



PALMDALE WATER DISTRICT

A CENTURY OF SERVICE

BOARD OF DIRECTORS

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DON WILSON
Division 2

GLORIA DIZMANG
Division 3

KATHY MAC LAREN-GOMEZ
Division 4

VINCENT DINO
Division 5

August 9, 2023

AGENDA FOR A MEETING OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY TO BE HELD AT 2029 EAST AVENUE Q, PALMDALE

MONDAY, AUGUST 14, 2023

6:00 p.m.

DENNIS D. LaMOREAUX
General Manager

ALESHIRE & WYNDER LLP
Attorneys

NOTE: To comply with the Americans with Disabilities Act, to participate in any Board meeting please contact Danielle Henry at 661-947-4111 x1059 at least 48 hours prior to a Board meeting to inform us of your needs and to determine if accommodation is feasible.

Agenda item materials, as well as materials related to agenda items submitted after distribution of the agenda packets, are available for public review at the District's office located at 2029 East Avenue Q, Palmdale or on the District's website at <https://www.palmdalewater.org/governance/committee-activity/2023-committee-agendas-and-minutes/> (Government Code Section 54957.5). Please call Danielle Henry at 661-947-4111 x1059 for public review of materials.



PUBLIC COMMENT GUIDELINES: The prescribed time limit per speaker is three-minutes. Please refrain from public displays or outbursts such as unsolicited applause, comments, or cheering. Any disruptive activities that substantially interfere with the ability of the District to conduct its meeting will not be permitted, and offenders will be requested to leave the meeting. (PWD Rules and Regulations, Appendix DD, Sec. IV.A.)

Each item on the agenda shall be deemed to include any appropriate motion, resolution, or ordinance to take action on any item.

- 1) Roll Call.
- 2) Adoption of Agenda.
- 3) Public Comments for Non-Agenda Public Financing Authority Items.

- 4) Action Items: (The public shall have an opportunity to comment on any action item as each item is considered by the Board of Directors prior to action being taken.)
 - 4.1) Consideration and Possible Action on Approval of Minutes of Meeting held August 23, 2021.
 - 4.2) Consideration and Possible Action on Resolution No. 2023-1 Being a Resolution of the Palmdale Water District Public Financing Authority Authorizing the Issuance of Not to Exceed \$45,000,000 in Water Revenue Bonds, Series 2023A, Approving the Execution of Certain Documents and Authorizing Certain Acts in Connection Therewith. (Finance Manager Hoffmeyer/Financial Advisor Egan/NHA Advisors)
- 5) Information Items.
- 6) Board Members' Requests for Future Agenda Items.
- 7) Adjourn to Palmdale Water District Regular Board Meeting.



DENNIS D. LaMOREAUX,
PWD General Manager

DDL/dh

**PALMDALE WATER DISTRICT
BOARD MEMORANDUM**

DATE: August 8, 2023 **August 14, 2023**
TO: BOARD OF DIRECTORS **Board Meeting and**
FROM: Mr. Dennis J. Hoffmeyer, Finance Manager/CFO **Public Financing Authority Mtg.**
VIA: Mr. Dennis D. LaMoreaux, General Manager
RE: ***AGENDA ITEM NO. 7.6 – CONSIDERATION AND POSSIBLE ACTION ON RESOLUTION NO. 23-9 BEING A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT AUTHORIZING THE ISSUANCE BY THE PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY OF WATER REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$45,000,000 AND APPROVING CERTAIN DOCUMENTS IN CONNECTION THEREWITH. (FINANCE MANAGER HOFFMEYER/FINANCIAL ADVISOR EGAN/NHA ADVISORS)***

AGENDA ITEM NO. 4.2 (PWD PUBLIC FINANCING AUTHORITY) – CONSIDERATION AND POSSIBLE ACTION ON RESOLUTION NO. 2023-1 BEING A RESOLUTION OF THE PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$45,000,000 IN WATER REVENUE BONDS, SERIES 2023A, APPROVING THE EXECUTION OF CERTAIN DOCUMENTS AND AUTHORIZING CERTAIN ACTS IN CONNECTION THEREWITH. (FINANCE MANAGER HOFFMEYER/FINANCIAL ADVISOR EGAN/NHA ADVISORS)

Recommendation:

Staff recommends that the Board adopt Resolution No. 23-9 being a Resolution of the Board of Directors of the Palmdale Water District Authorizing the Issuance by the Palmdale Water District Public Financing Authority of Water Revenue Bonds in an Aggregate Principal Amount Not to Exceed \$45,000,000 and Approving Certain Documents in Connection Therewith.

