy Hansen software, responsible for implementing client upgrades through various versions of the Hansen software.

COMPUTER SKILLS:

- Programming Languages: PL/SQL, Visual Basic, Cobol, Transact SQL
- Database Platforms: Oracle 7-10g, Access 2.0/97/2000, MS SQL Server 7 - 2008
- Operating Systems: Windows NT/98/2000/XP/Vista/7
- Office Applications: MS Project, Visio, MS Word, MS Excel, PowerPoint
- Other Software: Crystal Reports, P/L SQL Developer, Microsoft SQL Server Reporting Services, Hansen 5.x/6.x/7.x/8.x, Accela Automation Classic/V360

EDUCATION:

Bachelors of Science, Computer Science
California State University, Sacramento, CA
Graduated: 1987

JASON RELIFORD
SOLUTIONS CONSULTANT

PROFILE

For over 14 years now Jason has provided his expertise as a professional trainer, implementation consultant, and documentation expert. Jason began his career providing assessments of the needs and requirements for the development of training solutions. He also provided business analysis for software configuration, business analysis of new acquisitions to ensure that the business units were set up to meet their pro forma expectations. Jason's tenure at TruePoint began with the deployment of an intranet site to TruePoint's customers that contain reference documentation to the company's software products.

PROFESSIONAL EXPERIENCE**TruePoint Solutions**
Solutions Consultant
Loomis, CA**January 2015 – Present**

Participate in discovery sessions to understand the client's business objectives and system needs. Provide a comprehensive and focused product demonstration configured and delivered based on specific needs of the individual agency. Manage post go-live technical support for new customers that have not been transitioned to the TruePoint helpdesk. Work with implementation teams to provide insight into customer specific procedures obtained throughout the sales process. Provide technical training for new and existing customers. Organize and manage company's annual user group.

Notable Projects include:

- City of Meridian – TruePoint Utility Billing implementation
- Sacramento Suburban Water District – TruePoint Utility Billing implementation
- Elk Grove Water District – TruePoint Utility Billing implementation
- Kennewick Irrigation District – TruePoint Utility Billing implementation

TruePoint Solutions
Implementation Consultant
Loomis, CA**January 2012 – December 2014**

Create and manage product reference material for the company's core software solutions. Provide Tier 1 and Tier 2 product support for the company's customer base. Design and deliver product demonstrations to potential customers. Organize and manage company's annual user group.

Notable Projects include:

- Sacramento Suburban Water District – TruePoint Utility Billing implementation
- Elk Grove Water District – TruePoint Utility Billing implementation
- Kennewick Irrigation District – TruePoint Utility Billing implementation

Sky Walk, Inc.
Certified Flight Instructor, ASEL
Sacramento, CA**July 2010 – Present**

Provided classroom and flight instruction for private pilot and commercial pilot applicants. Continually updated and modify training curriculum and syllabus to meet FAA training standards and ensured training approach fits the needs of the individual students.

Ten2Eleven Business Solutions, LLC
Business Development Specialist
Sacramento, CA

December 2008 – June 2010

Provided on-site training and phone support for custom software applications. Identified and secured new business in accordance with the company's strategic plan. Conducted needs assessment and presented solutions for potential and existing clients. Compiled testing plans to ensure quality in the development of new software applications. Worked with development team on the user interface and functionality of new software applications. Served as liaison between Ten2Eleven and its clients to ensure that needs are met in a timely manner and projects stay on task and on budget.

Waste Connections, Inc.
Operations Integration Analyst
Folsom, CA

January 2006 – December 2008

Provided business analysis of new acquisitions to ensure that the business units are initially set up to meet their pro forma expectations. Analyzed P&L trends to identify shortfalls in budget estimates for each of the company's individual locations. Compiled analytical reports for senior level management, including but not limited to, CEO, COO and CFO. Analyzed and restructured district level routing with the use of GIS technology. Worked with underperforming districts to find solutions to operational and financial performance challenges. As a trainer, Jason provided assessment to the needs and requirements for the development of training solutions. Provided business analysis for software configuration. Configured software and database for individual training environments and final go-live. Managed diverse conversion projects with focus on achieving standard implementation results in operating environments with unique requirements. Delivered on-site and online training of corporate AR, budget plan tracking and reporting software. Supervised corporate training team to ensure seamless customer transitions from acquired legacy billing systems to corporate AR software.

Waste Connections, Inc.
Technical Training Manager
Folsom, CA

February 2001 – January 2006

Supervise corporate training team to ensure seamless customer transitions from acquired legacy billing systems to corporate AR software. Manage diverse conversion projects with focus on achieving standard implementation results in operating environments with unique requirements. Provided onsite and online training of corporate AR, budget plan tracking and reporting software for customer. Design and develop instructor-independent training materials including software manuals, help files and policy and procedure manuals. Implemented workflow and operational procedures to integrate existing operations practices into new software paradigm for largest acquisition to date.

7. On-Going Product Support & Maintenance Programs

TruePoint software maintenance contracts are annual agreements that entitle the licensed user to a number of benefits. Some of these benefits include: software updates, technical support, error correction, and related application upgrades to support new platform technologies (operating system and database as examples). Contracts typically begin the first business day of the month in which the solution is placed into production and continue for 12 months.

Software maintenance contracts are renewable each year by prepayment of an annual fee. TruePoint will notify customers via invoice well in advance of the contract renewal date. If PWD does not want to continue the SMA then the District would provide TruePoint with written notification. Failure to pay the renewal fee promptly may result in a contract being suspended or terminated altogether.

Contract rates are calculated as a percentage of the total list price of TruePoint software installed at a customer site. The percentage to be applied is 20%. Additional software purchased in the mid-term of a contract cycle will be taken into account upon production use and its rate will be calculated on a pro-rata basis until the next contract renewal date, after which it will revert to the full rate.

A TruePoint software maintenance contract relates to TruePoint software only. It does not provide support coverage for any hardware (i.e. computers, sampling equipment etc.) or third-party software products.

TruePoint will ensure faults are fixed in the product in a timely fashion as to minimize any operational impact. Due to the nature of software, TruePoint cannot guarantee that the product will be entirely free of faults at all times but TruePoint will contractually obligate the company to provide corrections as promptly as possible.

Phone Support – Telephone hotline support is available from Monday to Friday, between the hours of 8am and 5pm (PST), and provides customers with assistance and information about the general use of the TruePoint software. A number of our customers also utilize email to submit questions or software concerns as this is also a viable support mechanism. All support calls will be dealt with as promptly as possible. As a courtesy to other callers, training cannot be handled over the phone. Phone support is not available during weekends and public holidays. TruePoint will work with the District to provide coverage for pre-arranged mission critical tasks which may occur after normal business hours.

We will provide further specific details in the pricing section of our proposal for ongoing Configuration Support. We are confident that the District will be comfortable with the level of services and responsiveness you receive from TruePoint. Our goal is to exceed your expectations.

8. Description of On-Going Training Programs

TruePoint offers three different levels of training, Admin, Tech, and End User. We have proposed to provide a good deal of training to the District as part of this implementation effort – but it is our expectation that the content and category of training will be established by the joint project team to best meet the needs of the District. We expect most of this training to be conducted onsite at the District's facilities. We will provide onsite Product training for up to 20 users.

TruePoint is available to provide ongoing training and refresher courses to the Agency should that be desired. We would be available to provide this training onsite, host staff at our offices, or perform training sessions over the web – whichever is more applicable to the District's needs at the time. These additional efforts have not been priced in our proposal response.

We provide ongoing classes to TruePoint Customers throughout the year as needed either onsite or at our corporate office depending on availability.

b. Vendor Profile Questionnaire (Appendix 7.2)

Question	Answer																				
Organization name and corporate location	<p>TruePoint Solutions:</p> <p>Loomis, CA 3262 Penryn Rd. Ste. 100B Loomis, CA 95650 (916) 577-1470 office (916) 256-1975 fax</p> <p>Tucson, AZ 7650 East Broadway Blvd Suite 101 Tucson, AZ 85710 (520) 300-4175</p> <p>Incline Village, NV 774 Mays Blvd, #10-377 Incline Village, NV 89451</p>																				
Role in proposed project	Prime Contractor																				
What is your organizations primary business?	TruePoint Solutions is a California software and services company, solely focused on Information Technology Solutions for local government agencies, water companies and special districts.																				
Is your organization a subsidiary to a larger parent company? If so, Whom?	No. N/A																				
Length of time your organization (not parent) has been in business providing this software solution?	10+ years																				
Organization ownership	Limited Liability Company																				
Number of employees: <ul style="list-style-type: none"> • Total • Development • Product Support • Professional Services <p><i>* Note: Numbers provided for employees in these groups are not mutually exclusive.</i></p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 20%; text-align: center;"><u>California</u></th> <th style="width: 20%; text-align: center;"><u>U.S.</u></th> <th style="width: 30%; text-align: center;"><u>Worldwide</u></th> </tr> </thead> <tbody> <tr> <td>• Total</td> <td style="text-align: center;">28</td> <td style="text-align: center;">49</td> <td style="text-align: center;">49</td> </tr> <tr> <td>• Development</td> <td style="text-align: center;">7</td> <td style="text-align: center;">7</td> <td style="text-align: center;">7</td> </tr> <tr> <td>• Product Support</td> <td style="text-align: center;">3</td> <td style="text-align: center;">3</td> <td style="text-align: center;">3</td> </tr> <tr> <td>• Professional Services</td> <td style="text-align: center;">18</td> <td style="text-align: center;">33</td> <td style="text-align: center;">33</td> </tr> </tbody> </table>		<u>California</u>	<u>U.S.</u>	<u>Worldwide</u>	• Total	28	49	49	• Development	7	7	7	• Product Support	3	3	3	• Professional Services	18	33	33
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Office locations U.S.	<p>Loomis, CA 3262 Penryn Rd.</p>																				

