

**PALMDALE WATER DISTRICT
RESOLUTION NO. 16-12**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
PALMDALE WATER DISTRICT AUTHORIZING THE
PLEDGING OF REVENUES FROM THE SALES OF WATER
FOR REPAYMENT OF THE LOANED FUNDS FOR THE
PALMDALE REGIONAL GROUNDWATER RECHARGE AND
RECOVERY PROJECT, AND TAKING CERTAIN OTHER
ACTIONS RELATING THERETO**

WHEREAS, the Palmdale Water District (“District”) (formerly known as Palmdale Irrigation District) was formed in 1918 under the provisions of Division 11 of the Water Code of the State of California;

WHEREAS, the District’s primary functions are to acquire, control, conserve, and distribute water for the beneficial use of inhabitants and water users within the District’s service area;

WHEREAS, the District is in the process of obtaining water rights from the LA County Sanitation District No. 20 for the effluent of the Palmdale Tertiary Treated Wastewater Plant;

WHEREAS, the District will blend the recycled water with water from the State Water Project and recharge the commingled water to the groundwater basin for future domestic use;

WHEREAS, the District has the authority to charge fees for the domestic water delivered by the Palmdale Regional Groundwater Recharge and Recovery Project (the “Project”);

WHEREAS, the District has previously entered into (a) an Installment Purchase Agreement, by and between the District and the Palmdale Water District Corporation, dated as of November 1, 2012 (the “2012 Contract”), and (b) an Installment Purchase Agreement, by and between the District and the Palmdale Water District Public Financing Authority, dated as of May 1, 2013 (the “2013 Contract”), both secured by certain revenues of the District on a parity with each other; and

WHEREAS, the District has the authority to enter into contracts with the State Water Resources Control Board for construction and repayment of the Project, and to pledge certain revenues of the District to the repayment of such contracts subordinate to or on a parity with the 2012 Contract and the 2013 Contract.

NOW THEREFORE LET IT BE RESOLVED by the Board of Directors of the Palmdale Water District:

SECTION 1. 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 any and all amounts borrowed from the Clean Water State Revolving Fund and/or Water Recycling Funding Program financing the Project (the “Loan”), and the Water Revenues shall not be used for any other purpose while the Loan remains 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 pursuant to the terms of the agreement governing the Loan. 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.

In order to carry out and effectuate the pledge and lien described above, the District has covenanted 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 the Loan, and any Contracts or Bonds remain unpaid. Moneys in the Water Revenue Fund shall be used and applied by the District as provided for in the agreement governing the Loan and any outstanding Contracts or Bonds.

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 as required by the Loan, and any outstanding Contracts or Bonds.

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. Any terms not defined herein shall have the meaning set forth under the 2013 Contract.

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.

The term “Water Revenue Fund” means the Water System Revenue Fund described in Section 5.2 of the 2013 Contract.

The term “Rate Stabilization Fund” means the fund by that name established pursuant to the 2012 Contract.

The term “Contracts” means the 2012 Contract, the 2013 Contract, and any amendments and supplements hereto, and all contracts of the District authorized and executed by the District, the payments under which are on a parity with the 2013 Contract, the 2012 Contract, and the Loan, 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 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 Loan, the 2012 Contract, and the 2013 Contract, and which are secured by a pledge of and lien on the Water Revenues. 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

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.

SECTION 2. The District commits to collecting such revenues and maintaining such fund(s) throughout the term of such financing and until the District has satisfied its repayment obligation thereunder unless modification or change is approved in writing by the State Water Resources Control Board. Nothing contained herein shall commit the District to repayment of amounts borrowed from the Clean Water State Revolving Fund for financing the Project from any source except as specifically pledged hereunder. Additionally, nothing contained herein shall commit the District from payment of any amounts owed to the Clean Water State Revolving Fund in excess of amounts available from the Net Water Revenues.

SECTION 3. So long as the financing agreement(s) are outstanding, the District's pledge hereunder shall constitute a lien in favor of the State Water Resources Control Board on the foregoing fund(s) and revenue(s) without any further action necessary.

SECTION 4. So long as the financing agreement(s) are outstanding, the District commits to maintaining the fund(s) and revenue(s) at levels sufficient to meet its obligations under the financing agreement(s).

PASSED, APPROVED and ADOPTED this 13th day of July 2016.



Robert Alvarado, President
Board of Directors
Palmdale Water District



Joe Estes, Secretary
Board of Directors
Palmdale Water District

Approved as to form:



Aleshire & Wynder, LLP
District Legal Counsel