



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE

BOARD OF DIRECTORS

W. SCOTT KELLERMAN
Division 1

DON WILSON
Division 2

CYNTHIA SANCHEZ
Division 3

KATHY MAC LAREN-GOMEZ
Division 4

VINCENT DINO
Division 5

March 20, 2024

**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, MARCH 25, 2024

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 September 25, 2023.
 - 4.2) Consideration and Possible Action on Resolution No. 2024-1 being a Resolution of the Palmdale Water District Public Financing Authority Authorizing the Issuance of Not-to-Exceed \$22,700,000 Subordinate Water Revenue Bonds, Series 2024A, Approving the Execution of Certain Documents and Authorizing Certain Acts in Connection Therewith. (Finance Manager Hoffmeyer/Mark Northcross, NHA Advisors)
- 5) Information Items.
- 6) Board Members' Requests for Future Agenda Items.
- 7) Adjourn to Palmdale Water District Regular Board Meeting.



DENNIS D. LaMOREAUX,
PWD General Manager

DDL/dh



BOARD MEMORANDUM

DATE: March 25, 2024

TO: BOARD OF DIRECTORS

FROM: Mr. Dennis Hoffmeyer, Finance Manager/CFO

VIA: Mr. Dennis D. LaMoreaux, General Manager

RE: ***CONSIDERATION AND POSSIBLE ACTION ON RESOLUTION NO. 2024-1 BEING A RESOLUTION OF THE PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF NOT-TO-EXCEED \$22,700,000 SUBORDINATE WATER REVENUE BONDS, SERIES 2024A, APPROVING THE EXECUTION OF CERTAIN DOCUMENTS AND AUTHORIZING CERTAIN ACTS IN CONNECTION THEREWITH. (FINANCE MANAGER HOFFMEYER/MARK NORTHCROSS, NHA ADVISORS)***

Recommendation:

Staff recommends that the Board of the Public Financing Authority adopt Resolution No. 2024-1 being a Resolution of the Palmdale Water District Public Financing Authority Authorizing the Issuance of Not-to-Exceed \$22,700,000 Subordinate Water Revenue Bonds, Series 2024A, Approving the Execution of Certain Documents and Authorizing Certain Acts in Connection Therewith.

Staff also recommends that the Board adopt Resolution No. 24-1 being a Resolution of the Board of Directors of the Palmdale Water District Authorizing the Issuance of Not-to-Exceed \$22,700,000 Subordinate Water Revenue Bonds, Series 2024A, Approving the Execution of Certain Documents.

Alternative Options:

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

Impact of Taking No Action:

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

Background:

The District is pursuing multiple financing sources for the Pure Water Antelope Valley project, including cash, grants, bond financing, and a loan Water Infrastructure Finance and Innovation Act program ("WIFIA Loan").

Because of the differences in timing between the Demonstration Facility and the larger Advanced Water Purification Facility and to better align with the EPA's funding practices for WIFIA Loans, the District will be splitting the Pure Water AV project into two projects: Project 1 is the construction of the Demonstration Facility, Well 37 design and project management, and additional design and project management for the Advanced Water Purification Facility. Project 1 has a total estimated capital cost of \$27.8 million and is expected to commence later this year.

Pure Water AV Project 2 is the construction of Well 37 and the Advanced Water Purification Facility and has a total estimated capital cost of \$253.5 million. The funding plan for Project 2 includes WIFIA loan, bonds, grants, and cash contributions and Project 2 is expected to commence after the completion of Project 1, with the bond and WIFIA financing for Project 2 currently expected in late 2025/early 2026.

This agenda item is related to authorization to issue the 2024A Subordinate Water Revenue Bonds ("2024 Bonds") in a not-to-exceed amount of \$22,700,000. The 2024 Bonds will provide the District's matching share of Project 1. WIFIA Loans are limited to 49% of total eligible project costs, with the remainder coming from a combination of state grants, cash, and bonds. The 2024 Bonds are funding the first increment of local share for the full project by funding the District's matching share of the Project 1 costs. District staff also expect to bring the 2024 WIFIA Loan documents before the Board at a later date for authorization and approval.