Question	Answer								
	<p>Ste. 100B Loomis, CA 95650 (916) 577-1470 office (916) 256-1975 fax</p> <p>Tucson, AZ 7650 East Broadway Blvd Suite 101 Tucson, AZ 85710 (520) 300-4175</p> <p>Incline Village, NV 774 Mays Blvd, #10-377 Incline Village, NV 89451</p>								
<p>Financial strength:</p> <ul style="list-style-type: none"> • Total Revenue • License Revenue • Services Revenue • Maintenance Rev. • Net Profit • Actual Solution R&D Spending 	<table border="1"> <thead> <tr> <th><u>2011</u></th> <th><u>2012</u></th> <th><u>2013</u></th> <th><u>2014</u></th> </tr> </thead> <tbody> <tr> <td>\$4.5M</td> <td>\$5.4M</td> <td>\$6M</td> <td>\$5M</td> </tr> </tbody> </table> <p>TruePoint's revenue statements are not broken down along the lines of the requested categories.</p>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	\$4.5M	\$5.4M	\$6M	\$5M
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28	28								
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Question	Answer
Approximate frequency of major release upgrades	TruePoint rolls out two primary releases during a year, along with as-needed service upgrades – both of which are noted in the Support, Training and Maintenance Section. Service upgrades contain bug fixes and minor enhancements. This method of improving our product continues to give us the flexibility essential to producing consistent and quality software, while delivering enhancements or fixes in an appreciably expedited manner.
Average patches, service packs released each year.	See our response to “frequency of major release upgrades” above.
Discuss any partners, associations, and strategic relationships. Provide details on the nature of the relationship?	TruePoint is a Microsoft partner and a member of the Microsoft Developer Network. We have made a commitment to the Microsoft platform and we believe SQL Server to be the best database option available. TruePoint partners with Cityworks, Lucity, Infor and Accela to offer integrated CIS/CMMS solutions as well as being an ESRI Silver Partner. TruePoint also has successful relationships with Selectron (IVR) and Element Payment Services.
Range of services your organization offers	<p>TruePoint Solutions offers the expertise and experience clients need to ensure successful IT implementations, to streamline business processes and to capture data and information that allows for strategic planning, budgeting and more efficient day to day operations. These include the following:</p> <ul style="list-style-type: none"> • Accela: TruePoint Solutions is a platinum certified implementation partner for Accela and all Accela products. • Infor: TruePoint is considered a ‘Go To’ implementation partner for Infor PS (formerly Hansen) • Lucity (Formerly gbaMS): TruePoint Solutions is a certified implementer for Lucity (formerly GBA Master Series). • Application Development • Project Management • Business Process Review • Requirements/Needs Analysis
Does your organization provide application development services	Yes – as it relates to additions to our own product suite.
Web Site	www.truepointsolutions.com
Does your organization sponsor a users group that meets periodically? Please provide contact information.	Yes, Jason Reliford, jreliford@truepointsolutions.com
Describe your objective for the user group?	<p>The user group allows us to get to know our customer better, introduce new software features, and encourage collaboration with other members of the industry. Discussion topics include:</p> <ul style="list-style-type: none"> • Training on existing functionality • New software features

Question	Answer
	<ul style="list-style-type: none">• Group collaboration• End user feedback• Promoting users' getting better acquainted with the TruePoint team

c. Integration Partner Questionnaire

This does not apply to our proposal submittal.

What's on the Water Horizon?

PRELIMINARY TECHNICAL PROGRAM



2016

ANNUAL FALL CONFERENCE

OCTOBER 24-27, 2016

SAN DIEGO TOWN & COUNTRY HOTEL



TUESDAY SESSIONS

Session 1 - Safe Drinking Water Act Committee

1:30 PM - 2:00 PM

FEDERAL REGULATORY UPDATE

Corine Li, US EPA Region 9 (invited)

An update on current events and trends in federal regulations.

2:00 PM - 2:30 PM

STATE REGULATORY UPDATE

Cindy Forbes, California Division of Drinking Water

An update on current events and trends in federal regulations.

2:30 PM - 3:00 PM

1,2,3-TRICHLOROPROPANE MCL

Conny Mitterhofer, California Division of Drinking Water

California Division of Drinking Water

4:00 PM - 4:30 PM

RECYCLED WATER REGULATIONS UPDATE

Brian Bernardos,
California Division of Drinking Water

4:30 PM - 5:30 PM

LCR IMPLEMENTATION BEST PRACTICES

Danielle Blacet, California Municipal Utilities Association

Brent Alspach, Arcadis

California DDW (invited)

Los Angeles DWP (invited)

U.S.M.C. Camp Pendleton (invited)

San Francisco PUC (invited)

Panel Discussion on Lead & Copper Corrosion Issues. The panel will consist of representatives from water treatment & regulatory organizations and will also include a few water system representatives discussing their experiences since Flint in response to public and political scrutiny of Lead in their respective water systems and comment on the forthcoming California DDW Guidance on Lead Sampling in Schools..

Session 2 – Materials Performance

1:30 PM - 2:00 PM

PIPE MATERIAL DESIGN CONSIDERATIONS TO MAXIMIZE ENERGY SAVINGS & SUSTAINABILITY

John F. Johnson, McWane Ductile

The use of differing materials for distribution and transmission pipelines with equivalent outside diameters within water and waste water systems is many times deemed by the owners as an “apples to apples” comparison when evaluating the initial construction cost.

TUESDAY SESSIONS

2:00 PM - 2:30 PM

IS AGE JUST A NUMBER? ASSESSING REMAINING USEFUL LIFE OF PIPELINE INFRASTRUCTURE

Karyn Igar, Mesa Water District

How and why to develop and implement a non-destructive and destructive testing program to determine the remaining useful life of transmission mains, determination of which pipelines to test, determining inspection technology, choosing which destructive tests to run, and selecting a testing laboratory.

2:30 PM - 3:00 PM

HOW TO KNOW THAT YOUR SYSTEM IS ABOUT TO BLOW

Shonnie Cline, Syrinix, Inc.

Participants of this session will receive an overview of the type of data, the performance and practical application, as well as an overview of the cost/benefit realized through the utilization of newly available "Smart Water" pipeline monitoring technologies.

4:00 PM - 5:00 PM

CONDITION ASSESSMENT AND REPAIR OF LARGE DIAMETER WELDED STEEL PIPELINE UTILIZING MAGNETIC FLUX LEAKAGE

Rodney S. Woods, P.E., Moulton Niguel Water District

Preparation requirements for Magnetic Flux Leakage (MFL) inspection. How to extend the remaining service life utilizing AWWA M11 design standard and ASME B31.G corrosion assessment (identifying repair areas).

5:00 PM - 5:30 PM

AWWA C906 INTRODUCES 0.63: HOW ONE NUMBER UNLOCKED THE FULL POTENTIAL OF A MATERIAL'S PERFORMANCE CHARACTERISTIC

Chase Auansakul,
Chevron Phillips Performance Pipe

An update on the current published AWWA C906 standard, the distinguishing difference between design factor and safety factor of high performance piping materials, th3100 e comparison between pressure class and pressure rating and the introduction to pipeline fatigue design.

Session 3 – Pipeline Rehabilitation

1:30 PM - 2:00 PM

BUILDING A RESILIENT WATER DISTRIBUTION SYSTEM - THE L.A. STORY

Alvin Bautista,
Los Angeles Department of Water and Power

Participants will learn about the complexity of the Los Angeles Department of Water and Power's (LADWP) water distribution system, how this asset is managed, and the resources needed for maintenance and/or replacement. Discussion will be provided on the different sets of challenges faced by LADWP in upgrading its infrastructure, and the toolbox of options the utility uses to achieve its infrastructure replacement and rehabilitation goals. Examples and lessons learned from project applications will be provided in the presentation.

TUESDAY SESSIONS

2:00 PM - 2:30 PM

WATER MAIN REHABILITATION IN AMERICAN CANYON USING PIPE BURSTING

Jason Holley, City of American Canyon and
Bo Botteicher, Underground Solutions, Inc.

Participants will learn about how the City of American Canyon, CA rehabilitated a critical potable water steel pipeline in 90 days via pipe bursting rehabilitation method, decision making process for pipeline rehabilitation that the City of American Canyon CA went through, as well as a review of construction sequencing, pipe material selection, and lessons learned.

2:30 PM - 3:00 PM

EAST BAY MUD'S EXPERIENCE WITH PREMATURE FAILURE OF COPPER WATER SERVICE LATERALS

Antonio Martinez,
East Bay Municipal Utility District

Participants in this session will learn about a specific systemic issue related to materials performance of copper water service laterals in EBMUD's distribution system and how it impacts their operations, system performance, future. This presentation will review EBMUD's copper service line evaluation and replacement program, including analysis of the data gathered on the existing system. It will also review the rehabilitation methods that are being used to address the patterns of leaks that are found.

4:00 PM - 4:30 PM

PIPELINE PROBABILITY OF FAILURE METHODOLOGY, ANALYSIS, AND RESULTS

Andy Yang, San Jose Water and
Damaris Villalobos-Galindo, San Jose Water

Participants in this session will learn how San Jose Water Company (SJWC) formulated a customized probability of failure analysis using a neural network model to approximate a function that would best explain the relationships between pipeline failure and the different factors that contribute to the deterioration of water mains. The function obtained was then used to rank every pipe segment along the 2,400 mile long distribution system and, subsequently, assisted in planning the pipe replacement and rehabilitation program for SJWC.

4:30 PM - 5:00 PM

STATISTICS BEHIND REMAINING LIFE, WHY SAMPLES ARE IMPORTANT

Craig Daly, Pure Technologies

The purpose of this session is to provide a higher level understanding of the effects of sample size on widely used asset management tools to ensure their proper use in assisting decision making. This session will demonstrate how variations in the number of data samples can impact decision making with regard to asset renewal and maintenance. It will also focus on the quantity of data collected and data interpretation to demonstrate impacts to decision making.

TUESDAY SESSIONS

5:00 PM - 5:30 PM

ICE PIGGING

Kevin Barnes, Suez Water Advanced Solutions

This presentation describes a new sustainable technique for cleaning the potable water distribution system using slush ice called Ice Pigging. Ice Pigging has been proven to be between 100 and 1000 times more effective at removing sediment and biofilm than water flushing alone. The presentation will detail the science behind Ice Pigging how ice has been proven to clean more effectively than water, Ice Pigging Operation and applications and benefits.

Session 4 – Security and Emergency Planning

1:30 PM - 2:00 PM

A COLLABORATIVE APPROACH TO INFRASTRUCTURE RELIABILITY

Erin Baker, Santa Clara Valley Water District

How a water wholesaler worked with regional retail partners to optimize where infrastructure investments are needed to improve regional reliability in earthquake and super storm events.

2:00 PM - 3:00 PM

FIRE AND WATER WORKING TOGETHER TO KEEP THIRST AT BAY

Mary Ellen Carroll, San Francisco Public Utilities Commission and Erica Arteseros, San Francisco Fire Department

Participants will learn about collaboration between the San Francisco Public Utilities Commission and San Francisco Fire Department to address public

information, water quality, and alternate water delivery after a disaster.

