



# PALMDALE WATER DISTRICT

A CENTURY OF SERVICE

## BOARD OF DIRECTORS

**W. SCOTT KELLERMAN**

Division 1

**DON WILSON**

Division 2

**GLORIA DIZMANG**

Division 3

**KATHY MAC LAREN-GOMEZ**

Division 4

**VINCENT DINO**

Division 5

September 20, 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, SEPTEMBER 25, 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 14, 2023.
  - 4.2) Consideration and Possible Action on Resolution No. 2023-2 being A Resolution of the Board of the Palmdale Water District Public Financing Authority Approving a WIFIA Application and Certain Other Documents and Authorizing Certain Other Matters in Connection Therewith. (Finance Manager Hoffmeyer/Engineering Manager Rogers)
- 5) Information Items.
- 6) Board Members' Requests for Future Agenda Items.
- 7) Adjourn to Palmdale Water District Regular Board Meeting.



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DENNIS D. LaMOREAUX,  
PWD General Manager

DDL/dh

**PALMDALE WATER DISTRICT  
BOARD MEMORANDUM**

**DATE:** September 19, 2023 **September 25, 2023**  
**TO:** BOARD OF DIRECTORS **Board Meeting and**  
**FROM:** Mr. Dennis J. Hoffmeyer, Finance Manager/CFO **Public Financing Authority Meeting**  
**VIA:** Mr. Dennis D. LaMoreaux, General Manager  
**RE:** ***AGENDA ITEM NO. 7.4 – CONSIDERATION AND POSSIBLE ACTION ON RESOLUTION NO. 23-13 BEING A RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT AUTHORIZING THE INCLUSION OF INFORMATION WITH RESPECT TO PALMDALE WATER DISTRICT IN A WIFIA LOAN APPLICATION, APPROVING AN INSTALLMENT PURCHASE AGREEMENT, AND AUTHORIZING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH. (FINANCE MANAGER HOFFMEYER/ENGINEERING MANAGER ROGERS)***

***AGENDA ITEM NO. 4.2 (PUBLIC FINANCING AUTHORITY) – CONSIDERATION AND POSSIBLE ACTION ON RESOLUTION NO. 2023-2 BEING A RESOLUTION OF THE BOARD OF THE PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY APPROVING A WIFIA APPLICATION AND CERTAIN OTHER DOCUMENTS AND AUTHORIZING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH. (FINANCE MANAGER HOFFMEYER/ ENGINEERING MANAGER ROGERS)***

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**Recommendation:**

Staff recommends that the Board adopt Resolution No. 23-13 being a Resolution of the Board of Directors of the Palmdale Water District Authorizing the Inclusion of Information with Respect to Palmdale Water District in a WIFIA Loan Application, Approving an Installment Purchase Agreement, and Authorizing Certain Other Matters in Connection Therewith.

Staff also recommends that the Board of the Public Financing Authority adopt Resolution No. 2023-2 being a Resolution of the Board of the Palmdale Water District Public Financing Authority Approving a WIFIA Application and Certain Other Documents and Authorizing Certain Other Matters 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 Pure Water AV related projects it would like to complete.

**Impact of Taking No Action:**

The impact from taking no action would result in the District's inability to submit the Environmental Protection Agency's (EPA) Water Infrastructure Finance and Innovation Act (WIFIA) loan application as part of the EPA's invitation to apply which expires on December 21, 2023. Staff would bring back the Resolutions at a later meeting after satisfying any requests made by the Board of Directors.

**Background:**

The District received approval from the EPA on its letter of interest on December 21, 2022, approving the submittal of the WIFIA loan application. This has required staff to work through the process of refining the design project for the Demonstration Facility, various filtration systems, acquisition of property for the Full-Scale Facility, and financial proforma calculations necessary for potential repayment of the WIFIA loan if undertaken by the District.

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. This Agreement does not commit the District to borrow money under the WIFIA program, or through any other debt mechanism. Approval of the Agreement by the Board is solely for the purpose of submitting the WIFIA loan application.

The District's debt is secured by the net revenues of the District after operating expenses. The District will need to have continued adjustments to rates sufficient to have ample capacity of net revenues to secure the loan.

Note that for legal reasons, the District's joint powers authority formed in connection with the WIFIA loan, 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 Pure Water AV projects to be funded by the proposed loan. 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 its rights (other than to indemnification and notice) under the Installment Purchase Agreement to the Environmental Protection Agency, the trustee for the WIFIA loan.

**Background (cont.):**

The involvement of the Public Financing Authority is necessary because the District does not have the legal authority to enter into the WIFIA loan on its own. If the EPA approves the loan application, staff will bring back to the Board the Master Credit Agreement that contains the exact terms the District and the Public Financing Authority will need to agree to. The Master Credit Agreement will define the terms and conditions for use, disbursement, and interest rates for the funds.

**Budget Impact:**

The fixed expenses of the District for debt service will not be incurred until one year after the Project has obtained 80% completion anticipated in the Fall of 2029.

**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.

**Supporting Documents:**

- Resolution No. 23-13 of the Palmdale Water District
- Resolution No. 2023-2 of the Palmdale Financing Authority
- Installment Purchase Agreement
- WIFIA Application (draft)

**RESOLUTION NO. 2023-2**

**A RESOLUTION OF THE BOARD OF THE PALMDALE  
WATER DISTRICT PUBLIC FINANCING AUTHORITY  
APPROVING A WIFIA APPLICATION AND CERTAIN  
OTHER DOCUMENTS AND AUTHORIZING CERTAIN  
OTHER MATTERS IN CONNECTION THEREWITH**

**WHEREAS**, the Palmdale Water District Public Financing Authority (the “Authority”) is a joint powers authority duly organized and existing under and by virtue of the laws of the State of California, and is authorized to assist the Palmdale Water District (the “District”) in financing certain projects of the District; and

**WHEREAS**, the Authority previously submitted to the United States Environmental Protection Agency (the “EPA”) a letter of interest dated October 31, 2022 for a loan from the EPA under the Water Infrastructure Finance and Innovation Act (“WIFIA”); and

**WHEREAS**, on December 21, 2022, the Authority was invited by EPA to submit an application for a loan under the WIFIA program (a “WIFIA Loan.”); and

**WHEREAS**, there has been presented to the Board of Directors of the Authority a substantially final form of application for such WIFIA Loan (the “Application.”); and

**WHEREAS**, the District has approved a form of installment purchase agreement with the Authority which will be submitted as a part of the Application; and

**WHEREAS**, the Board of Directors of the Authority has reviewed the Application, the proposed installment purchase agreement with the District and the provisions of the California Environmental Quality Act (“CEQA”) and has considered whether any direct or indirect physical changes to the environment will result from submitting the Application, together with the form of such installment purchase agreement, to the EPA and has considered whether taking such action may possibly have a significant effect on the environment.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY** as follows:

**SECTION 1. Recitals.** The Recitals set forth above are true and correct and are incorporated into this Resolution by reference.

**SECTION 2. Determinations with Respect to CEQA.** The Board of Directors of the Authority does hereby determine that authorizing (1) the execution of the Application by the Chair, the Vice Chair or the Executive Director (each an “Authorized Officer”), (2) the approval of the form of the installment purchase agreement with the District for the purpose of submission to EPA in connection with the Application, (3) submission of the Application to EPA, (4) the payment of an application fee by the Executive Director or the Treasurer, or the designee of either, to EPA in an amount not to exceed \$100,000, and (5) all steps that are reasonably convenient or necessary to submit the Application, does not constitute a project or projects under CEQA because: the proposed actions represent administrative activities of the Authority that will not result in direct or indirect physical changes in the environment (Section 15378(b)(5) of the CEQA Guidelines); and

it can be seen with certainty that there is no possibility that the proposed action in question may have a significant effect on the environment, and thus the proposed action is not subject to CEQA (Section 15061(b)(3) of the CEQA Guidelines).

**SECTION 3. Approval of Installment Purchase Agreement with the District.** The form of the Installment Purchase Agreement between the Authority and the District attached hereto as Exhibit A is hereby approved and each Authorized Officer, acting singly, are each hereby authorized to submit the form of the Installment Purchase Agreement with the District to EPA substantially in the approved form in connection with the Application, with such changes, insertions and omissions as may be recommended by General Counsel or Stradling Yocca Carlson & Rauth, a Professional Corporation (“Bond Counsel”), said submission being conclusive evidence of such approval.

**SECTION 4. Approval of the Application.** The form of the Application provided to the Board, certain portions of which are attached hereto as Exhibit B, is hereby approved. Each Authorized Officer, acting singly, are each hereby authorized to execute the Application and submit the Application to EPA substantially in the approved form, with such changes, insertions and omissions as may be recommended by Authority General Counsel and Bond Counsel, said execution being conclusive evidence of such approval.

**SECTION 5. Authorization of Application Fee.** The Executive Director, the Treasurer, or a designee of either is hereby authorized and directed to pay an application fee to EPA in an amount not to exceed \$100,000 (the “Application Fee”).

**SECTION 6. General Authorization.** Each Authorized Officer and any other proper officer of the Authority, acting singly, are each 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 in connection with the submission of the Application, submission of the form of the Installment Purchase Agreement with the District, submission of the Application Fee, and for carrying out the transactions contemplated by this Resolution.

**SECTION 7. Effective Date of Resolution.** This Resolution shall take effect immediately.

**ADOPTED** at a regular meeting of the Palmdale Water District Public Financing Authority on this 25<sup>th</sup> day of September, 2023, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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Don Wilson, President

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Vincent Dino, Secretary

**EXHIBIT A**

**INSTALLMENT PURCHASE AGREEMENT WITH PALMDALE WATER DISTRICT**



**INSTALLMENT PURCHASE AGREEMENT**

**by and between**

**PALMDALE WATER DISTRICT**

**and**

**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY**

**Dated as of \_\_\_\_\_, 2023**

**Relating to**

**\$ \_\_\_\_\_**

**PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY  
WIFIA LOAN AGREEMENT**

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## INSTALLMENT PURCHASE AGREEMENT

This WIFIA Installment Purchase Agreement, made and entered into and dated as of \_\_\_\_\_ 1, 2023, by and between PALMDALE WATER DISTRICT, an irrigation district duly organized and existing under and by virtue of the laws of the State of California (the “District”), and PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California (the “Authority”).

### W I T N E S S E T H:

WHEREAS, the District proposes to finance the acquisition and construction of certain improvements, betterments, renovations and expansions of facilities within its Water System (the “WIFIA Project”);

WHEREAS, the Authority has agreed to assist the District in financing a portion of the WIFIA Project for the District on the terms and conditions set forth in this WIFIA Installment Purchase Agreement;

WHEREAS, the Authority is authorized pursuant to the Act (defined herein) to assist the District in financing the WIFIA Project and to enter into this WIFIA Installment Purchase Agreement.

WHEREAS, the District is authorized by Division 11 of the Water Code of the State of California, including, but not limited to Sections 22228 through 22231, 22245 and 22426, to acquire and construct facilities such as the WIFIA Project for its Water System;

WHEREAS, the Authority, the District and the United States Environmental Protection Agency, acting by and through the Administrator of the Environmental Protection Agency (the “Authority Lender”), have entered into (a) a WIFIA Master Agreement dated as of \_\_\_\_\_, 2023 (the “WIFIA Master Agreement”) and (b) a WIFIA Loan Agreement dated as of \_\_\_\_\_, 2023 (the “WIFIA Loan Agreement”), secured, inter alia, by the payments to be made by the District to the Authority under this WIFIA Installment Purchase Agreement, to finance such portion of the WIFIA Project;

WHEREAS, the District and the Authority have duly authorized the execution of this WIFIA Installment Purchase Agreement;

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this WIFIA Installment Purchase Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this WIFIA Installment Purchase Agreement.

NOW, THEREFORE, IN CONSIDERATION OF THESE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

## ARTICLE I

### DEFINITIONS

**Section 1.1 Definitions.** Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein. All capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the WIFIA Loan Agreement.

#### Acquisition Fund

The term “Acquisition Fund” means the fund by that name established by the District pursuant to Section 3.4.

#### Act

The term “Act” means the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the California Government Code and all laws amendatory thereof or supplemental thereto.

#### Assumed Interest Rate

The term “Assumed Interest Rate” means the amount of interest calculated in accordance with the following provisions:

(A) Generally. Except as otherwise provided in subparagraph (B) below with respect to Variable Interest Rate Contracts, in subparagraph (C) below with respect to Contracts or Bonds with respect to which a Payment Agreement is in force, and in subparagraph (D) below with respect to Balloon Contracts, interest on any Contracts or Bonds shall be calculated based on the actual amount of interest that is payable under such Contracts or Bonds;

(B) Interest on Variable Interest Rate Contracts. Interest deemed to be payable on any Variable Interest Rate Contract for periods when the actual interest rate can be determined shall be the actual Variable Interest Rates and for periods when the actual interest rate cannot yet be determined shall be calculated on the assumption that the interest rate on such Variable Interest Rate Contract would be equal to (i) the average rate that accrued on such Variable Interest Rate Contract over the preceding 12 months, or (ii) if the Variable Interest Rate Contract has not been accruing interest at a variable rate for 12 months, the average interest rate that accrued on an outstanding Variable Interest Rate Contract of the District for which interest is computed on substantially the same basis during the preceding twelve month period, or (iii) if no such comparable Variable Interest Rate Contract was outstanding during the 12 months preceding the date of calculation, then (x) if the interest on such Variable Interest Rate Contract is excluded from gross income for purposes of Federal income taxation, 90% of the average rate of interest for The Bond Buyer Revenue Bond Index over the preceding 12 months, or, if that index is no longer published, a similar index selected by the District and acceptable to each credit enhancer providing credit enhancement for an outstanding Contracts or Bonds, or, if the District fails to select a replacement index, an interest rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent maturity

as the Variable Rate Interest Contract, or if there are no such Treasury Bonds having equivalent maturities, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets, and (y) if interest on such Variable Interest Rate Contract is not excluded from gross income for purposes of Federal income taxation, 110% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Variable Rate Interest Contract, or if there are no such United States Treasury Bonds having equivalent maturities, 110% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets;

(C) Interest on Obligations with respect to which a Payment Agreement is in Force. Interest deemed to be payable on any Contracts or Bonds with respect to which a Payment Agreement is in force shall be based on the net economic effect on the District expected to be produced by the terms of such Contracts or Bonds and such Payment Agreement, including but not limited to the effects that (i) such Contracts or Bonds would, but for such Payment Agreement, be treated as an obligation bearing interest at a Variable Interest Rate instead shall be treated as an obligation bearing interest at a fixed interest rate, and (ii) such Contracts or Bonds would, but for such Payment Agreement, be treated as an obligation bearing interest at a fixed interest rate instead shall be treated as an obligation bearing interest at a Variable Interest Rate; and accordingly, the amount of interest deemed to be payable on any Contracts or Bonds with respect to which a Payment Agreement is in force shall be an amount equal to the amount of interest that would be payable at the rate or rates stated in such Contracts or Bonds plus the Payment Agreement Payments minus the Payment Agreement Receipts, and for the purpose of calculating as nearly as practicable the Payment Agreement Receipts and the Payment Agreement Payments under such Contracts or Bonds, the following assumptions shall be made:

(1) District Obligated to Pay Net Variable Payments. If a Payment Agreement has been entered into by the District with respect to Contracts or Bonds resulting in the payment of a net variable interest rate with respect to such Contracts or Bonds and Payment Agreement by the District, the interest rate on such Contracts or Bonds for future periods when the actual interest rate cannot yet be determined shall be assumed (but only during the period the Payment Agreement is in effect) to be equal to the sum of (i) the fixed rate or rates stated in such Contracts or Bonds, minus (ii) the fixed rate paid by the Qualified Counterparty to the District, plus (iii) the lesser of (A) the interest rate cap, if any, provided by a Qualified Counterparty with respect to such Payment Agreement (but only during the period that such interest rate cap is in effect) and (B) the applicable Variable Interest Rate calculated in accordance with paragraph (B) above; and

(2) District Obligated to Pay Net Fixed Payments. If a Payment Agreement has been entered into by the District with respect to Contracts or Bonds resulting in the payment of a net fixed interest rate with respect to such Contracts or Bonds and Payment Agreement by the District, the interest on such Contracts or Bonds shall be included in the calculation of Payments (but only during the period the Payment Agreement is in effect) by including for each Fiscal Year or twelve (12) calendar month period an amount equal to the amount of interest payable at the fixed interest rate pursuant to such Payment Agreement;

(D) Interest on Balloon Contracts. If any outstanding Contracts or Bonds constitute Balloon Contracts (and such Contracts or Bonds do not constitute Short-Term Obligations excluded from the calculation of the Payments pursuant to clause (E), below) or if Contracts or Bonds proposed to be incurred would constitute Balloon Contracts (and such Contracts or Bonds would not constitute Short-Term Obligations excluded from the calculation of the Payments pursuant

to clause (E), below), then such Balloon Contracts shall be treated as if the principal amount of such Contracts or Bonds were amortized from the date originally incurred in substantially equal installments of principal and interest over a term of 30 years (provided, however, that the full principal amount of such Balloon Contract shall be included in making such calculation if such principal amount is due within 90 days of the date such calculation is being made); and, if interest accrues under such Balloon Contract at other than a fixed rate, the interest rate used for such computation shall be (x) if the interest on such Contracts or Bonds is excluded from gross income for purposes of Federal income taxation, 90% of the average rate of interest for The Bond Buyer Revenue Bond Index over the preceding 12 months, or if that index is no longer published, a similar index selected by the District and acceptable to each credit enhancer providing credit enhancement for outstanding Contracts or Bonds, or if the District fails to select a replacement index, an interest rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Contracts or Bonds on the date incurred, or if there are no such United States Treasury bonds having equivalent maturities, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets, and (y) if the interest on such Contracts or Bonds is not excluded from gross income for purposes of Federal income taxation, the rate equal to 110% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Balloon Contract, or, if there are no such United States Treasury Bonds having equivalent maturities, 110% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets;

(E) Exclusion of Certain Short-Term Obligations. If any outstanding Contracts or Bonds constitute Short-Term Obligations or if Contracts or Bonds proposed to be incurred would constitute Short-Term Obligations, and such Short-Term Obligations are or will be payable only out of Revenues of the Fiscal Year in which such Short-Term Obligations are incurred, then such Short-Term Obligations shall be disregarded and not included in calculating Payments;

(F) Credit for Accrued and Capitalized Interest. If amounts constituting accrued interest or capitalized interest have been deposited with a third party trustee, then the interest payable from such amounts with respect to the Contracts or Bonds shall be disregarded and not included in calculating Senior Payments or Subordinate Payments.

#### Authority

The term “Authority” means Palmdale Water District Public Financing Authority, a joint exercise of powers agency duly organized and existing under and by virtue of the laws of the State of California.

#### Authority Lender

The term “Authority Lender” has the meaning provided in the fifth “Whereas” clause herein.

#### Balloon Contract

The term “Balloon Contract” means Contracts or Bonds 50% or more of the principal of which matures or is payable on the same date and which is not required by the instrument pursuant to which such Contracts or Bonds were incurred to be amortized by payment or redemption prior to such date.