The District's outstanding debt was issued on a senior lien basis, but the 2024 Bonds and future debt will be issued on a subordinate lien basis, meaning that debt service on the 2024 Bonds will be paid after the senior lien debt service. The 2024 Bonds and future debt are being issued on a subordinate lien basis because of a provision in the outstanding senior lien debt that requires the District to be able to show 110% debt service coverage on every year through final maturity using only the current year's net revenues. To show that required debt service coverage on the financing for a large capital project, like Pure Water AV, the District would need to have a significant rate increase up front to bring net revenues in the current year up to the level needed to provide 110% coverage through final maturity of all debt. Subordinate lien debt will not have this provision, allowing the District to raise rates in a more gradual manner over a period of a few years to ease pressure on ratepayers.

In August 2023, the Board approved issuance of up to \$45 million of senior lien water revenue bonds ("2023 Bonds"). The intention behind that issuance was to finance a complete refunding of all outstanding 2013 Bonds and to finance \$30.5 million in capital projects, including \$18 million toward the Pure Water AV project. However, since the rest of the financing for the project will be done on a subordinate lien basis, the EPA requires all debt financing for the Pure Water AV project to also be done on a subordinate lien basis. Accordingly, the District reduced the size of the 2023 Bonds, from the authorized \$45 million amount down to \$21.225 million to provide for the complete refunding of the 2013 Bonds and to fund a portion of the non-Pure Water AV capital projects.

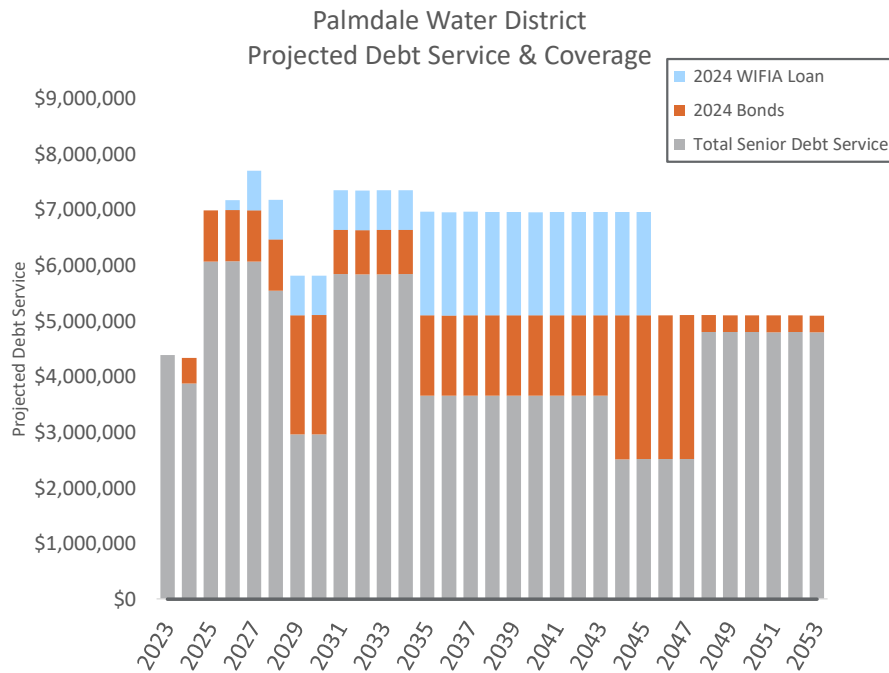
The 2024 Bonds will provide approximately \$17 million in matching funding toward the Demonstration Facility and additional project management and design on the larger Advanced Water Purification Facility. Additionally, the 2024 Bonds will provide approximately \$5 million for other capital projects, including a Sedimentation Basin project.