4:00 PM - 5:00 PM

LESSONS LEARNED FROM THE INTENTIONAL DESTRUCTION OF A LARGE INFLATABLE DAM

Steve Dennis, Alameda County Water District (retired)

Participants will learn about the 2015 intentional act to destroy a large inflatable dam owned and operated by the Alameda County Water District. This session will present the event, the response actions taken, and information on the subsequent investigation which ultimately led to the arrest and conviction for those responsible.

5:00 PM - 5:30 PM

INNOVATIVE PREPAREDNESS AND RESPONSE PRACTICES TO SUPPORT WATER SYSTEM RESILIENCE

Christine Herndon, Herndon Solutions

Participants will learn security practices outside of AWWA/EPA guidelines. Presentation will focus on project progress and stimulate audience discussion and participation.

TUESDAY SESSIONS

Session 5A – Financial Management

1:30 PM - 2:00 PM

EQUITY CROWDFUNDING FOR WATER P3S

Brian Ross, InfraShares

Participants will learn the benefits and challenges associated with implementing crowdfunding for a water infrastructure P3 including discussions of stakeholder engagement, regulatory framework, financial structure, and crowdfunding platforms.

2:00 PM - 2:30 PM

FINANCIAL RESILIENCY & CONSERVATION PRICING AREN'T MUTUALLY EXCLUSIVE: DEVELOPING NEW SUSTAINABLE RATE STRUCTURE

Pierce Rossum, Carollo Engineers

Unprecedented conservation has revealed a critical revenue and expenditure misalignment. To address this we developed a Demand Charge, a new rate structure component that bridges the gap between the revenue stability of a fixed charge and the conservation messaging of a variable rate.

Session 5C – Water Loss Control

2:30 PM - 3:00 PM

NON-REVENUE WATER (NRW) IN THE FAST LANE - CITIZENS ENERGY GROUP TACKLES EFFECTIVE UTILITY MANAGEMENT OF NRW

Tory Wagoner, Cavanaugh and Associates

Both the positive and negative impacts associated with direct potable reuse on surface water treatment plant performance.

Session 5B – Operators

4:00 PM - 4:30 PM

AUTOMATIC CONTROL VALVES AND YOUR DISTRIBUTION SYSTEM. A CASE STUDY OF OPERATIONS, MAINTENANCE AND FAILURES

Randall Harris, California Water Service Company

Participants in this session will learn the importance of operator training and regularly scheduled maintenance and the effects of automatic control valve failure in a water distribution system.

4:30 PM - 5:00 PM

PIPELINE CONDITION ASSESSMENT

Catherine Lou, California Water Service Company

Participants will learn about the different pipeline condition assessment technologies. They will also gain a better understanding of what is involved in completing an assessment from the Operator/Utility side on various pipelines and the information that can be collected to use for planning pipeline replacement projects.

TUESDAY SESSIONS

Session 6 – Water Management and Efficiency

1:30 PM - 2:00 PM

OPTIONS FOR ADDRESSING CLIMATE CHANGE-DRIVEN WATER SUPPLY AND DEMAND IMBALANCES IN SAN DIEGO

Allison Danner, Bureau of Reclamation, Lower Colorado Regional Office and
Goldamer Herbon, City of San Diego, Public Utilities Department

Participants in this session will learn how climate change may impact the water supply system in the San Diego region, what the potential options are for addressing supply-demand imbalances, and how these options may perform if they are implemented.

2:00 PM - 2:30 PM

LEADING BY EXAMPLE - MEETING WATER-USE REDUCTION TARGETS WITH IN-HOUSE WATER EFFICIENCY

Sue Mosburg, Sweetwater Authority

Participants in this session will learn the importance of metering authorized unbilled water consumption and following water efficiency tips for Water Loss Control, compliance with state reduction targets, and public perception and education.

2:30 PM - 3:00 PM

YES, CONSERVATION PROGRAMS DO SAVE WATER!

Kat Wuelfing, Erler & Kalinowski, Inc. and
Andy Florendo, Solano County Water Agency

A pilot study examining single-family residential water use, the water conservation savings actually achieved

to date from the implementation of specific water conservation programs, and the remaining water conservation potential for a Northern California city.

4:00 PM - 4:30 PM

BECOMING DROUGHT PROOF - A HOLISTIC APPROACH FOR WATER MANAGEMENT

Sivan Cohen, Ayyeka Technologies

Participants in this session will learn about the state of critical water infrastructure in the U.S. and demonstrate how remote monitoring systems enable utilities to measure and monitor water supply and water use.

4:30 PM - 5:00 PM

MODERN TECHNIQUES IN WELL FIELD MANAGEMENT: PRODUCING THE MOST WATER AT THE LEAST COST

Dennis E. Williams, GEOSCIENCE Support Services, Inc.

Participants in this session will learn how to evaluate economic feasibility of operating a ground water supply system; how to maximize ground water production at the least cost; and how to determine whether to repair or replace pumps and whether to rehabilitate or replace wells.

TUESDAY SESSIONS

5:00 PM - 5:30 PM

DETERMINATION OF THE SUSTAINABLE YIELD AND USABLE STORAGE CAPACITY FOR THE YUCAIPA BASIN, YUCAIPA, CALIFORNIA

Dr. Johnson Yeh, GEOSCIENCE Support Services, Inc.

Participants in this session will learn the application of state of art tool various independent approach for evaluation of sustainable yield for a groundwater basin, application tool to calculate potential storm water capture for additional water supply and assessing usable groundwater basin storage capacity.

Session 7 – Engineering & Construction

1:30 PM - 2:00 PM

COMPREHENSIVE CONDITION ASSESSMENT OF FOREBAY OUTLET TOWER IN A SHORT SHUTDOWN WINDOW: A CASE STUDY

Dr. Graham Bell, HDR Engineering, Inc.

Participants in this session will learn about a case study focused on a comprehensive condition assessment of a partially submerged aged reinforced concrete structure performed in a short shutdown window. The methodology and results of field corrosion testing and laboratory analyses are presented.

2:00 PM - 2:30 PM

HEXAVALENT CHROMIUM COMPLIANCE FROM A WATER UTILITIES PERSPECTIVE

Nelson Lui, California Water Service Company

Participants will learn how a water utility maintained compliance with the Hexavalent Chrome regulation by partnering with a team of industry experts and contractors to install ten permitted, full scale treatment systems. In the pre-design phase, Cal Water worked with consultants to determine the best available technology to treat this chronic contaminant.

Session 8 – Distribution System Water Quality

1:30 PM - 2:00 PM

REDOX CHEMISTRY IN WATER DISTRIBUTION INFRASTRUCTURE WITH RESIDUAL DISINFECTANTS AND THE CONTROL OF METALS AND METALLOIDS

Haizhou Liu, University of California, Riverside

Participants in this session will learn key physicochemical processes governing the chemistry of the water distribution system and the impacts of residual disinfectants on the stability of metal and metalloids in drinking water.

2:00 PM - 2:30 PM

SWITCHING TO CHLORAMINES: THE STOCKTON EXPERIENCE

Robert Granberg, City of Stockton

This talk will present the City of Stockton's experience with upgrading a the DWSP surface water treatment plant to utilize chloramines instead of free chlorine as a residual disinfectant.

TUESDAY SESSIONS

2:30 PM - 3:00 PM

CONTROLLING CHLORAMINE DECAY IN A LARGE DISTRIBUTION SYSTEM

Sun Liang, Metropolitan Water District of
Southern California

This presentation will discuss methods to investigate the effects of different water treatment processes and water quality parameters in order to minimize chloramine decay rates in the distribution system. Chloramine decay mitigation strategies for consecutive distribution systems will also be presented.

4:00 PM - 4:30 PM

KINETICS AND MECHANISMS OF CR(VI) FORMATION VIA THE OXIDATION OF CR(III) SOLID PHASES BY CHLORINE IN DRINKING WATER

Michelle Chebeir, University of California,
Riverside

Hexavalent chromium Cr(VI) is being considered for more stringent drinking water standards by regulatory agencies. Cr(VI) can be inadvertently produced via the oxidation of trivalent chromium Cr(III) solids. This presentation will discuss the kinetics and mechanisms of Cr(III) solids oxidation by chlorine in drinking water and associated Cr(VI) formation.

4:30 PM - 5:00 PM

CHLORAMINE RESIDUAL OPTIMIZATION AND MANAGEMENT

Brent Simmons, Process Solutions, Inc.

This presentation will discuss the results of pilot projects utilizing a very simple and reliable total chlorine analyzer at East Bay Municipal Utilities District

and San Jose Water Company. The Monoclor™ process manages the desired residual set point by continuously iterating around the break point curve optimum for monochloramine.

Session 9 - Research

1:30 PM - 2:00 PM

NATIONAL CYANOTOXIN OCCURRENCE AND THE FUTURE OF REMOTE SENSING

Tarrah Henrie, Corona Environmental Consulting

Participants will learn about the occurrence of cyanotoxins in recreational, untreated and treated drinking water in the US. California is a pilot state for the a national remote sensing project to look for cyanobacteria blooms. Preliminary data from that project will be shown.

2:00 PM - 2:30 PM

TO BE DETERMINED

2:30 PM - 3:00 PM

THE CHALLENGES OF TREATING CLEAR LAKE WATER

Keith Ahart, Golden State Water Company

Participants in this session will learn about the day-to-day reality of treating the challenging water of Clear Lake from an operator's perspective. Participants will also learn how innovative solutions can be applied to address the issues presented by this challenging source water.

TUESDAY SESSIONS

4:00 PM - 4:30 PM

MODELING DAMAGE AND RECOVERY OF WATER SUPPLY IN AN EARTHQUAKE SEQUENCE

Keith Porter, University of Colorado Boulder

Participants will learn of a new earthquake water-supply loss model that addresses the whole earthquake sequence, service restoration over time, and dependence on fuel, crew availability, and other lifelines. We model EBMUD and SJWC restoration in a Hayward Fault earthquake.

4:30 PM - 5:00 PM

NAPA EARTHQUAKE AND EFFECTS ON PIPES

Joy Eldredge, City of Napa

Participants will learn the effects the 6.0 Napa Earthquake had on Napa's water system. The presentation will discuss the impact the seismic event had on cast iron, asbestos-cement, ductile iron, and PVC pipes noting the proximity to the faults, the age and the soil formations.

Session 10A – Women's Networking Event

1:30 PM - 3:30 PM

Details coming soon.

Session 10B – Water Loss Control

4:00 PM – 4:30 PM

NON-REVENUE WATER IN EFFECTIVE UTILITY MANAGEMENT

Will Jernigan, Cavanaugh & Associates

The tremendous benefits of pressure optimization far outweighs the manageable risks. The case study presented will document a utility that had dramatic reductions in capital costs, reduced operational costs, and recouped their investment by utilizing effective utility pressure management strategies.