### Balloon Installment Payments

The term “Balloon Installment Payments” means any Senior Payments or Subordinate Payments designated as such in any Balloon Contract.

### Bonds

The term “Bonds” means all revenue bonds or notes of the District authorized, executed, issued and delivered by the District, the payments of which are on a senior or parity basis with the WIFIA Installment Payments and which are secured by a pledge of and lien on the Water Revenues, including but not limited to, the District’s 2020 Water Revenue Refunding Bonds (Federally Taxable). The term Bonds does not include bonds heretofore or hereafter issued required by law to be paid by the District from taxes or assessments which are not Water Revenues.

### Budgeted Transfers

The term “Budgeted Transfers” means, for any Fiscal Year, lawfully available amounts, including in the Rate Stabilization Fund, as of the last day of such Fiscal Year, in each case, (a) which may be lawfully used to pay the Installment Payments and (b) that have been transferred to the Water Revenue Fund, pursuant to a budget process where such amounts have been budgeted and approved by the Board of Directors of the District (and which removal from the Water Revenue Fund would require a separate budget and approval process by the Board of Directors of the District prior to any such removal), for application solely to the Water System.

### Construction Fund

The term “Construction Fund” means the fund by that name created pursuant to the Indenture of Trust.

### Contracts

The term “Contracts” means this WIFIA Installment Purchase Agreement, and any amendments and supplements hereto, and all contracts of the District authorized and executed by the District, the Installment Payments or payments under which are on a senior or parity basis with the WIFIA Installment Payments and which are secured by a pledge and lien on the Water Revenues, including but not limited to, the 2018 Installment Purchase Agreement, the 2020 Installment Purchase Agreement, the 2021 Installment Purchase Agreement, the 2021A Installment Purchase Agreement, the 2022 Installment Purchase Agreement and the 2023 Installment Purchase Agreement. The term “Contracts” does not include the contracts with the State of California for the State Water Project, including the State Water Supply Contract.

### Date of Operation

The term “Date of Operation” means, with respect to any uncompleted Project, the estimated date by which such Project will have been completed and, in the opinion of an engineer, will be ready for commercial operation by or on behalf of the District.

### Debt Service

The term “Debt Service” means, for any period of calculation:



(i) the interest required to be paid during such period on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is capitalized or is reasonably anticipated to be reimbursed to the District by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program);

(ii) those portions of the principal amount of all outstanding serial Bonds maturing in such period (but excluding Excluded Principal);

(iii) those portions of the principal amount of all outstanding term Bonds required to be paid in such period (but excluding Excluded Principal); and

(iv) those portions of the Contracts that are required to be paid during such period, (except to the extent that the interest that is evidenced and represented thereby is capitalized or is reasonably anticipated to be reimbursed to the District by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program and excluding Excluded Principal);

but less the earnings to be derived from the investment of moneys on deposit in debt service reserve funds established for Bonds or Contracts;

provided that, as to any such Bonds or Contracts bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall, for all purposes, be assumed to be a fixed rate equal to the higher of: (1) the then current variable interest rate borne by such Bonds or Contracts plus 1%; and (2) the highest variable rate borne over the preceding 3 months by outstanding variable rate debt issued by the District or, if no such variable rate debt is at the time outstanding, by variable rate debt of which the interest rate is computed by reference to an index that is comparable to that to be utilized in determining the interest rate for the debt then proposed to be issued;

provided further that if any series or issue of such Bonds or Contracts have twenty-five percent (25%) or more of the aggregate principal amount of such series or issue due in any one year (and such principal is not Excluded Principal), Debt Service shall be determined for the period of determination as if the principal of and interest on such series or issue of such Bonds or Contracts were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of twenty-five (25) years from the date of calculation; and

provided further that, as to any such Bonds or Contracts or portions thereof which bear no interest but which are sold at a discount and which discount accretes with respect to such Bonds or Contracts or portions thereof, such accreted discount shall be treated as interest in the calculation of Debt Service; and

provided further that the amount on deposit in a debt service reserve fund on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the Bonds and Contracts for which such debt service reserve fund was established and, to the extent that the amount in such debt service reserve fund is in excess of such amount of principal, such excess shall

be applied to the full amount of principal due, in each preceding year, in descending order, until such amount is exhausted.

#### District

The term “District” means the Palmdale Water District, an irrigation district organized and existing under the laws of the State of California.

#### Engineer’s Report

The term “Engineer’s Report” means a report signed by an Independent Engineer.

#### Event of Default

The term “Event of Default” means an event described in Section 8.1.

#### Excluded Principal

The term “Excluded Principal” means each payment of principal of any Bond or Contract for which there is on file with the Authority Lender (i) a certificate of an Independent Municipal Consultant to the effect that such Bond or Contract is commercial paper or otherwise of a short term or revolving nature and has a maturity of less than 60 months and (ii) a certificate of the Manager to the effect that the District intends to pay such principal from the proceeds of Bonds or Contracts, Subordinate Obligations or other bonds, notes or other obligations of the District. No such determination shall affect the security for such Bonds or Contracts or the obligation of the District to pay such Bonds or Contracts from Net Water Revenues.

#### Fiscal Year

The term “Fiscal Year” means the period beginning on January 1 of each year and ending on the last day of December of the next succeeding year, or any other twelve-month period selected and designated as the official Fiscal Year of the District.

#### Independent Certified Public Accountant

The term “Independent Certified Public Accountant” means any firm of certified public accountants that is appointed by the District, and each of whom is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

#### Independent Engineer.

The term “Independent Engineer” means any registered engineer or firm of registered engineers of national reputation generally recognized to be well qualified in engineering matters relating to water delivery systems, appointed and paid by the District, and who or each of whom –

- (1) is in fact independent and not under the domination of the District;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the District; and

(3) is not connected with the District as a director, officer or employee of the District, but may be regularly retained to make reports to the District.

#### Independent Municipal Consultant

The term “Independent Municipal Consultant” means a municipal advisor or firm of such municipal advisors appointed by the District, and who, or each of whom: (1) is in fact independent and not under domination of the District; (2) does not have any substantial interest, direct or indirect, with the District; (3) is not connected with the District as an officer or employee thereof, but who may be regularly retained to make reports thereto; and (4) is registered as a “municipal advisor,” as defined in Section 15B of the Securities Exchange Act of 1934, as amended.

#### Installment Payment Date; WIFIA Installment Payment Date

The term “Installment Payment Date” means any date on which Installment Payments are scheduled to be paid by the District under and pursuant to any Contract. The term “WIFIA Installment Payment Date” means as more particularly set forth in Exhibit A attached hereto, (a) with respect to the payment of interest, the tenth (10<sup>th</sup>) day prior to each April 1 and October 1 and (b) with respect to the payment of principal, the tenth (10<sup>th</sup>) day prior to each October 1.

#### Installment Payments; WIFIA Installment Payments

The term “Installment Payments” means the payments scheduled to be paid by the District under and pursuant to the Contracts, including the WIFIA Installment Payments. The term “WIFIA Installment Payments” means the Installment Payments scheduled to be paid by the District under and pursuant hereto.

#### Law

The term “Law” means the Water Code of the State of California and all laws amendatory thereof or supplemental thereto.

#### Manager

The term “Manager” means the General Manager of the District, or any other person that is designated by the General Manager to act on behalf of the General Manager.

#### Maximum Annual Debt Service

The term “Maximum Annual Debt Service” means the highest Debt Service for any Fiscal Year or twelve (12) calendar month period through the final maturity date of all Contracts and Bonds; provided, however, for purposes of such calculation, the interest on all Contracts and Bonds shall be computed by the District at the applicable Assumed Interest Rate.

#### Net Proceeds

The term “Net Proceeds” means, when used with respect to any insurance or condemnation award, the gross proceeds from such insurance or condemnation award, paid with respect to the Water System, remaining after payment therefrom of all expenses incurred in the collection of such gross proceeds.

### Net Water Revenues

The term “Net Water Revenues” means, for any Fiscal Year, the Water Revenues for such Fiscal Year less the Operation and Maintenance Costs for such Fiscal Year.

### Operation and Maintenance Costs

The term “Operation and Maintenance Costs” means the reasonable and necessary costs paid or incurred by the District for maintaining and operating the Water System of the District, determined in accordance with generally accepted accounting principles, including any water purchase costs (exclusive of any recovered amount from the State of California’s Department of Water Resources in accordance with the State Water Supply Contract) and all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System of the District in good repair and working order, and including all administrative costs of the District that are charged directly or apportioned to the maintenance and operation of the Water System of the District, such as salaries and wages of employees, overhead, insurance, taxes (if any) and insurance premiums, and including all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms of this WIFIA Installment Purchase Agreement and other Bonds and Contracts, such as compensation, reimbursement and indemnification of the trustee with respect to any Bonds and Contracts; excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature, all capital charges, and any contract payments due under the State Water Supply Contract paid from the proceeds of any assessments levied and collected by the District to pay contract payments due under the State Water Supply Contract.

### Senior Payments

The term “Senior Payments” means all installment payments and other debt service payments scheduled to be paid by the District under all Contracts or Bonds on a basis that is senior to payments due on Subordinate Obligations, including payments due under the 2018 Installment Purchase Agreement, the 2020 Installment Purchase Agreement, the 2021 Installment Purchase Agreement, the 2021A Installment Purchase Agreement, the 2022 Installment Purchase Agreement and the 2023 Installment Purchase Agreement.

### Payment Agreement

The term “Payment Agreement” means a written agreement for the purpose of managing or reducing the District’s exposure to fluctuations in interest rates or for any other interest rate, investment, asset or liability managing purposes, entered into either on a current or forward basis by the District and a Qualified Counterparty as authorized under any applicable laws of the State in connection with, or incidental to, the entering into of any Contracts or Bonds, that provides for an exchange of payments based on interest rates, ceilings or floors on such payments, options on such payments or any combination thereof, or any similar device.

### Payment Agreement Payments

The term “Payment Agreement Payments” means the amounts periodically required to be paid by the District to all Qualified Counterparties under all Payment Agreements.

### Payment Agreement Receipts

The term “Payment Agreement Receipts” means the amounts periodically required to be paid by all Qualified Counterparties to the District under all Payment Agreements.

### Policy Costs

The term “Policy Costs” means the annual amount due with respect to any policy or surety bond in lieu of depositing cash in the Reserve Fund or any reserve fund established for any Bonds or Contracts.

### Purchase Price

The term “Purchase Price” means the principal amount plus interest thereon owed by the District to the Authority under the terms hereof as provided in Section 4.1.

### Qualified Counterparty

The term “Qualified Counterparty” means a party (other than the District or a party related to the District) who is the other party to a Payment Agreement and (1) (a) who is rated at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Senior Payments or Subordinate Payments (without regard to any gradations within a rating category), but in no event less than a rating of “A” from Fitch, “A2” from Moody’s and “A” from S&P, (b) whose senior debt obligations are rated at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Senior Payments or Subordinate Payments (without regard to any gradations within a rating category), or guaranteed by an entity so rated, (c) whose obligations under the Payment Agreement are guaranteed for the entire term of the Payment Agreement by a bond insurer or other institution which has been assigned a credit rating at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Senior Payments or Subordinate Payments (without regard to any gradations within a rating category), but in no event less than a rating of “A” from Fitch, “A2” from Moody’s and “A” from S&P, or (d) whose obligations under the Payment Agreement are collateralized in such a manner as to obtain a rating at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Senior Payments or Subordinate Payments, and (2) who is otherwise qualified to act as the other party to a Payment Agreement under all applicable laws of the State.

### Rate Stabilization Fund

The term “Rate Stabilization Fund” means the fund by that name described in Section 5.5 herein.

### Short-Term Obligations

The term “Short-Term Obligations” means Contracts or Bonds having an original maturity of less than or equal to one year and which are not renewable at the option of the District for a term greater than one year beyond the date of original incurrence.

### State Water Supply Contract

The term “State Water Supply Contract” means that certain contract between the State and the District by which the District obtains water from the State Water Project, as well as any other contract or agreement by which the District obtains water from the State Water Project and pursuant to which the District is entitled to levy assessments for the purpose of paying costs in connection therewith.

### Subordinate Obligations

The term “Subordinate Obligations” means all contracts, bonds or other agreements of the District which are secured by a pledge of and lien on the Water Revenues subordinate to the pledge of and lien on Water Revenues securing the Contracts or Bonds, including this WIFIA Installment Purchase Agreement.

### Subordinate Payments

The term “Subordinate Payments” means all installment payments and other debt service payments scheduled to be paid by the District under all Contracts or Bonds on a parity basis with the payments due under this WIFIA Installment Purchase Agreement.

### Termination Payments

The term “Termination Payments” means any payments due and payable to a Qualified Counterparty in connection with the termination of a Payment Agreement.

### [Treasurer

The term “Manager” means the Chief Financial of the District, or any other person that is designated by the Chief Financial Officer to act on behalf of the Chief Financial Officer.]

### 2018 Installment Purchase Agreement

The term “2018 Installment Purchase Agreement” means that certain Installment Purchase Agreement by and between the Authority and the District, dated as of June 1, 2018.

### 2020 Installment Purchase Agreement

The term “2020 Installment Purchase Agreement” means that certain Installment Purchase Agreement by and between the District and Western Alliance Business Trust, dated as of May 1, 2020.

### 2021 Installment Purchase Agreement

The term “2021 Installment Purchase Agreement” means that certain Installment Purchase Agreement by and between the Authority and the District, dated as of July 1, 2021.

### 2021A Installment Purchase Agreement

The term “2021A Installment Purchase Agreement” means that certain Installment Purchase Agreement by and between the District and Sterling National Bank, dated as of August 1, 2021.

### 2022 Installment Purchase Agreement

The term “2022 Installment Purchase Agreement” means that certain Installment Purchase Agreement by and between the District and Municipal Finance Corporation, dated as of October 10, 2022.

### 2023 Installment Purchase Agreement

The term “2023 Installment Purchase Agreement” means that certain Installment Purchase Agreement by and between the Authority and the District, dated as of \_\_\_\_\_ 1, 2023.

### Variable Interest Rate

The term “Variable Interest Rate” means any variable interest rate or rates to be paid under any Contracts or Bonds, the method of computing which variable interest rate shall be as specified in the applicable Contracts or Bonds, which Contracts or Bonds shall also specify either (i) the payment period or periods or time or manner of determining such period or periods or time for which each value of such variable interest rate shall remain in effect, and (ii) the time or times based upon which any change in such variable interest rate shall become effective, and which variable interest rate may, without limitation, be based on the interest rate on certain bonds or may be based on interest rate, currency, commodity or other indices.

### Variable Interest Rate Contracts

The term “Variable Interest Rate Contracts” means, for any period of time, any Contracts or Bonds that bear a Variable Interest Rate during such period, except that no Contracts or Bonds shall be treated as a Variable Interest Rate Contract if the net economic effect of interest rates on any particular Senior Payments or Subordinate Payments or such Contracts or Bonds and interest rates on any other Senior Payments or Subordinate Payments of the same Contracts or Bonds, as set forth in such Contracts or Bonds, or the net economic effect of a Payment Agreement with respect to any particular Senior Payments or Subordinate Payments, in either case is to produce obligations that bear interest at a fixed interest rate, and any Contracts or Bonds with respect to which a Payment Agreement is in force shall be treated as a Variable Interest Rate Contract if the net economic effect of the Payment Agreement is to produce obligations that bear interest at a Variable Interest Rate.

### Water Revenue Fund

The term “Water Revenue Fund” means the Water System Revenue Fund described in Section 5.2 hereof.

### Water Revenues

The term “Water Revenues” means, for any Fiscal Year, all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the District’s Water System, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges, business

interruption insurance proceeds or other moneys derived by the District from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System, plus (2) proceeds of the District's share of the County's 1% property tax received by the District, if any, plus (3) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including District reserves and the Reserve Fund, plus (4) the proceeds of any stand by or water availability charges collected by the District, but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and excluding any proceeds of any taxes or assessments required by law to be used by the District to pay bonds heretofore or hereafter issued and any assessments levied and collected by the District to pay any contract payments due under the State Water Supply Contract, plus (5) money withdrawn from the Rate Stabilization Fund in such Fiscal Year.

#### Water Service

The term "Water Service" means the water distribution service made available or provided by the Water System.

#### Water System

The term "Water System" means the entire water supply, treatment, storage and distribution system of the District, including but not limited to all facilities, properties and improvements at any time owned, controlled or operated by the District for the supply, treatment and storage of water to residents of the District and adjacent areas, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the District.

#### WIFIA Amount

The term "WIFIA Amount" means the amount equal to the total disbursements of the WIFIA Loan with respect to the District's WIFIA Project under the WIFIA Loan Agreement.

#### WIFIA Debt Service Account

The term "WIFIA Debt Service Account" means the account identified by account number [\_\_\_\_], created and maintained by the District in accordance with Section 5.6 hereof and the WIFIA Loan Agreement.

#### WIFIA Installment Purchase Agreement

The term "WIFIA Installment Purchase Agreement" means this Installment Purchase Agreement, by and between the District and the Authority, dated as of \_\_\_\_\_, 2023, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

#### WIFIA Loan Agreement

The term "WIFIA Loan Agreement" has the meaning provided in the fifth "Whereas" clause herein.



WIFIA Master Agreement

The term “WIFIA Master Agreement” has the meaning provided in the fifth “Whereas” clause herein.

WIFIA Project

The term “WIFIA Project” has the meaning ascribed to the term “Project” in the WIFIA Loan Agreement, as such WIFIA Project may be modified in accordance with any modification to the definition of “Project” in the WIFIA Loan Agreement.

WIFIA-Financed Portion of the WIFIA Project

The term “WIFIA-Financed Portion of the WIFIA Project” means the portion of the WIFIA Project financed by the Authority from the proceeds of the WIFIA Loan, which portion shall be not more than 49% of the Eligible Project Costs (as defined in the WIFIA Loan Agreement) of the WIFIA Project.

**ARTICLE II**

**REPRESENTATIONS AND WARRANTIES**

**Section 2.1 Representations by the District.** The District makes the following representations:

(a) The District is an irrigation district duly organized and existing under and pursuant to the laws of the State of California.

(b) The District has full legal right, power and authority to enter into this WIFIA Installment Purchase Agreement and carry out its obligations hereunder, to carry out and consummate all other transactions contemplated by this WIFIA Installment Purchase Agreement, and the District has complied with the provisions of the Law in all matters relating to such transactions.

(c) By proper action, the District has duly authorized the execution, delivery and due performance of this WIFIA Installment Purchase Agreement.

(d) The District has determined that it is necessary and proper for District uses and purposes within the terms of the Law that the District acquire and construct the WIFIA Project in the manner provided for in this WIFIA Installment Purchase Agreement in order to provide essential services and facilities to persons residing in the District.

