

**PALMDALE WATER DISTRICT
RESOLUTION NO. 16-17**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
PALMDALE WATER DISTRICT ADOPTING A REDUCED WATER RATE
ADJUSTMENT OF 4.25% FOR EACH CALENDAR YEAR 2017, 2018, AND 2019,
AMENDING APPENDIX C TO THE RULES AND REGULATIONS OF THE
PALMDALE WATER DISTRICT, AND ESTABLISHING PRUDENT PARAMETERS
TO CONSIDER FURTHER WATER RATE ADJUSTMENT REDUCTIONS**

WHEREAS, the Palmdale Water District (the “District”) is authorized to collect charges and set rates for water service pursuant to the Irrigation District Law, codified at Division 11 of the Water Code, specifically at Sections 22280 through 22284; and

WHEREAS, the Board of Directors of the Palmdale Water District has developed and adopted several water supply and infrastructure plans outlining long range water supply projects to meet the water supply needs of the community’s growing population and the future growth of Palmdale, and long range financial planning to finance these projects is required; and

WHEREAS, the Board of Directors of Palmdale Water District unanimously adopted an updated Strategic Plan in 2016 with Initiative 4 – Financial Health and Stability that includes a goal of sustainable and balanced water rate structure and adjustments; and

WHEREAS, District staff has, and will continue to, search for cost saving measures including the active pursuit of grant funding; and

WHEREAS, the Board of Directors of the Palmdale Water District previously approved a 5-Year Water Rate Plan on September 17, 2014 authorizing annual water rate adjustments up to 5.5% through calendar year 2019; and

WHEREAS, the Board of Directors of the Palmdale Water District approved a reduced water rate adjustment of 2.5% in 2015 and a reduced water rate adjustment of 4.0% in 2016; and

WHEREAS, the Board of Directors of the Palmdale Water District now desires to meet the Strategic goal of sustainable and balanced water rates by providing customers predictable and stable water rate adjustments for each calendar year 2017, 2018, and 2019 to ensure adequate funds to meet current and future water demands; to continue to maintain the Rate Assistance Program, the Internship Program, the Cash for Grass Program and other Rebate Programs; to continue to provide high quality water through innovative treatment technologies; and to construct long range water supply projects, including the Palmdale Regional Groundwater Recharge and Recovery Project and the necessary removal of sediment from Littlerock Reservoir; and

WHEREAS, District staff has completed extensive financial modeling for the next several years that shows water rate adjustments of 4.25% for the years 2017, 2018, and 2019 will accomplish those goals at a reduced amount from the approved 5.5% water rate adjustments; and

WHEREAS, District staff has reviewed the District's water rate adjustment history beginning in 1969 that shows water rate adjustments of 4.25% for the years 2017, 2018, and 2019 will be less than the average annual water rate adjustment of 5.94% between 1969 and 2016; and

WHEREAS, the benefits of the Palmdale Regional Groundwater Recharge and Recovery Project include meeting the water supply needs of the community's growing population and the water supplies required for growth within the City of Palmdale; utilizing local recycled water; diversifying the District's water supply portfolio; maximizing the State Water Project supply and additional State Water Project supplies acquired through water transfer options; preparing to meet water supply needs during a natural disaster; reducing the impact to the District and to its customers from groundwater adjudication and droughts; and being the most cost effective long-term water supply strategy, which can potentially reduce future water rate adjustments; and

WHEREAS, the benefits of the Littlerock Reservoir Sediment Removal Project include maximizing the water supply from Littlerock Reservoir; maintaining this critical and cost effective water resource; diversifying the District's water supply portfolio; and preserving a recreational opportunity for the residents of Palmdale and the Antelope Valley; and

WHEREAS, a better financial position in the years 2018 and 2019 than anticipated in the financial modeling is possible due to reductions in expenses, the receipt of additional grant funding, or other circumstances that may allow further reduction in water rate adjustments; and

WHEREAS, the Board of Directors desires to create clear parameters to monitor and assess the District's financial position for District staff to evaluate and report on; and

WHEREAS, these parameters will be assessed and reported on annually, along with proposed projects and expenditures, to the Board of Directors during annual budget discussions for each calendar year 2018 and 2019; and

WHEREAS, if circumstances allow and a water rate adjustment less than 4.25% is sufficient to meet all District operations, expenses, projects, and current and future water demands, said reduction will be presented to the Board of Directors for consideration; and

WHEREAS, the adoption of this resolution is exempt from the requirements of the California Environmental Quality Act ("CEQA") pursuant to Public Resources Code Section 21080(b)(8) and Section 15273 of the State CEQA Guidelines codified at 14 CCR §15273 because the resolution pertains to the adoption of charges necessary to maintain services within the District's existing service area.

NOW, THEREFORE, BE IT RESOLVED THAT, the Board of Directors does hereby:

- 1) Approve a reduced water rate adjustment of 4.25% for each calendar year 2017, 2018, and 2019, the remaining three years of the previously approved 2014 Water Rate Plan, effective January 1, 2017.
- 2) Revise Appendix "C" of the Palmdale Water District's Rules and Regulations to reflect this reduction.

3) Direct District staff to continue researching cost saving measures, including grants, to lessen future rate increases beyond the 2014 Water Rate Plan.

4) Direct District staff to assess and report on the following parameters using actuals through August 31st and projecting through December 31st of the year as part of the annual budget process for 2018 and 2019. A "Yes" answer from the District staff analysis for any three (3) parameters will allow for the consideration of a reduced water rate adjustment provided the reduced water rate adjustment continues to satisfy the same "Yes" parameters:

a. Do the District's reserves meet the following end of year target reserve levels while providing a minimum of \$2.5M annually for projects?

2017 - \$10.9M

2018 - \$11.5M

2019 - \$12.1M

b. Can projects be funded at a level that is equal to the year's depreciation while maintaining a minimum reserve level of \$10.5M?

c. Does the Rate Stabilization Fund match or exceed the planned amounts of \$1,080,000 in 2017, \$1,080,000 in 2018, and \$1,480,000 in 2019?

d. Is the projected Debt Coverage Ratio adequate to meet current bond covenants?

e. Has the District's bond rating been re-evaluated to AA or higher by either Standard & Poor's or Fitch rating agencies which are currently A- and A+ respectively?

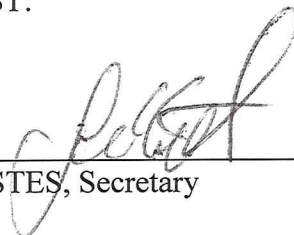
PASSED AND ADOPTED this 9th day of November, 2016 by the Board of Directors, the governing body of the Palmdale Water District.

PALMDALE WATER DISTRICT




ROBERT ALVARADO, President

ATTEST:



JOE ESTES, Secretary

APPROVED AS TO FORM:

By: 

Aleshire & Wynder, General Counsel