

**PALMDALE WATER DISTRICT
RESOLUTION NO. 14-16**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF
PALMDALE WATER DISTRICT APPROVING 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 at Division 11 of the Water Code, specifically at Sections 22280 through 22284;

WHEREAS, the District's current water rates are set forth at 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, 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 and July 23, 2014, Bartle & Wells made presentations 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 fiscal years, and, proposed a revised rate structure and annual rate increases options depending on the level of maintenance and improvements expected to take place in the next five years, including 5%, 5.5% and 6% annual rate increases;

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

WHEREAS, on July 23, 2014, pursuant to Proposition 218, the Board approved and directed staff to provide notice of the proposed rate structure changes and 5.5% annual rate increases, set forth in draft Appendix C, attached hereto, (the "Proposed Rates");

WHEREAS, on August 1, 2014, District staff mailed notice of (1) the Proposed Rates, (2) a September 17, 2014 public hearing, and (3) the method of protesting the Proposed Rates, to all the record owners of parcels within the District's service area that are subject to the District's fees and charges, using the last equalized assessment tax roll of the Los Angeles County Assessor and the District's customer billing records;

WHEREAS, the District held three public workshops on August 14, 2014, August 21, 2014, and September 8, 2014 to provide the public additional information regarding the Proposed Rates;

WHEREAS, from August 1, 2014, to 7:00 p.m. on September 17, 2014, the District accepted valid protests to the Proposed Rates;

WHEREAS, on September 17, 2014, the District held a public hearing at which District staff presented a total of 340 valid protests to the Board, resulting in less than a majority protest pursuant to Article XIII D, Section 6 of the California Constitution;

WHEREAS, although the lack of a majority protest authorizes the Board to adopt the Proposed Rates up to 5.5% for the next five fiscal years, the Board is not required to implement all of the annual rate increases;

WHEREAS, each year through its budget process, the Board reviews the estimated costs of providing the District's service in the ensuing year and determines at that time the amount of the increase it will implement for the ensuing year;

WHEREAS, the District has previously decided not to exercise its full authority to increase rates, including on May 13, 2009, when the Board approved a 46% rate increase for 5 years and only implemented 15% rate increases in those years; 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 AND ORDERED that the Board of Directors of the Palmdale Water District does hereby resolve as follows:


1. The foregoing recitals are hereby found to be true and correct and incorporated herein by this reference.
2. The District has received and accepted 340 valid protests to the Proposed Rates as of 7:00 p.m. on September 17, 2014.
3. The District adopts and approves the Proposed Rates as set forth in draft Appendix C to the District's Rules and Regulations, attached hereto.
4. The Current Appendix C shall be replaced by the draft Appendix C, attached hereto, reflecting the District's authority to impose and collects rates for the provision of water service in accordance therewith.
5. In the event the Board determines, through its annual budget process, not to implement the full 5.5% annual rate increase set forth in Appendix C for any of the following five fiscal years, it shall amend Appendix C to reflect the actual rate adopted for that year.

6. The General Manager is authorized and directed to give due notice of exemption of this resolution from the provisions of CEQA, pursuant to Title 14 California Code of Regulations section 15062.

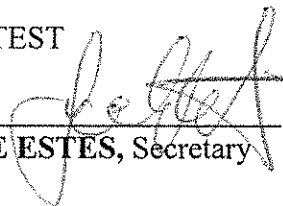
7. Effective Date. All sections of this Resolution shall be in full force and effect immediately.

PASSED AND ADOPTED on this 17th day of September, 2014 by the Board of Directors, the governing body of the Palmdale Water District.