Staff also recommends that the Board of the Palmdale Water District Public Financing Authority adopt Resolution No. 2023-1 being a Resolution of the Palmdale Water District Public Financing Authority Authorizing the Issuance of Not to Exceed \$45,000,000 in Water Revenue Bonds, Series 2023A, Approving the Execution of Certain Documents and Authorizing Certain Acts in Connection Therewith.

Alternative Options:

The Board can choose not to adopt these Resolutions and instruct staff to seek alternative financing methods to pay for the capital projects it would like to complete.

Impact of Taking No Action:

The impact from no action would result in the District’s inability to issue bonds for financing the construction of the capital projects it intends to complete.

Background:

The District has approximately \$30.6 million in Capital Improvement Projects (CIP) through FY2024 which it intends to finance through the issuance of Water Revenue Bonds, Series 2023A (“2023A Bonds”). These bonds are the second series to be issued as part of the 2019 water rate study. The first series was issued in 2021. The legal documents proposed for approval by these two Resolutions would approve funding for the following CIP projects:

Project Description	Estimated Costs
Well 36 Equipping	\$ 4,000,000
3M Booster Station Rehabilitation (Contract awarded May 22, 2023)	6,300,000
Demonstration Facility Project Estimate (Contract award estimated October with project start in the spring)	14,000,000
Consulting and Project Management	4,000,000
Recycled Waterline (Avenue Q)	1,567,422
6M Clearwell (Beam and structure)	<u>650,000</u>
TOTAL	<u>\$30,517,422</u>

The District will include refunding the remaining years (2023 – 2030) of the 2013A Water Revenue Bonds in the amount of \$8,240,000. This will be done to eliminate a potential pinch point in the debt service coverage in 2029-2030 ahead of full funding for Pure Water AV.

By adopting the attached Resolutions, in combination, the District and Authority are taking the following steps:

1. Approval of an Installment Purchase Agreement, wherein the District makes installment purchase payments (debt service payments) secured by a pledge of net revenues (after operating expenses) of the District. This Agreement is between the District and the Palmdale Water District Public Financing Authority.
2. Approval of the Indenture of Trust, wherein BNY Mellon, the trustee, is instructed how to manage cash flows and various accounts related to the bond issue.
3. Approval of an Assignment Agreement, which assigns the Installment Purchase Agreement from the Palmdale Water District Public Financing Authority to the trustee for the bond issue, The Bank of New York Mellon Trust Company, N.A. (“BNY Mellon”).
4. Approval of the Purchase Contract, wherein Hilltop Securities, the bond underwriter, sets forth its commitment to purchase the 2023A Bonds from the Public Financing Authority.
5. Approval of the Preliminary Official Statement, wherein information regarding the security for the bonds and the credit of the District is communicated to potential investors.

6. Authorizing and directing the specified District staff to do any and all things and deliver any and all documents which they may deem necessary in order to carry out the terms of the resolutions.

The District's debt is secured by the net revenues of the District after operating expenses. The District has ample capacity based on current net revenues to issue this debt. However, rates will need to have continued adjustments as approved in the 2019 rate study to service this debt and meet other anticipated increases in operating expenses.

The proposed 2023A Bonds will be amortized over a period of 30 years. In order to minimize rate impact, the capital projects funding portion of the 2023A Bonds will be interest only through 2034, "wrapping around" the bulk of the District's existing debt to make the aggregate debt service as level as possible. An all-in interest rate of approximately 4.9% is expected, based on current bond market conditions. Annual debt service for the 2023A Bonds is expected to be approximately \$1.9 million per year through 2034, then step up to \$2.6 million for 2035-2043, \$3.8 million for 2044-2048, \$4.6 million for 2049-2051, and \$5.3 million in 2052 and 2053. Since the rate study approved by the Board in 2019 provides ample revenue to support both the 2021A Bonds and the anticipated 2023A bond issue, there will be no additional rate pressure from the issuance of both the proposed bond issues.