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

1. Approval of an Installment Purchase Agreement, wherein the District makes installment purchase payments (debt service payments) secured by a pledge of net revenues (after operating expenses) of the District. This Agreement is between the District and the Palmdale Water District Public Financing Authority.
2. Approval of an Assignment Agreement, which assigns the Installment Purchase Agreement from the Palmdale Water District Public Financing Authority to the trustee for the bond issue, The Bank of New York Mellon Trust Company, N.A. (“BNY Mellon”).
3. Approval of the Indenture of Trust, wherein BNY Mellon, the trustee, is instructed how to manage cash flows and various accounts related to the bond issue.
4. Approval of the Purchase Contract, wherein Hilltop Securities, the bond underwriter, sets forth its commitment to purchase the 2024A Bonds from the Public Financing Authority.
5. Approval of the Preliminary Official Statement, wherein information regarding the security for the bonds and the credit of the District is communicated to potential investors.
6. Authorizing and directing the specified District staff to do any and all things and deliver any and all documents which they may deem necessary in order to carry out the terms of the resolutions.

The District’s debt is secured by the net revenues of the District after operating expenses. The District has ample capacity based on current net revenues to issue the 2024 Bonds under the most recently completed five-year cycle of rate increases (2019-2024). However, rates will need to have continued adjustments, beyond those approved in the 2019 rate study, to meet anticipated increases in operating expenses and future debt related to the Pure Water AV Project.

The proposed bonds will be amortized over a period of 30 years and will be structured to “wrap around” the District’s outstanding senior lien debt. In the graph below, the anticipated structure on the 2024 Bonds is shown in orange, while the current structure of the District’s outstanding senior lien debt (i.e., all other debt currently outstanding) is shown in grey. Finally, the anticipated structure of the 2024 WIFIA Loan is shown in light blue, though that structure is subject to change depending on the final amount of the 2024 WIFIA Loan.



In order to minimize rate impact, the majority of the principal on the 2024 bonds will be paid off from 2035 through 2047. An all-in interest rate of approximately 3.95% is expected, based on current bond market conditions. Annual debt service for the first series of bonds will vary due to the “wrap around” structure. Debt service is expected to be approximately \$925,000 per year through 2028, \$2.1 million per year in 2029 and 2030, \$800,000 per year in 2031-2034, \$1.5 million per year in 2035-2043, \$2.6 million per year in 2044-2047, and \$300,000 per year in 2048-2053. Since the rate study and rate increases approved by the Board in 2019 provide sufficient revenue to support both the 2024 Bonds, there will be no additional rate pressure from the issuance of both the proposed bond issues – though the District will have to raise rates further to support the anticipated debt service on the future debt for the full Pure Water AV project.

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

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.

Budget:

The fixed expenses of the District for debt service will increase by approximately \$925,000 per year through 2028, \$2.1 million per year in 2029 and 2030, \$800,000 per year in 2031-2034, \$1.5 million per year in 2035-2043, \$2.6 million per year in 2044-2047, and \$300,000 per year in 2048-2053 after issuance of the Series 2024 Bonds.

Issuance costs for the 2024 Bonds will be paid out of the financing proceeds and those costs are factored into the annual debt service amounts mentioned above. Accordingly, the only impact on the FY 2024 Budget from the 2024 Bonds is from the first semi-annual payment commencing on October 1, 2024 (estimated at approximately \$465,000).

Supporting Documents:

- Resolution No. 2024-1 of the Palmdale Financing Authority
- Resolution No. 24-1 of the Palmdale Water District
- See PWD Agenda Item No. 7.3 for additional supporting documents

RESOLUTION NO. 2024-1

RESOLUTION OF THE PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$22,700,000 SUBORDINATE WATER REVENUE BONDS, SERIES 2024A, APPROVING THE EXECUTION OF CERTAIN DOCUMENTS AND AUTHORIZING CERTAIN ACTS IN CONNECTION THEREWITH

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

WHEREAS, the District has requested that the Authority assist the District in financing certain capital improvements to the District’s Water System, including, but not limited to, the Pure Water AV Demonstration Facility, design and project management costs for the Pure Water AV Demonstration Facility, real property acquisition, a sedimentation project and various pipeline and pump upgrades (the “2024 Project”); and