**Section 2.2 Representations and Warranties by the Authority.** The Authority makes the following representations and warranties:

(a) The Authority is a joint exercise of powers authority duly organized and in good standing under the laws of the State of California, has full legal right, power and authority to enter into this WIFIA Installment Purchase Agreement and to carry out and consummate all transactions contemplated by this WIFIA Installment Purchase Agreement and by proper action has duly authorized the execution and delivery and due performance of this WIFIA Installment Purchase Agreement.

(b) The execution and delivery of this WIFIA Installment Purchase Agreement and the consummation of the transactions herein contemplated will not violate any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which the Authority is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority.

(c) The Authority will not take or permit any action to be taken which results in interest paid for the installment purchase of the WIFIA Project under the terms of this WIFIA Installment Purchase Agreement being included in the gross income of the Authority or its assigns for purposes of federal or State of California personal income taxation.

### ARTICLE III

#### ACQUISITION OF THE WIFIA PROJECT

**Section 3.1 Acquisition and Construction of the WIFIA Project.** The Authority hereby agrees to cause the WIFIA Project and any additions or modifications thereto to be constructed, acquired and installed by the District as its agent. The District shall enter into contracts and provide for, as agent for the Authority, the complete design, construction, acquisition and installation of the WIFIA Project in accordance with the WIFIA Loan Agreement and all applicable laws.

The District hereby agrees that it will cause the construction, acquisition and installation of the WIFIA Project to be diligently performed. The District agrees to deposit the WIFIA Amount (or the relevant portion thereof) (other than any funds to be applied to the prepayment or redemption of any interim financing with respect to the WIFIA-Financed Portion of the WIFIA Project) into the Acquisition Fund, upon satisfactory completion of design work and compliance with the California Environmental Quality Act and approval by the Board of Directors of the District, and that it will use its best efforts to cause the construction, acquisition and installation of the WIFIA Project to be substantially completed by \_\_\_\_\_, 20\_\_\_\_, unforeseeable delays due to the occurrence of any Uncontrollable Force (as defined in the WIFIA Master Agreement) only excepted. It is hereby expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any cost of the WIFIA Project and that all such costs and expenses (including the cost of the WIFIA Project not paid from the WIFIA Amount) shall be paid by the District.

**Section 3.2 Purchase of WIFIA-Financed Portion of the WIFIA Project.** In consideration for the WIFIA Installment Payments, the Authority agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Authority, the WIFIA-Financed Portion of the WIFIA Project at the purchase price that is specified in Section 4.1 hereof and otherwise in the manner and in accordance with the provisions of this Installment Purchase Agreement.

**Section 3.3 Title.** Each component of the WIFIA Project shall vest in the District immediately upon acquisition or construction thereof. Such vesting shall occur without further action by the Authority or the District, and the Authority shall, if requested by the District or if

necessary, to assure such automatic vesting, deliver any and all documents which are required to assure such vesting.

**Section 3.4 Acquisition Fund.** The District shall establish, maintain and hold in trust a separate fund designated as the “Acquisition Fund.” The moneys in the Acquisition Fund shall be held by the District in trust and applied by the Treasurer of the District to the payment of the costs of acquisition and construction of the WIFIA-Financed Portion of the WIFIA Project and of expenses incidental thereto.

Before any payment is made from the Acquisition Fund by the Treasurer, the Manager, acting as agent of the Authority, shall cause to be filed with the Treasurer a certificate of the District and the Authority in the form set forth in Exhibit B to this WIFIA Installment Purchase Agreement.

Upon receipt of each such certificate, the Treasurer will pay the amount that is set forth in such certificate as directed by the terms thereof or disburse funds to the District for such payment as directed by the District in such certificate. The Treasurer need not make any such payment if it has received notice of any lien, right to lien, attachment upon or claim affecting the right to receive payment of any of the moneys to be so paid, which has not been released or will not be released simultaneously with such payment.

When the WIFIA-Financed Portion of the WIFIA Project shall have been constructed and acquired in accordance with this WIFIA Installment Purchase Agreement, a statement of the District stating the fact and date of such acquisition, construction and acceptance and stating that all of such costs of acquisition and incidental expenses have been determined and paid (or that all of such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Acquisition Fund is to be maintained in the full amount of such claims until such dispute is resolved), shall be delivered to the Treasurer and the Authority Lender by the Manager. Upon the receipt of such statement, the Treasurer shall transfer any remaining balance in the Acquisition Fund which is not needed for Acquisition Fund purposes (but less the amount of any such retention, which amount shall be certified to the Treasurer by the Manager) to the Authority Lender for deposit in the WIFIA Debt Service Account.

## ARTICLE IV

### WIFIA INSTALLMENT PAYMENTS

#### Section 4.1 Purchase Price.

(a) The Purchase Price to be paid by the District hereunder to the Authority is the sum of the principal amount of the District’s obligations hereunder plus the interest to accrue on the unpaid balance of such principal amount from the date hereof over the term hereof, subject to prepayment as provided in Article VII.

(b) The principal amount of the installment payments to be made by the District hereunder is set forth in Exhibit A hereto.

(c) The interest to accrue on the unpaid balance of such principal amount shall be equal to the interest payable with respect to the principal portion of the WIFIA Loan as provided in

the WIFIA Loan Agreement, and shall be paid by the District as and constitute interest paid on the principal amount of the District's obligations hereunder, as set forth in Exhibit A hereto.

(d) The Authority and the District acknowledge and agree that the WIFIA Installment Payments set forth in Exhibit A hereto are initially equal to the payments of principal and interest set forth on the WIFIA Loan Amortization Schedule in Exhibit A (*WIFIA Loan Amortization Schedule*) to the WIFIA Loan Agreement in all respects, other than with respect to the relevant payment dates. The Authority and the District agree that (i) upon any modification to Exhibit A (*WIFIA Loan Amortization Schedule*) to the WIFIA Loan Agreement, Exhibit A hereto shall be deemed modified mutatis mutandis, (ii) the District will provide to the Authority a revised Exhibit A which the Authority and the District agree will replace the then current Exhibit A (such replacement being a ministerial act and not an amendment or supplement to this WIFIA Installment Purchase Agreement), (iii) no modification to Exhibit A hereto shall otherwise be made without the consent of the Authority Lender, and (iv) the District's failure to provide or delay in providing the Authority with such revised Exhibit A shall not affect the modifications deemed to be made thereto or the obligation of the District to make the WIFIA Installment Payments as so modified.

**Section 4.2 WIFIA Installment Payments.** The District shall, subject to its rights of prepayment provided in Article VII, pay the Authority the Purchase Price in installment payments of interest and principal in the amounts and on the WIFIA Installment Payment Dates as set forth in Exhibit A hereto.

Each WIFIA Installment Payment shall be paid to the Authority in lawful money of the United States of America. In the event the District fails to make any of the payments required to be made by it under this section, such payment shall continue as an obligation of the District until such amount shall have been fully paid and the District agrees to pay the same with interest accruing thereon at the rate or rates of interest then applicable to the remaining unpaid principal balance of the WIFIA Installment Payments if paid in accordance with their terms.

The obligation of the District to make the WIFIA Installment Payments is absolute and unconditional, and until such time as all of the WIFIA Installment Payments have been paid in full (or provision for the payment thereof shall have been made pursuant to Article IX), the District will not discontinue or suspend any WIFIA Installment Payments required to be made by it under this section when due, whether or not the Water System or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and whether or not the WIFIA Project has been completed, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

## ARTICLE V

### SECURITY

**Section 5.1 Pledge of Water Revenues.** All Water Revenues and all amounts on deposit in the Water Revenue Fund and the Rate Stabilization Fund are hereby irrevocably pledged to the payment of the WIFIA Installment Payments as provided herein, and the Water Revenues shall not be used for any other purpose while any of the WIFIA Installment Payments remain unpaid, other than as set forth herein; provided that out of the Water Revenues and amounts on deposit in the Water Revenue Fund there may be apportioned such sums for such purposes as are expressly

permitted herein including the senior or parity claim of any Bonds or Contracts. This pledge, together with the pledge created by all other Contracts and Bonds, shall constitute a first lien on and security interest in the Water Revenues and the Water Revenue Fund and all amounts on deposit therein as permitted herein and subject to the application of Water Revenues in accordance with the terms hereof, which lien shall be (a) subordinate to the liens created by the Senior Obligations and (b) *pari passu* with the liens created by the other Subordinate Obligations.

The Acquisition Fund and all amounts that are on deposit in the Acquisition Fund and the WIFIA Debt Service Account and all amounts on deposit in the WIFIA Debt Service Account, are irrevocably pledged to the payment of the WIFIA Installment Payments. This pledge shall constitute a first and exclusive lien on the Acquisition Fund and the WIFIA Debt Service Account for the payments of the WIFIA Installment Payments.

**Section 5.2 Allocation of Water Revenues.** In order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants that all Water Revenues shall be received by the District in trust and shall be deposited when and as received in the “Water Revenue Fund” which fund the District has previously established and agrees and covenants to maintain and to hold separate and apart from other funds so long as any Installment Payments, Contracts or Bonds remain unpaid. Moneys in the Water Revenue Fund shall be used and applied by the District as provided in this WIFIA Installment Purchase Agreement.

The District shall, from the moneys in the Water Revenue Fund, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as such Operation and Maintenance Costs become due and payable. All remaining moneys in the Water Revenue Fund shall be set aside by the District at the following times in the following respective special funds in the following order of priority and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this Section:

(a) Senior Obligations. On or before the payment of principal or interest is due with respect to any Senior Obligations, the District shall from moneys in the Water Revenue Fund, transfer to the applicable trustee or payee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without discrimination or preference, payment on such Senior Obligations, in accordance with the provisions of such Senior Obligations.

(b) Senior Obligation Reserve Fund. On or before each payment date required pursuant to the provisions of any Contract or Bond that constitutes a Senior Obligation, or any resolution or indenture related thereto, the District shall, from the remaining moneys in the Water Revenue Fund, thereafter, without preference of priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for deposit to any reserve fund or account for such Bonds or Contracts the amount, if any, needed to increase the balance in such fund or account to the amount required to be deposited therein and to pay any Policy Costs then due.

(c) Subordinate Obligations. On or before each WIFIA Installment Payment Date, the District shall, from the moneys in the Water Revenue Fund, transfer to the WIFIA Debt Service Account a sum equal to the WIFIA Installment Payment coming due on such WIFIA

Installment Payment Date. The District shall also, from the moneys in the Water Revenue Fund, transfer to the applicable trustee or payee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service or payments in accordance with the provisions of any Contract or Bond constituting a Subordinate Obligation, or any resolution or indenture relating thereto.

No deposit need be made in the WIFIA Debt Service Account as WIFIA Installment Payments if the amount in the WIFIA Debt Service Account is at least equal to the amount of the WIFIA Installment Payment due and payable on the next succeeding WIFIA Installment Payment Date.

(d) Senior Obligation Reserve Fund. On or before each payment date required pursuant to the provisions of any Contract or Bond constituting a Subordinate Obligation, or any resolution or indenture related thereto, the District shall, from the remaining moneys in the Water Revenue Fund, thereafter, without preference of priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for deposit to any reserve fund or account for such Bonds or Contracts the amount, if any, needed to increase the balance in such fund or account to the amount required to be deposited therein and to pay any Policy Costs then due

(e) Surplus. On the last day of each month, moneys on deposit in the Water Revenue Fund not required to make any of the payments required above may be expended by the District at any time for any purpose permitted by law, including but not limited to the deposit of amounts in the Rate Stabilization Fund in accordance with Section 5.5.

**Section 5.3 No Additional Senior Contracts and Bonds.** From the date hereof, the District may not execute any Contract or issue any Bonds, as the case may be, payable from Net Water Revenues on a basis that is senior to the claim thereon of the WIFIA Installment Payments due hereunder.

**Section 5.4 Additional Subordinate Contracts and Bonds.** The District may at any time execute any Contract or issue any Bonds, as the case may be, payable from Net Water Revenues on a parity with the WIFIA Installment Payments due hereunder; provided there shall be on file with the District either:

(a) The Net Water Revenues for the last audited Fiscal Year of the District, or for any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Municipal Consultant on file with the District, shall have produced a sum equal to at least one hundred ten percent (110%) of the Debt Service for such Fiscal Year or other twelve month period;

(b) The Net Water Revenues for the last audited Fiscal Year of the District, or for any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, including

adjustments to give effect as of the first day of such Fiscal Year or other twelve month period, to increases or decreases in rates and charges with respect, or applicable, to the Water System approved and in effect as of the date of calculation, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Municipal Consultant on file with the District, shall have produced a sum equal to at least one hundred ten percent (110%) of the Debt Service for such Fiscal Year or other twelve month period, plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year or other twelve month period, assuming that such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year or other twelve month period, plus the Debt Service which would have accrued had such proposed additional Contract been executed or proposed additional Bonds been issued at the beginning of such Fiscal Year or other twelve month period; and

(c) The estimated Net Water Revenues for the then current Fiscal Year and for each Fiscal Year thereafter, including (after giving effect to the completion of all such uncompleted improvements to the Water System) an allowance for estimated Net Water Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed and prescribed or received for the Water Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a certificate of the Manager on file with the District, shall produce a sum equal to at least one hundred ten percent (110%) of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted improvements to the Water System within such Fiscal Years.

(d) For purposes of this Section 5.4, the amount of Net Water Revenues may be increased by Budgeted Transfers (measured as of the last day of the immediately preceding Fiscal Year), such amount to be no greater than twenty-five percent (25%) of Debt Service payable in the applicable Fiscal Year.

Notwithstanding the foregoing, Bonds issued or Contracts executed, on a parity basis with the WIFIA Installment Payments due hereunder, to refund Bonds or prepay Contracts may be delivered without satisfying the conditions set forth above if Debt Service in each Fiscal Year after the Fiscal Year in which such Bonds are issued or Contracts executed is not greater than 110% of the Debt Service which would have been payable in each such Fiscal Year prior to the issuance of such Bonds or execution of such Contracts.

**Section 5.5 Investments.** All moneys held by the District in the Water Revenue Fund, the Acquisition Fund, the WIFIA Debt Service Account and the Rate Stabilization Fund shall be invested in Permitted Investments and the investment earnings thereon shall remain on deposit in such fund, except as otherwise provided herein. All investment earnings on amounts in the Rate Stabilization Fund shall be transferred to the Water Revenue Fund upon receipt thereof.

**Section 5.6 Rate Stabilization Fund.** The District has previously established a special fund designated as the "Rate Stabilization Fund" to be held by the District in trust and the District agrees and covenants to maintain and to hold such fund separate and apart from other funds so long as any Contracts or Bonds remain unpaid. Money transferred by the District from the Water Revenue Fund to the Rate Stabilization Fund in accordance with Section 5.2(d) shall be held in the Rate Stabilization Fund and applied in accordance with the terms hereof.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Water Revenue Fund for application in accordance with Section 5.2 hereof or, in the event that all or a portion of the WIFIA Installment Payments are discharged in accordance with Article IX hereof, transfer all or any portion of such amounts for application in accordance with said Article.

**Section 5.7 WIFIA Debt Service Account.** The District, as agent of the Authority, shall establish, maintain and hold in trust a separate general ledger account within the District's debt service group of funds/accounts, which account shall be designated as the "WIFIA Debt Service Account" and as of the Effective Date is numbered [\_\_\_\_]. Such account number may change as the District designates from time to time provided that the District must promptly notify the Authority Lender in writing of any such change. Moneys in the WIFIA Debt Service Account shall be held by the District in trust and applied to the payment of the WIFIA Installment Payments hereunder in accordance with [Section 8(a)(i) and Section 17(i) of the WIFIA Master Agreement]. Any investment earnings thereon shall be transferred by the District to the Water Revenue Fund no later than the last day of the District's Fiscal Year.

## ARTICLE VI

### COVENANTS OF THE DISTRICT

**Section 6.1 Compliance with WIFIA Installment Purchase Agreement, WIFIA Loan Agreement and Ancillary Agreements.** The District will punctually pay the WIFIA Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate this WIFIA Installment Purchase Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the WIFIA Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained herein required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

The District will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the WIFIA Loan Agreement required to be observed and performed by it, and it is expressly understood and agreed by and among the parties to this WIFIA Installment Purchase Agreement that, subject to Section 10.6 hereunder, each of the agreements, conditions, covenants and terms contained in this WIFIA Installment Purchase Agreement is an essential and material term of the purchase of and payment for the WIFIA-Financed Portion of the WIFIA Project by the District pursuant to, and in accordance with, and as authorized under the Law.

The District will faithfully observe and perform all the agreements, conditions, covenants and terms required to be observed and performed by it pursuant to the WIFIA Loan Agreement and all other outstanding Contracts and Bonds as such may from time to time be executed or issued, as the case may be; provided that nothing herein shall obligate the District to pay the principal of or interest



with respect to the WIFIA Loan or the WIFIA Note, which obligation is solely the responsibility of the Authority as borrower under the WIFIA Loan Agreement.

**Section 6.2 Against Encumbrances.** The District will not make any pledge of or place any lien on Water Revenues or the moneys in the Water Revenue Fund or the Rate Stabilization Fund except as provided herein and subject to the restrictions agreed to by the District in the WIFIA Loan Agreement. In addition, the District may at any time, or from time to time, issue Bonds or incur Contracts for any lawful purpose which are payable from and secured by a pledge of and lien on Water Revenues or any moneys in the Water Revenue Fund or the Rate Stabilization Fund as may from time to time be deposited therein (as provided in Section 5.2) on a parity basis (though not on a senior basis) with the pledge and lien securing this WIFIA Installment Purchase Agreement in accordance with Section 5.4 hereof and the WIFIA Loan Agreement. The District will not make any pledge of or place a lien on the Acquisition Fund (including the moneys on deposit therein) or the WIFIA Debt Service Account (including the moneys on deposit therein) except as set forth in the WIFIA Master Agreement.

**Section 6.3 Against Sale or Other Disposition of Property.** The District will not enter into any agreement or lease which materially impairs the operation of the Water System or any part thereof necessary to secure adequate Water Revenues for the payment of the WIFIA Installment Payments, or which would otherwise materially impair the rights of the Authority hereunder or the operation of the Water System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Water System, or any material or equipment which has become worn out, may be sold if such sale will not materially impair the ability of the District to pay the WIFIA Installment Payments and if the proceeds of such sale are deposited in the Water Revenue Fund.

Nothing herein shall restrict the ability of the District to sell any portion of the Water System if such portion is immediately repurchased by the District and if such arrangement cannot by its terms result in the purchaser of such portion of the Water System exercising any remedy which would deprive the District of or otherwise interfere with its right to own and operate such portion of the Water System.

**Section 6.4 Against Competitive Facilities.** The District will not, to the extent permitted by law, acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the District any potable water system competitive with the Water System.

**Section 6.5 Maintenance and Operation of the Water System.** The District will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner and will pay all Operation and Maintenance Costs as they become due and payable.

**Section 6.6 Payment of Claims.** The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Water Revenues or the funds or accounts created hereunder or under the WIFIA Master Agreement or on any funds in the hands of the District pledged to pay the WIFIA Installment Payments or which might impair the security of the WIFIA Installment Payments.