4:30 PM – 5:00 PM

COMPLETING THE WATER AUDIT FOR THE FIRST TIME

Ruben Rivera, Coachella Valley Water District

Conducting the water audit mandated by Senate Bill 555 can be challenging and overwhelming when completing it for the first time. In this presentation participants will hear the experience from the personnel in charge of completing the audit and reducing water loss at the Coachella Valley Water District, the challenges faced, and the lessons learned.

5:00 PM – 5:30 PM

MANAGING LEAKS AND BREAKS WITH SMART MODELING AND INTERNET OF THINGS (IOT)

Sudhir Kshirsagar, Global Quality Corporation

Participants will learn key lessons from on-going testing of the second angled well constructed and tested in California such as optimal components of shoreline angled well design and near shore aquifer water quality dynamic from subsea aquifers extraction.

WEDNESDAY SESSIONS

Session 11A – Security and Emergency Planning

7:30 AM - 12:00 PM

CALWARN

Ray Riordan, Chair CalWARN

In this 1/2 Day track, the attendees will learn/understand the value of this mutual aid and assistance network during a disaster. The focus is on the mechanics of the California and Nevada Water/Wastewater Agency Response Networks (WARN).

Session 11B – Energy

2:00 PM - 2:30 PM

PROCUREMENT, DESIGN, AND IMPLEMENTATION OF WATER-TO-WIRE GRID- TIED IN-CONDUIT PRESSURE REDUCING TURBINE (PRT)

Narendra Amarnani, County of Los Angeles -
Internal Services Department - Office of
Sustainability - Energy Management Division and
TJ Kim, County of Los Angeles - Waterworks
Division

Participants will learn to conduct preliminary study of Pressure Reduction Valve equipped sites for suitability to install a Pressure Reduction Turbine to generate electricity grid-tied to electric utility. Craft appropriate Statement of Work. Lead the project through appropriate phases including construction, and testing.

2:30 PM - 3:00 PM

WATER-ENERGY INTENSITY: MORE THAN JUST A NUMBER

Sarina Sriboonlue, Arcadis

Water and energy resources are inextricably connected. Consistent with its commitment to energy and water conservation, in 2015, IEUA elected to voluntary report the energy intensity of its water, wastewater, and recycled water operations in accordance with California's Urban Water Management Plan Guidebook. While seemingly simple numbers, the calculations required IEUA to be intimately familiar with organizational and operational boundaries, direct vs. indirect control, and consequential vs. non-consequential energy production, terms more common in the power sector. The presentation will summarize the energy intensity methodology, need-to-know terms, and IEUA's key findings (i.e., what the numbers mean). Additionally, while there is a tendency to think energy intensity will decrease over time, many utilities may soon find the opposite to be true. Find out why.

4:00 PM - 5:00 PM

WATER SYSTEM OPTIMIZATION: ALIGNING ENERGY EFFICIENCY, WATER QUALITY, AND SYSTEM PERFORMANCE

Steven C. Jones and Robert B. Sowby,
Hansen, Allen & Luce, Inc.

Participants in this session will learn best practices to optimize a water system for energy efficiency, water quality, and system performance. These three parameters do not always compete with each other but can balance to produce productive synergies discussed here.

WEDNESDAY SESSIONS

Session 12 - Meters

7:30 AM - 8:30 AM

WATER LOSS CONTROL, IMPACTING YOUR NON-REVENUE WATER THROUGH LARGE METER EVALUATION, TESTING AND CALIBRATION

Mike Simpson, M.E. Simpson Company

The presentation will provide an in depth exploration of the techniques of large meter evaluation, testing and calibration from an in the field, technical perspective as well as providing knowledge and information about the specific steps in calibration/repair of large meters. This presentation is designed for hands on supervisors, operators, technicians and managers.

10:00 AM - 10:30 AM

LOS ANGELES DEPARTMENT OF WATER AND POWER - TOOLS & TECHNIQUES USED TO DETERMINE LARGE METER ACCURACY & DEGRADATION RATES

Kenneth C. Molli, Veolia North America

This presentation will review the tools and techniques used by the project team to compile more accurate information regarding the performance of LADWP large meter population and its annual accuracy degradation rates. The presentation will share the opportunities of revenue protection resulting from a more aggressive and targeted meter maintenance program.

10:30 AM - 11:30 AM

WATER LOSS MANAGEMENT - LEAK DETECTION

Dan Milliron, National Meter & Automation

In this presentation we will discuss: The role of leak detection within the framework of a Water Audit and Loss Control program, The current cost of water and water cost trends and the current methods and techniques of acoustic leak detection.

The Primary focus of this presentation will be on Acoustic Leak detection. The general principles, best practices, methodology, equipment and limitations will be discussed at length. Attendees should leave with an understanding of current leak detection practices and why leak detection is an important part of any water conservation program.

11:30 AM - 12:00 PM

INHERENT VALUE OF AMI THROUGH SMART INFRASTRUCTURE

Bernard Dunham, Delta Engineering

Water Utilities today all face the challenge of heightened resource management with existing or limited staffing. AMI is a tool designed to empower both the utility and customer, while maximizing utility efficiencies with tangible and exacting results.

Our discussion will overview the defined milestones in: selection of an AMI technology, defined applications inherent to an AMI technology resulting in Smart Infrastructure, and anticipated return upon Utility investment.

WEDNESDAY SESSIONS

1:30 PM - 2:30 PM

PANEL DISCUSSION: CELLULAR RADIO IMPLEMENTATIONS FOR METER READING

Morrice Blackwell – Panel Moderator

Panelists:

Adam Queen –

Consolidated Mutual Water Company

Moquey Marquross -
Meternet USA

Oscar Alcantar -
City of Sacramento

Implementing cellular radios for meter reading is a fairly new innovation offering many benefits to utilities. In this panel, two utilities and one water service company will describe their deployments and take questions from the audience. Each of the three deployments are unique and will offer a different perspective on the technology.

2:30 PM - 3:00 PM

ADVANCED USES OF AMI NETWORKS

Ryan Carnathan, Sensus

AMI networks have increased in popularity over the past 10 years. Much of this popularity has been driven by increased needs for more information from the field. Advancements of AMI has expanded upon the meter. Sensors and data collections devices are now being introduced into AMI system to further expand the functionality of the water distribution system. We will explore some of the available options today and discuss how they can be utilized in your system.

4:00 PM - 5:30 PM

PANEL DISCUSSION: IMPROVING WATER SYSTEM OPERATIONS AND CUSTOMER SERVICE TO THE END USER THROUGH USE OF AN AMI DEPLOYMENT

Rich Sanders – Panel Moderator

Panelists:

Marc Lippert

Lake Arrowhead Community Services District

Tom Martin

Padre Dam Municipal Water District

Todd Eising

City Of Folsom

Mark Lopez

Lake Arrowhead Community Services District

The session will be panel based with a focus on water and on available technologies and the pros and cons of technology and deployment strategies. A detailed overview of what is currently available on the market and technology environmental obstacles that need to be overcome in the selection process. ROI and NPV of systems will be discussed as well as financing available to utilities for these projects

Each of the two case studies will be presented by the utility employee in charge of the project and cover the process from RFP through deployment to benefits received

Each utility will discuss as well their customer service enhancements and how the public has responded. The panel will hold a Q&A period for all the attendees of the session before closing.

WEDNESDAY SESSIONS

Session 13 - Backflow

7:30 AM - 8:00 AM

ROLES AND RESPONSIBILITIES: TESTER ISSUES

Jeff Flynt, Palomar Backflow Inc.

Participants in this session will learn the issues administrative authorities are challenged with backflow testers in their jurisdiction.

8:00 AM - 8:30 AM

DISTRICT CHALLENGES WITH BACKFLOW AND CROSS CONNECTION CONTROL

John Barry, Jr., City Of Oceanside Water Utilities

Participants in this session will learn how to institute a web based data entry backflow program. Discussion topics will include buy in from management, training of backflow testers and overcoming technological hurdles.

10:00 AM - 10:30 AM

WHAT IS THE BACKFLOW TESTER PERFORMANCE EXAM ALL ABOUT?

Paul Schwartz, University of Southern California, Foundation for Cross-Connection Control and Hydraulic Research

Participants in this session will learn how a backflow prevention assembly tester becomes certified. The examination process includes a hands-on performance exam used to test the applicants knowledge and their proficiency with the proper field test procedures. This includes both proper working backflow preventers and common failure modes.

10:30 AM - 11:00 AM

LEAD FREE ISSUES AND ITS AFFECT ON ASSEMBLY REPAIR

Henry Chang, University of Southern California, Foundation for Cross-Connection Control and Hydraulic Research

Recent changes to the Federal Governments definition of lead free has caused many changes to the materials backflow preventers are made of. These material changes have cause confusion when lead free can and cannot be used and how repairing old and new assemblies needs to be done. This presentation will take us through the changes to the lead free definition and how it has changed the repair parts we can use.

11:00 AM - 12:00 PM

HOT TOPIC PANEL DISCUSSION

Panelists: All Expert Speakers from Session 14

Participants in this session will have the ability to present questions to a panel consisting of industry experts on Backflow and Cross Connection Control

1:30 PM - 2:00 PM

RECYCLED WATER PROGRAM CHALLENGES RELATING TO BACKFLOW AND CROSS CONNECTION CONTROL

James Lee, Eastern Municipal Water District

Participants in this session will learn the challenges a local water agency are faced with administering a recycled water program.

WEDNESDAY SESSIONS

2:00 PM - 2:30 PM

SUCCESSFULLY PERFORMING A SHUTDOWN TEST

Ben Bennett, Backflow Prevention Specialists, Inc.

Participants in this session will learn about shutdown tests for alternative source facilities and challenges associated with completing them safely and successfully.

2:30 PM - 3:00 PM

MANAGING A CROSS CONNECTION CONTROL PROGRAM

Kenneth Payne, San Francisco Public Utilities Commission

Participants in this session will learn how San Francisco's cross-connection control program is responding to changing water landscape through measures such as revising city ordinances, increasing interdepartmental coordination, enhancing information management systems, and improving public outreach.

4:00 PM - 4:30 PM

ENFORCEMENT ISSUES

Steve Plyler, Rincon Water District

Participants in this session will learn the challenges administrative authorities have enforcing the regulations referenced in their Cross Connection Control Program for backflow prevention.

4:30 PM - 5:00 PM

RECYCLED WATER PROGRAM FOR CITY OF SAN DIEGO

Thomas Deeds, City Of San Diego Public Utilities Department

Participants in this session will learn the how a local water agency has successfully implemented a Recycled Water Program.