WHEREAS, the Board of Directors of the Authority has determined to assist the District with the financing of the 2024 Project through the issuance of the Palmdale Water District Public Financing Authority Subordinate Water Revenue Bonds, Series 2024A (the “2024A Bonds”) and desires to approve certain documents in connection therewith;

WHEREAS, the 2024A Bonds will be issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the California Government Code (the “Act”) and an Indenture of Trust by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee;

WHEREAS, in accordance with the requirements of Government Code Section 5852.1, there has been presented to the Board of Directors of the Authority and disclosed at the meeting at which

this resolution is being adopted the information required by Government Code Section 5852(a)(1) which is attached hereto as Exhibit A;

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

Section 1. The issuance of the Palmdale Water District Public Financing Authority Subordinate Water Revenue Bonds, Series 2024A in the principal amount not to exceed \$22,700,000 is hereby approved in order to finance the 2024 Project and to pay the cost of issuance for the 2024A Bonds; provided, however, that the 2024A Bonds shall be issued only in accordance with the parameters set forth in Section 5 below.

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

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

Section 4. The Assignment Agreement, by and between the Authority and the Trustee, in substantially the form on file with the Authority, is hereby approved. Each of the Authorized Officers, acting alone, is hereby authorized and directed to execute and deliver the Assignment Agreement with

such changes, insertions and omissions as may be approved by the person executing the same, with the execution of the Assignment Agreement in its final form being conclusive evidence of the approval by such person.

Section 5. The Bond Purchase Agreement by and among the Authority, the District and Hilltop Securities, Inc. (the “Underwriter”), in substantially the form on file with the Authority, is hereby approved. Each of the Authorized Officers, acting alone, is hereby authorized and directed to execute and deliver the Bond Purchase Agreement with such changes, insertions and omissions as may be approved by the person executing the same, with the execution of the Bond Purchase Agreement in its final form being conclusive evidence of the approval by such person; provided, however, that in no event shall the principal amount of the 2024A Bonds exceed \$22,700,000, nor shall the Underwriter’s discount exceed 0.6% of the principal amount of the 2024A Bonds.

Section 6. The preparation and distribution of the Preliminary Official Statement, in substantially the form on file with the Authority, is hereby approved, together with such changes as are necessary to make the Preliminary Official Statement accurate as of its date, with the Preliminary Official Statement being subject to final approval as to form by the District’s legal counsel and the law firm of Stradling Yocca Carlson & Rauth, a Professional Corporation (“Bond Counsel”). Each of the Authorized Officers, acting alone, is hereby authorized to sign a certificate pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, relating to the Preliminary Official Statement, and each of the Authorized Officers, acting alone, is hereby authorized and directed to execute, approve and deliver the final Official Statement in the form of the Preliminary Official Statement with such changes, insertions and omissions as may be approved by the person executing the same, said execution being conclusive evidence of the approval of such changes, insertions and omissions. The Underwriter is hereby authorized to distribute copies of the Preliminary Official Statement to persons who may be interested in the initial purchase of the 2024A Bonds and is directed to deliver copies of any final Official Statement to all actual initial purchasers of the 2024A Bonds.

Section 7. Each of the Executive Director, the Treasurer or their respective designees, acting alone, is hereby authorized to (i) execute a commitment for municipal bond insurance and/or a reserve surety policy from a municipal bond insurer (the “Insurer”), (ii) to finalize the form of such policy or policies with the Insurer, and (iii) if it is determined Executive Director, the Treasurer or one of their respective designees that the policy or policies will result in interest rate savings on the 2024A Bonds, to pay the insurance premium of such policy or policies from the proceeds of the issuance and sale of the 2024A Bonds. Bond Counsel is hereby directed to make all changes to the Preliminary Official Statement, the Installment Purchase Agreement, the Indenture of Trust, the Assignment Agreement and the Bond Purchase Agreement as are necessary to reflect the selection of an Insurer, including the terms of any commitment and the Insurer’s reasonable comments to such documents.