**Section 6.7 Compliance with Contracts.** The District will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of the Water System and all other contracts affecting or involving the Water System, to the extent that the District is a party thereto.

**Section 6.8 Insurance.**

(a) The District will procure and maintain or cause to be procured and maintained insurance on the Water System with responsible insurers in such amounts and against such risks (including accident to or destruction of the Water System) as are usually covered in connection with facilities similar to the Water System so long as such insurance is available from reputable insurance companies at reasonable rates.

In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Water System. The District shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the Water System shall be free and clear of all claims and liens.

If such Net Proceeds exceed the costs of such reconstruction, repair or replacement portion of the Water System, and/or the cost of the construction of additions, betterments, extensions or improvements to the Water System, then the excess Net Proceeds may, at the option of the District, be applied in part to the prepayment of WIFIA Installment Payments as provided in Section 7.1 and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of WIFIA Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts. If such Net Proceeds are sufficient to enable the District to retire the entire obligation evidenced hereby prior to the final due date of the WIFIA Installment Payments as well as the entire obligations evidenced by Bonds and Contracts then remaining unpaid prior to their final respective due dates, the District may elect not to reconstruct, repair or replace the damaged or destroyed portion of the Water System, and/or not to construct other additions, betterments, extensions or improvements to the Water System; and thereupon such Net Proceeds shall be applied to the prepayment of WIFIA Installment Payments as provided in Section 7.1 and to the retirement of such Bonds and Contracts.

(b) The District will procure and maintain such other insurance which it shall deem advisable or necessary to protect its interests and the interests of the Authority, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with municipal retail water systems similar to the Water System.

(c) Any insurance required to be maintained by paragraph (a) above and, if the District determines to procure and maintain insurance pursuant to paragraph (b) above, such insurance, may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with municipal retail water systems similar to the Water System and is, in the opinion of an accredited actuary, actuarially sound.

All policies of insurance required to be maintained herein shall provide that the Authority or its assignee shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

**Section 6.9 Accounting Records; Financial Statements and Other Reports.**

(a) The District will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the System, which records shall be available for inspection by the Authority, including agents and assignees of and lenders to the authority (including the Authority Lender) at reasonable hours and under reasonable conditions.

(b) The District will prepare and file with the Authority or its assignee annually within two hundred seventy (270) days after the close of each Fiscal Year (commencing with the Fiscal Year ending December 31, 2023) financial statements of the District for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with the report of a certified public accountant thereon.

(c) As long as there are any outstanding financial obligations of the District (in excess of \$100,000), the District will notify the Authority or its assignee within ten (10) days following the date of any event that has the potential to have a material impact on the financial condition of the District.

**Section 6.10 Protection of Security and Rights of the Authority.** The District will preserve and protect the security hereof and the rights of the Authority and the Authority Lender to the WIFIA Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

**Section 6.11 Payment of Taxes and Compliance with Governmental Regulations.** The District will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System, or any part thereof or upon the Water Revenues or amounts on deposit in the Water Revenue Fund, the Acquisition Fund, the Rate Stabilization Fund or the WIFIA Debt Service Account when the same shall become due. The District will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water System, or any part thereof, but the District shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

**Section 6.12 Amount of Rates and Charges.**

(a) The District, to the fullest extent permitted by law, shall fix, prescribe and collect Water Revenues for Water Service which will be at least sufficient to yield during each Fiscal Year Net Water Revenues equal to one hundred ten percent (110%) of Debt Service and one hundred percent (100%) of Policy Costs. The District may make adjustments from time to time in such Water Revenues and may make such classification thereof as it deems necessary, but shall not reduce the Water Revenues then in effect unless the Net Water Revenues from such reduced Water Revenues will at all times be sufficient to meet the requirements of this section.

(b) For avoidance of doubt, so long as the District has complied with its obligations set forth in clause (a) of this section, the failure of Net Water Revenues to meet the

thresholds set forth in clause (a) of this section at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the District has complied with in clause (a) of this section at the commencement of the immediately succeeding Fiscal Year.

**Section 6.13 Collection of Rates and Charges.** The District will have in effect at all times by-laws, rules and regulations requiring each customer to pay the rates and charges applicable to the Water Service and providing for the billing thereof and for a due date and a delinquency date for each bill.

**Section 6.14 Eminent Domain Proceeds.** If all or any part of the Water System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

(a) If (1) the District files with the Authority and the Authority Lender a certificate showing (i) the estimated loss of annual Net Water Revenues, if any, suffered or to be suffered by the District by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions or improvements to the Water System proposed to be acquired and constructed by the District from such Net Proceeds, and (iii) an estimate of the additional annual Net Water Revenues to be derived from such additions, betterments, extensions or improvements, and (2) the District, on the basis of such certificate filed with the Authority and the Authority Lender, determines that the estimated additional annual Net Water Revenues will sufficiently offset the estimated loss of annual Net Water Revenues resulting from such eminent domain proceedings so that the ability of the District to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive), then the District shall promptly proceed with the acquisition and construction of such additions, betterments, extensions or improvements substantially in accordance with such certificate and such Net Proceeds shall be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the District for such purpose shall be held by the District and shall be treated as Water Revenues.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied by the District in part to the prepayment of WIFIA Installment Payments as provided in Section 7.1 and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal components of the WIFIA Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

**Section 6.15 Further Assurances.** The District will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Authority and the Authority Lender of the rights and benefits provided to the Authority and the Authority Lender herein.

**Section 6.16 Enforcement of Contracts.** So long as and WIFIA Installment Payments are outstanding, the District will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with any contracts previously or hereafter entered into which contracts provide for water to be supplied to the District which will reduce the supply of water thereunder (except as provided therein) if such rescission or amendment would in any manner impair or adversely affect the ability of the District to pay the WIFIA Installment Payments.

**Section 6.17 Superior Additional Obligations.** The District shall not execute any Contracts or issue any Bonds, as the case may be, that are payable from or secured by a pledge of and lien on Water Revenues and any money in the Water Revenue Fund superior to the pledge securing the WIFIA Installment Payments.

**Section 6.18 Payments in Connection with the State Water Supply Contract.** The District shall apply to the payments due for any Fiscal Year under that certain Water Supply Contract, by and between the District and the State of California Department of Water Resources, as amended, all amounts the District collects through the ad valorem assessment levied to pay such amounts.

## ARTICLE VII

### PREPAYMENT OF WIFIA INSTALLMENT PAYMENTS

#### Section 7.1 Prepayment.

(a) The District may or shall, as the case may be, prepay from the Net Proceeds as provided in Sections 6.8 and 6.14 herein on any date all or any part of the unpaid WIFIA Installment Payments or the WIFIA Loan Agreement in whole, or in part, on any date in the order of payment as directed by the District, at a prepayment price equal to the sum of the principal components prepaid plus accrued interest thereon to the date of prepayment. Any such prepayment shall occur substantially concurrently with the prepayment of the WIFIA Loan by the Authority pursuant to the terms of [Section 9(a) of the WIFIA Master Agreement].

(b) The District shall prepay the WIFIA Installment Payments on the same dates as the Authority makes optional prepayments of the WIFIA Loan in accordance with the WIFIA Loan Agreement and shall not optionally prepay the WIFIA Installment Payments at any other time; provided, however, that any such prepayment shall be in a minimum principal amount of [\$500,000] or any integral multiple of \$1.00 in excess thereof.

Notwithstanding any such prepayment, the District shall not be relieved of its obligations hereunder, including its obligations under Article IV, until the Purchase Price shall have been fully paid (or provision for payment thereof shall have been provided to the written satisfaction of the Authority).

**Section 7.2 Method of Prepayment.** Before making any prepayment pursuant to Section 7.1, the District shall, within five (5) days following the event permitting the exercise of such right to prepay or creating such obligation to prepay or a determination to prepay, give written notice to the Authority and the Authority Lender describing such event and specifying the date on which the prepayment will be paid, which date shall be not less than ten (10) nor more than thirty (30) days from the date such notice is given.

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

**Section 8.1 Events of Default and Acceleration of Maturities.** If one or more of the following Events of Default shall happen, that is to say --

(1) if default shall be made by the District in the due and punctual payment of any WIFIA Installment Payment or any Contract or Bond when and as the same shall become due and payable;

(2) if default shall be made by the District in the performance of any of the agreements or covenants required herein or in connection with any Contract or Bond to be performed by it, and such default shall have continued for a period of sixty (60) days after the District shall have been given notice in writing of such default by the Authority;

(3) if the District shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property;

(4) if payment of the principal of any Contract or Bond is accelerated in accordance with its terms; or

(5) if an "Event of Default" (as defined in the WIFIA Master Agreement) under the WIFIA Loan Agreement or the WIFIA Master Agreement shall have occurred;

then the Authority shall immediately notify the Authority Lender of an Event of Default and follow any written directions of the Authority Lender, which may include a direction to declare the entire principal amount of the unpaid WIFIA Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding; provided that the unpaid Purchase Price shall automatically become due and payable without the action of the Authority or any other person if the unpaid principal amount of the WIFIA Loan shall have become immediately due and payable. Notwithstanding anything to the contrary set forth herein, the Authority shall not have the right to (i) declare the unpaid Purchase Price immediately due and payable or (ii) exercise any other rights or remedies hereunder following the occurrence of an Event of Default in each case without the prior written direction of the Authority Lender. This section, however, is subject to the condition that if at any time after the entire principal amount of the unpaid WIFIA Installment Payments and the accrued interest thereon shall have been so declared due and payable, but before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the District shall deposit with the Authority an amount that is sufficient to pay the unpaid principal amount of the WIFIA Installment Payments referred to in clause (1) above due prior to such declaration and the accrued interest thereon, with interest on such overdue installments, at the rate or rates applicable to the remaining unpaid principal balance of the WIFIA Installment Payments if paid

in accordance with their terms, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid WIFIA Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate shall have been made therefor, then and in every such case the Authority, with the prior written consent of the Authority Lender, may rescind and annul such declaration and its consequences by written notice to the District; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

**Section 8.2 Application of Funds Upon Acceleration.** Upon the date of the declaration of (or automatic, as applicable) acceleration as provided in Section 8.1, all Water Revenues thereafter received by the District shall be applied in the following order --

First, to the payment of the fees, costs and expenses of the trustee with respect to any Bonds or Contracts, in carrying out the provisions of this article, including reasonable compensation to its accountants and counsel and any outstanding fees and expenses of such trustee, and then to the payment of the fees, costs and expenses of the Authority, the Authority Lender, any agents and assignees of each of the foregoing as the case may be, if any, in carrying out the provisions of this article, including reasonable compensation to its accountants and counsel;

Second, to the payment of the Operation and Maintenance Costs;

Third, to the payment, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, of the entire principal amount of the unpaid WIFIA Installment Payments and the unpaid principal amount of all Bonds and Contracts and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable to the WIFIA Installment Payments and such Bonds and Contracts if paid in accordance with their respective terms; and

Fourth, to the payment of Subordinate Obligations in accordance with the terms thereof.

**Section 8.3 Other Remedies of the Authority.** Upon the occurrence of an Event of Default, the Authority shall have the right (but only following the prior written direction of the Authority Lender):

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the District or any director, officer or employee thereof, and to compel the District or any such director, officer or employee to perform and carry out its or his duties under the Law and the agreements and covenants required to be performed by it or him contained herein;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority;

(c) by suit in equity upon the happening of an Event of Default to require the District and its directors, officers and employees to account as the trustee of an express trust;

(d) to apply the Default Rate to the unpaid balance of the Purchase Price; or

(e) suspend or terminate all of its obligations hereunder with respect to the allocation of any undisbursed amount of the WIFIA Loan.

Notwithstanding anything contained herein, other than as expressly provided herein, the Authority shall have no security interest in or mortgage on the WIFIA Project, the Water System or other assets of the District and no default hereunder shall result in the loss of the WIFIA Project, the Water System, or other assets of the District.

**Section 8.4 Remedies of the Authority Lender.** Upon the occurrence of an Event of Default, the Authority Lender, as assignee of the Authority pursuant to the WIFIA Master Agreement, shall be entitled and empowered to institute any actions or proceedings at law or in equity against the District for the collection of any sums due to the Authority from the District and unpaid hereunder, and may prosecute any such judgment or final decree against the District and collect in the manner provided by law the moneys adjudged or decreed to be payable, may take such other actions at law or in equity as may appear necessary or desirable to collect all amounts payable by the District to the Authority under this WIFIA Installment Purchase Agreement then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the District under this WIFIA Installment Purchase Agreement. Notwithstanding anything herein to the contrary, the Authority Lender shall not have the authority to accelerate payments under any other Bonds or Contracts.

**Section 8.5 Non-Waiver.** Nothing in this article or in any other provision hereof shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the WIFIA Installment Payments to the Authority at the respective due dates or upon prepayment from the Net Water Revenues, the Water Revenue Fund, the Rate Stabilization Fund and the other funds herein pledged for such payment, or shall affect or impair the right of the Authority or the Authority Lender, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

A waiver of any default or breach of duty or contract by the Authority or the Authority Lender shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Authority or the Authority Lender to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Authority or the Authority Lender by the Law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Authority or the Authority Lender, as applicable.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Authority, the District and the Authority shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

**Section 8.6 Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.



## ARTICLE IX

### MISCELLANEOUS

**Section 9.1 Liability of District Limited.** Notwithstanding anything contained herein, the District shall not be required to advance any moneys derived from any source of income other than the Net Water Revenues, the Revenue Fund, the Rate Stabilization Fund and the other funds provided herein for the payment of the WIFIA Installment Payments or for the performance of any agreements or covenants required to be performed by it contained herein. The District may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the District for such purpose.

The obligation of the District to make the WIFIA Installment Payments is a special obligation of the District payable solely from such Net Water Revenues and other funds described herein, and does not constitute a debt of the District or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

**Section 9.2 Benefits of Installment Purchase Agreement Limited to Parties.** Nothing contained herein, expressed or implied, is intended to give to any person other than the District, the Authority or the Authority Lender any right, remedy or claim under or pursuant hereto. Each of the Authority and the District agrees that the Authority Lender shall be a third party beneficiary to this WIFIA Installment Purchase Agreement and any agreement or covenant required herein to be performed by or on behalf of the District, the Authority or the Authority Lender shall be for the sole and exclusive benefit of the other parties.

**Section 9.3 Successor Is Deemed Included in all References to Predecessor.** Whenever the District, the Authority or the Authority Lender is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the District, the Authority or the Authority Lender, and all agreements and covenants required hereby to be performed by or on behalf of the District, the Authority or the Authority Lender shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

**Section 9.4 Waiver of Personal Liability.** No director, officer or employee of the District shall be individually or personally liable for the payment of the WIFIA Installment Payments, but nothing contained herein shall relieve any director, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law or hereby.

**Section 9.5 Article and Section Headings, Gender and References.** The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and other words of similar import refer to this WIFIA Installment Purchase Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

**Section 9.6 Partial Invalidity.** If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the District or the Authority

shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The District and the Authority hereby declare that they would have executed this WIFIA Installment Purchase Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

**Section 9.7 Assignment.** This WIFIA Installment Purchase Agreement and any rights hereunder may be assigned by the Authority, as a whole or in part, to the Authority Lender without the necessity of obtaining the prior consent of the District. On each WIFIA Installment Payment Date, the District, as agent of the Authority, shall transfer to the Authority Lender on the Authority's behalf the WIFIA Installment Payments hereunder from the WIFIA Debt Service Account in accordance with the terms of the WIFIA Loan Agreement.

**Section 9.8 Net Contract.** This WIFIA Installment Purchase Agreement shall be deemed and construed to be a net contract, and the District shall pay absolutely net during the term hereof of the WIFIA Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

**Section 9.9 California Law.** THIS WIFIA INSTALLMENT PURCHASE AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

**Section 9.10 Notices.** All written notices to be given hereunder shall be given (a) in the case of the Authority Lender, by email to its email address set forth below and (b) in the case of the Authority and the District, by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the District: Palmdale Water District  
2029 E. Avenue Q  
Palmdale, California 93550  
Attention: General Manager

If to the Authority: Palmdale Water District Public Financing Authority  
2029 E. Avenue Q  
Palmdale, California 93550  
Attention: Executive Director

If to the Authority Lender: Environmental Protection Agency  
WJC- E 7334A  
1200 Pennsylvania Avenue NW  
Washington, D.C. 20460  
Attention: WIFIA Director  
Email: WIFIA\_Portfolio@epa.gov

**Section 9.11 Effective Date.** This Installment Purchase Agreement shall become effective upon its execution and delivery, and shall terminate only when (a) the Purchase Price shall have been fully paid and (b) the WIFIA Loan Agreement shall have terminated in accordance with its terms.

**Section 9.12 Execution in Counterparts.** This WIFIA Installment Purchase Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

**Section 9.13 Indemnification of Authority and the Authority Lender.** The District hereby agrees to indemnify and hold harmless the Authority, the Authority Lender and the assigns and officers and directors thereof if and to the extent permitted by law, from and against all claims, advances, damages and losses, including legal fees and expenses, arising out of or in connection with the acceptance or the performance of their duties hereunder or to the extent provided in the WIFIA Loan Agreement, under the WIFIA Loan Agreement.

**Section 9.14 Amendments Permitted.** This WIFIA Installment Purchase Agreement and the rights and obligations of the Authority and the District, may be modified or amended at any time by an amendment hereto which shall become binding only (a) following the execution and delivery of such amendment by the Authority and the District and (b) with the prior written consent of the Authority Lender.

*[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]*

IN WITNESS WHEREOF, the parties hereto have executed this WIFIA Installment Purchase Agreement by their officers thereunto duly authorized as of the day and year first written above.

PALMDALE WATER DISTRICT

By: \_\_\_\_\_  
General Manager

PALMDALE WATER DISTRICT PUBLIC  
FINANCING AUTHORITY

By: \_\_\_\_\_  
Executive Director

**EXHIBIT A**  
**PURCHASE PRICE**

1. The principal amount of the installment payments to be made by the District hereunder is \$\_\_\_\_\_.

2. The installment payments of principal and interest are payable in the amounts and on the WIFIA Installment Payment Dates as follows:

<u><i>WIFIA Installment Payment Date</i></u>	<u><i>Amount Attributable to Principal</i></u>	<u><i>Amount Attributable to Interest</i></u>	<u><i>Total</i></u>
<i>Tenth Day Prior To:</i>		\$	\$

<i>WIFIA Installment Payment Date</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total</i>
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*Tenth Day Prior To:*

<b>TOTAL</b>	\$ _____	\$ _____	\$ _____
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**EXHIBIT B**

**FORM OF REQUISITION FROM ACQUISITION FUND**

§ \_\_\_\_\_  
PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY  
WIFIA LOAN AGREEMENT

REQUISITION NO. \_ FOR  
DISBURSEMENT FROM ACQUISITION FUND

Each of the undersigned, to the extent applicable, hereby states and certifies:

(i) that the undersigned is the duly appointed, qualified and acting General Manager of the Palmdale Water District, an irrigation district that is organized and existing under the Constitution and laws of the State of California (the “District”), and as such, is familiar with the facts herein certified and is authorized to certify the same with respect to the District;

(ii) that the undersigned is the duly appointed, qualified and acting Executive Director of the Palmdale Water District Public Financing Authority, a joint exercise of powers agency that is duly organized and existing under and by virtue of the laws of the State of California (the “Authority”), and as such, is familiar with the facts herein certified and is authorized to certify the same with respect to the Authority;

(ii) that, pursuant to Section 3.4 of that certain Installment Purchase Agreement, dated as of \_\_\_\_\_, 2023 (the “WIFIA Installment Purchase Agreement”), by and between the Authority and the District, the undersigned each hereby requests the Treasurer to disburse this date the following amounts from the Acquisition Fund established under the Installment Purchase Agreement relating to the above-captioned obligations, to the payees designated on the attached Exhibit A;

(iii) that each obligation mentioned herein has been incurred by the District and is a proper charge against the Acquisition Fund;

(iv) that any approval required under the California Environmental Quality Act, as amended (Division 13 of the California Public Resources Code), prior to the expenditure of such amount for the purpose set forth on the attached Exhibit A has been received and is final; and

(v) that there has not been filed with or served upon the District or the Authority notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable to any of the payees named on the attached Exhibit A, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen’s or mechanics’ liens accruing by mere operation of law.