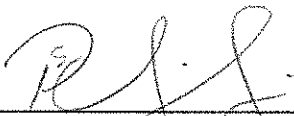
PALMDALE WATER DISTRICT


KATHY MAC LAREN, President

ATTEST


JOE ESTES, Secretary

APPROVED AS TO FORM:

By: 
Aleshire & Wynder, General Counsel

Appendix C

Palmdale Water District Proposed Rate Structure

Water Quality Fee (\$/ccf): 5-yr moving average of (GAC costs) / (billed water usage [hcf])

User Classification

Single Family Residential "SFR"
Multi Family Residential "MFR"
Commercial-Industrial "CI"
Irrigation Only "IRR"
Other "OTHER"

Water Budget Allocation - Essential Usage

Indoor Allocation
3-yr average of minimum monthly usage
3-yr average of minimum monthly usage
Essential Outdoor Allocation
3-yr average of minimum monthly usage

User Classification

Single Family Residential "SFR"
Multi Family Residential "MFR"
Commercial-Industrial "CI"
Irrigation Only "IRR"
Other "OTHER"

Water Budget Allocation - Efficient Usage

Indoor Allocation + Efficient Outdoor Allocation
3-yr moving average by month
3-yr moving 3 month average
Efficient Outdoor allocation
3-yr moving average by month

Service Charge

Meter Size

1" and Below
1-1/2"
2"
3"
4"
6"
8"
10"

Monthly Service Charge

\$31.27
\$93.80
\$143.85
\$260.62
\$427.44
\$844.50
\$1,344.96
\$1,928.84

Commodity Rates (\$/ccf*)

Tiers

Tier 1
Tier 2
Tier 3
Tier 4
Tier 5
Tier 6

CY 2014

\$0.73
\$0.84
\$2.37
\$3.57
\$4.61
\$5.93

Elevation Booster Surcharge (\$/ccf*)

Area

B
A1
A2
A3

CY 2014

-
5-Year Moving Average of Actual Pumping Costs
5-Year Moving Average of Actual Pumping Costs
5-Year Moving Average of Actual Pumping Costs

**Water use is metered in units of ccf (hundred cubic feet)*

All Classes

Tier

Tier 1
Tier 2
Tier 3
Tier 4
Tier 5
Tier 6

Water Budget Allocation

0 - 100% Essential Usage
100% Essential Usage - 100% Efficient Usage
101-130% Efficient Usage
131-160% Efficient Usage
161-190% Efficient Usage
Above 191% Efficient Usage

Appendix C

Meter Charges	% Increase	5.5%	5.5%	5.5%	5.5%	5.5%
Meter Size	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019
1" and Below	\$31.27	\$32.99	\$34.80	\$36.71	\$38.73	\$40.86
1.5"	93.80	98.96	104.40	110.14	116.20	122.59
2"	143.85	151.76	160.11	168.92	178.21	188.01
3"	260.62	274.95	290.07	306.02	322.85	340.61
4"	427.44	450.95	475.75	501.92	529.53	558.65
6"	844.50	890.95	939.95	991.65	1,046.19	1,103.73
8"	1,344.96	1,418.93	1,496.97	1,579.30	1,666.16	1,757.80
10"	1,928.84	2,034.93	2,146.85	2,264.93	2,389.50	2,520.92

Commodity Rates	% Increase	5.5%	5.5%	5.5%	5.5%	5.5%
	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019
Tier 1	\$0.73	\$0.77	\$0.81	\$0.85	\$0.90	\$0.95
Tier 2	\$0.84	\$0.89	\$0.94	\$0.99	\$1.04	\$1.10
Tier 3	\$2.37	\$2.50	\$2.64	\$2.79	\$2.94	\$3.10
Tier 4	\$3.57	\$3.77	\$3.98	\$4.20	\$4.43	\$4.67
Tier 5	\$4.61	\$4.86	\$5.13	\$5.41	\$5.71	\$6.02
Tier 6	\$5.93	\$6.26	\$6.60	\$6.96	\$7.34	\$7.74

Drought Surcharges			
Stage No.	Policy	% Shortage	Drought Surcharge per CCF*
1	Water Rationing	20% reduction in water deliveries	\$0.45
2	Water Rationing	30% reduction in water deliveries	\$0.77
3	Water Rationing	40% reduction in water deliveries	\$1.19