Section 8. Each of the President, Vice President, Executive Director, Treasurer or Secretary and any other proper officer of the Authority is hereby authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the Indenture of Trust, the Installment Purchase Agreement, the Assignment Agreement, the Bond Purchase Agreement, the Preliminary Official Statement and this Resolution.

Section 9. Each of the Authorized Officers is authorized to provide for all services necessary to effect the issuance of the 2024A Bonds. Such services shall include, but are not limited to, obtaining legal services, municipal advisor services, trustee services and any other services deemed appropriate by an Authorized Officer. Any one of the Authorized Officers is authorized to pay for the cost of such services, together with other costs of issuance for the 2024A Bonds, from the proceeds of the 2024A Bonds, and to execute and any all agreements required to obtain such services.

Section 10. The Bank of New York Mellon Trust Company, N.A. is hereby appointed to act as trustee under the Indenture of Trust.

Section 11. Unless otherwise defined herein, all terms used herein and not otherwise defined shall have the meanings given such terms in the Indenture of Trust unless the context otherwise clearly requires.

Section 12. This Resolution shall take effect from and after its date of adoption.

PASSED AND ADOPTED by the Board of Directors of the Palmdale Water District Public Financing Authority, California, this 25th day of March, 2024, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

President

ATTEST:

Secretary

EXHIBIT A

GOOD FAITH ESTIMATES

The good faith estimates set forth herein are provided with respect to the 2024A Bonds in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the Authority by NHA Advisors, its municipal advisor (the “Municipal Advisor”).

Principal Amount. The Municipal Advisor has informed the Authority that, based on the Authority’s financing plan and current market conditions, its good faith estimate of the aggregate principal amount of the 2024A Bonds to be sold is \$21,100,000 (the “Estimated Principal Amount”). Based on the Estimated Principal Amount, the following good faith estimates are provided:

(a) True Interest Cost of the 2024A Bonds. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 2024A Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the true interest cost of the 2024A Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the 2024A Bonds, is 3.95%

(b) Finance Charge of the 2024A Bonds. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 2024A Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the finance charge for the 2024A Bonds, which means the sum of all fees and charges paid to third parties, is \$629,624.

(c) Amount of Proceeds to be Received. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 2024A Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received by the Authority for sale of the 2024A Bonds, less the finance charges set forth in (b) above, and any reserves or capitalized interest to be paid or funded with proceeds of the 2024A Bonds, together with any premium received, is \$22,000,655.

(d) Total Payment Amount. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 2024A Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the total payment amount, which means the sum total of all payments the Authority will make to pay debt service on the 2024A Bonds, plus the finance charge for the 2024A Bonds as described in (b) above not paid with the proceeds of the 2024A Bonds, calculated to the final maturity of the 2024A Bonds, is \$38,425,500 (\$0.00 of which will be paid for from capitalized interest).

The foregoing estimates constitute good faith estimates only. The actual principal amount of the 2024A Bonds issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of the sale of the 2024A Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of 2024A Bonds sold being different from the Estimated Principal Amount, (c) the actual amortization of the 2024A Bonds being different than the amortization assumed for purposes of such estimates, (d) the actual market

interest rates at the time of sale of the 2024A Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the Authority's financing plan, or a combination of such factors. The actual date of sale of the 2024A Bonds and the actual principal amount of 2024A Bonds sold will be determined by the Authority based on the timing of the need for proceeds of the 2024A Bonds and other factors. The actual interest rates borne by the 2024A Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the 2024A Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the Authority.