Note that for legal reasons, the District's joint powers authority formed in connection with the 2021A Bonds, the Palmdale Water District Public Financing Authority, needs to be involved in the transaction. The Installment Purchase Agreement securing the financing is technically a purchase by the District of the improvements to be funded by the proposed bond issue. Consequently, there needs to be both a purchaser (the District) and a seller (the Public Financing Authority). Otherwise, the Public Financing Authority takes no active role in the financing, since pursuant to the Assignment Agreement it assigns all of its rights (other than to indemnification and notice) under the Installment Purchase Agreement to BNY Mellon, the trustee for the bond issue. In addition, use of the Public Financing Authority as the actual issuer of the bonds enables the debt obligation to be called a "revenue bond," which has advantages with bond investors.

Budget Impact:

The fixed expenses of the District for debt service will increase by approximately \$1.9 million per year in 2024-2034 after issuance of the 2023A Bonds. While debt service on the 2023A Bonds is estimated to increase to \$2.6 million in 2035, \$3.8 million 2044, \$4.6M in 2051, and finally to \$5.3 million in 2053, the overall debt service of the District will actually decrease in 2029 and 2030, because of the refunding of the 2013 Bonds. Ample rate capacity under the 2019 rate study exists for the proposed 2023A Bonds.

Strategic Plan Initiative/Mission Statement:

This item is under Strategic Initiative No. 1 – "Water Resource Reliability" and Strategic Initiative No. 4 – "Financial Health and Stability"

This item directly relates to the District's Mission Statement.

BOARD OF DIRECTORS
PALMDALE WATER DISTRICT
VIA: Mr. Dennis D. LaMoreaux, General Manager

August 8, 2023

Supporting Documents:

- Resolution No. 23-9 of the Palmdale Water District
- Resolution No. 2023-1 of the Palmdale Water District Public Financing Authority
- Installment Purchase Agreement
- Assignment Agreement
- Indenture of Trust
- Escrow Agreement
- Preliminary Official Statement (To be delivered on Thursday, August 10, 2023)

RESOLUTION NO. 2023-1

**RESOLUTION OF THE PALMDALE WATER DISTRICT
PUBLIC FINANCING AUTHORITY AUTHORIZING THE
ISSUANCE OF NOT TO EXCEED \$45,000,000 WATER
REVENUE BONDS, SERIES 2023A, APPROVING THE
EXECUTION OF CERTAIN DOCUMENTS AND
AUTHORIZING CERTAIN ACTS IN CONNECTION
THEREWITH**

WHEREAS, the Palmdale Water District Public Financing Authority is a joint exercise of powers authority duly organized and existing under the laws of the State of California (the “Authority”) which has the authority to assist in financing the acquisition, construction, installation and equipping of capital improvements on behalf of the Palmdale Water District (the “District”);

WHEREAS, the District has requested that the Authority assist the District in financing certain capital improvements to the District’s Water System, including, but not limited to, pipeline, well, booster and water treatment plant projects (the “2023 Project”); and

WHEREAS, the District has requested that the Authority assist the District in refinancing certain installment payments owed by the District in connection with the Authority’s outstanding Water Revenue Bonds, Series 2013A (the “2013 Installment Payments”); and

WHEREAS, the Board of Directors of the Authority has determined to assist the District with the financing of the 2023 Project and the refinancing of all or a portion of the 2013 Installment Payments through the issuance of the Palmdale Water District Public Financing Authority Water Revenue Bonds, Series 2023A (the “2023A Bonds”) and desires to approve certain documents in connection therewith;

WHEREAS, the 2023A Bonds will be issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the California Government Code (the “Act”) and an Indenture of Trust by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee;

WHEREAS, in accordance with the requirements of Government Code Section 5852.1, there has been presented to the Board of Directors of the Authority and disclosed at the meeting at which this resolution is being adopted the information required by Government Code Section 5852(a)(1) which is attached hereto as Exhibit A;

NOW THEREFORE, the Board of Directors of the Palmdale Water District Public Financing Authority hereby finds, determines, declares and resolves as follows:

Section 1. The issuance of the Palmdale Water District Public Financing Authority Water Revenue Bonds, Series 2023A in the principal amount not to exceed \$45,000,000 is hereby approved in order to finance the 2023 Project, to refinance all or a portion of the 2013 Installment Payments and to pay the cost of issuance for the 2023A Bonds; provided, however, that the 2023A Bonds shall be issued only in accordance with the parameters set forth in Section 5 below.