Dated: \_\_\_\_\_, 20    

PALMDALE WATER DISTRICT

By: \_\_\_\_\_  
\_\_\_\_\_, General Manager

PALMDALE WATER DISTRICT PUBLIC  
FINANCING AUTHORITY

By: \_\_\_\_\_  
\_\_\_\_\_, Executive Director



EXHIBIT A  
ACQUISITION FUND DISBURSEMENTS

<i>Item Number</i>	<i>Payee Name and Address</i>	<i>Purpose of Obligation</i>	<i>Amount</i>
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**EXHIBIT B**

**WIFIA APPLICATION**



Version 9/20/2023

## For the WIFIA Application Instructions

The U.S. Environmental Protection Agency (EPA) will invite selected applicants to submit an application for Water Infrastructure Finance and Innovation Act (WIFIA) loans. Unsolicited applications will not be considered. Following selection, each selected applicant will be assigned a transaction team led by an underwriter. The transaction team can answer the applicant's questions regarding the application form, its attachments, and the project review, negotiation, and closing processes.

**The applicant should answer all questions in this form. It may indicate if a requirement is not applicable to its project.** Narrative answers can reference source documents by including the name of the document and relevant pages or sections and providing any referenced documents as attachments. The applicant must sign the Certification in the appropriate space and submit a scanned version of the signature pages to EPA. If the applicant anticipates a delay in one or more source documents, it should discuss the situation with its transaction team and indicate the anticipated date of submitting that document in the application. Additionally, the applicant is required to notify and submit to EPA any updated application materials that become available during the review period. EPA may request additional items from applicants on a case-by-case basis.

The applicant may assert a Confidential Business Information (CBI) claim covering part or all of the information submitted to EPA as part of its letter of interest, in a manner consistent with 40 C.F.R. 2.203, 41 Fed. Reg. 36902 (Sept. 1, 1976), by placing on (or attaching to) the information a cover sheet, stamped or typed legend, or other suitable form of notice employing language such as trade secret, proprietary, or company confidential. The applicant should also state whether it desires confidential treatment until a certain date or until the occurrence of a certain event. Information covered by a business confidentiality claim will be disclosed by EPA only to the extent and only by means of the procedures set forth under 40 C.F.R. Part 2, Subpart B. Information that is not accompanied by a business confidentiality claim when it is received by EPA may be made available to the public by EPA without further notice to the applicant. More information about CBI is available in the WIFIA program handbook and frequently asked questions (FAQ) available at <http://www.epa.gov/wifia>.

The applicant must submit a non-refundable application fee. The application fee is \$25,000 for an application for a project serving small communities (population of not more than 25,000 people). For all other project applications, the application fee is \$100,000. For further information regarding the application fee, as well as the credit processing fee which will be charged at loan closing, and any other applicable fees, please see the [WIFIA fee rule](#).

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### WIFIA Application Submission

The final application submission must include:



- 
1. Completed application form;
  2. All attachments requested and referenced in this form; and
  3. The application fee.

The applicant should reference the supporting document checklist provided on page 4 to ensure all needed information is provided in the application submission. Upon receipt of the application fee and materials, EPA will provide a confirmation email.

**Application Form and Attachment Submittal:** When finished, the application form and attachments must be uploaded to EPA's SharePoint site. To be granted access to the WIFIA SharePoint site, the applicant should email the WIFIA Underwriter assigned to the applicant with the names and emails of all staff that need access.

**Application Fee Submittal:** The applicant should use of Pay.gov to make electronic payments to EPA. In Pay.gov, the applicant can track its payments to EPA and schedule recurring or automatic payments. Although it is not mandatory to register for a user id to access and use Pay.Gov, registration is recommended to have access to all Pay.gov system functionality. To use Pay.gov, follow these instructions:

1. Access the Pay.gov system by going to <https://www.pay.gov> and search for WIFIA or click on the following hyperlink to directly launch the [WIFIA Loan Collection & Fees Form](#).
2. Provide the following information on the payment to ensure proper credit:
  - Remitter's contact phone number
  - Company/Organization Name as it appears on EPA document
  - Complete address, including city, state, zip code
  - Project Name
  - Loan Number: this is EPA WIFIA Loan number, NOT the remitter's number
  - From the "Payment Type" drop down menu select "Application Fee (Fee01)"
  - Other Description: please enter the EPA WIFIA Loan number followed by -FEE01, for example 16123DC-FEE01
3. Follow the remaining on-screen instructions to successfully process the payment to EPA.
4. Send an email to [OCFO-OC-ACD-WIFIA@epa.gov](mailto:OCFO-OC-ACD-WIFIA@epa.gov) and [wifia\\_portfolio@epa.gov](mailto:wifia_portfolio@epa.gov) informing that a payment has been made.

The application fee may also be paid via FEDWIRE; for questions about payments, email to [OCFO-OC-ACD-WIFIA@epa.gov](mailto:OCFO-OC-ACD-WIFIA@epa.gov) and [wifia\\_portfolio@epa.gov](mailto:wifia_portfolio@epa.gov). For detailed payment instructions, contact the WIFIA program.

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### Burden

The public reporting and recordkeeping burden for this collection of information is estimated to average 200 hours per response. Send comments on the Agency's need for this information, the accuracy of the provided burden estimates, and any suggested methods for minimizing respondent burden, including through the use of automated collection techniques to the Director, Regulatory Support Division, U.S.



**US Environmental Protection Agency**  
**WIFIA Program**  
**Application**

OMB Control No. 2040-0292  
EPA Form No. 6100-032  
Approval expires 4/24/2023

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Environmental Protection Agency (2822T), 1200 Pennsylvania Ave., NW, Washington, D.C. 20460.  
Include the OMB control number in any correspondence. Do not send the completed form to this address.

**Warning**

Falsification or misrepresentation of information or failure to file or report information required to be reported may be the basis for denial of financial assistance by the Environmental Protection Agency. Knowing and willful falsification of information required to be submitted and false statements to a Federal Agency may also subject you to criminal prosecution. See, for example, 18 U.S.C. §1001.

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*Additional information is available at <https://epa.gov/wifia> and by contacting [wifia@epa.gov](mailto:wifia@epa.gov).*

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## SUPPORTING DOCUMENT CHECKLIST

The applicant should submit its completed application form plus all relevant supporting documents listed in the checklist as attachments.

Question	Supporting Document(s)*	Included
<b>Application Fee – Refer to fee instructions on page 2</b>		
<b>Section A: Key Applicant and Loan Information* (No attachments)</b>		
10. System for Award Management (SAM) registration	<ul style="list-style-type: none"> <li>Screen shot verifying active SAM registration<sup>1*</sup></li> </ul>	<input checked="" type="checkbox"/>
<b>Section B: Applicant Background</b>		
5. Capital Improvement Planning Process	<ul style="list-style-type: none"> <li>Current year and previous 3 years Capital Improvement Plans</li> </ul>	<input checked="" type="checkbox"/>
7. Liabilities	<ul style="list-style-type: none"> <li>Liabilities Description</li> </ul>	<input checked="" type="checkbox"/>
8. System Condition	<ul style="list-style-type: none"> <li>System Master Plan</li> <li>System Condition Assessment</li> </ul>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
12. Organization Chart	<ul style="list-style-type: none"> <li>Organization Chart</li> </ul>	N/A
<b>Section C: Financing Plan</b>		
4. Preliminary Rating Letter	<ul style="list-style-type: none"> <li>Preliminary Rating Letter*</li> </ul>	<input checked="" type="checkbox"/>
5. Audited Financial Statements	<ul style="list-style-type: none"> <li>Audited Financial Statements (3 years)*</li> </ul>	<input checked="" type="checkbox"/>
6. Cash flow pro forma(s)	<ul style="list-style-type: none"> <li>Cash flow pro forma*</li> </ul>	<input type="checkbox"/>
7. Rate Setting Process	<ul style="list-style-type: none"> <li>Rate Studies</li> <li>Rate Schedules</li> </ul>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
8. Flow of Funds	<ul style="list-style-type: none"> <li>Flow of Funds</li> </ul>	<input checked="" type="checkbox"/>
9. Loan Agreement	<ul style="list-style-type: none"> <li>Master Indenture</li> <li>Bond Ordinance</li> </ul>	<input type="checkbox"/> <input type="checkbox"/>
<b>Section D: Federal Requirements</b>		
1. National Environmental Policy Act (NEPA)/ Programmatic Environmental Assessment Questionnaire	<ul style="list-style-type: none"> <li>Environmental Assessment (Draft or Final)</li> <li>Environmental Impact Statement (Draft or Final)</li> <li>Supporting Documentation</li> <li>Programmatic Environmental Assessment Questionnaire</li> </ul>	<input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
2. SRF Environmental Review	<ul style="list-style-type: none"> <li>SRF Findings</li> <li>SRF Consultation Documentation</li> </ul>	N/A
4. Cross-Cutter Consultation Agencies	<ul style="list-style-type: none"> <li>State Historic Preservation Officer</li> <li>Fish and Wildlife Service</li> <li>National Marine and Fisheries Service</li> <li>Coastal Zone Management Agency</li> <li>Other: <input type="text" value="Click or tap here to enter text."/></li> </ul>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
5. Additional Permits	<ul style="list-style-type: none"> <li><input type="text" value="Click or tap here to enter text."/></li> </ul>	<input type="checkbox"/>

<sup>1</sup> Applicants must have an active registration in SAM to do business with the Federal Government. Registration information is available at <https://sam.gov/SAM/>.





## APPLICATION FORM

**Provide the following information in this form. Narrative answers can reference source documents (include the name of the document and relevant pages or sections). Provide any referenced documents as attachments.**

### Section A: Key Applicant and Loan Information

1. Legal name of prospective borrower:

Palmdale Water District Public Facilities Corporation

2. Project name (for purposes of identification assign a short name to the project):

Pure Water Antelope Valley (Pure Water AV)

3. Has the project description changed since Letter of Interest selection?

Yes

No

If yes, please provide a brief updated project description.

The LOI included the following project components: Well 36, Well 37, Avenue Q Pipeline, Demonstration Facility, Full-Scale 5MGD Advanced Water Purification Facility (AWPF), and Expansion to 10MGD AWPF. Following components have been removed from this application: Expansion to 10 MGD AWPT, Well 36, and the Avenue Q Pipeline.

4. Estimated total eligible project costs (in dollars):

\$ 286,375,720

The Project is split into **two** phases. PWD is submitting this Application to execute a Master Credit Agreement (MCA) with the EPA. PWD envisions up to four WIFIA loans to cover the four Project Phases. Under the proposed MCA, Phase 1 would be funded by WIFIA Loan #1, Phase 2 would be funded by WIFIA Loan #2. The WIFIA loans will be subordinate to existing debt.

- Phase 1 will include all planning, design, permitting, land acquisition, project management, program management, and other professional services and related costs incurred before the AWPF construction. This will include the construction of the Demonstration Facility and the construction of Extraction Well 37. Total Phase 1 Costs = \$68,371,307. Anticipated WIFIA Loan #1 Request = \$33,501,941
- Phase 2 will include engineering services, project management, program management during construction, as well as construction of the Full-Scale AWPF and pipelines. Total Phase 2 Costs = \$218,004,413. Anticipated WIFIA Loan #2 Request = \$106,822,162





Check here if total eligible project costs have changed since the letter of interest submittal

5. Requested amount of the WIFIA loan (in dollars):

**\$140,324,103**

6. Anticipated Closing Date and what is driving date:

**4/15/2024. PWD would like to secure funding to expedite Project delivery and to allow construction to begin on the Demonstration Facility, and Well 37.**

7. Applicant Contact Information

Team Member	Name and Title	Email	Phone Number
Authorized Signatory	Dennis LaMoreaux	dlaMOREAUX@palmdalewater.org	661 456 1018
WIFIA Point of Contact	Scott Rogers, PWD Engineering Manager	srogers@palmdalewater.org,	661 456 1020
	Dennis Hoffmeyer, PWD Finance Manager/CFO	dhoffmeyer@palmdalewater.org	661 456 1021
Financial Advisor	Mark Northcross, Principal, NHA	mark@nhaadvisors.com	415 309 4171
Bond Counsel	Reed Glycer, Shareholder, Stradling Yocca Carlson & Rauth	RGlycer@stradlinglaw.com	949 725 4027
Project Manager	Scott Rogers, PWD Engineering Manager	<a href="mailto:srogers@palmdalewater.org">srogers@palmdalewater.org</a>	661-456-1020
Environmental Review Contact	Scott Rogers, PWD Engineering Manager	<a href="mailto:srogers@palmdalewater.org">srogers@palmdalewater.org</a>	661-456-1020
Other: Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.
Other: Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.
Other: Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.	Click or tap here to enter text.

8. Employer/taxpayer identification number (EIN/TIN):

PWD: 95-6004540

PWD PFC: 77-0290493



9. Dun and Bradstreet Data Universal Number System (DUNS) number:

[PWD: #83-198-1746  
PWD PFC: #07-410-6634]

10. Is the applicant registered in the System for Award Management (SAM)?

Yes

No

If yes, provide a PDF or JPEG screenshot that shows evidence of the SAM registration and an “active status” for the entity receiving the WIFIA loan.

Attachment:

- A.10\_PWD SAM Screenshot

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## Section B: Applicant Background

1. Describe the authorizing actions required by the applicant in order to enter into a loan agreement with the WIFIA program (e.g., board vote, local vote, ordinance).

The Palmdale Water District Board of Directors would need to (1) adopt resolutions authorizing the execution and delivery of the MCA up to the stated amount, (2) delegate the authority for the CEO and/or CFO to enter into subsequent loan agreements pursuant to the MCA, (3) approve a WIFIA installment purchase agreement, and (4) authorize officers of PWD to execute and deliver documents in connection therewith. The PWD Board holds regular meetings the 2<sup>nd</sup> and 4<sup>th</sup> Mondays of each month.

As noted above in A.3., PWD hopes to execute an MCA with EPA upon which periodic loans are executed for the Project. If an MCA can be negotiated, staff plans to seek approval for the MCA from the board of directors and ask for the authorization to enter into subsequent loans without additional approvals from the board.

2. Disclose any current, threatened, or pending litigation involving the applicant related to permitting, public involvement, environmental irregularities, construction defects, securities fraud, conflict of interest, failure to perform under a State or Federal contract, or other charges which may reflect on the applicant's financial position or ability to complete the project(s).

There is no current, threatened or pending litigation for which PWD has received service of process, or of which PWD is aware, as of the date of this application related to the listed items which may reflect on the applicant's financial position or ability to complete the Project. Recognizing there are inherent risks in delivering projects, PWD has an established team, a rigorous project development process, and resources in place to support permitting, public involvement and outreach, environmental issues and requirements, procurement and contracts administration for design and construction, and compliance with requirements of State and Federal contracts.

3. List the historical, if available, or projected customer concentration analysis, including a breakdown of customers by class (residential, non-residential, commercial, bulk, etc.), usage, and revenues for the past 12 months and a list of the top ten (10) customers by percentage of revenues.

### **Breakdown of customers and usage by class**

PWD supplies potable water to an area of approximately 40 square miles to the City of Palmdale and incorporated areas in Los Angeles County. Current water use categories are single- and multi- family residential, commercial/industrial, institutional and irrigation. The PWD 2020 Urban Water Management Plan provided customer classes and uses for the year 2020 and projected to 2045.



Year	2020	2025	2035	2045
Projected Population Served (number of people)	126,062	128,998	138,554	153,766
Demand Category	Current Water Demand (AFY)	Projected Potable Water Demand (AFY) <sup>(1) (2)</sup>		
Single-family residential	11,757	11,460	12,310	13,660
Multi-family residential	1,555	1,450	1,560	1,730
Commercial	1,190	1,170	1,390	1,730
Industrial	1,637	1,350	1,480	1,700
Landscape irrigation: potable	1,040	1,050	1,300	1,690
Other (street sweeping, construction, and other various limited use meters)	34	40	40	40
Non-revenue water (system losses)	1,997	1,900	2,100	2,400
<b>Total (AFY)</b>	<b>19,210</b>	<b>18,420</b>	<b>20,180</b>	<b>22,950</b>
<b>Total (MGD)</b>	<b>17.1</b>	<b>16.4</b>	<b>18.0</b>	<b>20.5</b>

Notes:

1. All projected values are from PWD's 2020 Urban Water Management Plan.
2. Projected potable water deliveries are based on the 2017-2020 average demand values rather than the 2020 historical demand values to avoid over-estimating projected demand, given that 2020 had the highest demand that PWD has experienced in the past 6 years.
3. Based on arrangements with AVEK and Littlerock Creek Irrigation District (LCID)

Approximately 70 percent of PWD's potable water demand comes from the residential category, based on data from 2017-2020 (Kennedy Jenks, 2021), similar to projected water deliveries for 2045 where residential demand is projected to be 66.8%. Irrigation water demand is divided into potable and non-potable categories. The potable category refers to the part of the landscape irrigation demand that is met using potable water and is included in the table above. The non-potable category refers to the landscape and agricultural irrigation demand that is met through direct reuse of non-potable Title 22 recycled water from PWRP's tertiary treated effluent and is not considered for the purposes of this analysis. The LACSD PWRP produces about 10,700 AFY of Title 22 recycled water on average and is expected to grow up to about 13,500 AFY by 2045 (Kennedy Jenks, 2021). When more PWRP effluent water is produced than demanded, the water is stored at seasonal storage ponds. Increasing recycled water usage is being encouraged, and the remaining water produced at PWRP is available for use in other potential future recycled water projects. Both PWD and the City of Palmdale have agreements with LACSD for a specific allocation of recycled water. As will be explained in the following section, PWD's allocation of Title 22 Recycled Water from PWRP is 5,325 AFY (LACSD, 2016), which is currently used mostly for landscape irrigation and cattle feed crop agricultural use. Per the agreement with LACSD, the 5,325 AFY is recycled water available for groundwater or surface water augmentation (Kennedy Jenks, 2021).