RESOLUTION NO. 24-1

RESOLUTION OF THE BOARD OF DIRECTORS OF THE PALMDALE WATER DISTRICT AUTHORIZING THE ISSUANCE BY THE PALMDALE WATER DISTRICT PUBLIC FINANCING AUTHORITY OF SUBORDINATE WATER REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$22,700,000 AND APPROVING CERTAIN DOCUMENTS IN CONNECTION THEREWITH

WHEREAS, the Palmdale Water District (“District”) is an irrigation district duly organized and existing under and pursuant to the Constitution and laws of the State of California (the “State”);

WHEREAS, the District proposes to finance the acquisition and construction of certain improvements, betterments, renovations to and expansions of facilities within its water system including, but not limited to, the Pure Water AV Demonstration Facility, design and project management costs for the Pure Water AV Demonstration Facility, real property acquisition, a sedimentation project and various pipeline and pump upgrades (the “2024 Project”);

WHEREAS, the District desires to have the Palmdale Water District Public Financing Authority (the “Authority”) issue Subordinate Water Revenue Bonds (the “Bonds”) for the purpose of financing the 2024 Project and paying costs of issuance in connection therewith;

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

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

WHEREAS, the District is authorized by Division 11 of the Water Code of the State of California, including, but not limited to Sections 22225 through 22231, to acquire property for its water system;

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

Section 1. Each of the above recitals is true and correct. The Board of Directors hereby further finds and determines that there are significant public benefits of the type described in Section 6586 of the Act to the District and its residents by issuing the Bonds under the Act in that the issuance of the Bonds and related transactions will result in demonstrable savings in bond preparation, bond underwriting and bond issuance costs.

Section 2. The issuance by the Authority of the Bonds in the principal amount not to exceed \$22,700,000 to finance the 2024 Project and to pay the cost of issuance of the Bonds is hereby approved; provided, however, that the Bonds shall be issued only in accordance with the parameters set forth in Section 5 below.

Section 3. The Installment Purchase Agreement by and between the District and the Authority, in substantially the form on file with the Secretary of the Board, is hereby approved, and each of the President of the Board of Directors, the General Manager of the District (the “General Manager”) and the Finance Manager of the District (the “Finance Manager”), or their designees (collectively, the “Authorized Officers”), acting alone, is hereby authorized and directed to execute and deliver such Installment Purchase Agreement with such changes, insertions and omissions as may be approved by the District’s legal counsel and Stradling Yocca Carlson & Rauth, a Professional Corporation (“Bond Counsel”), with the execution thereof by an Authorized Officer being conclusive evidence of approval of any such changes, insertions or omissions.

Section 4. The Continuing Disclosure Certificate to be executed by the District in connection with the issuance of the Bonds, in substantially the form on file with the Secretary of the Board, is hereby approved, and each of the Authorized Officers, acting alone, is hereby authorized and directed to execute and deliver the Continuing Disclosure Certificate with such changes, insertions and omissions as may be approved by the District’s legal counsel and Bond Counsel, with the execution

thereof by an Authorized Officer being conclusive evidence of approval of any such changes, insertions or omissions.

Section 5. The Bond Purchase Agreement by and among the District, the Authority and Hilltop Securities, Inc. (the “Underwriter”), in substantially the form on file with the Secretary of the Board, is hereby approved. Each of the Authorized Officers, acting alone, is hereby authorized and directed to execute and deliver the Bond Purchase Agreement with such changes, insertions and omissions as may be approved by the District’s legal counsel and Bond Counsel, with the execution thereof by an Authorized Officer being conclusive evidence of approval of any such changes, insertions or omissions; provided, however, that in no event shall the principal amount of the Bonds exceed \$22,700,000, nor shall the underwriter’s discount exceed 0.6% of the principal amount of the Bonds.

Section 6. The form of the Preliminary Official Statement, presented to this meeting and on file with the Secretary of the Board, is hereby approved. The General Manager, the Finance Manager and their designees are hereby authorized to make such changes to the Preliminary Official Statement as are necessary to make it final as of its date and are authorized and directed to execute and deliver a certificate deeming the Preliminary Official Statement final as of its date in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended. Each of the Authorized Officers, acting alone, is hereby authorized and directed to execute, approve and deliver the final Official Statement in the form of the Preliminary Official Statement with such changes, insertions and omissions as the Authorized Officer executing said document may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof by an Authorized Officer.

Section 7. The Secretary of the Board, or persons as may have been designated by the General Manager, are hereby authorized and directed to attest the signature of any of the Authorized Officers designated herein to execute any documents, as may be required or appropriate in connection with the execution and delivery of the Bond Purchase Agreement, the Installment Purchase Agreement, the Continuing Disclosure Certificate and the Official Statement.