Session 14A – Tanks, Reservoirs and Structures

10:00 AM - 10:30 AM

THE TICKING TIME BOMB: DEALING WITH CORROSION WITHIN PRESSURE VESSELS

Joanna Rembis, Harper & Associates Engineering, Inc.

The discussion will cover the requirements as set forth in the API 510 for inspecting, maintaining, and repairing pressure vessels. Inspection of the vessels shall include welds, appurtenances, flanges, safety items and the frequency inspections should occur. In addition, the discussion will review general types of failures, problem areas and common conditions found in pressure vessels.

10:30 AM - 11:00 AM

LESSONS LEARNED IN WATER STORAGE TANK MANAGEMENT

Mark Griffin, P.E., Tank Industry Consultants

Attendees will learn from the "lessons learned" from over 1,000 collective years of water tank engineering and inspection. The attendees will be invited to share

WEDNESDAY SESSIONS

their "war stories" so that all can learn from the lessons of others.

11:00 AM - 12:00 PM

BUILDING A WATER STORAGE TANK WITHIN 100 YARDS OF THE SAN ANDREAS FAULT: A COLLABORATIVE APPROACH

Jeffrey Wanlass, West Yost Associates

Participants of this session will learn that through a collaborative design approach multiple mitigation measures were identified and implemented to reduce effects of surface fault rupture and ground movement on a critical water storage tank in a high seismicity area.

Session 14B – Engineering & Construction

2:30 PM - 3:00 PM

RACE TO CONSTRUCT A ONE OF A KIND PUMP STATION TO PRESERVE DRINKING WATER SUPPLY FOR TWO MILLION PEOPLE AND 40 MILLION VISITORS

TBD, Southern Nevada Water Authority

This presentation will cover the challenges encountered throughout the design and construction of the Southern Nevada Water Authorities' Low Lake Level Pump Station, a pump station designed to have a flowrate of 900 mgd, expandable to 1200 mgd. The project's fast tracked approach to beat the falling Lake Mead water levels will also be covered.

4:00 PM - 4:30 PM

PIPELINE DESIGN METHOD AGAINST LARGE DISPLACEMENT FAULT

Takeshi Hara, Kubota Corporation

This presentation will demonstrate a method for designing water pipeline systems against fault

displacements by using Earthquake Resistant Ductile Iron Pipes (ERDIP). The ERDIP pipeline is capable of absorbing the large ground displacements that occur during severe earthquakes by its joints movement (expansion, contraction, and deflection) and locking system. Existing ERDIP pipelines have been exposed to lots of severe earthquakes and there has been no documented failure in the last 41 years.

4:30 PM - 5:00 PM

PLANNING FOR SEISMIC RESILIENCE: A SURVEY OF USER EXPERIENCE WITH EARTHQUAKE RESISTANT DUCTILE IRON PIPE (ERDIP) WITHIN THE WESTERN U.S.

Deborah Russell, Kennedy Jenks Consultants

Earthquake-resistant ductile iron pipe (ERDIP) has been used successfully for the last 40 years. However, preliminary projects and pilot studies are just now being implemented using this technology within Western United States and Canada. This presentation will discuss the alternative ERDIP products and steel pipe for fault crossings that are available. Additionally, the results of a survey performed to gauge user experience with the design and installation of ERDIP will be presented and projects challenges will be discussed.

5:00 PM - 5:30 PM

DESIGN/BUILD REPAIR OF 10MG RESERVOIR

Tim Hampton, City of Pomona

Participants will learn about the benefits of using a Design/Build process for projects which require expedited schedules. The City of Pomona chose the Design/Build process to repair a leaking reservoir which provides storage for nearly 1/3 of the City.

WEDNESDAY SESSIONS

Session 15 - Environmental, Health & Safety

7:30 AM - 8:00 AM

IDENTIFYING HAZARDOUS ATMOSPHERES IN WATER DISTRIBUTION PIPELINE CONSTRUCTION: AN LADWP APPROACH

Tonya Howard-Taylor, Los Angeles Department
of Water and Power

Participants in this session will learn what potential hazardous atmospheres exist in doing water distribution pipe line installation, and learn how to identify potential hazardous atmospheres on their jobsites.

8:00 AM - 8:30 AM

HAZARDOUS MATERIALS BUSINESS PLANS (HMBP) - COMMUNITY RIGHT TO KNOW REPORTING AND DESIGNING SUFFICIENT SITE MAPS

Camille Yu, Golden State Water Company

In the State of California, the Hazardous Materials Business Plan (HMBP) Program, which is codified in California's Code of Regulations and Health and Safety Code, satisfies the Emergency Planning and Community Right to Know Act (EPCRA) reporting requirement. One aspect of the HMBP program is to develop a site map which clearly identifies several facility characteristics that could assist first responder's in the event of a release or other emergency at the site involving hazardous materials. Golden State Water Company (GSWC) has approximately 150 facilities statewide that are subject to the HMBP regulations. This presentation will provide a brief overview of GSWC's HMBP Compliance program and focus on the facility mapping aspect.

10:00 AM - 11:00 AM

"SAFETY SYSTEMS" ON MULTI EMPLOYER WORKSITES

Alexander Williams, California Water Service Co.

Multi-employer worksites with regards to OSHA/ General Order compliance. The overview will allow attendees to understand the what, how and when of a multi-employer worksite. The examples of real cases involving multi-employer worksites receiving citations and what could have been done to prevent such cases. Then understanding what a multi-employer site looks like and discussion on the specific citations and how multi-employers receive citations.

11:00 AM - 12:00 PM

HOW GREEN ARE YOU? ECONOMIC AND ENVIRONMENTAL SUSTAINABILITY: ASSESSING THE GLOBAL WARMING POTENTIAL OF YOUR UNDERGROUND INFRASTRUCTURE.

Gregory M. Baird, Water Finance Research
Foundation

Sustainability concerns apply to many critical resources such as water. On a per capita basis, the U.S. leads the world in water usage, with a substantial portion of water consumed/leaked by infrastructure systems. This presentation will explain the current industry trends and drivers for sustainability practices for water and wastewater utilities.

This presentation will report on various research and findings on the carbon foot print of common materials used in water underground infrastructure cast against a 100 year period following ISO standards for conducting and LCA and will review the various economic and environmental impact/benefits in fiscal-environmental sustainability planning exercises.

WEDNESDAY SESSIONS

1:30 PM - 2:00 PM

REDUCING INJURY/PROPERTY DAMAGE RATES: THROUGH COMMITMENT, INVOLVEMENT, AND ACCOUNTABILITY

Dan Bresniker and Sue Mosburg, Sweetwater Authority

Whether a business is public or private maintaining a safe work environment is essential in order to keep employee injury and property damage rates low. Since its inception in 1977, Sweetwater Authority (Authority) has been strongly committed to providing a safe and healthy work environment for employees. To accomplish this task the Authority actively promotes employee involvement, commitment, and personal accountability. Analysis of the Authority's incident rates has shown an increase in the number of incidents reported, yet a drop in the number of injury and property damages.

2:00 PM - 3:00 PM

COMPLIANCE CERTAINTY DURING THIS "PERFECT STORM" OF EMERGING ENVIRONMENTAL REGULATIONS: STORM WATER, POTABLE WATER, AND GROUND WATER

Garret Williams & Yair Crane, E2ManageTech

This session will present a very brief history on the CWA and Porter Cologne (California) NPDES and WDR regulations. Discussions will highlight emerging organizational challenges; developing legal precedence; and evolving risk management principles. Through the lenses of proactive planning, information/risk management strategies, and institutional investment plans, several case studies will be presented to highlight the value and benefit of these approaches.

4:00 PM - 5:00 PM

GOING ABOVE AND BEYOND: LAND USE BASED DEMAND MODEL DEVELOPMENT, ENERGY INTENSITY ASSESSMENT, AND CLIMATE CHANGE VULNERABILITY ANALYSIS FOR AN URBAN WATER MANAGEMENT PLAN

Sarina Sriboonlue, Venkat Radhakrishnan and Anna Corrigan, Arcadis U.S. Inc.

Participants at this session will learn what efforts are currently being made to recruit and train the next generation of water industry professionals, and how they can participate and benefit from these critical efforts.

WEDNESDAY SESSIONS

Session 16A – Financial Management

10:00 AM - 10:30 AM

PROTECT YOUR BOND RATING DURING DROUGHT CONDITIONS - LESSONS FROM SOUTH FLORIDA AND CALIFORNIA PARALLELS

Scott E. Harder, Environmental Financial Group

Factors leading to a AAA rating, Benchmark metrics, Forecast techniques at short time scale, Rate design considerations. Managing and communicating with decision-makers, bond holders, credit ratings agencies, and the public.

10:30 AM - 11:00 AM

STANDARD AND POOR'S UPDATED MUNICIPAL UTILITY RATINGS CRITERIA

Ted Chapman, Standard and Poor's

Participants will learn about the updated criteria used by Standard and Poor's to assign credit ratings to municipal waterworks, sanitary sewer, and storm water utility revenue bonds.

11:00 AM - 11:30 AM

TAX ADVANTAGED DEBT-POST ISSUANCE COMPLIANCE: ANSWERING THE WHO, WHAT & WHEN

Joan M. DiMarco, PFM Asset Management LLC

Issuers of Tax Advantaged Debt take on compliance responsibilities that last the lifetime of the debt. Participants will learn how to methodically review the life cycle of their debt and how build on other processes and procedures done within the organization to achieve an integrated, functioning system for compliance.

Session 16B – New Technologies

11:30 AM - 12:00 PM

HOW TO HIKE UP THE MOUNTAIN OF ASSET MANAGEMENT FOR A SMALL UTILITY

Ernesto Velazquez, Newhall County Water District

When looking to implement Asset Management many of us look at it as an insurmountable mountain to climb. This presentation will provide the perspective of Newhall County Water District (a small to mid-sized utility in Southern California) in their ascent of their "Mountain". Specifically the planning and approach they decided to take to implement Maximo CMMS. With a methodology that supports a gradual ascent and takes advantage of all the learning and benefits along the way. Through this approach Newhall discovers that their hike is hard but rewarding as they climb ever closer to the peak. This presentation will dive into the details on the districts methodology and the challenges they face.

1:30 PM - 2:00 PM

Q: I NEED THAT AS-BUILT NOW? A: YOU CAN GET IT YOURSELF, IT'S EASY

Josephine Shih, Irvine Ranch Water District

Irvine Ranch Water District (IRWD) faced the continuous challenge of getting as-builts and other documents to the people who needed them both internally and public facing. The district solution was to try something new and implement a solution for public access to GIS maps and engineering drawings.