It should be noted that the average annual water demand predicted for 2025 is lower than the average annual water demand in 2020. 2020 had the highest demand that PWD has experienced in the last 6 years. For this reason, the projected potable water demands are based on the 2017-2020 average demand values rather than the 2020 historical demand values to avoid over-estimating projected demand.



**Revenues for past 12 months**

Palmdale Water District								
Operating Revenue in 2022								
	Wholesale Water	Water Sales	Drought Surcharge	Meter Fees	Water Quality Fees	Elevation Fees	Other	Total Operating Revenue
January	\$28,297	\$652,212	-	\$1,393,717	\$36,078	\$18,074	\$72,807	\$2,198,653
February	\$8,323	\$618,278	-	\$1,395,619	\$35,010	\$18,371	\$56,922	\$2,124,214
March	\$24,656	\$700,369	-	\$1,397,264	\$41,265	\$22,249	\$104,055	\$2,289,544
April	\$28,508	\$857,668	-	\$1,401,046	\$50,416	\$28,861	\$105,115	\$2,607,026
May	\$43,169	\$855,775	-	\$1,402,024	\$50,661	\$28,598	\$88,180	\$2,472,319
June	\$49,427	\$1,115,196	\$36,470	\$1,404,858	\$62,224	\$36,617	\$166,351	\$2,921,338
July	\$43,782	\$1,206,823	\$41,928	\$1,402,456	\$65,697	\$41,405	\$91,510	\$2,889,401
August	\$57,511	\$1,321,938	\$48,256	\$1,404,630	\$70,190	\$41,667	\$151,764	\$3,087,912
September	\$2,319	\$1,326,636	\$54,896	\$1,403,996	\$67,973	\$40,590	\$98,449	\$2,989,923
October	\$87,975	\$1,158,071	\$50,579	\$1,395,645	\$58,464	\$34,934	\$82,958	\$2,868,626
November	\$100,656	\$877,484	\$39,415	\$1,399,858	\$46,182	\$25,584	\$106,518	\$2,595,697
December	\$25,478	\$708,476	\$31,131	\$1,400,638	\$38,902	\$20,791	\$211,555	\$2,436,972
Year-to-Date	\$500,102	11,398,925	302,676	16,801,752	623,061	357,741	1,336,182	\$31,320,440

**Top 10 customers by % of revenues**

Palmdale Water District		
Principal Water Users (2022 Sales)		
Customer Name	Amount Charged	% of Total Operating Revenues
Palmdale School District	\$815,900.00	2.61%
City Of Palmdale	841,986.70	2.69%
AV Union High School District	267,024.55	0.85%
Lockheed Martin Skunkwork	214,933.28	0.69%
HK Realty Inc	202,697.55	0.65%
Group XIII Properties LP	127,586.93	0.41%
J K Properties Inc	121,860.99	0.39%
Monte Vista HOA	108,141.40	0.35%
Caritas Corporation	78,361.42	0.25%
Hansa Investments, Inc	78,122.42	0.25%
<b>Top 10 Total</b>	<b>\$2,856,615.24</b>	<b>9.12%</b>



Total Operating Revenues:	\$31,320,439	
<i>Source: Palmdale Water District</i>		

**Attachments:**

- B.3.a\_2022 Accounts Receivable
- B.3.b\_Top 10 Users

4. Provide the average residential customer combined water and sewer rates as a percentage of Median Household Income.

Sewer service is provided by Los Angeles County Sanitation District, District 20. District 20 service charge rates for Single Family Homes were \$622.52 in FY23/24.

Water service is provided by Palmdale Water District. Single Family Customers charges in 2022 accounted for \$22,442,446 in total charges across 25,412 accounts. This averages to \$833.14/account.

Total average water and sewer rate sums to \$1,455.66.

The Median Household Income for the Palmdale Water District service area, as calculated by the State Water Board, was \$55,129 in 2022 (Attachment Confidential\_B.4.b\_SWB MHI Designation PWD). A Lower Bound Median Household Income of \$48,135 was also calculated by the State Water Board.

The average residential combined water and sewer rate is 2.64% of the Median Household Income, with an upper bound of 3.02% (using Lower Bound MHI).

5. Describe the applicant’s capital improvement planning process. Include a capital improvement plan, other planning documents, and capital budgets produced in the current year and previous three (3) years as attachments.

Capital improvements are first identified in the master planning process (**Attachment B.5.a\_Master Plan**) and strategic water supply planning process (**Attachment B.5.b\_Strategic Water Supply Plan**). Capital plans are provided within the capital budgeting process. **Attachments B.5.f\_2022 Budget, B.5.g\_2021 Budget, and B.5.h\_2020 Budget** all include capital plans within the budget. The 2023 Capital Planning Budget is still in development.

Attachments:

Capital Improvement Plans:

- B.5.a\_Master Plan



- B.5.b\_Strategic Water Supply Plan

Capital Budgets

- B.5.e\_2023 Budget
- B.5.f\_2022 Budget
- B.5.g\_2021 Budget
- B.5.h\_2020 Budget

6. Describe accounts receivables outstanding, including the 12-month trailing average of on-time payment amounts as a percentage of amount billed per period. Include a brief description of the process for collections.

The District has reliable and predictable accounts receivable collections related to customer billings. The information provided shows the typical monthly receivables being seasonally adjusted. This means that in the winter months, it is lower and higher in the summer months (higher water usage due to higher temperatures and lack of precipitation). At the beginning of the year, the District does see an annual increase as the new water rates are implemented.

One reason for this predictability is the District bills monthly. This billing typically has payment for a newly issued bill occurring within 20 to 28 days from issuance. Those bills that remain outstanding are subject to the District's delinquency process. Loss of revenue is also predictable since only property owners are allowed to sign up for service and are ultimately responsible for any outstanding balances. All this is done while maintaining compliance with the California legislation established SB 998 guidelines that give account holders a defined guideline for payment terms of outstanding balances owed to the District.

See the 2022 Accounts Receivable data in **Attachment B.3.a\_2022 Accounts Receivable**.

Attachments:

- B.3.a\_2022 Accounts Receivable

7. Describe or provide an attachment with the status of liabilities and funding for pension contributions, defined benefits, and other post-employment benefits.

See Audit 2022 report Note 10 (OPEB), Note 11 (pensions) in **Attachment B.7.a\_Audit 2022 Notes 10 and 11**. This information backs up the numbers that are shown in the summary on the balance sheet pages 12 & 13. The portions are referenced below. Also provided are the CalPERS Pension Plan reports from December 2022 (**Attachment B.7.b\_OPEB and Pensions status 2022**) and December 2021 (**Attachment B.7.c\_OPEB and Pensions status 2021**).



Asset Side - Under Deferred Outflows of Resources

Deferred amounts related to net OPEB obligation (Note 10)	\$2,887,977
Deferred amounts related to net pension liability (Note 11)	<u>5,234,679</u>
	\$8,122,656

Liabilities - Under Non-current liabilities

Net other post-employment benefits obligation (Note 10)	\$13,275,385
Net pension liability (Note 11)	<u>13,730,102</u>
	\$27,005,487

Under Deferred Inflows of Resources

Deferred amounts related to net OPEB obligation (Note 10)	\$4,502,897
Deferred amounts related to net pension liability (Note 11)	<u>771,264</u>
	\$5,274,161

Attachment:

- B.7.a\_Audit 2022 Notes 10 and 11
- B.7.b\_OPEB and Pensions status 2022
- B.7.c\_OPEB and Pensions status 2021

8. Provide the latest system condition assessment report or master plan available for the water and/or wastewater system this project supports. If a report or plan is unavailable, provide a brief description of significant facilities (i.e. pump stations or treatment plants) within the system, including construction and major rehabilitation dates, and any asset management processes utilized for the system.

Two relevant system assessment reports are relevant. The Master Plan is relevant for the understanding of the PWD water system supported by the Pure Water AV program (**Attachment B.8.a\_Water System Master Plan**). The Well Rehabilitation Plan describes the condition of all PWD extraction wells and is relevant for the PWAV Extraction Wells 36 and 37 (**Attachment B.8.b\_Well Rehabilitation Plan**).

Attachments:

- B.8a\_Water Master Plan
- B.8.b\_Well Rehabilitation Plan
- B.8.c\_Steel Tank Assessment

9. If applicable, describe community outreach efforts conducted to date and planned for the project(s). Include community meetings, outreach sessions and groups contacted.





PWD created a Stakeholder Outreach Plan for the Pure Water AV program (**Attachment: B.9.a\_PWAV Stakeholder Outreach Plan**). This plan outlines opportunities to raise awareness among PWD's customers and stakeholders about the safety and reliability of this potential new local water supply for the Antelope Valley. The Stakeholder Outreach Plan is an audience-driven plan, meaning that the outreach activities outlined are tailored to the various audiences that need to be informed about the Pure Water AV. The efforts will be broad and inclusive, encompassing diverse audiences and ensuring all communities have access to program information and opportunities for participation and involvement. Relevant stakeholders that PWD has identified include Local Government and Agencies, Elected Officials/Key Staff, Adjacent Residents & Communities, District Customers /Ratepayers, Business/ Civic Groups, Recreation, and Environmental Organizations, and the Media. The Stakeholder Outreach Plan outlines key strategies and communication tactics to facilitate meaningful engagement. Considering the underserved and environmental justice communities in Palmdale, the Stakeholder Outreach Plan also strategizes specific methods for gathering inputs and generating buy-in from these populations, such as developing relationships with community leaders, translating materials into Spanish, and distributing information through local publications and forums.

A significant commitment to public engagement is also evidenced by the creation of a community space and public tour program associated with the Pure Water AV Advanced Water Treatment Demonstration Facility. This facility is being designed with public outreach and learning opportunities as an integral part of the facility's purpose. Once operational, the demonstration facility will offer guided tours of the advanced water purification process, host public functions in the newly created community room and will promote this learning opportunity to all stakeholders and audiences to encourage robust participation.

Additionally, the program has established a website dedicated entirely to Pure Water AV ([purewaterav.org](http://purewaterav.org)). This website provides information about the Pure Water AV program, including the purpose, the technology, links to resources from industry associations and leaders and, once the demonstration facility is operational, will provide online opportunities to schedule a tour for individuals or groups. The website will be updated regularly to reflect the status of the program and provide current information to web visitors.

When undertaking more routine aspects of the PWAV project such as the construction of groundwater extraction wells, PWD will share information with the public through both press releases and social media posts, as well as groundbreaking ceremonies covered by the Antelope Valley Press. PWD's newsletter called "The Pipeline" is an example of this outreach is provided in **Attachment: B.9.b\_PWD Newsletter Example of Stakeholder Outreach**.

Attachment:

- B.9.a\_PWAV Stakeholder Outreach Plan
- B.9.b\_PWD Newsletter Example of Stakeholder Outreach



10. Provide a description of the environmental, societal, or quality of life benefits to the community as a result of the project, such as (but not limited to), improving system resiliency, mitigating climate change, supporting small and/or disadvantaged communities, improving access to safe water, addressing contaminants, developing the water workforce.

**Improving System Resiliency:** As a result of limitations on groundwater extraction and SWP imports, current modeling indicates that PWD water shortages may reach a maximum of 4,266 AF in 2025. Higher temperatures increase the water requirements for vegetation and crops due to increased evapotranspiration rates, leading to greater water demand from vulnerable desert habitats, agricultural crops, and functional landscaping. Rising surface temperatures are also projected to decrease snowpack, cause earlier snowpack melting, and decrease SWP water supply. Through advanced purification of tertiary-treated wastewater, which is a climate-resilient and locally-produced water source, the Project will expand and diversify PWD water sources by 5,325 AFY.

**Combating Climate Change:** The Project will help combat the climate crisis in multiple ways. The Project's permanent education facility will be designed to serve as an emergency operations center, which will increase the ability for the community to respond to climate-change. The Project will also have reduced carbon emissions compared to other alternatives. Importing water is energy intensive, leading to increased carbon emissions which contribute to climate change. Past research by the Water Reuse Association (Link C6: Status Consulting, 2015 page 20) has shown that water reuse through complete advanced treatment typically produces 373 kilograms of carbon dioxide equivalents per AF (kg CO<sub>2</sub>e/AF). This is roughly a quarter of the emissions from desalination (1349 kg CO<sub>2</sub>e /AF) and a third of imported SWP water (1142 kg CO<sub>2</sub>e /AF). The study had no quantification of emissions from other emergency backup water supplies such as water trucking. Using these multipliers at a scale of 5,325 AFY, recycled water from this Project would produce 1,986 metric tons of CO<sub>2</sub>e annually compared to the 6,081 metric tons of CO<sub>2</sub>e annually to import SWP water, a reduction of 4,095 metric tons of CO<sub>2</sub>e every year.

Finally, PWD is testing an alternative brine disposal strategy that would involve direct air capture (DAC) facilities. The process would take brine and makes sodium hydroxide for use as a solvent for capture of carbon dioxide (CO<sub>2</sub>) from the atmosphere. The carbonate product can then be stored, permanently removing ambient CO<sub>2</sub> and contributing to IPCC-determined carbon removal goals to minimize global temperature increases over pre-industrial levels.

**Supporting Disadvantaged Communities:** The PWD service area is designated as a large, disadvantaged community (Large DAC) by the California State Water Board and experiences environmental injustice according to EPA EJScreen indices. According to an analysis completed in July 2022, the State Water Board found that PWD's service area had a median household income (MHI) of \$55,129 (only 70% of the California statewide MHI) with a lower bound MHI of \$48,135 (61% of statewide MHI) (Attachment: Confidential\_C1a\_SWB MHI Designation PWD).

The City of Palmdale also experiences environmental justice issues. The EPA EJScreen Version 2.0 shows the City of Palmdale is above the US 90th percentile for EJ indices for Particulate



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Matter 2.5, Ozone, and Hazardous Waste Proximity. EJScreen Socioeconomic Indicators show Palmdale as above the US 80th percentile for Demographic Index, People of Color, Linguistically Isolated, and Less Than High School Education (Attachment: C1b\_City of Palmdale EJScreen Report). According to the Census Bureau, 15.8% of Palmdale residents live below the federal poverty line, 80% identify as people of color, and 47% speak a language other than English at home (Attachment: C1c\_City of Palmdale ACS Data).

**Improving Access to Safe Water and Addressing Contaminants:** The Project will protect human health through both increased water quantity and improved water quality. The 5,325 AFY treated by the Project will support the reliable, continuous water supply that is necessary for the health and wellbeing of Palmdale residents. Groundwater overdraft has led to subsidence, which permanently reduces the AV Basin storage capacity. By reducing groundwater overdraft, the Project will protect the capacity of this critical water source. Water from the AWPf will also be of higher quality than existing groundwater sources. Contaminants in some groundwater sub-basins within the AV Basin include arsenic, nitrate, and potentially PFAS. Water produced by the Project will be directly injected into the AV Basin, which can dilute contaminants and move them to a location in the Basin further from drinking water extraction wells, reducing the likelihood of human exposure to contaminants. Groundwater modeling is currently underway and will confirm hydrogeologic conditions.

**Developing the Water Workforce:** The Demonstration Facility will permanently exist as a training facility for operators, which will service as a place for training the local workforce of operators with the skills to operate advanced purification technology.

**Protecting Water Resources with Ecological and Recreational Value:** Littlerock Creek is a water source that provides important ecological and recreational value. PWD water from Littlerock Creek is stored in Littlerock Reservoir and delivered to Lake Palmdale through the Palmdale Ditch. The high quality 5,325 AFY of water produced by the Project can reduce reliance on this existing surface water source, in some years leading to higher water levels in Lake Palmdale, Littlerock Reservoir, and Littlerock Creek. Littlerock Creek provides an important refuge to the federally protected arroyo toad, as well as other aquatic life that depends on a certain quantity of environmental flow for habitat, including Freshwater Shrimp and Mariposa Lily. Littlerock Creek supports Southwest Desert habitat within the Antelope Valley, which is one of the top ten habitats vulnerable to climate change according to the Endangered Species Coalition. In the greater Antelope Valley, land species that are supported by the vulnerable Southwest Desert habitat include the desert tortoise, burrowing owl, and Mojave ground squirrel. These important ecological resources also provide exceptional recreational opportunities for Palmdale residents and tourists.

**Water Conservation and Public Education Benefits:** The PWAV Demonstration Facility will remain as a permanent public engagement facility for public education, workforce training, and emergency response. Indoor and outdoor water conservation techniques will be showcased alongside educational signage. Educational benefits have been estimated by PWD to generate 35 AFY in water savings, assuming visitors decrease water demand by 10% and visitation rates are 1% of PWD customers in the first year and 0.05% in following years. An additional 12 AFY



will be saved through the removal of turf at the facility and irrigation with non-potable water at a nearby school using the conveyance pipeline from the Palmdale Water Reclamation Facility to the Demonstration Facility.

11. Will the project assist in complying with applicable regulatory requirements?

Yes

No

If yes, describe how the project assists with regulatory compliance.

The Project will be designed to maintain compliance with the AV Basin Adjudication and a series of anticipated groundwater quality regulations and compliance requirements.

**Compliance with Adjudicated Basin Overdraft Production Rights:** The Judgment and Physical Solution for the Antelope Valley Groundwater Adjudication (Adjudication), issued by the Court in 2011 issued limits on withdrawals for all users of AV Basin groundwater to address overdraft. As of the latest Watermaster report in 2020, PWD had a production right of 2,769.63 AF (Attachment: C9\_2020 AV Watermaster Annual Report, Table B-1 Exhibit 3). PWD is currently in compliance with the Adjudication. However, water supply limitations are reducing PWD's options to reliably provide water to its customers, such as PWD receiving only 5% of its SWP allocation in 2022. The Project would add 5,325 AFY to PWD's potable water portfolio through the advanced treatment and direct injection of water into the AV Basin, ultimately building out to 10 MGD. This Project would ensure that PWD can maintain compliance with the Adjudication.

**Groundwater Quality Compliance:** The full-scale AWPf will inject water directly into the Antelope Valley Groundwater Basin as a form of indirect potable reuse called groundwater replenishment (GWR) via subsurface injection. The AWPf will be designed to meet a series of anticipated regulations and compliance requirements, detailed below:

Anticipated regulations include:

- Recycled Water Policy
- California Code of Regulations Title 22, Division 4, Chapter 3
- Lahontan Region Basin Plan
- Antelope Valley Salt and Nutrient Management Plan
- California Antidegradation Policy

Anticipated compliance requirements include:

- Approved Title 22 Engineering Report (State Water Board)
- Approved Operation Optimization Plan (State Water Board)
- Approved Test Protocol and Subsequent Results (State Water Board)
- Water Recycling Requirements (WRRs) (Regional Water Board)
- Waste Discharge Requirements (WDRs) (Regional Water Board)



*For Project and Corporate Financing Transactions Only:*

12. Provide a project-level organizational chart, include the major parties involved in planning, owning, financing, providing supply and/or offtake, constructing, operating, and/or maintaining the project(s). Include the major service contractors that have been, or will be, retained for the project (e.g., architects, developers, engineers, attorneys, financial advisors and underwriters, environmental consultants). Please also disclose if there is a financial relationship between the project sponsor and any key project partners.