Section 8. Each of the Authorized Officers, acting alone, is authorized to execute a contract for services with Stradling Yocca Carlson & Rauth, a Professional Corporation, to act as Bond Counsel and Disclosure Counsel to the District, and with NHA Advisors to act as Municipal Advisor to the District (the “Municipal Advisor”), in connection with the issuance of the Bonds. The Bank of New York Mellon Trust Company, N.A. is hereby appointed as trustee for the Bonds, and the General Manager is hereby authorized to appoint any replacement trustee while the Bonds are outstanding.

Section 9. Each of the General Manager, the Finance Manager and their designees, acting alone, is hereby authorized to (i) execute a commitment for municipal bond insurance and/or a reserve surety policy from a municipal bond insurer (the “Insurer”), (ii) to finalize the form of such policy or policies with the Insurer, and (iii) if it is determined by the General Manager, the Finance Director or their designee that the policy or policies will result in interest rate savings on the Bonds, to pay the insurance premium of such policy or policies from the proceeds of the issuance and sale of the Bonds. Bond Counsel is hereby directed to make all changes to the Preliminary Official Statement, the Continuing Disclosure Certificate, the Installment Purchase Agreement and the Bond Purchase Agreement as are necessary to reflect the selection of an Insurer, including the terms of any commitment and the Insurer’s reasonable comments to such documents.

Section 10. The Authorized Officers are each hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which each may deem necessary or advisable in order to consummate the issuance of the Bonds and the financing of the 2024 Project, and to otherwise carry out, give effect to and comply with the terms and intent of this Resolution, the Bonds, the Installment Purchase Agreement, the Continuing Disclosure Certificate, the Bond Purchase Agreement, the Preliminary Official Statement and the Official Statement. Such actions heretofore taken by such officers or designees are hereby ratified, confirmed and approved.

Section 11. Unless otherwise defined herein, all terms used herein and not otherwise defined shall have the meanings given such terms in the Installment Purchase Agreement unless the context otherwise clearly requires.

Section 12. This Resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED by the Board of Directors of the Palmdale Water District,
California, this 25th day of March, 2024, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

President

ATTEST:

Secretary

EXHIBIT A

GOOD FAITH ESTIMATES

The good faith estimates set forth herein are provided with respect to the Bonds in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the District by the Municipal Advisor.

Principal Amount. The Municipal Advisor has informed the District that, based on the District's financing plan and current market conditions, its good faith estimate of the aggregate principal amount of the Bonds to be sold is \$21,100,000 (the "Estimated Principal Amount"). Based on the Estimated Principal Amount, the following good faith estimates are provided:

(a) True Interest Cost of the Bonds. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is 3.95%.

(b) Finance Charge of the Bonds. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the finance charge for the Bonds, which means the sum of all fees and charges paid to third parties, is \$629,624.

(c) Amount of Proceeds to be Received. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received by the Authority for sale of the Bonds, less the finance charges set forth in (b) above, and any reserves or capitalized interest to be paid or funded with proceeds of the Bonds, together with any premium received, is \$22,000,655.

(d) Total Payment Amount. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the total payment amount, which means the sum total of all payments the Authority will make to pay debt service on the Bonds, plus the finance charge for the Bonds as described in (b) above not paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is \$38,425,500 (\$0.00 of which will be paid for from capitalized interest).

The foregoing estimates constitute good faith estimates only. The actual principal amount of the Bonds issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of the sale of the Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of Bonds sold being different from the Estimated Principal Amount, (c) the actual amortization of the Bonds being different than the amortization assumed for purposes of such estimates, (d) the actual market interest rates at the time of sale of the Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the District's financing plan, or a combination of such factors. The

actual date of sale of the Bonds and the actual principal amount of Bonds sold will be determined by the District based on the timing of the need for proceeds of the Bonds and other factors. The actual interest rates borne by the Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the District.