Section 2. The Installment Purchase Agreement by and between the District and the Authority, in substantially the form on file with the Authority, is hereby approved. Each of the President, Vice President, Executive Director, Treasurer and Secretary of the Authority, or the President's designee (collectively, the "Authorized Officers"), acting alone, is hereby authorized and directed to execute and deliver the Installment Purchase Agreement with such changes, insertions and omissions as may be approved by the person executing the same, with the execution of the Installment Purchase Agreement in its final form being conclusive evidence of the approval by such person.

Section 3. The Indenture of Trust by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), in substantially the form on file with the Authority, is hereby approved. Each of the Authorized Officers, acting alone, is hereby authorized and directed to execute and deliver the Indenture of Trust with such changes, insertions and omissions as may be approved by the person executing the same, with the execution of the Authority Indenture in its final form being conclusive evidence of the approval by such person.

Section 4. The Assignment Agreement, by and between the Authority and the Trustee, in substantially the form on file with the Authority, is hereby approved. Each of the Authorized Officers, acting alone, is hereby authorized and directed to execute and deliver the Assignment Agreement with such changes, insertions and omissions as may be approved by the person executing the same, with the execution of the Assignment Agreement in its final form being conclusive evidence of the approval by such person.

Section 5. The Bond Purchase Agreement by and among the Authority, the District and Hilltop Securities, Inc. (the “Underwriter”), in substantially the form on file with the Authority, is hereby approved. Each of the Authorized Officers, acting alone, is hereby authorized and directed to execute and deliver the Bond Purchase Agreement with such changes, insertions and omissions as may be approved by the person executing the same, with the execution of the Bond Purchase Agreement in its final form being conclusive evidence of the approval by such person; provided, however, that in no event shall the principal amount of the 2023A Bonds exceed \$45,000,000, nor shall the Underwriter’s discount exceed 0.6% of the principal amount of the 2023A Bonds.

Section 6. The preparation and distribution of the Preliminary Official Statement, in substantially the form on file with the Authority, is hereby approved, together with such changes as are necessary to make the Preliminary Official Statement accurate as of its date, with the Preliminary Official Statement being subject to final approval as to form by the District’s legal counsel and the law firm of Stradling Yocca Carlson & Rauth, a Professional Corporation (“Bond Counsel”). Each of the Authorized Officers, acting alone, is hereby authorized to sign a certificate pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, relating to the Preliminary Official Statement, and each of the Authorized Officers, acting alone, is hereby authorized and directed to execute, approve and deliver the final Official Statement in the form of the Preliminary Official Statement with such changes, insertions and omissions as may be approved by the person executing the same, said execution being conclusive evidence of the approval of such

changes, insertions and omissions. The Underwriter is hereby authorized to distribute copies of the Preliminary Official Statement to persons who may be interested in the initial purchase of the 2023A Bonds and is directed to deliver copies of any final Official Statement to all actual initial purchasers of the 2023A Bonds.

Section 7. The Escrow Agreement relating to the defeasance of the 2013 Installment Payments being refinanced, by and among the Authority, the District and The Bank of New York Mellon Trust Company, N.A., as escrow agent, in substantially the form on file with the Authority, is hereby approved. Each of the Authorized Officers, acting alone, is hereby authorized and directed to execute and deliver the Escrow Agreement with such changes, insertions and omissions as may be approved by the person executing the same, with the execution of the Escrow Agreement in its final form being conclusive evidence of the approval by such person.

