

RESOLUTION NO. 14-11

**BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT
(A) ACCEPTING FINDINGS OF THE BARTLE WELLS ASSOCIATES
RATE STUDY, AND (B) APPROVING THE PROPOSITION 218 NOTICE
REGARDING PROPOSED RATE INCREASES, AND (C) SETTING A
DATE, TIME AND LOCATION FOR PUBLIC HEARING ON PROPOSED
CHANGES IN RATES, FEES, AND CHARGES FOR WATER SERVICE**

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 as Division 11 of the Water Code, specifically at Sections 22280 through 22284;

WHEREAS, The District's current water rates are set forth as Appendix C of the Rules and Regulations of the Palmdale Water District;

WHEREAS, District staff has undertaken a review of the District's financial position and determined the current water rate revenues are not sufficient to offset the cost of providing the water service, including, among other things, increased operation and maintenance expenses, increased costs for necessary infrastructure repairs and enhancements, increased water quality regulations, and increased water supply costs;

WHEREAS, On April 17, 2014, the District retained Bartle Wells Associates, an independent water rate consultant, pursuant to an open bid process to perform a financial study of the District's existing water rates and rate structure and the District's existing and future reasonably estimated costs of providing water service;

WHEREAS, on July 16, 2014, Bartle Wells Associates made a presentation to the Board of Directors that concluded the current rates and rate structure will not be sufficient to cover the reasonably estimated costs of providing the District's water service over the next five years and proposed a revised rate structure and incremental annual rate increases of 5.5% for the next five years;

WHEREAS, on July 23, 2014, Bartle Wells Associates presented a draft study to the Board of Directors, providing additional support for its conclusions;

WHEREAS, District staff has recommended the new rate structure and the 5.5% annual rate increases proposed by Bartle Wells Associates;

WHEREAS, the District's charges and fees for water service are subject to the substantive and procedural requirements of Proposition 218 (Cal. Const. Art. XIII D). Section 6 of Article XIII D of the California Constitution sets forth notice, hearing, and protest requirements applicable to increases of water rates; and

WHEREAS, the District may not adopt or impose any new or increased water rates if it receives a majority protest by those who will be subject to the rates.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED that the Board of Directors of the Palmdale Water District does hereby resolve as follows:

1. The foregoing recitals, and all information presented in the Bartle Wells Associates presentation and staff report, are hereby found to be true and correct and incorporated herein by this reference.

2. The proposed revised rate structure and proposed annual rate increase of 5.5% meets the substantive requirements of Proposition 218 (Cal. Const. Art. XIII D) as follows:

- a. *Fee for Service Provided Only:* Revenues derived from the fee may not be used for any purpose other than that for which the fee was imposed. Revenues derived from the proposed rates will be used only for the purpose of providing water service.
- b. *Fee not to Exceed Cost of Service:* Revenues derived from the fee may not exceed the funds required to provide water service. The revenues derived from the proposed rates do not exceed the funds required to provide the water service, as set forth in the Bartle Wells Associates presentation and staff report.
- c. *Fee not to Exceed Proportional Cost:* The amount of the fee may not exceed the proportional cost of the water service attributable to each parcel. The proposed rate structure is based upon classes of users and tiers, which reasonably allocate the District's costs to provide the service to each parcel.

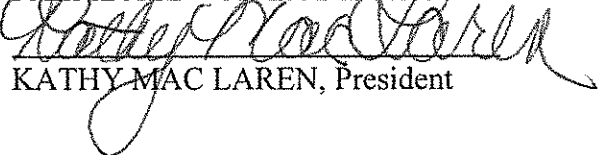
3. The proposed revised rate structure and 5.5% annual rate increases offer the best rate structure to allow the District to meet minimum operating requirements and provide a minimum level of funding for capital improvements, including bond covenants associated with capital improvements, over the next five years.

4. District Staff and General Counsel are directed to prepare and mail public notices proposing the adoption of the revised rate structure and 5.5% annual rate increases. Said notice shall be issued in compliance with Proposition 218 (Cal. Const. Art. XIII D) for the initiation of the 45-day public review period before a majority protest hearing on September 17, 2014 at 7:00 p.m.

5. The District will hold a majority protest hearing on the proposed revised rate structure and 5.5% annual rate increases on September 17, 2014 at 7:00 p.m.

PASSED AND ADOPTED on this 23rd day of July, 2014 by the Board of Directors, the governing body of the Palmdale Water District.

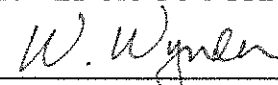
PALMDALE WATER DISTRICT


KATHY MAC LAREN, President

ATTEST


JOE ESTES, Secretary

APPROVED AS TO FORM:

By: 
Aleshire & Wynder, General Counsel