This presentation will go through the steps the district took to figure out how this could be done and if it even should be done.

WEDNESDAY SESSIONS

2:00 PM - 2:30 PM

WEAVING THE FABRIC OF SCADA AND ENTERPRISE SOFTWARE WITH ARCGIS

Lisa O'Connell, City of Anaheim and
Albair Hanna Westin Project Manager

This presentation will go through the steps the City of Anaheim (COA) – Public Utilities Department (Department) took to select a path with software that fit its needs and the incremental approach they took to execute their goal. In addition we will cover what to expect in the journey as you take on a multifaceted integration project, which include what challenges and adjustments to expect.

Session 16C – Communications

2:30 PM - 3:00 PM

THE PUBLIC'S PERCEIVED VALUE OF WATER

Karen Snyder, Senior Director, Katz & Associates

Participants will learn about opportunities - through strategic communication - to address the disconnect between public desire for reliable water and infrastructure, and lack of desire to pay for it.

4:00 PM - 4:30 PM

PURE WATER SAN DIEGO: EFFECTIVE STRATEGIES FOR COMMUNICATING WITH YOUTH AND YOUNG ADULTS

Brent Edison, Deputy Director, External Affairs,
City of San Diego Public Utilities

This presentation will share how to effectively communicate with and educate youth and young adults about potable reuse through the City of San Diego's successful partnerships with local college universities, schools, environmental groups, and more.

4:30 PM - 5:00 PM

SEEING IS BELIEVING - UTILIZING POTABLE REUSE DEMONSTRATION FACILITY TOURS TO BUILD PROGRAM SUPPORT

Wendy Hovland, Public Outreach Strategist, NV5
and Melissa McChesney, Padre Dam Municipal
Water District

The Advanced Water Purification Program is a potable reuse program being led by Padre Dam Municipal Water District in east San Diego County. We use the tour experience to instill confidence in the treatment process, highlight the professionalism and competence of the water/wastewater providers, and reinforce the program goals, all while building support for the program. We will also share statistics and research on the effectiveness of a cohesive tour experience that underscores the importance of the popular and true saying "seeing is believing!"

Session 17A – Leadership Development

10:00 AM - 10:30 AM

LAUNCHING A FORMAL WOMEN'S NETWORKING GROUP AT YOUR ORGANIZATION

Noune Garounts, Metropolitan Water District of
Southern California

Participants will learn about the benefits of providing a formal networking organization for women within the workplace, available options, and how to successfully build support for launching such a program.

WEDNESDAY SESSIONS

10:30 AM - 11:00 AM

CREATING CAREER PATHWAYS FOR THE 21ST CENTURY WATER INDUSTRY WORKFORCE

Don Jones, Cuyamaca College

Participants at this session will learn about innovative approaches and programs to recruit and train the next generation of water industry professionals, and how they can participate and benefit from these critical efforts.

11:00 AM - 11:30 AM

IMPLEMENTING A SELF-SUSTAINING INNOVATION PROGRAM

Gary Eaton, San Diego County Water Authority

Participants at this session will learn about the benefits of implementing an innovation program and a number of tips about how one can be successful in building corporate and organizational support for such a program.

11:30 AM - 12:00 PM

EFFECTIVE APPROACHES FOR MENTORING NEW EMPLOYEES

Andrew Linard, Los Angeles Department of Water and Power

Participants will learn about the benefits of implementing mentoring programs, the structure of an example program, and methods for building support for these programs from impacted managers.

1:30 PM - 3:00 PM

PROFESSIONAL BRANDING - DISCOVER THE BRAND OF YOU™

BeNeca Griffin, Moments of Focus

Both organizations and individuals benefit from branding. In this interactive session, participants will learn how to develop a personal and professional brand that will help them excel within their careers.

Session 17B – Water Loss Control

4:00 PM - 4:30 PM

STATEWIDE WATER LOSS CONTROL STRATEGIES: THE #WATERLOSS MOVEMENT

Steve Cavanaugh, Cavanaugh & Associates

The #WaterLoss Movement is going viral as many states are ramping up strategies to provide statewide training and technical assistance programs. States are learning that almost 75% of water loss is recoverable, and progress by state will be examined.

4:30 PM - 5:00 PM

MUNICIPAL DISTRICT OF ORANGE COUNTY (MWDOC) WATER LOSS CONTROL WORKGROUP: A NEW MODEL FOR REGIONAL WATER EFFICIENCY

Joe Berg, Municipal District of Orange County and Lucy Andrews, Cavanaugh & Associates

The MWDOC a pioneering effort in regional water management, one of the first nationwide to proactively address water losses at a regional level. Over the course of the next few years, the Workgroup will refine estimates of regional water losses, dedicate resources to cost-effective and targeted intervention, connect

WEDNESDAY SESSIONS

utilities with expertise, and promote a regional culture of accountability and efficiency.

This presentation will outline the structure of the MWDOC program, highlight elements that foster engagement, and offer suggestions for agencies interested in developing their own water loss control partnerships.

Session 18A – Water Well Technology

7:30 AM - 8:00 AM

WELLHEAD CONTROL OF INJECTION FLOW, PRESSURE, AND AIR ENTRAINMENT FOR GROUNDWATER RECHARGE

Kent O'Brien, GHD, Inc.

Injection wells are increasingly complex and customized to provide for control of injected water while preventing air entrainment and accommodating frequent maintenance. This presentation describes unique groundwater injection situations and the corresponding well and wellhead design solutions.

8:00 AM - 8:30 AM

AVAILABLE FILTER PACKS FOR WATER WELLS - THE GOOD, THE BAD AND THE UGLY

Diane Smith, Hydrosmith, Inc.

There is considerable variation in commonly available filter packs used in modern water wells. The discussion will include a comparison of geology of each deposit, physical and chemical characteristics, their limitations, and new alternative materials.

10:00 AM - 10:30 AM

SAND PRODUCTION IN WELLS

Kevin McGillicuddy, Roscoe Moss Company

Participants in this session will learn about the causes, assessment methods, and potential remedial measures that can be taken to reduce or eliminate sand production in water wells.

10:30 AM - 11:00 AM

MAXIMIZING GROUNDWATER PRODUCTION IN SHALLOW BASINS

Chris Coppinger, GEOSCIENCE Support Services

Limited production in shallow groundwater basins can be increased with modifications in operations and pumping equipment. However, alternative well designs can maximize available water resources in basins that have historically been overlooked.

11:00 AM - 11:30 AM

GROUNDWATER EXPLORATION: PILOT HOLES VERSUS WELL COMPLETION WATER QUALITY RESULTS

Noah Heller, BESST, Inc.

Attendees will learn about some of the limitations of back-fill zone tests in pilot holes used for predicting water quality for scaled-up municipal well completions. They will also learn about how to use long screened pilot holes.

11:30 AM - 12:00 PM

VERTICAL GROUNDWATER FLOW IN WELLS

Russell Kyle, Wood Rodgers, Inc.

Participants will learn how vertical flow in groundwater wells occurs under passive and dynamic pumping conditions, and the implications of these flows on water quality.

WEDNESDAY SESSIONS

Session 18B – Asset Management

2:30 PM - 3:00 PM

UTILITIES ASSET MANAGEMENT PROGRAM IMPLEMENTATION AND SOLUTIONS

Robert Secrest, Carlsbad Municipal Water District

How to implement an asset management program within a small to medium size utilities division or water district.

4:00 PM - 4:30 PM

AN OBJECTIVE CMMS EVALUATION FRAMEWORK

Sean Pour, Hazen and Sawyer

Participants in this session will learn an objective approach to evaluate CMMS solutions and help them select the system that best meets their business needs and functional and technical requirements.

4:30 PM - 5:00 PM

MULTIPLE AWARD CONSTRUCTION CONTRACT (MACC) PROGRAM

Iraj Asgharzadeh,
City of San Diego Public Works Department and
Eric Magee, David Evans & Associates

Participants in this session will learn about MACC, which is a popular Federal procurement strategy for streamlining construction contract awards.

5:00 PM - 5:30 PM

SANTA CLARA VALLEY WATER DISTRICT, SAN FELIPE DIVISION, REACH 1 ASSET MANAGEMENT PLAN

Metra Richert and John A. McHugh,
Santa Clara Valley Water District

Participants in this session will learn how a major California water district conducts its Asset Management Program, wrote an update to an asset management plan for the San Felipe Division Reach 1, including management strategies, business risks, and long term financial forecasting.

Session 19A - Water Treatment

10:00 AM - 10:30 AM

AN UPDATE ON THE TECHNOLOGIES FOR REMOVAL OF NITRATE AND PERCHLORATE

Joe Wong, Brown and Caldwell

Participants will learn about the alternative technologies for removal of nitrate and perchlorate from groundwater and get an update on the status and merits of newer technologies available for removing these contaminants.

10:30 AM - 11:00 AM

POINT OF USE TREATMENT

Kevin Berryhill, Provost and Pritchard

This presentation will cover the basics of POU treatment including regulations, treatment technologies, and implementation requirements. Significant lessons learned include device selection, treatment performance, increased HPC levels, public relations, and device access issues. These results show that POU treatment is: technically viable, cost effective, yet logistically difficult to implement.

11:00 AM - 11:30 AM

EFFECTS OF NITRIFICATION ON DISINFECTION BYPRODUCT FORMATION IN CHLORAMINATED DISTRIBUTION SYSTEMS

William Mitch, Stanford University

WEDNESDAY SESSIONS

Participants in this session will learn about how nitrifying biofilms in chloraminated distribution systems may affect the formation of halogenated DBPs and nitrosamines.

11:30 AM - 12:00 PM

TREATMENT ALTERNATIVES FOR DBP CONTROL WITH CHALLENGING SOURCE WATERS

Todd Reynolds, Kennedy/Jenks Consultants

Participants in this session will learn about different approaches for water systems to reduce DBPs while maintaining the balance for immediate and long-term public health. The presentation will provide performance results and operator insights from existing WTPs using the described approaches, operations techniques, and technologies.

1:30 PM - 2:00 PM

LAS VIRGENES DIATOMACEOUS EARTH (DE) WTP EXPANSION REQUIRES UPDATED DBP CONTROL STRATEGY

Rich Stratton, HDR, Inc.

Participants will learn how to do a disinfection profiling and benchmarking study, how diatomaceous earth filtration works, and strategies for controlling disinfection by-products.

2:00 PM - 2:30 PM

DESIGN CHALLENGES OF RETROFITTING A CONVENTIONAL WTP TO MEMBRANES TO INCREASE YEAR ROUND

Rich Stratton, HDR, Inc.