Not applicable.

DRAFT



Section C: Financing Plan

1. Provide a sources and uses of funds table for the proposed project(s), including the proposed WIFIA assistance. For applicants other than Public Entities, please identify the amount and source(s) of project equity, letters of credit, and other sources of debt as applicable. Note any ineligible project costs. More information about eligible costs is available in the [WIFIA program handbook](#). If other debt is being issued, including a SRF loan, describe the timing and certainty.

Sources Category	Estimated Dollar Value
1. WIFIA Loan (cannot exceed 49% of eligible costs)	Click or tap here to enter text.
2. Revenue Bonds	Click or tap here to enter text.
3. SRF Loan	Click or tap here to enter text.
4. Borrower Cash	Click or tap here to enter text.
5. Previously Incurred Eligible Costs*	Click or tap here to enter text.
6. Other (please specify) Click or tap here to enter text.	Click or tap here to enter text.
<b>TOTAL SOURCES</b>	Click or tap here to enter text.
Uses Category	Estimated Cost
1. Construction	Click or tap here to enter text.
2. Design	Click or tap here to enter text.
3. Planning	Click or tap here to enter text.
4. Land Acquisition	Click or tap here to enter text.
5. Other Capital Costs	Click or tap here to enter text.
6. Contingency	Click or tap here to enter text.
7. Total Capital Costs	Click or tap here to enter text.
8. Financing Costs	Click or tap here to enter text.
8. Ineligible Costs (if applicable)	Click or tap here to enter text.
9. Other (please specify) Click or tap here to enter text.	Click or tap here to enter text.
10. Other (please specify) Click or tap here to enter text.	Click or tap here to enter text.
<b>TOTAL USES</b>	Click or tap here to enter text.

\*Previously Incurred Eligible Costs are project related costs incurred prior to the WIFIA loan's execution. Please see the WIFIA Program Handbook for additional information on Eligible Costs.



2. Describe the proposed credit terms of the WIFIA assistance. Complete the following table and include additional text below.

Credit Term	Proposed Credit Term for WIFIA
Lien Priority	Senior Lien: all debt for the project (including WIFIA) will be senior/first lien <b>Subordinate Lien:</b> WIFIA will be subordinated/second lien and other debt for the project will be senior/first lien debt (in this case, WIFIA will automatically spring to senior/first lien debt upon the occurrence of a bankruptcy related event)
Security Pledge	Subordinate lien net revenue pledge (see below)
WIFIA Loan Maturity Date	35-year loan, repayments beginning upon substantial project completion; expected maturity date of 10/1/2063 [TO BE UPDATED after engineering team provides estimated construction completion date]

The WIFIA Loan will be secured by a pledge of Net Revenues (defined below) on a subordinate basis to the District’s other outstanding debt. Since there is no other subordinate debt outstanding, there is flexibility in structuring the terms of the subordinate debt. However, since the District has several outstanding obligations secured by a senior pledge of Net Revenues, we would expect that the definitions of “Water Revenues”, “Net Revenues”, and “Operation and Maintenance Costs” would generally follow the definitions on the District’s senior debt.

In aggregate the District will covenant to levy water rates, subject to Proposition 218, sufficient to provide 110% coverage of annual debt service for the combined total of all senior and subordinate debt obligations. The additional bonds test for the subordinate date, unlike that for the senior debt, will allow for revenues from future rate increases to be counted towards coverage in all applicable bond years.

While the District has the right to use a rate stabilization fund to meet the coverage requirements, the District’s historic debt service coverage ratio has generally been strong, and so the District has not had to access the rate stabilization fund balance. The current balance in the rate stabilization fund approximately \$720,000. The District plans to continue depositing funds into the rate stabilization fund over the next several years until it reaches approximately \$1 million.

Defined key terms from the draft WIFIA Installment Purchase Agreement have been pasted below for reference purposes [definitions still under development based on conversation with Bond Counsel]

“**Water Revenues**” means, for any Fiscal Year, all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the District’s Water System, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges,





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business interruption insurance proceeds or other moneys derived by the District from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System, plus (2) proceeds of the District's share of the County's 1% property tax received by the District, if any, plus (3) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including District reserves and the Reserve Fund, plus (4) the proceeds of any stand by or water availability charges collected by the District, but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and excluding any proceeds of any taxes or assessments required by law to be used by the District to pay bonds heretofore or hereafter issued and any assessments levied and collected by the District to pay any contract payments due under the State Water Supply Contract, plus (5) money withdrawn from the Rate Stabilization Fund in such Fiscal Year, minus (6) any revenues transferred to the Rate Stabilization Fund in such Fiscal Year.

The District anticipates doing a partial refinance of the outstanding 2013 bonds in 2023 to reduce a spike in combined debt service in certain future bond years. This refinancing alone will not trigger the change in the definition of "Water Revenues" noted above. However, upon the defeasance in full of the 2012 Installment Purchase Agreement, the 2013 Installment Purchase Agreement and the 2017 Installment Purchase Agreement, the term "Water Revenues" shall mean, for any Fiscal Year, all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the District's Water System, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System, plus (2) proceeds of the District's share of the County's 1% property tax received by the District, if any, plus (3) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including District reserves and the Reserve Fund, plus (4) the proceeds of any stand by or water availability charges collected by the District, but excluding in all cases customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and excluding any proceeds of any taxes or assessments required by law to be used by the District to pay bonds heretofore or hereafter issued and any assessments levied and collected by the District to pay any contract payments due under the State Water Supply Contract, plus (5) money withdrawn from the Rate Stabilization Fund in such Fiscal Year.

**"Operation and Maintenance Costs"** means the reasonable and necessary costs paid or incurred by the District for maintaining and operating the Water System of the District, determined in accordance with generally accepted accounting principles, including any water purchase costs (exclusive of any recovered amount from the State of California's Department of Water Resources in accordance with the State Water Supply Contract) and all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System of the District in good repair and working order, and including all administrative costs of the District that are charged directly or apportioned to the maintenance and operation of the Water System of the District, such as salaries and wages of employees,





overhead, insurance, taxes (if any) and insurance premiums, and including all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms of this WIFIA Installment Purchase Agreement and other Bonds and Contracts, such as compensation, reimbursement and indemnification of the trustee with respect to any Bonds and Contracts; excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature, all capital charges, and any contract payments due under the State Water Supply Contract paid from the proceeds of any assessments levied and collected by the District to pay contract payments due under the State Water Supply Contract.

**“Net Water Revenues”** means, for any Fiscal Year, the Water Revenues for such Fiscal Year less the Operation and Maintenance Costs for such Fiscal Year.

- Describe all dedicated revenue sources to be used to repay project financing, the expected rate(s), and the base to which such rates will be applied (e.g. average monthly consumption). Include rate covenant requirements that may affect these revenue sources. If the dedicated source for repayment is different from the assets covered by the security pledge described in the above table, please specify this in the response.

The District’s Net Revenues that will be pledged to repay the Senior Debt, the WIFIA Loan, and other subordinate debt primarily consist of operating revenues, non-operating revenues, and capital improvement fees. A table providing detail on these revenues for FY 2022 is provided below.

**Palmdale Water District**  
**Revenues Pledged to Debt Service**  
*Based on 2022 Audit Report*

<b>Revenue Type</b>	<b>2022 Audited Amounts</b>	<b>% of Total</b>
<b>Operating Revenues</b>		
Water sales – commodity charge	11,701,601	28%
Water sales – wholesale	500,102	1%
Monthly meter service charge	16,801,752	41%
Water quality fees	623,061	2%
Elevation fees	357,741	1%
Other charges for services	1,336,182	3%
<b>Non-Operating Revenues</b>		
Property taxes – ad valorem	2,640,066	6%
Property tax assessment for State Water Project*	0	0%
Successor agency component of property taxes	836,598	2%
Rental revenue – cellular towers	193,519	0%



Investment earnings	97,234	0%
Legal and insurance refunds/settlements	74,172	0%
Department of Water Resources – fixed charge recovery	349,339	1%
Other non-operating revenues	162,400	0%
<b>Capital Improvement Fees</b>	<b>5,408,187</b>	<b>13%</b>
<b>Total Pledged Revenues</b>	<b>41,081,954</b>	<b>100%</b>

*\*This revenue is excluded from the definition of Water Revenues under the District's current pledge (see below)*

Operating revenues combined are responsible for approximately 76% of the District’s total revenues securing debt in FY 2022. Primarily, these revenues are made up of revenues from water rates. These revenues from the District’s ~27,700 meters include residential customers, commercial customers, irrigation customers, construction and private fire protection. The majority of customers (94%) are single family residential (see Question B3 above).

All monthly fees charged to water customers have both fixed and volumetric components. Customers pay a fixed monthly fee based on the meter size and pay a tiered volumetric charge based on actual consumption. Volumetric charges have five tiers and tier 1 is based on 55 gallons per customer per day (adjusted for household size, dwelling units per meter, and days of service). Tier 2 is based on landscape usage based on landscaped area and weather during the billing period. Tiers 3, 4, and 5 are based on percentages of combined tiers 1 and 2 usage. Additional detail about historical and approved rate increases is provided in response to question C7 of this application.

Historically, the District has utilized a drought surcharge to stabilize revenues during times of mandated water use reductions. From June 1, 2015, to March 1, 2017, the District imposed a Stage-1 drought surcharge, which brought in an additional \$1.2 million in revenues during 2016 alone. The drought surcharge has not been imposed since February 2017, but may be imposed in the event of a future drought emergency and State-mandated reductions in water use.

In addition to operating revenues, the District receives approximately 11% of their total revenues from non-operating revenues. Primarily, these revenues come from the District’s share of general 1% ad valorem property tax levy (which is based upon the assessed valuation of the parcels of taxable property within the District). In addition to the property tax component, the District receives some non-operating revenues related to a cell tower lease, legal and insurance refunds/settlements, a fixed charge recovery from the Department of Water Resources, and investment earnings. Please note that the District receives a property tax assessment related to its participation in the State Water Project (SWP), and that the District participates through payments to the California Department of Water Resources from those tax assessments collected within the District’s service area. These funds are used for construction of capital assets, such as pipelines, pumping facilities, storage facilities, etc. Accordingly, these funds are



expressly excluded from the revenue pledge on the District's existing senior debt and for any future subordinate debt (including the WIFIA loan).

Finally, in 2022 the District received approximately 13% of its total revenues from Capital Improvement Fees. These are fees that the District collects from developers to pay for the new facilities necessary to deliver water service to the newly developed property and to pay for the additional water supplies necessitated to meet the demand for water created by such newly developed property. These fees are for offsite improvements, such as the development's fair cost of wells, reservoirs, transmission mains, treatment plant capacity, and other necessary facilities. These revenues are legally available to pay debt service on the District's outstanding debt and are included in the definition of "Water Revenues" in the District's current senior debt. Since these revenues are received as developments are completed, these revenues vary widely from year to year. Current (FY 2022) amounts are significantly higher than the historical average, and for purposes of our projection, we assume future years' receipts are approximately equivalent to 65% of the historical 6-year average.

4. Provide the file name for and submit a new or recent preliminary rating letter from a nationally recognized statistical rating organization opining on the proposed WIFIA financing and describing the applicant's ability to obtain an investment grade rating on the project's senior obligations. An existing rating may be used in place of a preliminary rating letter if it is recent and actively maintained. The applicant should discuss using an existing rating with its transaction team prior to application submittal. Note, this application will not be deemed complete without inclusion of a preliminary rating letter.

Attachment:

- C.4.a\_S&P Rating Letter August 2023

5. Provide the year-end audited financial statement for the applicant for past three (3) years, as an attachment, and enter the file names below.

Attachments:

- C.5.a\_PWD Financials 2022
- C.5.b\_PWD Financials 2021
- C.5.c\_PWD Financials 2020

6. Attach the financial model for the project(s) security structure (i.e. the system for system credits or project for P3/project financings) and provide its file name below. All amounts should be expressed on a cash (year-of-expenditure) basis and should clearly show assumptions used to arrive at such estimates. A sample pro forma can be found [here](#). The pro forma(s) should include:



- a. Details on projected revenues, operations and maintenance expense, capital expenditures and other key line items. Include rate changes and inflation factors as appropriate;
- b. Estimated total debt service coverage. Also show senior and junior lien debt coverages separately, if applicable;
- c. Disbursement and repayment schedule for all debt sharing the WIFIA security, addressing, as applicable, senior- and junior-lien debt. Same lien debt amounts may be aggregated;
- d. Anticipated disbursement and repayment schedule of the requested WIFIA loan.

Pro forma be provided by NHA week of 9/25 along with a high level 1-page narrative here discussing key assumptions in the pro forma.

7. Describe the rate setting process, including regulations governing rate setting, approval requirements, timing for implementation, etc. Include 10 years of rate schedule history for the applicant and specify if recommended rate increases were ever rejected.

The District's rate setting process is subject to the noticed public hearing and majority protest procedure of California Proposition 218, at which a majority of written protests could disapprove of the proposed changes. In accord with the provisions of Proposition 218, as interpreted by valid case law, the District uses the maximum 5-year cycle for approving rate increases. The District's current schedule increases rates in January of each year.

The District first implemented a water budget rate structure in 2009 to promote efficient water use. Under this rate structure, each customer receives a monthly water budget based on various parameters such as the number of people in the home, the property's irrigable acreage, and the weather. The District offers a variance program for customers to adjust their allocation, if necessary.

In 2019, the District conducted a rate study to identify necessary revenues to meet the District's financial needs and design rates which recover the costs from ratepayers commensurate with their service requirements. Rates were updated to further improve equity, promote efficiency and conservation, and ensure compliance with Proposition 218 (Prop 218) requirements and other legal mandates. See **Attachment C.7.a\_2019 PWD Water Rate Study**.

In 2023, the District will complete its 2022 Update of the Strategic Water Supply Plan and then complete a Water Master Plan update. New infrastructure investments identified in the plan, including the Pure Water AV program, will be incorporated into the District's financial model through a new rate study planned for 2023. Rate increases would be proposed to the board and adopted in 2024 before the end of the Fiscal Year.



**Palmdale Water District  
 10-Year Rate Increase History**

Calendar Year	% Increase
2011	5.00%
2012	0.00%
2013	8.00%
2014	2.00%
2015	2.50%
2016	4.00%
2017	4.25%
2018	4.25%
2019	4.25%
2020	8.10%
2021	8.10%
2022	8.10%
2023	8.10%
2024*	8.10%

*\*Future, Board-approved rate increase*

While the District has never had a majority protest under Proposition 218 to prior rate increases, the City of Palmdale did file litigation objecting to rate increases approved by the District in 2009 challenging the District’s rates and rate structure as unlawful under Proposition 2018. After trial court and appellate litigation, and resulting revisions to the District’s rate structure tiers, in 2012, the District and the City entered into a settlement agreement. That settlement allowed the District’s new rate structure, as revised, and previously implemented rate increases to remain in effect, and also allowed for the previously approved future years’ increases to be implemented at the discretion of the District’s Board of Directors.

In addition to the rate increases identified above, the District Board has also approved a drought surcharge schedule to partially offset potential lost revenues due to state mandated water use reductions. The rates below are a function of the amount of mandated water reduction from the State, with a 20% mandated reduction being Stage 1, a 30% mandated reduction being Stage 2, and a 40% mandated reduction being Stage 3. For full year 2016, the District was under Stage 1 drought surcharge, which brought in \$1.2 million in revenues.

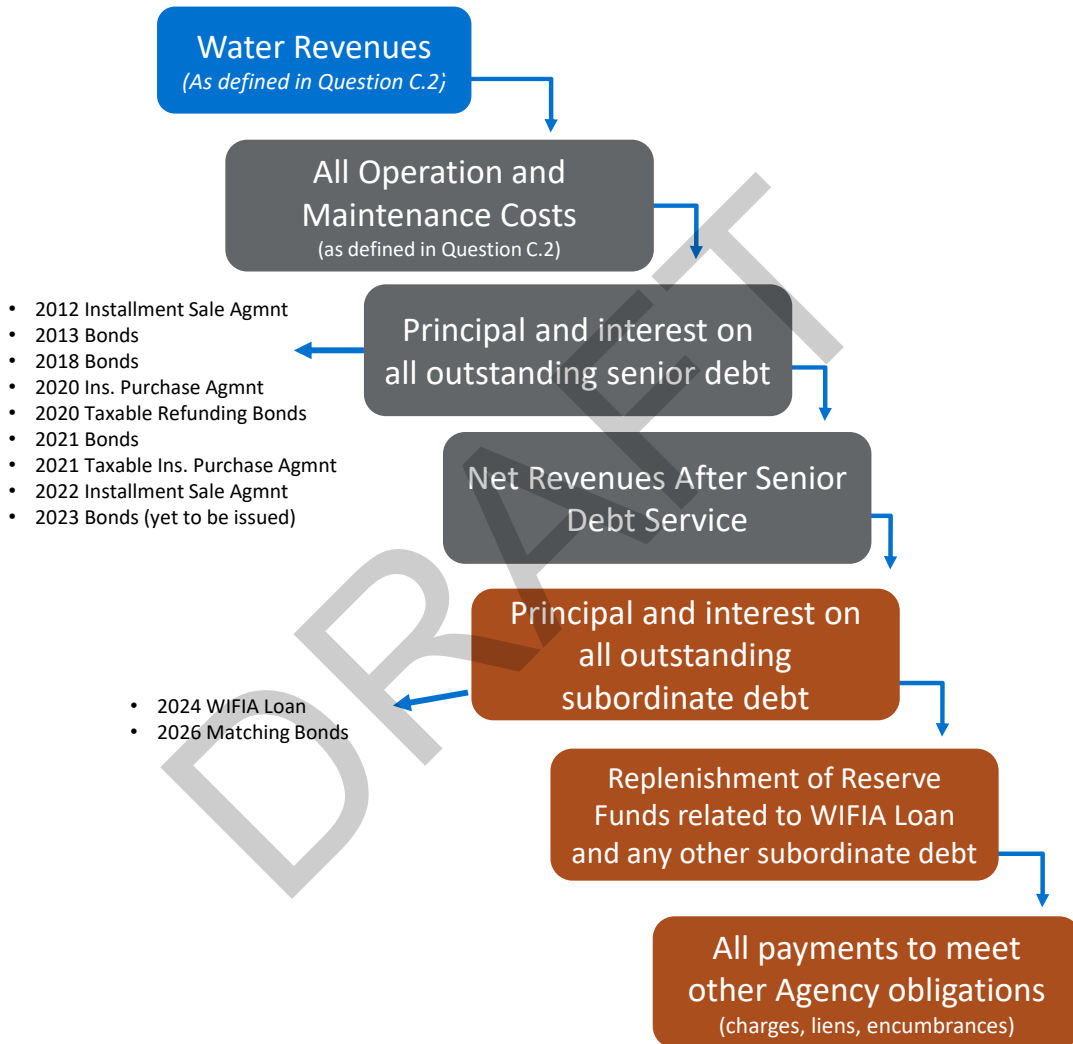
Attachment:

- C.7.a\_2019 PWD Water Rate Study



8. If available, provide a flow of funds diagram or description and summarize key obligations in the flow of funds.

**Palmdale Water District Subordinate Lien  
Flow of Funds under the WIFIA Installment Purchase Agreement**



9. Describe what document(s) will be the starting point for the WIFIA loan agreement:

Standard WIFIA loan agreement.

