

**PALMDALE WATER DISTRICT
RESOLUTION NO. 19-15**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
PALMDALE WATER DISTRICT ADOPTING A WATER RATE
ADJUSTMENT OF 8.1% FOR EACH CALENDAR YEAR 2020, 2021, 2022, 2023, AND
2024, AMENDING APPENDIX C TO THE RULES AND REGULATIONS OF THE
PALMDALE WATER DISTRICT, AND ESTABLISHING PRUDENT PARAMETERS
TO CONSIDER FUTURE 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 2018 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 reduced water rate adjustments in 2015 through 2019; 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 2020, 2021, 2022, 2023, and 2024 to ensure adequate funds to meet current and future water demands; to continue to maintain the Rate Assistance Program, the Internship Program, and water use efficiency 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, 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, 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 2020 through 2024; and

WHEREAS, if circumstances allow a water rate reduction in the future, said reduction will be presented to the Board of Directors for consideration, provided that the adjusted revenues will be sufficient to meet all District operations, expenses, projects, and current and future water demands; 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 water revenue adjustment of 8.1% for each calendar year 2020, 2021, 2022, 2023, and 2024, effective January 1, 2020.
- 2) Revise Appendix "C" of the Palmdale Water District's Rules and Regulations, attached as part of this Resolution, to reflect this adjustment.
- 3) Direct District staff to continue researching cost-saving measures, including grants, to help reduce approved revenue increases in the 2019 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 the subject years. A "Yes" answer from the District staff analysis for any four (4) 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 projected reserves at the end of each year in 2022-2024 meet or exceed the target reserve level of \$16.4M as stated in the 2019 Water Rate Plan for the end of year 2024?
 - b. Are projects funded at a level that is equal to the year's depreciation while maintaining a minimum reserve level of \$10.0M or the reserve levels for each year in 2022-2024 as presented in the 2019 Water Rate Plan?

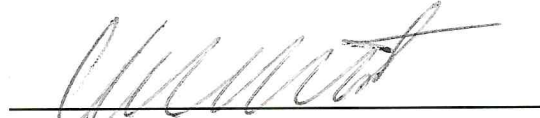
- c. Has an annual Rate Stabilization Fund contribution been made that is equal to or greater than one percent (1%) of the prior year's total revenues?
- d. Is the projected Debt Coverage Ratio for the subject year and each of the remaining years adequate to meet current and proposed bond covenants?
- e. Has the District's bond rating been re-evaluated to and maintained at AA or higher by either Standard & Poor's or Fitch rating agencies, which are currently A- and A+, respectively?
- f. Has the District's outstanding debt been reduced as follows (all three must be met):
 - 1. 2017 Capital Lease - In Entirety (\$447,384)
 - 2. 2012 Private Placement - In Entirety (\$5,492,735)
 - 3. Series 2013A Revenue Bond Issue - \$8.8M?

If any provision in this Resolution, or the application thereof to any person or circumstances, is for any reason held invalid, the validity of the remainder of this Resolution, or the application of such provisions to other persons or circumstances shall not be affected thereby. The Board of Directors hereby declares that it would have passed this Resolution, and each provision thereof, irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases or the application thereof to any person or circumstance be held invalid.

This Resolution shall become effective upon the date of adoption as set forth herein.

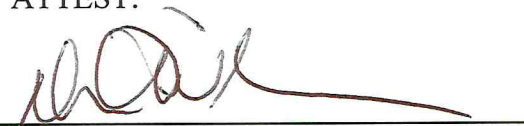
PASSED AND ADOPTED this 28th day of October, 2019 by the Board of Directors, the governing body of the Palmdale Water District.

PALMDALE WATER DISTRICT



 VINCENT DINO, President

ATTEST:



 DON WILSON, Secretary

APPROVED AS TO FORM:

By: 

 ERIC L. DUNN, General Counsel

APPENDIX C

Meter Charges						
Meter Size	Current	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024
1" and Below	\$37.77	\$38.22	\$41.60	\$45.52	\$49.79	\$54.43
1.5"	\$113.30	\$92.99	\$101.49	\$111.51	\$122.47	\$134.37
2"	\$173.74	\$140.84	\$153.81	\$169.16	\$185.96	\$204.21
3"	\$314.78	\$252.48	\$275.89	\$303.69	\$334.10	\$367.16
4"	\$516.26	\$412.05	\$450.38	\$495.96	\$545.84	\$600.07
6"	\$1,019.96	\$810.62	\$886.21	\$976.21	\$1,074.72	\$1,181.81
8"	\$1,624.40	\$1,289.09	\$1,409.41	\$1,552.74	\$1,709.62	\$1,880.17
10"	\$2,329.60	\$1,847.47	\$2,019.99	\$2,225.56	\$2,450.56	\$2,695.17

Commodity Rates						
	Current	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024
Tier 1	\$0.88	\$0.88	\$0.93	\$0.98	\$1.03	\$1.08
Tier 2	\$1.01	\$1.52	\$1.63	\$1.74	\$1.86	\$1.98
Tier 3	\$2.86	\$2.03	\$2.15	\$2.27	\$2.40	\$2.54
Tier 4	\$4.31	\$3.29	\$3.51	\$3.74	\$3.98	\$4.23
Tier 5	\$5.57	\$4.64	\$5.01	\$5.39	\$5.79	\$6.23
Tier 6	\$7.16	n/a	n/a	n/a	n/a	n/a

Drought Surcharge Per CCF

Stage No.	Current	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024
1	\$0.53	\$0.35	\$0.38	\$0.40	\$0.42	\$0.45
2	\$0.91	\$0.54	\$0.58	\$0.61	\$0.65	\$0.69
3	\$1.40	\$0.79	\$0.84	\$0.89	\$0.94	\$1.00