Participants will learn about how a progressive design build project is able to retrofit an existing conventional water treatment plant to membranes under budget and on schedule.

2:30 PM - 3:00 PM

Design And Construction Of An Actiflo Carb WTP For High Organics Removal And To Maintain Free Chlorine Residual In The Distribution System

Cynthia Green, HDR, Inc.

Participants will learn about the design and construction of a proven and cost-effective pretreatment system for enhanced organics removal (Actiflo Carb), integration with other plant processes, and lessons learned during the construction of a surface water treatment plant.

Session 19B – Source Water Quality

WEDNESDAY SESSIONS

4:00 PM - 4:30 PM

TRACKING TOC: NORTH BAY AQUEDUCT

Danielle Bonham, City of Vallejo

Participants in this session will learn about TOC associated with the State Water Projects North Bay Aqueduct. Correlations will be made by comparing multiple agencies TOC results as the raw water travels through the 28 mile underground pipeline.

4:30 PM - 5:00 PM

ENHANCED WATER QUALITY AND POTABLE WATER WELL UTILIZATION BY WELL BLINDING BASED ON FLOW AND WATER

Yuan Li, Pacific Advanced Civil Engineering Inc.

Participants in this session will learn innovative methods to optimize groundwater quality and quantity by a well profiling study, including detailed well survey, flow and water quality data analysis, well blinding, and post-blinding water quality monitoring.

5:00 PM - 5:30 PM

STABLE ISOTOPE ANALYSIS AS A TOOL FOR IDENTIFYING SOURCES OF PERCHLORATE CONTAMINATION

Esther Klisura,
SL Environmental Law Group PC

Participants in this session will learn about the use of stable isotope analysis to differentiate between synthetic perchlorate, perchlorate that is indigenous to the Southwestern United States, and perchlorate that naturally occurs in South America's Atacama Desert.

10:00 AM - 11:30 AM

OPERATOR ROUNDTABLE - PANEL DISCUSSION

Bill Cardinal, Calaveras County Water District

This is the place to come and get solutions to problems found in the Operations and Maintenance of Water Utilities. The three panelist will field questions and share experience gathered over their careers.

11:30 AM - 12:00 PM

OPERATORS ROLE IN MAXIMIZING SUSTAINABLE GROUNDWATER PRODUCTION

Chris Coppinger, GEOSCIENCE Support Services

Operational schedules and duty factors can be planned to maximize production to basin sustainable yield. Rancho California Water District's "Water Audit" process serves as an example of coordination between district management, operations, and consultant in determining yearly production.

1:30 PM - 2:30 PM

PARTNERSHIP FOR SAFE WATER TOOLS FOR DISTRIBUTION SYSTEM OPTIMIZATION

Barbara Martin, American Water Works Association (AWWA)

Participant's will learn how the Partnership for Safe Water's self-assessment process and resources can help utilities optimize distribution system performance and operations. This will be communicated through a program overview and utility case study and results.

Session 20 - Operators

WEDNESDAY SESSIONS

2:30 PM - 3:00 PM

BMPS FOR THE STATEWIDE NPDES PERMIT FOR DRINKING WATER DISCHARGES

Neil McQueen, McQueen Environmental Consulting

Participants will learn about the latest sediment removal and dechlorination best management practices (BMPs) that can be deployed to meet the requirements of the new Statewide NPDES Permit for Drinking Water System Discharges.

4:00 PM - 5:00 PM

REQUIREMENTS OF THE STATEWIDE NPDES PERMIT FOR DRINKING WATER DISCHARGES

Neil McQueen, McQueen Environmental Consulting

Participants in this session will learn about the requirements of the new Statewide NPDES Permit for Drinking Water System Discharges and how it might affect their daily activities.

5:00 PM - 5:30 PM

MONITORING AND REPORTING FOR THE STATEWIDE NPDES PERMIT FOR DRINKING WATER DISCHARGES

Neil McQueen, McQueen Environmental Consulting

Participants will learn about the monitoring and reporting equipment and procedures that are required by the new Statewide NPDES Permit for Drinking Water System Discharges.

THURSDAY SESSIONS

Session 21 – Smaller Utilities

8:00 AM - 8:30 AM

REGULATORY UPDATE

Sean Sterchi, State Water Resource Control Board

8:30 AM - 9:00 AM

REVISED TCR LEVEL 1 AND LEVEL 2 ASSESSMENTS

Sean Sterchi, State Water Resource Control Board

9:00 AM - 10:00 AM

BASIC LEAK DETECTION AND WATER LOSS ACCOUNTABILITY

Michael Sims, California Rural Water Association

10:30 AM - 11:00 AM

USE FOR POE/POU DEVICES FOR ARSENIC AND HEXAVALENT CHROMIUM COMPLIANCE

Rural Community Assistance Corporation

11:00 AM - 11:30 AM

FREE SOFTWARE ON THE INTERNET

TBD

11:30 AM - 12:00 PM

ASK THE EXPERTS: Q&A SESSION

All Speakers

1:00 PM - 2:00 PM

FUNDING SOURCES: SRFS, PROP 1, USDA, EFC WEST, DWR, ETC

State Water Resource Control Board,
United States Department of Agriculture and
Department of Water Resources

2:00 PM - 2:30 PM

FINANCING FOR THE COLONIAS

Daniel Cardona, United States Department of
Agriculture and Luis Andrade, United States
Department of Agriculture

3:00 PM - 4:00 PM

BASIC NEEDS FOR FUNDING: AUDITS, OWNERSHIP, WATER RIGHTS

George Faggella, State Water Resource Control Board

4:00 PM - 4:30 PM

GETTING THE MOST OUT OF YOUR CONSULTANTS

Glenn Reynolds, Water Solutions, Inc

Session 22 – Desalination & Recycled Water

8:30 AM - 9:00 AM

THE QUESTION OF SAFETY: WHEN RESOURCES ARE NOT LIMITLESS

Phillippe Daniel, HDR Inc.

Participants will learn there are no “one-size-fits-all” answers: decisions on an appropriate level of safety require a consideration of public health risk, degree of risk reduction possible and opportunity costs if other investments were made.

THURSDAY SESSIONS

9:00 AM - 9:30 AM

AN OUNCE OF SOURCE CONTROL IS WORTH A TON OF TREATMENT

Ron Coss, Orange County Sanitation District

Participants will learn about OCSD's Source Control program and how this program has allowed the OCWD's Groundwater Replenishment System to become the largest water recycling system in the United States. Discussion will include lessons learned and how unforeseen contaminants of concern were dealt with and mitigated through an enhanced monitoring program.

9:30 AM - 10:00 AM

ESTIMATING GROUND WATER UNDERFLOW AS A SOURCE OF DILUENT WATER FOR INDIRECT POTABLE REUSE

Joe Kingsbury, GEOSCIENCE Support Services, Inc.

Participants in this session will learn the basis and method used to estimate the amount of ground water underflow that can be credited as a source of diluent water for a ground water replenishment reuse project.

10:30 AM - 11:00 AM

INVESTIGATING THE FEASIBILITY OF DIRECT POTABLE REUSE

Brian Bernados, Division of Drinking Water

Division of Drinking Water is in the process of investigating the feasibility of developing criteria for Direct Potable Reuse (DPR). An Expert Panel has been formed to consider issues such as the following: treatment reliability; evaluation of multiple barriers and monitoring tools; methods for monitoring pathogens, etc.

11:00 AM - 11:30 AM

PURE WATER SAN DIEGO: EFFECTIVE STRATEGIES FOR COMMUNICATING WITH YOUTH AND YOUNG ADULTS

Brent Eidson, City of San Diego

Participants will learn how to effectively communicate with and educate youth and young adults about potable reuse through the City of San Diego's successful partnerships with local college universities, schools, environmental groups, and more.

11:30 AM - 12:00 PM

PADRE DAM: COMMUNITY OUTREACH AND PUBLIC EDUCATION

Wendy Hovland, NV5

Participants will learn how to get the best and highest beneficial use from your Potable Reuse Demonstration Facility by designing a tour program that serves your community, builds support for your program and creates goodwill for your agency. Discussion will include lessons learned, research results on tour effectiveness and ideas on how to build your own tour program.

1:00 PM - 2:00 PM

PANEL DISCUSSION RECYCLED WATER

Silvana Ghiu, Hazen and Sawyer

Al Lau, Padre Dam

Tai Tseng, City of Long Beach

Participants will learn from a panel discussion the challenges with implementing a potable reuse system, recycled water approaches that have been received positively by the community, an overview of technology advances and the future of reuse in California and Nevada.

THURSDAY SESSIONS

2:00 PM - 2:30 PM

MEMBRANE PROCESSES - LESSONS LEARNED AND NEW TECHNOLOGIES

Sunny Wang, Brown and Caldwell

Participants will learn an overview of the application of membrane filtration technologies for water reuse.

3:00 PM - 3:30 PM

OVERVIEW OF HISTORICAL AND LATEST DEVELOPMENTS OF ADVANCED OXIDATION PROCESSES FOR WATER REUSE

Dr. David Hokanson, Trussell Technologies

This presentation will discuss the historical technologies used for UV AOP. It will also discuss emerging UV/free chlorine technologies under implementation or consideration for various projects. Finally, it will provide a brief overview of novel UV reactors under development for water reuse applications.

4:00 PM - 4:30 PM

RO BRINE MINIMIZATION FOR POTABLE REUSE AT PADRE DAM

Seval Sen, Padre Dam and
Eileen Y. Idica, Trussell Technologies

The participants will learn about two methods used to increase recovery of RO systems for potable reuse applications; conventional recovery RO and closed-circuit desalination. Presentation will compare recoveries and system performances with respect to water quality, operability, and energy usage.

Session 23 – Asset Management

8:30 AM - 9:00 AM

WATER STORAGE ASSET MANAGEMENT

Kevin Barnes, Suez, Water Advanced Solutions

This presentation will discuss the method for tank maintenance available to owners and how it differs from the traditional means of procurement. Asset management programs will be discussed: single source responsibility, balanced funding, evaluation and planning, regulatory compliance, annual inspection, maintenance, and emergency service.

9:00 AM - 10:00 AM

INTELLIGENT HYDRANT SOLUTIONS

Brian Morrow, Nighthawk

Participants in this session will learn about the current DDW regulations regarding Backflow Prevention and Cross Connection Control and potential future changes.

10:30 AM - 11:00 AM

INSTALLATION OF SEISMIC RESISTANT JOINT 8- INCH PIPE

Collin Bryant, United States Pipe and Foundry
Company

Participants will learn about the considerations evaluated for pipeline replacement in an area exposed to landslides and seismic activity. Additionally information about the existing pipeline was compromised requiring a pipe product that can be easily field modified to accommodate unknown obstacles. Choice of installing seismic resistant ductile iron pipe.