Existing Master Indenture or Bond Ordinance. Included as an attachment is the Existing Master Indenture or Bond Ordinance.



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Customized loan agreement for the project(s) and applicant.

Other.

Additional notes for loan agreement: **[This response is still under development/review of District Bond Counsel]** The Authority and District would like the covenants and provisions of the WIFIA loan Agreement to match the District's existing covenants and provisions as much as possible, excepting that the WIFIA Loan will be a subordinate lien, as set forth in the draft WIFIA Installment Purchase Agreement included with this application.

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## Section D: Federal Requirements Compliance

1. Has the project completed or is in the process of completing an environmental review in accordance with the National Environmental Policy Act (NEPA)?

Yes

No

If yes, identify the lead federal agency for the NEPA review, and provide an agency staff contact name/email/phone number.

For the PWAV Demonstration Facility, a CEQA Notice of Exemption (NOE) has been filed with the CA Office of Planning and Research and mailed to the County. The NOE includes Categorical Exemptions for 15306 Info Collection and 15303 New Construction of Small Structures. An initial review of the site for cultural and biological resources has not identified sensitive environmental considerations, and the site is not listed pursuant to Section 65962.5 of the Government Code. The State Clearinghouse Number is 2022110190.

For the PWAV Extraction Well 37, after design is complete, the same process followed for Well 36 will be followed for Well 37 to secure a CEQA determination. This includes submitting an amendment to PWD's Water System Master Plan Environmental Impact Report, in compliance with Section 21108 of the Public Resources Code. The Well 36 Notice of Determination found that the Well 36 project will not have a significant impact on the environment. Mitigation measures were not made a condition of the State Water Board's approval of the project. PWD anticipates Well 37 to follow a similar determination. CEQA determinations will be complete in 2024 prior to construction.

For the AWPf the following process will be followed:

As a discretionary action of a governmental agency (PWD) that will have direct and reasonably foreseeable indirect impacts on the environment, PWAV will be subject to review under the California Environmental Quality Act (CEQA). In compliance with CEQA (Public Resources Code Section 21000 et seq., and the State CEQA Guidelines, Title 14 California Code of Regulations (CCR) Section 15000 et seq.), PWD will prepare an Initial Study (IS) to address the impacts of construction and operation of the Project. The IS will identify the site-specific impacts, evaluate their potential significance, and determine the appropriate document needed to comply with CEQA. If the information reviewed and contained in the IS supports a determination that the proposed project would not have a significant environmental impact with mitigation measures incorporated into the project, a Mitigated Negative Declaration (MND) would be the appropriate CEQA document. If potentially significant unmitigable impacts are identified, PWD would prepare an Environmental Impact Report to further evaluate project alternatives and additional mitigation measures. The CEQA process will include distribution of the environmental document for review and comment by relevant responsible, trustee, and interested agencies, Native American tribes, environmental organizations, and the public. In further compliance with CEQA and Assembly Bill 52 (AB52), PWD will consult with relevant California Native American tribes and consider tribal cultural resources potentially impacted by the project. By requiring





consideration of tribal cultural resources early in the CEQA process, the legislature intended to ensure that local and tribal governments, public agencies, and project proponents would have information available early in the project planning process to identify and address potential adverse impacts to tribal cultural resources. PWD will outreach to the Native American Heritage Commission to obtain a Tribal Contact list. Individual letters to each Tribe on the contact list will be sent to outline the proposed project and invite tribal representatives to consult with PWD.

Based on initial biological and cultural investigations of the AWPf project site, no significant cultural or biological resources were identified at the project site. The site is currently vacant and graded with a scattering of Joshua trees and drainages running through the area.

More detailed investigations as described within this section will be completed once the project site has been officially procured and further details of the project are established. All NEPA and other environmental and cultural compliance will be completed before ground disturbing activities.

If no, please complete the [Programmatic Environmental Assessment \(PEA\) Questionnaire](#) unless one of the following exceptions are true:

- The proposed project is a pipeline replacement or rehabilitation project, or an upgrade or expansion of an existing facility
- The proposed project contains a large number of components in a wide geographic location

Attachment:

- D.1\_PEA Questionnaire.xlsx

2. Is the project co-financed by the State Revolving Loan Fund?

Yes                       No

If yes, is the scope of the SRF project the same as the scope of the WIFIA project?

Yes                       No

If no, note scope differences.

Due to existing bond requirements, PWD is unable to apply for SRF financing.

3. Has the project completed or is in the process of completing an environmental review with the SRF?

Yes                       No                       Not Applicable



If yes, identify the lead agency for the SRF environmental review, provide an agency staff contact name/email/phone number, and if applicable, submit the available SRF Findings and/or SRF consultation documentation.

N/A

If no, give an estimated timeline for the SRF environmental review and/or submittal of application materials to SRF.

N/A

4. Identify any agencies with which cross-cutter consultations have been undertaken for the project and include supporting documentation as attachments. (Check all that apply)

- None
- State Historic Preservation Officer
- Fish and Wildlife Service
- National Marine and Fisheries Service
- Coastal Zone Management Agency
- Other [Click or tap here to enter text.](#)

No formal cross-cutter consultations have been undertaken for the PWAV project or Well 37 project to date.

5. Describe the status of any additional permits and approvals that the project(s) may require. Add additional rows as needed. If providing permit information as attachments, list the filenames below.

Major Permits or Approvals Required	Approving Authority	Status	Expected Approval Date
National Pollutant Discharge Elimination System (NPDES) and Construction Stormwater Pollution Prevention Plan (SWPPP) permit	State Water Resource Control Board (SWRCB)	Not started	To be determined
Indirect Potable Reuse Permit	State Water Resources Control Board Division of Drinking Water (DDW)	Not started	To be determined
Waste Discharge & Water Recycling Requirements / User Water Recycling Permit/ Title 22 Engineering Report / operations and optimization plan (OOP)	Lahontan RWQCB	Working	To be determined
Sewer Discharge Permit	Los Angeles County, Sanitation Districts	Not started	To be determined



Major Permits or Approvals Required	Approving Authority	Status	Expected Approval Date
Cross Connection & Water Pollution Control Program Compliance	Los Angeles County Department of Public Health	Not started	To be determined
Fire Protection System Permit/Plan Check	Los Angeles County Fire Department	Not started	To be determined
Hazardous Materials Review/Field Inspection Spill Prevention Control and Countermeasure Plan (SPCC) Certified Unified Program Agency (CUPA) Permit	Los Angeles County Fire Department	Not started	To be determined
Fire protection system permit/plan check	City of Palmdale	Not started	To be determined
Easement Encroachment/Haul Route Permit	City of Palmdale	Not started	To be determined
Offsite Utilities, Roadway, Street Use, and Landscape	City of Palmdale Public Works	Not started	To be determined
Construction Permits <ul style="list-style-type: none"> <li>• Demolition</li> <li>• Stockpile</li> <li>• After Hours Construction</li> <li>• Oversize Load</li> <li>• Right-Of-Way <ul style="list-style-type: none"> <li>• Sign</li> </ul> </li> <li>• Roadway Closure (Temp Traffic Control Plan) <ul style="list-style-type: none"> <li>• Dewatering</li> <li>• Boring</li> </ul> </li> </ul> Fugitive Dust Control	City of Palmdale  CalTrans (for transportation permits of oversize/overweight vehicles on State Highway System)	Not started	To be determined
Standard Urban Storm Water Mitigation Plan (SUSMP)	Los Angeles County Public Works	Not started	To be determined
Flood control permit	Los Angeles County Department of Public Works Flood Control District	Not started	To be determined
Dust Control Plan (depending on acreage and volume of earthwork)	Antelope Valley AQMD	Not started	To be determined



For Well 37 Project:

Major Permits or Approvals Required	Approving Authority	Status	Expected Approval Date
Well 37 Drilling Permit	County of Los Angeles	Not started	To be determined
Well 37 New Extraction Well Approval	AV Water Master	Not started	To be determined
Amendment to the Water Master Plan Programmatic Environmental Impact Report – Well 37	CA Office of Planning and Research	Not started	To be determined

[Click or tap here to enter text.]


6. Does the project involve a new or relocated discharge, either permanent or temporary, to surface or groundwater or are new or relocated water intakes expected?

Yes       No       Not Applicable



The Full-Scale AWPF will produce high quality, purified drinking water for indirect potable reuse through a new, permanent discharge to groundwater through direct injection. The PWAV Extraction Wells 36/37 will construct two new groundwater extraction wells, which will extract the potable water produced by the AWPF.

The Demonstration Facility Project will not involve any new or relocated discharge or intake connected to surface or groundwater.

7. Additional forms will need to be completed and submitted prior to closing the WIFIA loan. Check all that are included with the application:

Form	Included	Not Applicable
 epa_form_6600_06.pdf	<input type="checkbox"/>	



 SFLLL_1_2-V1.2.pdf	<input type="checkbox"/>	<input type="checkbox"/> <i>Note: this form only needs to be submitted to disclose lobbying activities</i>
 epa_form_4700_4.pdf	<input type="checkbox"/>	

8. If the project(s) include acquisition of real property, identify how the project complies or will comply with [Uniform Relocation Assistance and Real Property Acquisition Policies Act](#) (Uniform Act).

The PWAV Demonstration Facility and Extraction Well 37 projects do not require the acquisition of real property as they are located on land owned by PWD.

The PWAV AWPf included acquisition of real property. Palmdale Water District real property acquisitions are structured to conform to the Uniform Relocations Assistance and Real Property Acquisition Policies Act.

### Section E: Contract Information

Complete the "Section E: Supplemental Spreadsheet." Instructions for each column are available on the first tab labeled "Instructions – Section E". Provide answers for each project in the application using separate rows designated, "Contract 1, Contract 2, etc."



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## CERTIFICATIONS

1. *National Environmental Policy Act:* The applicant acknowledges that any project receiving credit assistance under this program must comply with all provisions of the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.)
2. *American Iron and Steel:* The applicant acknowledges that any project receiving credit assistance under this program for the construction, alteration, maintenance, or repair of a project may only use iron and steel products produced in the United States and must comply with all applicable guidance.
3. *Prevailing Wages:* The applicant acknowledges that all laborers and mechanics employed by contractors or subcontractors on projects receiving credit assistance under this program shall be paid wages at rates not less than those prevailing for the same type of work on similar construction in the immediate locality, as determined by the Secretary of Labor, in accordance with sections 3141-3144, 3146, and 3147 of Title 40 (Davis-Bacon wage rules).
4. *Credit Ratings:* This applicant has received a preliminary rating opinion letter(s) on the project's senior debt instrument, from one or more rating agencies. These letters or ratings are attached.
5. *Credit Processing Fees:* The undersigned certifies that it will reimburse EPA for its costs incurred in negotiating the credit agreement, irrespective of whether the credit agreement is executed.
6. *Lobbying:* Section 1352 of Title 31, United States Code provides that none of the funds appropriated by any Act of Congress may be expended by a recipient of a contract, grant, loan, or cooperative agreement to pay any person for influencing or attempting to influence an officer or employee of any Federal agency, a Member of Congress, or an employee of a Member of Congress in connection with the award or making of a Federal contract, grant, loan, or cooperative agreement or the modification thereof. EPA interprets this provision to include the use of appropriated funds to influence or attempt to influence the selection for assistance under the WIFIA program.

WIFIA applicants must file a declaration: (a) with the submission of an application for WIFIA credit assistance; (b) upon receipt of WIFIA credit assistance (unless the information contained in the declaration accompanying the WIFIA application has not materially changed); and (c) at the end of each calendar quarter in which there occurs any event that materially affects the accuracy of the information contained in any declaration previously filed in connection with the WIFIA credit assistance.

The undersigned certifies, to the best of his or her knowledge and belief, that:

1. No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.
2. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement,



the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

3. The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

7. *Debarment:* The undersigned further certifies that it is not currently: 1) debarred or suspended from participating in any Federal programs; 2) formally proposed for debarment, with a final determination still pending; or 3) indicted, convicted, or had a civil judgment rendered against it for any of the offenses listed in the Regulations Governing Debarment and Suspension (Governmentwide Nonprocurement Debarment and Suspension Regulations: 2 C.F.R. Part 180 and Part 1532).
8. *Default/Delinquency:* The undersigned further certifies that neither it nor any of its subsidiaries or affiliates are currently in default or delinquent on any debt or loans provided or guaranteed by the Federal Government.
9. *Other Federal Requirements:* The applicant acknowledges that it must comply with all other federal statutes and regulations, as applicable. A non-exhaustive list of federal cross-cutting statutes and regulations can be found at: <https://www.epa.gov/wifia/wifia-resources#complianceanchor>.
10. *Signature:* By submitting this application, the undersigned certifies that the facts stated and the certifications and representations made in this application are true, to the best of the applicant's knowledge and belief after due inquiry, and that the applicant has not omitted any material facts. The undersigned is an authorized representative of the applicant.

Name: Title: Organization: Street Address: City/State/Zip: Phone: E-mail:
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Signature: \_\_\_\_\_

Date Signed: \_\_\_\_\_



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## KEY DEFINITIONS

- (a) *Administrator* means the Administrator of EPA.
- (b) *Community water system* has the meaning given the term in section 1401 of the Safe Drinking Water Act (42 U.S.C. 300f).
- (c) *Credit assistance* means a secured loan or loan guarantee under WIFIA.
- (d) *Credit agreement* means a contractual agreement between EPA and the project sponsor (and the lender, if applicable) that formalizes the terms and conditions established in the term sheet (or conditional term sheet) and authorizes the execution of a secured loan or loan guarantee.
- (e) *Eligible project costs* mean amounts, substantially all of which are paid by, or for the account of, an obligor in connection with a project, including the cost of:
- (1) Development-phase activities, including planning, feasibility analysis (including any related analysis necessary to carry out an eligible project), revenue forecasting, environmental review, permitting, preliminary engineering and design work, and other preconstruction activities;
  - (2) Construction, reconstruction, rehabilitation, and replacement activities;
  - (3) The acquisition of real property or an interest in real property (including water rights, land relating to the project, and improvements to land), environmental mitigation (including acquisitions pursuant to section 33 U.S.C. §3905(7)), construction contingencies, and acquisition of equipment; and
  - (4) Capitalized interest necessary to meet market requirements, reasonably required reserve funds, capital issuance expenses, and other carrying costs during construction.
- (f) *Investment-grade rating* means a rating category of BBB minus, Baa3, bbb minus, BBB (low), or higher assigned by a nationally recognized statistical rating organization (NRSRO) to project obligations offered into the capital markets.
- (g) *Iron and steel products* means the following products made primarily of iron or steel: lined or unlined pipes and fittings, manhole covers and other municipal castings, hydrants, tanks, flanges, pipe clamps and restraints, valves, structural steel, reinforced precast concrete, and construction materials.
- (h) *Nationally Recognized Statistical Rating Organization (NRSRO)* means a credit rating agency identified and registered by the Office of Credit Ratings in the Securities and Exchange Commission.
- (i) *Project* means:
- (1) Any project for flood damage reduction, hurricane and storm damage reduction, environmental restoration, coastal or inland harbor navigation improvement, or inland and intracoastal waterways navigation improvement that the Secretary determines is technically sound, economically justified, and environmentally acceptable, including—





- 
- (A) a project to reduce flood damage;
  - (B) a project to restore aquatic ecosystems;
  
  - (C) a project to improve the inland and intracoastal waterways navigation system of the United States; and
  
  - (D) a project to improve navigation of a coastal or inland harbor of the United States, including channel deepening and construction of associated general navigation features.
- (2) 1 or more activities that are eligible for assistance [under section 1383\(c\) of this title](#), notwithstanding the public ownership requirement under paragraph (1) of that subsection.
  - (3) 1 or more activities described in section [300j-12\(a\)\(2\) of title 42](#).
  - (4) A project for enhanced energy efficiency in the operation of a public water system or a publicly owned treatment works.
  - (5) A project for repair, rehabilitation, or replacement of a treatment works, community water system, or aging water distribution or waste collection facility (including a facility that serves a population or community of an Indian reservation).
  - (6) A brackish or sea water desalination project, including chloride control, a managed aquifer recharge project, a water recycling project, or a project to provide alternative water supplies to reduce aquifer depletion.
  - (7) A project to prevent, reduce, or mitigate the effects of drought, including projects that enhance the resilience of drought-stricken watersheds.
  - (8) Acquisition of real property or an interest in real property—
    - (A) if the acquisition is integral to a project described in paragraphs (1) through (6); or
    - (B) pursuant to an existing plan that, in the judgment of the Administrator or the Secretary, as applicable, would mitigate the environmental impacts of water resources infrastructure projects otherwise eligible for assistance under this section.
  - (9) A combination of projects, each of which is eligible under paragraph (2) or (3), for which a State infrastructure financing authority submits to the Administrator a single application.
  - (10) A combination of projects secured by a common security pledge, each of which is eligible under paragraph (1), (2), (3), (4), (5), (6), (7), or (8), for which an eligible entity, or a combination of eligible entities, submits a single application.
- (j) *Public entity* means:
- (1) a Federal, State, or local Governmental entity, agency, or instrumentality; or
  - (2) a Tribal Government or consortium of Tribal Governments.
- (k) *Publicly sponsored* means the obligor can demonstrate, to the satisfaction of the Administrator that it has consulted with the affected State, local or Tribal Government in which the project is located, or is otherwise affected by the project, and that such government supports the proposed project. Support can be shown by a certified letter signed by the approving municipal department or similar agency, mayor or other similar designated authority, local ordinance, or any other means by which local government approval can be evidenced.



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- (l) *Small Community* means a community with a population of no more than 25,000 individuals.
- (m) *State* means any one of the fifty states, the District of Columbia, Puerto Rico, or any other territory or possession of the United States.
- (n) *State infrastructure financing authority* means the State entity established or designated by the Governor of a State to receive a capitalization grant provided by, or otherwise carry out the requirements of, title VI of the Federal Water Pollution Control Act (33 U.S.C. 1381 et. seq.) or section 1452 of the Safe Drinking Water Act (42 U.S.C. 300j-12).
- (o) *Term sheet* means a contractual agreement between EPA and the project sponsor (and the lender, if applicable) that sets forth the key business terms and conditions of a Federal credit instrument. Execution of this document represents a legal obligation of budget authority.
- (p) *Treatment works* has the meaning given the term in section 212 of the Federal Water Pollution Control Act (33 U.S.C. 1292).
- (q) *WIFIA* means the Water Infrastructure Finance and Innovation Act of 2014, Pub. L. 113-121, 128 Stat, 1332, codified at 33 U.S.C. §§ 3901-3914.

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