Section 8. Each of the Executive Director, the Treasurer or their respective designees, acting alone, is hereby authorized to (i) execute a commitment for municipal bond insurance and/or a reserve surety policy from a municipal bond insurer (the “Insurer”), (ii) to finalize the form of such policy or policies with the Insurer, and (iii) if it is determined Executive Director, the Treasurer or one of their respective designees that the policy or policies will result in interest rate savings on the 2023A Bonds, to pay the insurance premium of such policy or policies from the proceeds of the issuance and sale of the 2023A Bonds. Bond Counsel is hereby directed to make all changes to the Preliminary Official Statement, the Installment Purchase Agreement, the Indenture of Trust, the Assignment Agreement and the Bond Purchase Agreement as are necessary to reflect the selection of an Insurer, including the terms of any commitment and the Insurer’s reasonable comments to such documents.

Section 9. Each of the President, Vice President, Executive Director, Treasurer or Secretary and any other proper officer of the Authority is hereby authorized and directed to execute

and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the Indenture of Trust, the Installment Purchase Agreement, the Assignment Agreement, the Escrow Agreement, the Bond Purchase Agreement, the Preliminary Official Statement and this Resolution.

Section 10. Each of the Authorized Officers is authorized to provide for all services necessary to effect the issuance of the 2023A Bonds. Such services shall include, but are not limited to, obtaining legal services, municipal advisor services, trustee services and any other services deemed appropriate by an Authorized Officer. Any one of the Authorized Officers is authorized to pay for the cost of such services, together with other costs of issuance for the 2023A Bonds, from the proceeds of the 2023A Bonds, and to execute and any all agreements required to obtain such services.

Section 11. The Bank of New York Mellon Trust Company, N.A. is hereby appointed to act as trustee under the Indenture of Trust and as escrow agent under the Escrow Agreement.

Section 12. Unless otherwise defined herein, all terms used herein and not otherwise defined shall have the meanings given such terms in the Indenture of Trust unless the context otherwise clearly requires.

Section 13. This Resolution shall take effect from and after its date of adoption.

PASSED AND ADOPTED by the Board of Directors of the Palmdale Water District Public Financing Authority, California, this 14th day of August, 2023, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

President

ATTEST:

Secretary

EXHIBIT A

GOOD FAITH ESTIMATES

The good faith estimates set forth herein are provided with respect to the 2023A Bonds in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the Authority by NHA Advisors, its municipal advisor (the “Municipal Advisor”).

Principal Amount. The Municipal Advisor has informed the Authority that, based on the Authority’s financing plan and current market conditions, its good faith estimate of the aggregate principal amount of the 2023A Bonds to be sold is \$42,295,000 (the “Estimated Principal Amount”). Based on the Estimated Principal Amount, the following good faith estimates are provided:

(a) True Interest Cost of the 2023A Bonds. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 2023A Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the true interest cost of the 2023A Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the 2023A Bonds, is 4.76%

(b) Finance Charge of the 2023A Bonds. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 2023A Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the finance charge for the 2023A Bonds, which means the sum of all fees and charges paid to third parties, is \$831,426.

(c) Amount of Proceeds to be Received. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 2023A Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received by the Authority for sale of the 2023A Bonds, less the finance charges set forth in (b) above, and any reserves or capitalized interest to be paid or funded with proceeds of the 2023A Bonds, together with any premium received, is \$39,353,100.

(d) Total Payment Amount. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 2023A Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the total payment amount, which means the sum total of all payments the Authority will make to pay debt service on the 2023A Bonds, plus the finance charge for the 2023A Bonds as described in (b) above not paid with the proceeds of the 2023A Bonds, calculated to the final maturity of the 2023A Bonds, is \$87,258,613 (\$0.00 of which will be paid for from capitalized interest).

The foregoing estimates constitute good faith estimates only. The actual principal amount of the 2023A Bonds issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of the sale of the 2023A Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of 2023A Bonds sold being different from the Estimated Principal Amount, (c) the actual amortization

of the 2023A Bonds being different than the amortization assumed for purposes of such estimates, (d) the actual market interest rates at the time of sale of the 2023A Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the Authority's financing plan, or a combination of such factors. The actual date of sale of the 2023A Bonds and the actual principal amount of 2023A Bonds sold will be determined by the Authority based on the timing of the need for proceeds of the 2023A Bonds and other factors. The actual interest rates borne by the 2023A Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the 2023A Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the Authority.