THURSDAY SESSIONS

11:00 AM - 12:00 PM

WHERE ARE MY COST SAVINGS? SHIFTING A RISK-BASED ASSET MANAGEMENT PROGRAM TO COST-BASED PRIORITIZATION - DEVELOPING AN ENTERPRISE-WIDE LIFE CYCLE COSTING FRAMEWORK

Greg Barid, Water Finance Research Foundation

The participants will learn how develop a life cycle costing framework as part of their asset management program in order to track, monitor and capture cost savings. The participants will also learn the various types of life cycle cost analysis tools and how to incorporate the findings into an asset management plan.

Session 24 – Water Treatment

8:30 AM - 9:00 AM

HEXAVALENT CHROMIUM TREATMENT AND BRINE MINIMIZATION/REUSE RESEARCH UPDATE

Sarah Plummer, Corona Environmental

This presentation will highlight current Proposition 50 pilot research efforts and summarize the results from bench-scale and pilot-scale brine minimization and reuse. This information will assist other utilities in selecting the appropriate Cr(VI) treatment technology and method of waste disposal.

9:00 AM - 9:30 AM

MEETING HEXAVALENT CHROMIUM COMPLIANCE IN UNCHLORINATED SYSTEMS VIA STANNOUS CHLORIDE APPLICATION

Sarah Plummer, Corona Environmental

This presentation will provide a background of Cr(VI) conversion treatment and an overview of the stannous

chloride bench-test protocol. Results from bench-scale testing and plans for full-scale demonstration will also be discussed.

9:30 AM - 10:00 AM

HEXAVALENT CHROMIUM COMPLIANCE FROM A WATER UTILITIES PERSPECTIVE

Nelson Lui, P.E., California Water Service Company

Participants will learn how California Water Service Co. (Cal Water) maintained compliance with the regulation by partnering with a team of industry experts and contractors to install ten permitted, full scale hexavalent chromium treatment systems in three impacted service areas. The presentation will also cover the results of column testing to determine the best performing resin to treat our source water. Additional discussions will highlight the processes associated with the design, construction, installation, start-up, on-going field operations, and optimization of the treatment systems.

10:30 AM - 11:00 AM

EVALUATING THE IMPACT OF DESALINATED SEAWATER FROM THE CARLSBAD SWRO PLANT ON SAN DIEGO REGIONAL POTABLE WATER QUALITY

Brent Alspach, Arcadis

This presentation will provide a comprehensive overview of the project up to the time of the CA-NV Section AWWA Fall 2016 conference, including: the critical study background; the selection of water quality and operational parameters; the identification of strategic monitoring locations; and research results to-date.

THURSDAY SESSIONS

11:00 AM - 11:30 AM

FULL-SCALE TITLE 22 FREE CHLORINE DISINFECTION STUDY FOR A NITRIFIED MEMBRANE BIOREACTOR EFFLUENT

Xiaoyan (Leo) Qu, Pacific Advanced Civil
Engineering

The City of Lathrop Consolidated Treatment Facility (CTF) is currently undertaking its Phase II expansion plan to increase its treatment capacity from 1 million gallon per day (MGD) average daily flow to 2.0 or 2.5 MGD average dry weather flow. The existing baffled-channel chlorine contact basin assumes chloramine disinfection. This study confirmed complete nitrification and effective free chlorine disinfection could provide a significant cost saving for the city while producing good quality recycled water at full-scale.

11:30 AM - 12:00 PM

KICKING IT DOWNSTREAM: THE EFFECT OF WATER TREATMENT RESIDUALS ON WASTEWATER AND RECYCLED WATER

Paul Friedlander, Carollo Engineers

Learning outcomes include an appreciation of the complex interconnection between drinking water, wastewater, and recycled water quality; a better understanding of the potential impacts of water treatment residuals discharged to sewer; and the ability to evaluate ways to reduce impacts of water treatment residuals.

CONFERENCE SCHEDULE*

MONDAY, OCTOBER 24, 2016

- 7:00 am Registration
- 8:00 am Section Leadership Meeting
- 10:00 am Committee Meetings
- 5:30 pm Membership Welcome Reception



TUESDAY, OCTOBER 25, 2016

- 7:00 am Registration
- 8:00 am First Time Attendee Orientation
- 8:00 am Technical Tour
- 8:30 am Opening Session
- 10:15 am Awards Ceremony
- 11:30 am Keynote Luncheon
- 1:30 pm Technical Sessions
- 1:30 pm Women's Networking Event (Session 10)
- 3:00 pm Exhibit Hall Grand Opening
- 5:30 pm Exhibit Hall Meet & Greet



WEDNESDAY, OCTOBER 26, 2016

- 7:00 am Registration
- 7:30 am All Day Technical Sessions
- 8:00 am Technical Tour
- 8:30 am Continental Breakfast in Exhibit Hall
- 12:00 pm Exhibitor Hosted Lunch in Exhibit Hall



THURSDAY, OCTOBER 27, 2016

- 7:00 am Registration
- 8:00 am Governing Board Meeting
- 8:00am Smaller Utilities Workshop (Session 21)
- 8:30 am Technical Sessions
- 8:30 am Recycled Water Workshop (Session 22)
- 12:00pm Concludes

*Tentative Schedule, subject to change

ANNUAL FALL CONFERENCE

OCTOBER 24-27, 2016

SAN DIEGO

TOWN & COUNTRY HOTEL



___ I am a speaker at this conference. Date _____ Time _____

Attendee Name _____

Title _____ Company _____

Address _____ City _____ State _____ Zip _____

Phone _____ Cell _____ Fax _____

Attendee Email _____ AWWA Member # _____

Type of Membership (check one) ___ Individual ___ Organization ___ Operator/Admin. ___ Utility ___

Complimentary Spouse/Guest (If attending) *Household members only. Does not include Water Industry Personnel _____

Member Registration	Early On or Before 8/ 22/ 16	PRE On or Before 10/ 10/ 16	Onsite On or Before 10/ 11/ 16	
<input type="checkbox"/> FULL REGISTRATION: Includes All Technical sessions, Keynote Lunch & Exhibitor Hosted Lunch & Exhibitor Event	\$445	\$495	\$545	
<input type="checkbox"/> Tuesday One-Day: Includes Keynote Lunch & Exhibitor Event	\$225	\$275	\$315	\$ _____
<input type="checkbox"/> Wednesday One-Day: Includes Exhibitor Hosted Lunch & Exhibit Hall Entrance	\$225	\$275	\$315	\$ _____
<input type="checkbox"/> EDUCATION PACKAGE Wednesday/Thursday Includes Technical Sessions & Exhibit Hall Entrance	\$275 NO MEALS	\$275 NO MEALS	\$315 NO MEALS	\$ _____
<input type="checkbox"/> Thursday One-Day Includes Technical Sessions	\$149	\$149	\$149	\$ _____
<input type="checkbox"/> STUDENT - Must be full time Student/AWWA Student Member	FREE	FREE	FREE	
<input type="checkbox"/> RETIREE REGISTRATION - Must be: 1) Retired from all gainful employment. 2) A member of AWWA for at least 15 years. 3) At least 60 years of age.	NO MEALS	NO MEALS	NO MEALS	\$ FREE

Lunches	
If not included with registration fee	
<input type="checkbox"/> Keynote Lunch	\$50
<input type="checkbox"/> Exhibitor Hosted Lunch	\$50
Subtotal \$ _____	

Non Member Registration	Early On or Before 8/ 22/ 16	PRE On or Before 10/ 10/ 16	Onsite On or Before 10/ 11/ 16	Subtotals
<input type="checkbox"/> FULL REGISTRATION: Includes Keynote Lunch & Exhibitor Hosted Lunch & Exhibitor Reception	\$495	\$545	\$595	\$ _____
<input type="checkbox"/> Tuesday One-Day: Includes Keynote Lunch & Exhibitor Reception	\$275	\$325	\$375	\$ _____
<input type="checkbox"/> Wednesday One-Day: Includes Exhibitor Hosted Lunch & Exhibit Hall Entrance	\$275	\$325	\$375	\$ _____
<input type="checkbox"/> EDUCATION PACKAGE Wednesday/Thursday Includes Technical Sessions & Exhibit Hall Entrance	\$325 NO MEALS	\$350 NO MEALS	\$375 NO MEALS	\$ _____
<input type="checkbox"/> Thursday One-Day Includes Technical Sessions	\$149	\$149	\$149	\$ _____

SPECIAL EVENTS	
<input type="checkbox"/> Tues. Technical Tour	\$55.00
<input type="checkbox"/> Wed. Technical Tour	\$55.00
<input type="checkbox"/> Water for People Event	\$40.00
Subtotal \$ _____	

CONTACT HOURS	
<input type="checkbox"/> FREE	(I am an individual, operator or administrative AWWA member)
<input type="checkbox"/> \$20.00	(My utility/organization is an AWWA member or I am not an AWWA member)

PAYMENT METHOD
Check # _____ Payable to CA-NV AWWA (U.S. funds)
PO# _____ Must be accompanied by a physical copy of the PO
Credit Card: <input type="checkbox"/> Visa <input type="checkbox"/> MC <input type="checkbox"/> AMEX
Card No.: _____
Exp. Date: _____
Name on Card: _____
Authorized Signature: _____
Billing Zip Code: _____ Must be Zip Code in which your credit card statement is mailed For copy of receipt, please write email address: _____

PAYMENT INFORMATION	
Registration Total: _____	Special Events Total: _____
Meal Total: _____	Contact Hours: _____
Total Amount Due: _____	

Refund requests must be submitted in writing to the Section office by September 1, 2016. A \$50 administrative fee will be deducted from all refunds. **No Refunds Granted after October 1, 2016.** By submitting this form, you are consenting to having your photo taken at the event which may be used for future Section promotions. To opt-out email info@ca-nv-awwa.org.

**CA-NV AWWA: 10435 Ashford Street, 2nd Floor
Rancho Cucamonga, CA 91730,
Phone: (909) 481-7200
Fax: (909) 291-2107
www.ca-nv-awwa.org**

For the Annual Fall Conference you will be staying at the Town & Country Resort. The resort is where the Technical Sessions, Committee Meetings, Exhibit Hall, and many other events will be held.

Town & Country Resort and Convention Center
500 Hotel Cir N, San Diego, CA 92108

Deadline for the Conference room rate is September 19th.

To book a room call 800-772-8527 and mention CA-NV Section